

The City of  
**SAN DIEGO**  
California



**Annual  
Comprehensive  
Financial Report**

Fiscal Year Ended June 30, 2022





# The City of **SAN DIEGO** California

## Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2022

Prepared Under the Supervision of:  
Matthew Vespi, Chief Financial Officer  
Rolando Charvel, CPA, Comptroller





# Table of Contents

Fiscal Year Ended June 30, 2022

## INTRODUCTORY SECTION (UNAUDITED)

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

## FINANCIAL SECTION

Independent Auditor's Report .....	<u>29</u>
Management's Discussion and Analysis (Required Supplementary Information - Unaudited) .....	<u>33</u>

### BASIC FINANCIAL STATEMENTS

#### Government-Wide Financial Statements:

Statement of Net Position .....	<u>50</u>
Statement of Activities .....	<u>52</u>

#### Governmental Funds Financial Statements:

Balance Sheet .....	<u>54</u>
Statement of Revenues, Expenditures and Changes in Fund Balances .....	<u>56</u>

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	<u>58</u>
---	-----------

#### Proprietary Funds Financial Statements:

Statement of Fund Net Position .....	<u>60</u>
Statement of Revenues, Expenses and Changes in Fund Net Position .....	<u>62</u>
Statement of Cash Flows .....	<u>64</u>

#### Fiduciary Funds Financial Statements:

Statement of Fiduciary Net Position .....	<u>66</u>
Statement of Changes in Fiduciary Net Position .....	<u>67</u>

#### Notes to the Basic Financial Statements:

1. Summary of Significant Accounting Policies .....	<u>68</u>
2. Reconciliation of Government-Wide and Fund Financial Statements .....	<u>83</u>
3. Cash and Investments .....	<u>87</u>
4. Capital Assets .....	<u>113</u>
5. Governmental Activities Long-Term Liabilities .....	<u>117</u>
6. Business-Type Activities Long-Term Liabilities .....	<u>124</u>
7. Discretely Presented Component Unit Long-Term Liabilities .....	<u>130</u>
8. Short-Term Liabilities .....	<u>132</u>
9. Joint Ventures and Jointly Governed Organizations .....	<u>133</u>
10. Lease Commitments .....	<u>135</u>
11. Deferred Compensation Plan .....	<u>138</u>
12. Pension Plans .....	<u>139</u>
13. Other Postemployment Benefits .....	<u>151</u>
14. Interfund Receivables, Payables and Transfers .....	<u>158</u>

## Table of Contents

Fiscal Year Ended June 30, 2022

### FINANCIAL SECTION - CONTINUED

15. Risk Management .....	<u>159</u>
16. Fund Balance / Net Position Deficits .....	<u>161</u>
17. Commitments .....	<u>162</u>
18. Contingencies .....	<u>167</u>
19. Debt Without Government Commitment .....	<u>170</u>
20. Closure and Postclosure Care Cost .....	<u>173</u>
21. Fund Balances .....	<u>174</u>
22. Extraordinary Loss .....	<u>176</u>
23. Subsequent Events .....	<u>177</u>
 <b>REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)</b>	
Defined Benefit Pension Plans and OPEB Plan:	
Schedule of Changes in Net Pension Liability and Related Ratios .....	<u>181</u>
Preservation of Benefits Plan Schedule of Changes in Total Pension Liability .....	<u>182</u>
Pension Plans Schedule of Employer Contributions .....	<u>183</u>
Schedule of Changes in Net OPEB Liability and Related Ratios .....	<u>184</u>
OPEB Plan Schedule of Employer Contributions .....	<u>185</u>
General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) .....	<u>190</u>
Note to Required Supplementary Information .....	<u>191</u>
 <b>COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES</b>	
General Fund:	
Schedule of Revenues and Transfers - Budget and Actual (Budgetary Basis) .....	<u>197</u>
Schedule of Expenditures and Transfers - Budget and Actual (Budgetary Basis) .....	<u>199</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet .....	<u>207</u>
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	<u>208</u>
Nonmajor Governmental Funds - Special Revenue:	
Combining Balance Sheet .....	<u>213</u>
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	<u>214</u>
City of San Diego Combining Balance Sheet .....	<u>216</u>
City of San Diego Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	<u>218</u>
City of San Diego Combining Schedule of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual (Budgetary Basis) .....	<u>220</u>
Nonmajor Governmental Funds - Debt Service:	
Combining Balance Sheet .....	<u>228</u>
Combining Statement of Revenues, Expenditures and Changes in Fund Balance .....	<u>228</u>

## Table of Contents

Fiscal Year Ended June 30, 2022

Nonmajor Governmental Funds - Capital Projects:	
Combining Balance Sheet .....	<u>233</u>
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	<u>234</u>
City of San Diego Combining Balance Sheet .....	<u>236</u>
City of San Diego Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	<u>238</u>
City of San Diego Combining Schedule of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual (Budgetary Basis) .....	<u>240</u>
Nonmajor Governmental Funds - Permanent:	
Combining Balance Sheet .....	<u>244</u>
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	<u>244</u>
Nonmajor Enterprise Funds:	
Combining Statement of Fund Net Position .....	<u>248</u>
Combining Statement of Revenues, Expenses and Changes in Fund Net Position .....	<u>250</u>
Combining Statement of Cash Flows .....	<u>252</u>
Internal Service Funds:	
Combining Statement of Fund Net Position .....	<u>258</u>
Combining Statement of Revenues, Expenses and Changes in Fund Net Position .....	<u>259</u>
Combining Statement of Cash Flows .....	<u>260</u>
Fiduciary Funds:	
Combining Statement of Fiduciary Net Position - Pension Trust Funds .....	<u>266</u>
Combining Statement of Changes in Fiduciary Net Position - Pension Trust Funds .....	<u>267</u>
Combining Statement of Fiduciary Net Position - Custodial Funds .....	<u>268</u>
Combining Statement of Changes in Fiduciary Net Position - Custodial Funds .....	<u>268</u>

### STATISTICAL SECTION (UNAUDITED)

Table 1: Net Position by Category .....	<u>272</u>
Table 2: Changes in Net Position .....	<u>274</u>
Table 3: Fund Balances of Governmental Funds .....	<u>278</u>
Table 4: Changes in Fund Balances of Governmental Funds .....	<u>280</u>
Table 5: Assessed Value and Estimated Value of Taxable Property .....	<u>282</u>
Table 6: Assessed Value of Property Use Code / Assessed Value by Major Component .....	<u>284</u>
Table 7: Direct and Overlapping Property Tax Rates .....	<u>286</u>
Table 8: Principal Property Tax Payers .....	<u>288</u>
Table 9: Property Tax Levies and Collections .....	<u>289</u>
Table 10: Ratios of Outstanding Debt by Type .....	<u>290</u>
Table 11: Ratios of General Bonded Debt Outstanding .....	<u>292</u>
Table 12: Direct and Overlapping Debt .....	<u>294</u>
Table 13: Legal Debt Margin Schedule .....	<u>296</u>
Table 14: Pledged-Revenue Coverage - Water Obligations .....	<u>298</u>
Table 15: Pledged-Revenue Coverage - Sewer Obligations .....	<u>300</u>
Table 16: Demographic and Economic Statistics .....	<u>301</u>

**Table of Contents**  
Fiscal Year Ended June 30, 2022

STATISTICAL SECTION (UNAUDITED) - CONTINUED

Table 17: Principal Employers .....	<u>302</u>
Table 18: Full-time and Part-time City Employees by Function .....	<u>303</u>
Table 19: Operating Indicators by Function .....	<u>304</u>
Table 20: Capital Asset Statistics by Function .....	<u>306</u>



## FORWARD-LOOKING STATEMENTS

The Annual Comprehensive Financial Report (ACFR) of the City of San Diego (City) for the fiscal year ended June 30, 2022, including the Letter of Transmittal and Management's Discussion and Analysis, contains forward-looking statements regarding the City's business, financial condition, results of operations and prospects. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions or variations of such words are intended to identify forward-looking statements, but are not the exclusive means of identifying forward-looking statements in the ACFR. 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 ACFR 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 ACFR. 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 ACFR. Readers are urged to carefully review and consider the various disclosures made in the ACFR which attempt to advise interested parties of factors that may affect the business, financial condition, results of operations and prospects of the City.





# Introductory Section (Unaudited)





December 28, 2022

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

We are pleased to submit the ACFR of the City for the fiscal year ended June 30, 2022, in accordance with Section 111 of the City Charter (Charter).

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

The independent audit firm of Macias Gini & O'Connell LLP has audited the fiscal year 2022 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 ACFR, must be read in their entirety to obtain a complete understanding of the City's financial position as of June 30, 2022, and the respective changes in its financial position. Readers of these financial statements should pay particular attention to Notes 12, 13, 17, and 18, concerning Pension Plans, Other Postemployment Benefits, Commitments, and Contingencies, respectively. These notes address certain issues underlying the City's financial condition as well as future potential or anticipated expenses/expenditures related to regulatory and environmental costs.

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

It is important to note that the General Fund's presentation in the ACFR is different from the presentation in the City's annual budget. The General Fund in the ACFR incorporates the balances and activity of additional funds which do not meet the definition of special revenue funds. These funds 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 ACFR.

## 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 of 372 square miles. The California Department of Finance estimated the City's population to be 1,374,790 as of January 2022, 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 limited to two consecutive terms. The City Council is composed of nine members who are elected to staggered four-year terms and who are limited to two consecutive terms. The City Council is presided over in open meetings by the Council President, who is selected by a majority vote of the City Council. The Mayor presides over closed session meetings of the City Council. The City Attorney, who is elected to a four-year term, serves as the chief legal adviser and attorney for the City and all departments. The City Attorney is also limited to two consecutive terms in office.

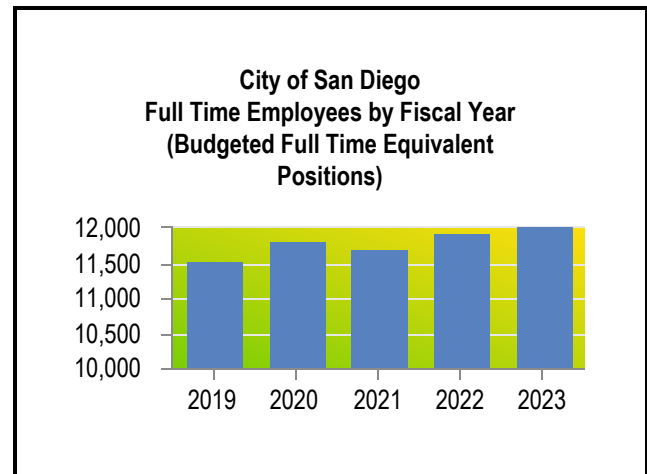
Under the Strong-Mayor form of government, the Mayor is the Chief Executive Officer of the City and has direct oversight of all City functions and services except for the City Council, Personnel, City Clerk, Independent Budget Analyst (IBA), City Attorney, Ethics Commission and City Auditor departments.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

### FEDERAL COVID-19 ASSISTANCE

On March 11, 2021, the American Rescue Plan Act of 2021 (ARPA), was signed into law to provide \$350 billion of emergency funding for state, local, territorial, and tribal governments in the form of Coronavirus State and Local Fiscal Recovery Funds (SLFRF). The City received two distributions of \$149.9 million on June 1, 2021 and June 6, 2022. These funds may only be used to cover costs that: (1) respond to the public health emergency with respect to COVID-19 or its negative economic impacts; (2) respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers; (3) provide for government services to the extent of the reduction in revenue of the City due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year of the City prior to the emergency; and (4) make necessary investments in water, sewer or broadband infrastructure. The City may use SLFRF to cover eligible costs incurred during the period from March 3, 2021 to December 31, 2024, as long as the SLFRF are expended by December 31, 2026. The City intends to use most of these funds for the provision of government services due to the impact of COVID-19 on General Fund revenues. As of the end of fiscal year 2022, the City has expended \$100 million of the SLFRF and budgeted an additional \$123.5 million of SLFRF in fiscal year 2023.

**CITY SERVICES**

The City, with 12,777 budgeted full-time equivalent (FTE) positions in fiscal year 2023, provides a full range of governmental services. In the Fiscal Year 2023 Adopted Budget, the City budgeted 833 additional positions compared to the prior fiscal year. This increase was primarily due to the addition of positions in the departments of Public Utilities, Development Services, Stormwater, Transportation, Environmental Services, Police, and Parks & Recreation. The budget continues its prior year fiscally responsible, multi-year approach that uses federal relief funds strategically to allow for the City’s major revenues to recover while maintaining the following services to its residents and visitors:



**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 may propose revisions to the originally proposed budget. 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 Charter requires that City Council adopt the Appropriation Ordinance for the following year by June 30. All subsequent amendments to the adopted budget require City Council approval except as delegated in the Appropriation Ordinance.

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

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

## LOCAL ECONOMY

The State of California Employment Development Department (EDD) estimates the total civilian labor force for the San Diego/Carlsbad Metropolitan Statistical Area (MSA), which represents San Diego County, is approximately 1.58 million, of which about 1.52 million are non-farm jobs (see footnote below). Between September 2021 and September 2022, total non-farm employment increased by 60,400 jobs, or 4%. The September 2022 unemployment rate in the San Diego/Carlsbad MSA was 3.1%, down from 3.4% in August 2022, and below the prior year 5.4% estimate. This compares with an unadjusted unemployment rate of 3.7% for California and 3.3% for the nation during the same period. The table below 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 2020 through 2022.

**San Diego / Carlsbad MSA <sup>1</sup>**  
**Civilian Non-Farm Labor Force by Industry Sector**

Industry Sector	2020	2021	2022	2022
Professional & Business Services	244,800	266,100	282,000	18.7%
Leisure & Hospitality	138,400	176,600	200,300	13.2%
Government				
State & Local Government	180,200	190,100	196,900	13.0%
Federal Government	50,000	47,500	46,900	3.1%
Healthcare & Social Assistance	182,800	189,300	192,600	12.7%
Trade				
Retail Trade	132,900	136,100	140,100	9.2%
Wholesale Trade	40,400	41,300	42,800	2.8%
Manufacturing	112,800	114,000	112,200	7.4%
Financial Activities	73,200	75,300	72,900	4.8%
Construction	81,100	83,900	87,900	5.8%
Other	124,400	134,700	140,700	9.3%
Total Non-Farm <sup>2</sup>	1,361,000	1,454,900	1,515,300	100%

<sup>1</sup> 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 Benchmark). Data excludes military uniformed personnel.

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

Federal Government employment in the previous table includes approximately 23,400 civilians employed by the United States Department of Defense, but excludes military uniformed personnel. In its 2021 Economic Impact Study, the San Diego Military Advisory Council (SDMAC) estimated a total of 145,000 active duty and civilians work as members of the Navy, Marine Corps, Reserves, Coast Guard, or Veterans Administration in San Diego County.



**MAJOR INDUSTRIES**

The City's 2017-2019 Economic Development Strategy identified four economic base industries in San Diego: (1) manufacturing and innovation; (2) international trade and logistics; (3) military installations; and (4) tourism. 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.

The City's economic base is anchored by higher education and major scientific research institutions, which provide a foundation to create new manufacturing products. The top exports from the San Diego Area are computer and electronic parts, chemicals, machinery, transportation equipment, and other miscellaneous manufacturing goods. 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. According to the Department of Commerce, the San Diego area was the 18th largest exporter among U.S. Metro areas with an export value of \$23.7 billion in 2021.

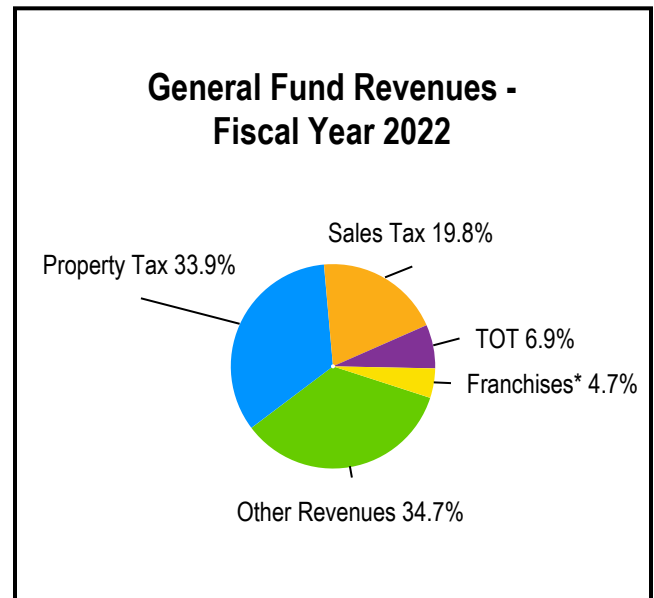
The military continues to play a significant role in the San Diego economy. In a study done by SDMAC, defense-related activities and spending will generate approximately \$55.2 billion of Gross Regional Product (GRP) for San Diego County, or 25% of the region's total GRP in 2021. According to the SDMAC, the military was responsible for approximately 349,000 jobs in the region, or 23% of all employment in the region.

Although COVID-19 has greatly impacted tourism and group travel, tourism continues to be a major economic driver for the City. The San Diego Convention Center, which served as a temporary emergency homeless shelter and emergency intake center for unaccompanied minors seeking asylum, resumed its normal activity on August 1, 2021. According to the San Diego Tourism Authority (SDTA), the San Diego Convention Center events represented approximately \$209.6 million in direct spending in 2021. While it may take some time before the City reaches 2019 levels of tourism, the City is expected to see continual positive growth in tourism over the next five years.

**FINANCIAL AND ECONOMIC TRENDS**

In fiscal year 2022, the General Fund's four major operating revenue sources - property tax, sales tax, transient occupancy tax (TOT), and franchise fees (unrestricted) - made up 65.4% of total General Fund revenues. Based on revenue projections for the first quarter of fiscal year 2023, major revenues for the General Fund are expected to increase by \$73.7 million (5.8%) compared to major revenues reported for the General Fund in the fiscal year 2022 basic financial statements.

The table on the following page shows historical trends for the General Fund major revenues for the past four fiscal years and revenue projections for fiscal year 2023.



\* Excludes San Diego Gas & Electric franchise fee revenue deposited into a special fund due to restrictions in the Charter to preserve and enhance the natural environment of the City.

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

	2019	2020	2021	2022	2023 <sup>1</sup>
Property Tax	\$ 570,627	\$ 609,297	\$ 641,395	\$ 663,142	\$ 722,200
Sales Tax <sup>2</sup>	314,362	292,525	313,858	387,872	386,000
TOT <sup>3</sup>	131,926	95,243	68,086	136,468	149,900
Franchise Fees <sup>4</sup>	80,594	77,357	77,826	91,403	94,500
<b>TOTAL</b>	<b>\$ 1,097,509</b>	<b>\$ 1,074,422</b>	<b>\$ 1,101,165</b>	<b>\$ 1,278,885</b>	<b>\$ 1,352,600</b>

<sup>1</sup> Source: Fiscal Year 2023 First Quarter Budget Monitoring Report - Department of Finance, City of San Diego. Budgetary basis excludes safety sales tax.

<sup>2</sup> Includes Safety Sales Tax.

<sup>3</sup> Includes the General Fund portion of Transient Occupancy Tax (5.5% of the 10.5% levy). \$122.6 million was deposited into the TOT Special Revenue Fund in fiscal year 2022.

<sup>4</sup> Excludes San Diego Gas & Electric franchise fee revenue deposited in a special fund due to restrictions in the Charter to preserve and enhance the natural environment of the City.

The U.S. Economy is currently facing record high inflation. This has led the Federal Reserve to increase the federal funds rate in an effort to bring the Consumer Price Index (CPI) to a target rate of 2.0%. As of December 2022, the federal funds rate was set at a target range of 4.25% to 4.5%. These interest rate increases, and the increases that are expected to follow in the next few months, will likely have a dampening effect on the economy, slowing down growth and potentially resulting in a recession. The primary economic drivers that impact both sales tax and transient occupancy tax (TOT) revenues are the unemployment rate and consumer confidence, which drive consumer spending including tourism. A slowing economy is likely to have a negative effect on consumer confidence and could increase unemployment levels, resulting in lower than projected sales tax and TOT for fiscal year 2023 and future years. The impact on sales tax and TOT will be dependent on the severity and duration of the economic slowdown if a slowdown were to occur.

Additionally, higher interest rates may impact property tax revenue. At the beginning of calendar year 2022, the City experienced high growth in both home prices and home sales before slowing in recent months. The median home price reached an all-time high of \$860,000 as of May 2022, however, the median home price has since dropped to \$825,000 as of September 2022. Moreover, home sales have also begun to slow, with year-to-date home sales as of September 2022 decreasing by 28.3% when compared to year-to-date home sales as of September 2021. The decline in property sales is attributed to increasing interest rates, resulting in unfavorable lending conditions. When coupled with high median home prices, this has further reduced the affordability of homes in the region. A continuation of these trends is likely to have a detrimental effect on property tax revenues for the City.

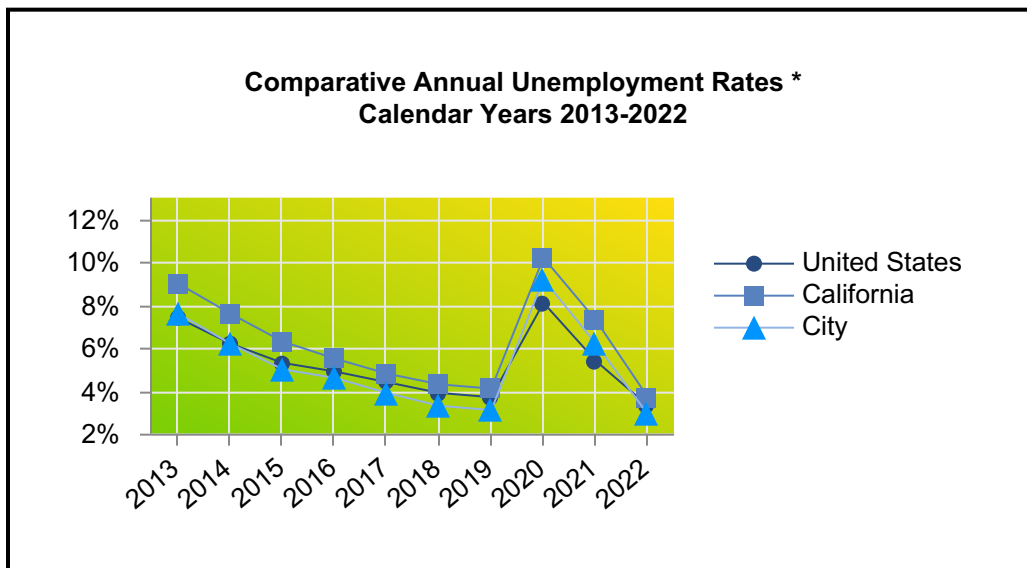
### Property Tax

Property Tax revenue is the largest revenue source for the General Fund, representing 33.9% of total General Fund revenue recognized in fiscal year 2022. There is a two-year lag between the time property values are assessed by the County of San Diego (County) to the time the property tax revenue is received by the City. Therefore, the property tax revenue received in fiscal year 2022 and the estimated revenue for fiscal year 2023 are based on assessments from January 1, 2020 and 2021, respectively. The 8.9% growth rate projected for property tax revenue in fiscal year 2023 is based on a year-over-year increase in the median home price of 15.17%. The fiscal year 2023 assessed valuation of properties not sold or otherwise improved, in accordance with limits established by Proposition 13, is based on the change in the California Consumer Price Index (CCPI) from October 2020 to October 2021. During this period, the CCPI increased by 5.6%. Furthermore, Proposition 13 limits the inflation factor to 2.0%, therefore the assessed valuation of properties not sold or otherwise improved will increase their taxable basis by 2.0%. Additionally, the City receives tax sharing distributions in accordance with redevelopment dissolution laws and a proportional share of residual property tax payments of funds remaining in the Redevelopment Property Tax Trust Fund (RPTTF) after Recognized Obligation Payments are made.

**Sales Tax**

The City’s second largest revenue source for the General Fund is sales tax, representing 19.8% of total General Fund revenue recognized in fiscal year 2022. The total citywide sales tax rate in San Diego is 7.75%, of which the City receives approximately 1.0% for general purposes. The City also receives a portion of the 0.5% collected by the San Diego Association of Governments (SANDAG) for the TransNet program to fund transportation improvements throughout the City, and a portion of the 0.5% Safety Sales Tax to fund local public safety needs. General purpose and safety sales tax are deposited in the General Fund, while TransNet sales tax revenue is deposited in the TransNet Capital Projects Fund.

The major local economic drivers of the City’s Sales Tax revenue include the unemployment rate, consumer confidence, and consumer spending. The unemployment rate for the City was 2.9% in September 2022, down from 5.1% in September 2021. A lower local unemployment rate generally increases consumer confidence which, in turn, increases the City’s sales tax receipts. Additionally, as consumers shift from in-store purchases to online sales, the City receives a smaller portion of sales tax revenues. Online retailers are required to collect and remit sales tax based on point-of-sale. Due to economic recovery from the pandemic, the City experienced a year-over-year increase of \$74.0 million (23.6%) in sales tax receipts during fiscal year 2022. Based on the fiscal year 2023 projection, the City estimates a year-over-year decrease in sales tax revenue of approximately \$1.9 million (0.5%) compared to fiscal year 2022 actual revenue recognized.



Source: Federal Bureau of Labor Statistics, California Employment Development Department.  
 \* Unemployment rates for 2022 are based on September 2022 data.

**Transient Occupancy Tax**

The City’s TOT is levied at 10.5% of daily room prices in hotels as well as motels and short-term vacation rentals 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 (with 4% allocated to special programs to promote the City’s tourism and the remaining 1% 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. The TOT allocation to the General Fund of \$136.5 million represented 6.9% of total General Fund revenue recognized in fiscal year 2022. In addition, the General Fund received reimbursements and transfers from the TOT Special Revenue Fund of \$42 million and \$24.5 million, respectively, in fiscal year 2022 for a combined total of \$203 million.

**Tourism Information - County of San Diego**

	<b>CY 2019</b>	<b>CY 2020</b>	<b>CY 2021</b>	<b>CY 2022</b>	<b>CY 2023</b>
<b>Visitors</b>					
Total Visits (millions)	35.1	14.3	23.8	32.2 <sup>1</sup>	34.5 <sup>1</sup>
Overnight Visits (millions)	17.9	8.7	13.8	16.6 <sup>1</sup>	18.1 <sup>1</sup>
<b>Hotel Sector</b>					
Average Occupancy	76.6%	48.7%	61.9%	73.2% <sup>2</sup>	74.7% <sup>2</sup>
Average Daily Rate	\$166.35	\$129.83	\$164.54	\$197.70 <sup>2</sup>	\$192.80 <sup>2</sup>
Revenue PAR <sup>3</sup>	\$127.46	\$63.22	\$101.79	\$144.80 <sup>2</sup>	\$144.00 <sup>2</sup>
Room Demand (growth)	0.1%	(40.8)%	36.4%	19.2% <sup>2</sup>	2.8% <sup>2</sup>

Source: San Diego Tourism Authority and Tourism Economics, Inc.

<sup>1</sup> Travel Forecast August 2022 - Tourism Economics, Inc.

<sup>2</sup> Lodging Forecast October 2022 - Tourism Economics, Inc.

<sup>3</sup> Revenue per Available Room (Average Occupancy multiplied by Average Daily Rate).

The preceding table reflects a decline in average occupancy in 2020 due to the COVID-19 pandemic. The forecast for calendar year 2022 reflects an increase of 16.2% over calendar year 2021 in average occupancy. This positive trend is expected to continue until a return to 2019 levels occurs in 2023. Similarly, visitation is expected to return to 2019 levels in 2024. Major economic drivers for TOT revenue include seasonal and non-seasonal tourism, business travel, and conventions. With the unemployment rate down from fiscal year 2021 and no current travel restrictions the City has started to see rising tourism numbers. On April 1, 2022 requirements for vaccination or negative COVID-19 tests for indoor mega events have been lifted but are strongly recommended. Business activities can currently operate normally, with the exception that face coverings may be required in some settings.

**Franchise Fees**

San Diego Gas and Electric (SDG&E), the single largest generator of franchise fee revenues for the General Fund, remits 3% of the gas and electricity gross sales within the City, 75% of which is unrestricted and 25% of which is restricted by the Charter to preserve and enhance the natural environment of the City. Both restricted and unrestricted SDG&E franchise fee revenues are reported in the General Fund. The City also collects 5% of gross revenues from Cox Communications, Spectrum (formerly Time Warner Cable), and AT&T for cable and broadband. Other franchise fee revenues include refuse hauler fees (based on the total amount of refuse hauled annually), and fees from the Police Department's vehicle tow program. Unrestricted franchise fee revenues of approximately \$91.4 million represented 4.7% of total General Fund revenues recognized in fiscal year 2022. The fiscal year 2023 projection estimates a year-over-year increase of \$3.1 million, or 3.4% in unrestricted franchise fee revenues.

**LONG-TERM FINANCIAL PLANNING AND FINANCIAL POLICIES****FIVE-YEAR OUTLOOK**

Each year the City develops a Five-Year Financial Outlook (Outlook), which is the guiding document for long-range fiscal planning and serves as the framework for development of the next adopted budget. The Outlook is published annually and incorporates a range of information on items that influence projected revenues and anticipated appropriation needs over the next five fiscal years. These projections inform the City Council and the public of the long-term costs of programs in the context of the City's overall General Fund budget and projected revenue growth. The Fiscal Year 2024-2028 Five-Year Outlook, released on November 10, 2022, can be obtained online at <https://www.sandiego.gov/finance/financialrpts>.

## MULTI-YEAR CAPITAL IMPROVEMENT PROGRAM AND INFRASTRUCTURE

In January 2022, the City's Public Works Department released its Five-Year Capital Infrastructure Planning Outlook (CIP Outlook) report. The CIP Outlook presents a comprehensive overview of the City's CIP including current driving factors, reviews of service level standards, a discussion of condition assessment impacts, and a cost analysis which spans over multiple fiscal years, including the cost of capital replacement of City assets which has been deferred in the past. The CIP Outlook is released on an annual basis and is used as a guide in developing the City's Annual Capital Improvement Program Budget.

CIP projects include, but are not limited to, public health and safety, federal and state laws and mandates. According to the Fiscal Year 2023 CIP Adopted Budget Volume III (CIP Budget), the total CIP project-to-date budget citywide is \$17.24 billion, with 53.5% supporting Water and Sewer CIP. This includes every active (Council-approved) CIP project (approximately 1,300 projects), with the timeline for completion ranging from one to three years with some lasting decades into the future, some of these projects are pending identification of eligible future funding sources. The CIP Outlook estimates capital needs for fiscal year 2023 through fiscal year 2027 at approximately \$8.44 billion. The CIP outlook includes active CIP projects, which are included in CIP budget, and future requests which have not been formally prioritized or approved by Council and are not included in the CIP budget. The projected available funding in the CIP Outlook is estimated at approximately \$4.12 billion, reflecting an estimated funding gap of \$4.32 billion across the five years. This estimated funding gap relates to General Fund owned assets and does not assume funding gaps for enterprise funds such as Water and Sewer Utilities. For the purposes of the CIP Outlook, capital programs related to the enterprise funds are assumed self-sufficient and will be supported by rates and fees upon completion of cost of service studies and the City Council approval of rates necessary to meet operational and capital projections

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

The City owns and maintains depreciable assets, including but not limited to, streets, bridges, parks, public facilities, and airports. Over the years, the City deferred maintenance and capital expenditures related to some of these assets, which resulted in deterioration of segments of the City's infrastructure. A financial plan for addressing General Fund deferred capital costs and new facilities has been in place over the last ten years, in part through issuances of Lease Revenue Bonds. Looking forward to fiscal years 2023-2027, \$375.6 million in short-term commercial paper notes, Water Infrastructure Finance and Innovation Act (WIFIA) and State Revolving Fund (SRF) loans or other long-term financing are anticipated to be issued during the CIP Outlook period. The schedule for issuance of debt, as well as the type of debt financing, is re-evaluated each fiscal year as a means towards funding capital and infrastructure needs. Additionally, the DoF prepares semi-annual CIP Budget Monitoring Reports that highlight the effective cash management and streamlining efforts that enhance internal monitoring and execution of the CIP program. These reports are available at <https://www.sandiego.gov/finance/financialrpts>.

There are significant additional revenue sources restricted for capital projects and infrastructure including: TransNet; Gas Tax; proceeds from real property sales; developer impact fees; and capital grants, that are anticipated to be invested in City infrastructure and deferred maintenance. In 2016, San Diego residents passed Proposition H, a Charter amendment that established an Infrastructure Fund (Fund) to be used exclusively to pay for capital improvements and repair and maintenance of General Fund infrastructure. Beginning in fiscal year 2018, the City is required to deposit 50% of major revenue growth over the base year of fiscal year 2016 into the Fund for five years.

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

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

## RESERVES

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

The City's Reserve Policy establishes policy goals, which represent the total reserve level that the City is trying to achieve for each of its reserves (Policy Goal). For those reserves that are not at Policy Goal, the City's Reserve Policy establishes incremental funding levels for each fiscal year (Target Goal) until arriving at full funding. As a response to the impact of COVID-19, the reserve levels remain the same as reported in fiscal year 2021 due to the City not including contributions to the General Fund reserves this fiscal year.

The following table identifies the Policy Goal, Target Goal (percentage and dollar), and current reserve levels as of the end of fiscal year 2022 for the General Fund, Risk Management, Pension Payment Stabilization, and Public Utility Rate Stabilization Reserves.

Reserve	Policy Goal	FY 22 Target % <sup>4</sup>	FY 22 Target (In Millions)	FY 22 Reserve (In Millions)
<b>General Fund Emergency Reserve<sup>1</sup></b>	8% of the most recent three year average of annual audited General Fund operating revenues (budgetary basis)	8%	\$110.2	\$106.1
<b>General Fund Stability Reserve<sup>1</sup></b>	8.7% of the most recent three year average of annual audited General Fund operating revenues (budgetary basis)	8%	\$110.2	\$99.5
<b>Public Liability Reserve<sup>2</sup></b>	50% of outstanding public liability claims based on the annual actuarial liability valuations for the three most recent fiscal years	50%	\$36.9	\$33.8
<b>Workers' Compensation Reserve<sup>2</sup></b>	12% of outstanding workers' compensation claims based on the annual actuarial liability valuations for the three most recent fiscal years	12%	\$33.3	\$33.3
<b>Long-Term Disability Reserve<sup>2</sup></b>	100% of long-term disability claims based on the annual actuarial liability valuations for the three most recent fiscal years	100%	\$4.7	\$4.3
<b>Pension Payment Stabilization Reserve<sup>3</sup></b>	8% of the average of the three most recent Actuarially Determined Contributions	2.9%	\$10.6	\$10.6
<b>Water Rate Stabilization Fund Reserve</b>	5% of prior fiscal year water system total operating revenue	5%	\$29.6	\$114.1
<b>Wastewater Rate Stabilization Fund Reserve</b>	5% of prior fiscal year wastewater system total operating revenue	5%	\$18.1	\$98.3

<sup>1</sup> 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 ACFR in accordance with GASB 54.

<sup>2</sup> Public Liability, Workers' Compensation, and Long-Term Disability Reserves are based on cash on hand plus contributions receivable balances. The Public Liability Reserve is funded entirely by the General Fund whereas the Workers' Compensation and Long-Term Disability Reserves are citywide funded.

<sup>3</sup> This includes General Fund reserves of \$7.9 million and enterprise funds reserves of \$2.7 million.

<sup>4</sup> See Note 1v for additional detail on reserves targets.

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

To determine the reserve dollar amount in accordance with the City's reserve policy, the City calculates the average operating revenues for the General Fund (budgetary basis) based on the three most recent years and applies a percentage to that average. In fiscal year 2017, the City increased its Policy Goal for the Stability Reserve from 6% to 8.7%, while maintaining the Emergency Reserve at 8%, to arrive at the total General Fund Reserve Policy Goal of 16.7%. The City did not meet its Emergency Reserve Target Goal for fiscal year 2022 of 8% or \$110.2 million. In addition, the City did not meet its Stability Reserve Target Goal for fiscal year 2022 of 8% or \$110.2 million.

The General Fund's Emergency Reserve of \$106.1 million is reported as GAAP restricted fund balance in the financial statements. The General Fund's GAAP unassigned fund balance as of June 30, 2022 was \$158.9 million, of which \$99.5 million represents the General Fund's Stability Reserve.

The City also maintains reserves to manage risk, including reserves for the payment of claims and judgments (Public Liability Reserve), a reserve for obligations related to workers' compensation claims (Workers' Compensation Reserve), and a reserve for long-term disability payments for City employees (Long-Term Disability Reserve). Balances exceeding targets are evaluated annually and are available to meet other operating fund needs if necessary. 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 2022 could reduce risk management reserve balances. The Public Liability Reserve Target Goal was initially \$36.9 million in the Fiscal Year 2022 Adopted Budget, but the target was increased by \$3.1 million after the receipt of the fiscal year 2021 Public Liability actuarial valuation. As a result, the Public Liability Reserve maintains a balance of \$33.8 million, which is \$3.1 million under the current City reserve Target Goal.

In April 2016, the City created the Pension Payment Stabilization Reserve. The purpose of this reserve is to mitigate service delivery risk by providing a source of funding for increases in the Actuarially Determined Contribution (ADC). The ADC is calculated by the SDCERS actuary as part of its annual Actuarial Valuation Report. Increases in the ADC could be caused by several factors, such as lower than expected investment returns, changes in actuarial assumptions approved by the SDCERS Board including a reduction in the discount rate, and other significant liability experience losses. The Fiscal Year 2022 Adopted Budget originally utilized the entire \$7.9 million from the Pension Reserve for increases in the ADC, but that amount went unspent in fiscal year 2022 and was redirected in the Fiscal Year 2023 Adopted Budget to mitigate increases associated with Proposition B.

In addition to the reserves listed above, the City's Reserve Policy defines Excess Equity as unassigned fund balance that is not otherwise designated as General Fund Reserves and is available for appropriation. In fiscal year 2022, the General Fund had Excess Equity of \$67 million, which excludes amounts assigned for use in the Fiscal Year 2023 Budget. Excess Equity is not treated as a part of the General Fund Reserves and may be used to fund one-time expenditures.

In fiscal year 2022, the Sewer Utility and Water Utility Funds reported balances of \$98.3 million and \$114.1 million, respectively, in the Rate Stabilization Fund (RSF) Reserves. Both funds are in excess of the reserve policy targets which equal 5% of prior fiscal year water and wastewater system total operating revenue. Transfers in and out of the RSFs are made to maintain stable debt service coverage ratios for outstanding debt obligations and mitigate major fluctuations in future rate increases. In fiscal year 2022, the Sewer Utility withdrew \$25 million from RSF Reserves and the Water Utility contributed \$18 million to RSF Reserves. In addition to the RSF reserves, the Water and Sewer Utilities maintain various other policy reserves including the Emergency Operating Reserves, Emergency Capital Reserves, and Secondary Purchase Reserves (for Water Utility only), and there were no draws from these reserves in fiscal year 2022.

### **General Fund Cash Management**

The City's General Fund expenditures are typically consistent from month to month over the course of each fiscal year, whereas some of the City's most significant General Fund revenues, such as property tax, fall largely to the second half of the fiscal year. To address this mismatch in receipts and expenditures, the City relies on cash balances from General Fund Reserves and from other eligible operating funds to smooth out the General Fund cash needs during the fiscal year. Additionally, the Charter permits interfund borrowing and the Chief Financial Officer has the authority under the annual Appropriation Ordinance to make interfund loans between funds to cover cash needs. As of June 30, 2022, the City's General Fund and other eligible operating funds had combined cash balance of \$950,292, which is a portion of the \$2,036,404 cash for reported governmental activities on the Statement of Net Position. Comparatively, the cash balance for the General Fund and Operating Funds was \$858,675 as of June 30, 2021.

### **OTHER FINANCIAL POLICIES**

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

## MAJOR ACCOMPLISHMENTS AND INITIATIVES

---

The City is investing \$41.4 million in programs and services intended to help those experiencing homelessness through the allocation of the State's Homeless Housing, Assistance and Prevention (HHAP) Grant funds. The funding is the result of efforts by California mayors urging leaders in Sacramento to provide financial assistance to local governments to address a statewide homelessness crisis. This funding is part of a broader homelessness strategic plan that dedicates approximately \$73.7 million of carryforward and new fiscal year 2023 funding for homelessness programs and services, including the bridge shelters, safe parking program, transitional storage program, rapid rehousing, and prevention and diversion activities.

On September 29, 2022, Mayor Todd Gloria released the City's Fiscal Year 2022 Grants Report, showing a \$87.5 million increase over fiscal year 2021, or approximately 62%. Fifty-nine grant awards will fund multiple priorities throughout the City, including projects to enhance water reliability, economic development, emergency response preparedness, homeless services, road and bridge repair, and public safety. Since 2019, the City of San Diego has had continuous success securing grant funding for essential City priorities.

On July 28, 2022, Mayor Gloria led a community celebration to highlight the \$68.5 million in state budget funding for the City's critically important projects. The biggest allocation of \$20 million is set for the construction of a new Oak Park Library. Of the \$68.5 million, \$29.25 million will fund parks and recreation projects, and \$27.9 million will fund library projects. In addition, \$7.3 million will fund cultural projects and \$4.05 million will fund projects that promote green jobs and enhance public safety.

The City remains committed to providing homes that are affordable to locals and to address the housing crisis. Mayor Gloria passed the first of two Housing Action Packages in February 2022, which included new programs and code revisions to incentivize construction of homes at all income levels. The Housing Action Package also aims to allow construction for more new homes near transit to uphold sustainability goals for the City. The second half of the package is currently being developed and is planned to be adopted in late 2023.

The City is a leader and pioneer in adopting and updating its Climate Action Plan (CAP). First adopted in December 2015, the CAP has been officially revamped and updated with more ambitious goals, targets, and actions as of August 2022. The CAP's new strategies and goals will create a path forward focused on equity and environmental justice, to align with state goals of net zero emissions by 2035, and to incorporate the additional benefits of climate action. The CAP identifies six strategies along with a monitoring and reporting program, where the city will report annually depending on data availability. The six strategies proposed to reach this goal are: (1) Decarbonization of the Built Environment; (2) Access to Clean and Renewable Energy; (3) Mobility and Land Use; (4) Circular Economy and Clean Communities; (5) Resilient Infrastructure and Healthy Ecosystems; and (6) Emerging Climate Actions.

The City has taken bold steps toward meeting the CAP goals with the implementation of San Diego Community Power (SDCP) and adoption of policies like Complete Communities. SDCP is a community choice energy service that will be responsible for purchasing wholesale clean electricity on behalf of customers in the Cities of San Diego, Chula Vista, Encinitas, La Mesa, Imperial Beach, and National City, as well as the County of San Diego. Complete Communities is an initiative that includes planning strategies that work together to create incentives to build homes near transit, provide more mobility choices, and enhance opportunities for places to walk, bike, relax and play. The City is committed to entirely clean and renewable electricity by 2035 or sooner, the first in the State to establish this goal.

On October 18, 2021, in continuing the efforts to connect unsheltered San Diegans with shelter and social services, Mayor Todd Gloria, Governor Gavin Newsom, and Caltrans announced a collaborative outreach program to support residents living in dangerous conditions near state highways. This program helps individuals sheltering in unsafe conditions by providing them with the necessary services and support to move into stable living situations. Under the contract with the Homelessness Strategies and Solutions Department, City Net, a nonprofit homelessness-services organization, introduced three outreach teams that work in tandem with the City's supportive services.

The Fiscal Year 2023 Adopted Budget includes General Fund expenditures of \$1.96 billion to provide core community services as well as funding for critical expenditures. Expenditures in the Fiscal Year 2023 Adopted Budget include essential City operations, aid for small businesses, and support for the City's most vulnerable residents affected by the COVID-19 pandemic.

The City continues to preserve core services while fully making the pension payment. Balancing the General Fund fiscal year 2023 budget involved making strategic decisions in order to support the City's strong commitment to fiscal sustainability. Effective financial oversight promotes a healthy financial future and the ability to provide outstanding service to communities throughout San Diego.



## ACKNOWLEDGMENTS

---

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City for its ACFR for the fiscal year ended June 30, 2021. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized ACFR that satisfied both generally accepted accounting principles and applicable program requirements. In addition, the City has received awards of recognition for its latest budget document from GFOA and the California Society of Municipal Finance Officers.

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

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

Respectfully submitted,



Matthew Vespi  
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 Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2021

*Christopher P. Morill*

Executive Director/CEO

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



Mayor Todd Gloria

District 1  
Councilmember  
Joe LaCava



District 6  
Councilmember  
Kent Lee



District 2  
Councilmember  
Jennifer Campbell



District 7  
Councilmember  
Raul Campillo



District 3  
Councilmember  
Stephen Whitburn



District 8  
Councilmember  
Vivian Moreno



District 4  
Council President Pro Tem  
Monica Montgomery Steppe



District 9  
Council President  
Sean Elo-Rivera



District 5  
Councilmember  
Marni von Wilpert



City Attorney  
Mara W. Elliott



Other City Officials

Eric Dargan, Chief Operating Officer

Matthew Vespi, Chief Financial Officer

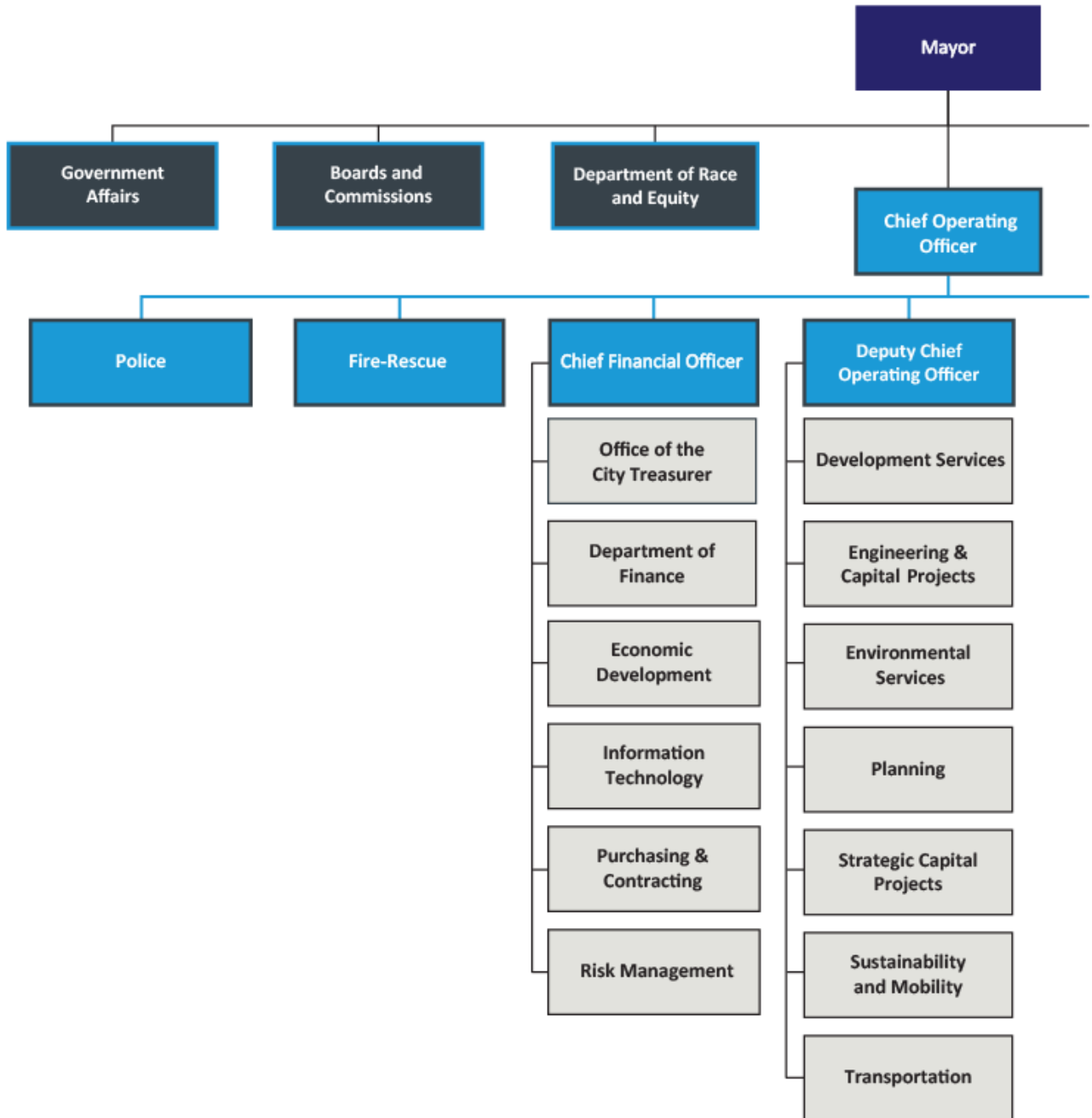
Rolando Charvel, Department of Finance Director/City Comptroller

Elizabeth Correia, City Treasurer

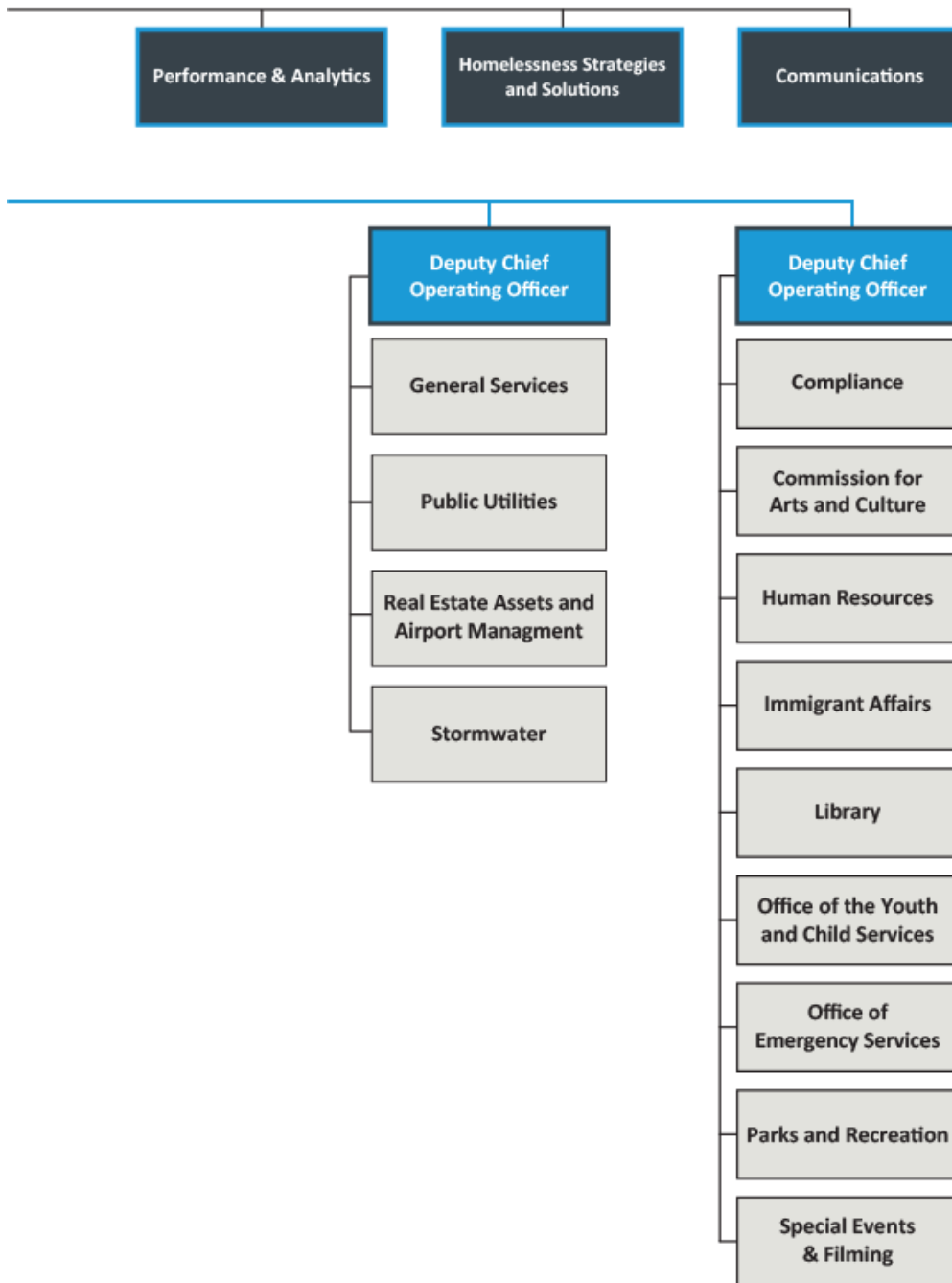
Elizabeth Maland, City Clerk

Charles Modica, Independent Budget Analyst

Andy Hanau, City Auditor



### City of San Diego Organizational Structure







# Financial Section







## Independent Auditor's Report

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

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of San Diego, California (City), as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the San Diego Housing Commission, a discretely presented component unit, which represent 100% of the assets, net position, and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the San Diego Housing Commission, is based solely on the report of the other auditors.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Emphasis of Matters*

As discussed in Note 1.y. to the basic financial statements, effective July 1, 2021, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

As discussed in Note 22 to the basic financial statements, the City recorded the known liability as of June 30, 2022, related to the unwinding of Proposition B as an extraordinary loss in the amount of \$144.6 million. Our opinions are not modified with respect to this matter.

### *Responsibilities of Management for the Financial Statements*

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### *Auditor's Responsibility for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; the schedule of changes in net pension liability and related ratios; the preservation of benefits plan schedule of changes in total pension liability; the pension plans schedule of employer contributions; the schedule of changes in the net OPEB liability and related ratios; the OPEB plan schedule of employer contributions; and the general fund schedule of revenues, expenditures and changes in fund balance – budget and actual (budgetary basis) as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### *Other Information*

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2022, 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 solely 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 the effectiveness of the City's 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.

Handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, professional style.

San Diego, California  
December 28, 2022

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**Fiscal Year Ended June 30, 2022**  
**(Dollars in Thousands)**

As management of the 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, 2022. 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 required supplementary information and other supplementary information in addition to the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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

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

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

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

The government-wide financial statements can be found beginning on page 50 of this report.

## FUND FINANCIAL STATEMENTS

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

### GOVERNMENTAL FUNDS

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

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

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

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

The basic governmental funds financial statements can be found beginning on page 54 of this report.

### PROPRIETARY FUNDS

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

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

The basic proprietary funds financial statements can be found beginning on page 60 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 City maintains three types of fiduciary funds: pension trust, private-purpose trust, and custodial funds. Pension trust funds consist of one fiduciary component unit, SDCERS, which is a defined benefit retirement plan. The private-purpose trust fund is used to account for activity of

the Successor Agency of the Redevelopment Agency of the City of San Diego (Successor Agency). Custodial funds are used to account for assets held by the City as an agent for individuals, private organizations or other governments.

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 presents certain required supplementary information regarding: changes in the City's Net Pension Liability (NPL); changes in the City's total pension liability for the Preservation of Benefits (POB) Plan; changes in the City's Net Other Postemployment Benefits (OPEB) Liability; employer contributions to the pension plan; and employer contributions to the postemployment healthcare benefits plan. The required supplementary information also includes a budgetary comparison schedule for the General Fund. Required supplementary information can be found beginning on page 181 of this report.

Immediately following the required supplementary information are the General Fund supplementary schedules on revenues and expenditures, which can be found beginning on page 197. The individual fund data referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds, internal service funds, and fiduciary funds begin on page 207.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Capital Assets .....	\$ 5,435,103	\$ 5,306,738	\$ 7,073,058	\$ 6,774,403	\$ 12,508,161	\$ 12,081,141
Other Assets .....	3,527,803	2,766,807	1,492,203	1,268,251	5,020,006	4,035,058
Total Assets .....	8,962,906	8,073,545	8,565,261	8,042,654	17,528,167	16,116,199
Deferred Outflows of Resources .....	576,228	900,654	193,285	257,711	769,513	1,158,365
Net Long-Term Liabilities .....	3,539,249	4,710,076	3,146,231	2,940,378	6,685,480	7,650,454
Other Liabilities .....	507,451	469,511	303,973	361,448	811,424	830,959
Total Liabilities .....	4,046,700	5,179,587	3,450,204	3,301,826	7,496,904	8,481,413
Deferred Inflows of Resources .....	1,389,608	—	167,760	4,171	1,557,368	4,171
Net Position						
Net Investment in Capital Assets .....	4,511,654	4,450,838	4,779,653	4,657,585	9,291,307	9,108,423
Restricted .....	1,877,864	1,859,101	12,246	14,420	1,890,110	1,873,521
Unrestricted .....	(2,286,692)	(2,515,327)	348,683	322,363	(1,938,009)	(2,192,964)
Total Net Position .....	\$ 4,102,826	\$ 3,794,612	\$ 5,140,582	\$ 4,994,368	\$ 9,243,408	\$ 8,788,980

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 \$9,243,408 as of June 30, 2022, an increase of \$454,428, or 5% over fiscal year 2021.

The City's net investment in capital assets is \$9,291,307. This includes land, construction-in-progress, structures and improvements, equipment, infrastructure, and right-to-use leased assets, less any outstanding debt used to acquire these assets and the related deferred outflows/inflows of resources. The City uses these capital assets to provide services to citizens, and consequently, these assets are not

available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves are not generally used to liquidate these liabilities.

Restricted Net Position is \$1,890,110, representing resources that are subject to external restrictions on how they may be used. The amount of (\$1,938,009) represents the Unrestricted Net Position deficit. This deficit largely reflects the combined Pension Liabilities of \$2,164,171, including liabilities reported in accordance with GASB Statement Nos. 68 and 73, as well as a liability for Proposition B, combined with the OPEB Liability of \$429,719 reported in accordance with GASB Statement No. 75. Additional information regarding pension matters, including the City's funding policy, can be found in Note 12, and additional OPEB information can be found in Note 13.

The City's Deferred Outflows of Resources decreased by \$388,852, or approximately 34%, which was primarily related to a reduction in the recognition of pension changes of \$458,000. The recognition of changes drives most of the volatility in pension expense from year to year.

The City's Deferred Inflows of Resources increased by \$1,553,197. This was primarily due to pension-related investment gains recognized in fiscal year 2022. In addition, as part of the fiscal year 2022 implementation of GASB Statement No. 87, *Leases*, both a lease receivable and offsetting deferred inflow of resources are reported for leases in which the City is the lessor.

Total Net Position resulting from governmental activities increased by \$308,214, or approximately 8%. This was comprised of an increase in the Net Investment in Capital Assets of \$60,816, or approximately 1%, an increase in Restricted Net Position of \$18,763, or approximately 1%, and an increase in Unrestricted Net Position of \$228,635, or approximately 9%. This change in Unrestricted Net Position was primarily due to decreases in the NPL, net OPEB liability, and related changes in deferred outflows/inflows of resources due to the return on investments being greater than expected.

Total Net Position resulting from business-type activities remained stable as well, with an increase of \$146,214, or approximately 3%. The Net Investment in Capital Assets increased by \$122,068, or approximately 3%. The Restricted Net Position decreased by \$2,174, or approximately 15%, due to an increase in landfill closure costs. Unrestricted Net Position increased by \$26,320, or approximately 8%, which was attributed to several items, including: \$50,000 received for the Pure Water Program from the State of California's 2021 Budget Act; a decrease in pension and OPEB expenses; a sewer rate increase which took effect in January 2022; and an increase in permit revenues for the Development Services Fund, associated with the expiration of Covid-19 related extensions granted to businesses. These increases were partially offset by accrued liability claims due to the *Patz v. City of San Diego* case, a decrease in sales of capital assets resulting from the sale of Qualcomm Stadium in fiscal year 2021, and increased costs of purchased water.



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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program Revenues						
Charges for Services .....	\$ 541,973	\$ 437,804	\$ 1,198,516	\$ 1,172,358	\$ 1,740,489	\$ 1,610,162
Operating Grants and Contributions .....	399,402	413,621	79,156	16,549	478,558	430,170
Capital Grants and Contributions .....	59,030	73,172	88,266	62,990	147,296	136,162
General Revenues						
Property Taxes .....	684,513	659,417	—	—	684,513	659,417
Transient Occupancy Taxes .....	259,231	129,530	—	—	259,231	129,530
Sales Taxes - Shared State Revenue .....	434,719	352,131	—	—	434,719	352,131
Franchises .....	114,722	94,046	—	—	114,722	94,046
Other Local Taxes .....	75,660	72,464	—	—	75,660	72,464
Investment Income .....	(21,964)	8,669	(17,019)	3,799	(38,983)	12,468
Other .....	105,749	159,461	29,020	63,756	134,769	223,217
Total Revenues .....	<u>2,653,035</u>	<u>2,400,315</u>	<u>1,377,939</u>	<u>1,319,452</u>	<u>4,030,974</u>	<u>3,719,767</u>
Expenses:						
General Government and Support .....	380,023	415,720	—	—	380,023	415,720
Public Safety-Police .....	532,695	677,483	—	—	532,695	677,483
Public Safety-Fire and Life Safety and Homeland Security .....	305,596	373,607	—	—	305,596	373,607
Parks, Recreation, Culture and Leisure .....	339,222	377,559	—	—	339,222	377,559
Transportation .....	244,789	280,336	—	—	244,789	280,336
Sanitation and Health .....	108,419	115,935	—	—	108,419	115,935
Neighborhood Services .....	285,879	304,155	—	—	285,879	304,155
Interest on Debt Service .....	29,449	24,920	—	—	29,449	24,920
Sewer Utility .....	—	—	353,774	360,203	353,774	360,203
Water Utility .....	—	—	620,436	596,764	620,436	596,764
Airports .....	—	—	9,713	9,391	9,713	9,391
Development Services .....	—	—	89,594	94,980	89,594	94,980
Environmental Services .....	—	—	48,592	40,897	48,592	40,897
Golf Course .....	—	—	22,174	22,679	22,174	22,679
Recycling .....	—	—	25,137	32,015	25,137	32,015
San Diego Convention Center Corporation .....	—	—	36,304	29,421	36,304	29,421
Total Expenses .....	<u>2,226,072</u>	<u>2,569,715</u>	<u>1,205,724</u>	<u>1,186,350</u>	<u>3,431,796</u>	<u>3,756,065</u>
Transfers .....	(10,113)	(1,169)	10,113	1,169	—	—
Extraordinary Loss .....	(108,636)	—	(36,114)	—	(144,750)	—
Change in Net Position .....	308,214	(170,569)	146,214	134,271	454,428	(36,298)
Net Position - July 1 .....	<u>3,794,612</u>	<u>3,965,181</u>	<u>4,994,368</u>	<u>4,860,097</u>	<u>8,788,980</u>	<u>8,825,278</u>
Net Position - June 30 .....	<u>\$ 4,102,826</u>	<u>\$ 3,794,612</u>	<u>\$ 5,140,582</u>	<u>\$ 4,994,368</u>	<u>\$ 9,243,408</u>	<u>\$ 8,788,980</u>

## GOVERNMENTAL ACTIVITIES

Governmental activities increased the City's net position by \$308,214 during fiscal year 2022. Variances from fiscal year 2021 exceeding 10% and \$5,000 are discussed below.

- Charges for Services increased by \$104,169, or approximately 24%, primarily due to increased General Fund reimbursements from the Transient Occupancy Tax Fund for safety and maintenance of visitor-related facilities, and increased assessments for the Tourism Marketing District, both of which were related to the post-pandemic recovery of San Diego's tourism industry.
- Capital Grants and Contributions decreased by \$14,142, or approximately 19%, primarily due to a decrease in accrued Caltrans grant reimbursements for the West Mission Bay Drive Bridge Project.
- Transient Occupancy Taxes increased by \$129,701, or approximately 100%, primarily due to San Diego's tourism industry experiencing a recovery from the COVID-19 pandemic.
- Sales Taxes - Shared State Revenue increased by \$82,588, or approximately 23%, primarily due to the post-pandemic recovery of San Diego's economy, combined with the impact of inflation on consumer products.
- Franchises increased by \$20,676, or approximately 22%, primarily due to a new franchise agreement with San Diego Gas & Electric (SDG&E) which took effect in June 2021.
- Investment Income decreased by \$30,633, or approximately 353%, primarily due to the net change in unrealized gains and losses caused by increases in the Federal Funds Rate. Higher interest rates are reflected in lower security prices for the City's investment pool, which results in the accumulation of unrealized losses.
- Other Revenues decreased by \$53,712, or approximately 34%, primarily due to the sale of the Qualcomm Stadium site to San Diego State University during fiscal year 2021.
- Public Safety-Police expense decreased by \$144,788, or approximately 21%, primarily due to a decrease in pension expense, which was partially offset by an increase in salaries associated with overtime and negotiated pay increases.
- Public Safety-Fire and Life Safety and Homeland Security expense decreased by \$68,011, or approximately 18%, primarily due to a decrease in pension expense, which was partially offset by an increase in salaries associated with overtime and negotiated pay increases.
- Parks, Recreation, Culture and Leisure expense decreased by \$38,337, or approximately 10%, primarily due to a decrease in pension expense, which was partially offset by increased services provided for safety and maintenance of visitor-related facilities, and an increase in salaries associated with negotiated pay increases.
- Transportation expense decreased by \$35,547, or approximately 13%, primarily due to a decrease in charges from SDG&E for the Utilities Undergrounding Program. A new MOU between the City and SDG&E was authorized in late fiscal year 2022, but prior to the completion of negotiations there was a halt in new projects. A decrease in pension expense also contributed to the variance. These decreases were partially offset by an increase in slurry seal projects and salary increases due to negotiated pay increases.

## BUSINESS-TYPE ACTIVITIES

Business-type activities increased the City's net position by \$146,214 during fiscal year 2022. Variances from fiscal year 2021 exceeding 10% and \$5,000 are discussed below.

- Operating Grants and Contributions increased by \$62,607, or approximately 378%, primarily due to a COVID-19 relief payment received from the California Water Arrearage Payment Program to cover customer debt accrued during the COVID-19 pandemic.

- Capital Grants and Contributions increased by \$25,276, or approximately 40%, primarily due to the capitalization of sewer lines added by private developers and an increase in capacity fees for Sewer and Water Utilities, attributed to an increase in new building permits issued.
- Investment income decreased by \$20,818, or approximately 548%, primarily due to the net change in unrealized gains and losses caused by increases in the Federal Funds Rate. Higher interest rates are reflected in lower security prices for the City's investment pool, which results in the accumulation of unrealized losses.
- Other Revenue decreased by \$34,736, or approximately 54%, primarily due the sale of the Qualcomm Stadium site to San Diego State University during fiscal year 2021.
- Environmental Services expense increased by \$7,695, or approximately 19%, primarily due to an increase in the landfill closure and postclosure care liability, an increase in depreciation expense related to capitalization of leased heavy equipment for the Miramar Landfill, and an increase in contractual services related to both the Miramar and South Chollas landfills. These increases were partially offset by a decrease in pension expense.
- Recycling expense decreased by \$6,878, or approximately 21%, primarily due to a decrease in pension expense, combined with a decrease in contractual services for processing recyclable materials, which was attributed to higher commodities demand for recyclables.
- San Diego Convention Center Corporation expense increased by \$6,883, or approximately 23%, primarily due to increased salary and fringe benefit expenses related to re-staffing as part of the post-pandemic return to hosting events.

## 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 2022, the City's governmental funds reported combined ending fund balances of \$2,168,462, an increase of \$87,411 from fiscal year 2021. The General Fund and Other Governmental Funds had unassigned fund balances/(deficits) of \$158,897 and \$(79,045), respectively, with a combined unassigned fund balance of \$79,852. The General Fund unassigned fund balance of \$158,897 includes the Stability Reserve of \$99,500. 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 \$480,660. General Fund revenues totaled \$1,957,626, which was an increase of \$191,656 over fiscal year 2021. This increase was attributed to several categories, the largest of which were Sales Taxes-Shared State Revenue with an increase of \$74,014, TOT with an increase of \$68,382, and Charges for Current Services with an increase of \$50,363. These revenue increases were directly related to the recovery of San Diego's tourism industry and overall economy after the COVID-19 pandemic. General Fund expenditures totaled \$1,877,289, which was an increase of \$113,179 over fiscal year 2021. This was mainly attributed to negotiated salary increases and related fringe benefit costs for the City's six Recognized 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 2022, total Net Position for the Sewer Utility Fund remained stable at \$2,738,301, an increase of \$112,837, or approximately 4% over fiscal year 2021. The Net Investment in Capital Assets increased by \$70,754, or approximately 3%. This was comprised of: a net increase in capital assets of \$123,788 mainly in the Infrastructure categories; a net increase in capital related debt of \$46,816; a decrease in associated deferred outflows of resources of \$6,218. Unrestricted Net Position was \$132,290, an increase of \$42,021 or approximately 47% from fiscal year 2021. This was primarily due to a one-time revenue of \$25,000 from the State's 2021 Budget Act to assist with Pure Water projects, as well as a sewer rate increase that took effect in January 2022.

Total Net Position for the Water Utility Fund remained stable as well, at \$2,268,587, an increase of \$17,919, or approximately 1% over fiscal year 2021. The Net Investment in Capital Assets increased by \$54,629, or approximately 3%. This was comprised of: a net increase in capital assets of \$176,807, mainly in the Infrastructure category; a net increase in capital related debt of \$118,612; and a decrease in related deferred outflows of resources of \$3,566. Unrestricted Net Position was \$252,127, which was a decrease of \$36,713, or approximately 13% from fiscal year 2021.

## 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 Generally Accepted Accounting Principles (GAAP) reporting purposes.

Actual revenues earned in the General Fund were \$110,609 higher than budgeted. Property Taxes were under budget by \$9,106 due to the assessed value of properties not reaching the assumed 2.0% growth rate. Sales Taxes were over budget by \$52,584, which was primarily due to the ongoing trend of consumers purchasing goods at record rates and the impact of high inflation on consumer products. Transient Occupancy Tax (TOT) revenues were over budget by \$41,012. The growth in TOT revenues was attributed to favorable tourism conditions, including vaccinations becoming widely available, reduced public health concerns, and the pent-up demand for leisure travel which in turn has increased room rates, occupancy rates, and room demand. Franchise Fees were over budget by \$3,529, primarily attributed to a clean-up payment from San Diego Gas & Electric received in February 2022 which was higher than anticipated. Other Local Taxes were over budget by \$6,162. This was primarily due to the growth in Property Transfer tax, resulting from increases in the median home price and number of home sales.

Charges for Current Services were over budget by \$5,887, primarily due to higher than anticipated reimbursements from TOT for safety and maintenance of visitor related facilities, public safety support services at special events, and street sweeping in popular tourist locations. Additionally, there were increases in police services associated with Petco Park events, transportation services due to various roadway, trench restoration, and traffic safety projects, and stormwater services for various CIP projects and work orders.

Other Revenue was over budget by \$4,681, primarily due to a refund of Employer Medicare Tax from the IRS related to COVID-19 time off for employees and qualifying dependents. Additionally, the maintenance contract for 101 Ash Street was terminated, which resulted in a refund.

Actual expenditures for the General Fund were \$3,940 under budget, primarily in the General Government and Support related departments and Police Department. This was mainly due to increased attrition and slower than anticipated filling of positions. Additionally, departments continued to limit non-essential spending through the end of the fiscal year.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Land and Rights of Way	\$ 1,904,424	\$ 1,887,545	\$ 107,464	\$ 107,232	\$ 2,011,888	\$ 1,994,777
Easements	7,885	7,888	5,337	4,887	13,222	12,775
Artwork/Historical Treasures	5,052	5,052	1,875	1,875	6,927	6,927
Construction in Progress	434,595	353,132	923,191	691,130	1,357,786	1,044,262
Structures and Improvements	840,634	866,204	1,398,552	1,424,457	2,239,186	2,290,661
Equipment	255,431	264,432	131,576	149,437	387,007	413,869
Intangible Equipment	21,590	22,851	28,863	31,630	50,453	54,481
Distribution and Collection Systems	—	—	4,462,324	4,363,755	4,462,324	4,363,755
Infrastructure	1,891,433	1,899,634	—	—	1,891,433	1,899,634
Right-to-Use Leased Assets	74,059	—	13,876	—	87,935	—
<b>Totals</b>	<b>\$ 5,435,103</b>	<b>\$ 5,306,738</b>	<b>\$ 7,073,058</b>	<b>\$ 6,774,403</b>	<b>\$ 12,508,161</b>	<b>\$ 12,081,141</b>

**CAPITAL ASSETS**

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

The City's investment in capital assets (including infrastructure) for governmental and business-type activities as of June 30, 2022 was \$12,508,161 (net of accumulated depreciation/amortization), which was an increase of \$427,020 over fiscal year 2021. Readers interested in more detailed information on capital asset activity should refer to Note 4.

**HIGHLIGHTS OF FISCAL YEAR 2022 CAPITAL IMPROVEMENT PROGRAM (CIP) ACTIVITIES**Governmental Activities

- Construction continued on the West Mission Bay Drive Bridge over the San Diego River. Construction of the bridge is anticipated to be completed in fiscal year 2023. This project will replace the existing four-lane bridge with a six-lane bridge, sidewalk, bike lanes and shoulder improvements. Fiscal year 2022 capital expenditures for this project totaled \$23,495.
- The annual allocation for drainage projects provides for reconstruction and replacement of failing drainage facilities citywide. There are currently over 900 miles of storm drains in the City of San Diego. Fiscal year 2022 capital expenditures for drainage projects totaled \$18,547.
- The asphalt overlay of approximately 33 miles of roads citywide was completed during fiscal year 2022. These projects provided for resurfacing and reconstruction of City streets to maintain the streets in serviceable condition and mitigate roadway deterioration. These projects were funded with various sources including TransNet, Trench Cut Fees, Commercial Paper, and Gas Tax funds. Fiscal year 2022 capital expenditures for this project totaled \$14,586.

- The Otay Truck Route Eastern Phase provides for the construction of an additional lane to the existing Otay Truck Route between La Media Road and Drucker Lane. The Western Phase provides for the extension of the Truck Route (two lanes) along Britannia Boulevard from Britannia Boulevard to La Media Road. Construction for the Eastern Phase began in fiscal year 2020 and is anticipated to be substantially complete in fiscal year 2023. Fiscal year 2022 capital expenditures for this project totaled \$4,712.
- The Children's Park Improvements project provides for the design and construction of improvements to the existing Children's Park, including a large multi-purpose lawn area, comfort station, children's play area, interactive water fountain, and vendor's building. Construction began in fiscal year 2021 and is anticipated to be completed in fiscal year 2023. Fiscal year 2022 capital expenditures for this project totaled \$4,620.
- The University Avenue Mobility Project provides for re-striping to provide painted medians and construction of raised medians, left turn pockets, improved lane widths, installation of enhanced pedestrian crosswalks, repainting of existing crosswalks, removal of parallel on-street parking, and re-striping select side streets to provide angled and head-in parking. Construction began in fiscal year 2022 and is anticipated to be completed in fiscal year 2023. Fiscal year 2022 capital expenditures for this project totaled \$4,274.

#### Business-Type Activities

- Construction began on the Pure Water Pipeline, which will convey 32 million gallons per day (MGD) of pure water from the proposed Pure Water Facility to the Miramar Reservoir. This project consists of the design and construction of approximately 8 miles of 48-inch diameter welded steel pipeline and appurtenances. A new de-chlorination facility will also be constructed near Miramar Reservoir. Approximately one mile of subaqueous pipeline system will distribute pure water within Miramar Reservoir through a series of duckbill diffusers throughout the reservoir. Fiscal year 2022 capital expenditures for this project totaled \$15,647.
- Construction continued on the Pure Water Facility, which will be constructed north of Eastgate Mall Road, across from the existing Water Reclamation plant. The completed facility will provide the City with a production capacity of 34 MGD, from which 30 MGD of purified water will be delivered to the Miramar Reservoir. This facility will include an Operations and Maintenance Building, and a Process Building that will house treatment processes like ozonation and biological activated carbon filtration. Fiscal year 2022 capital expenditures for this project totaled \$80,624.
- Construction continued on the North City Water Reclamation Plant (NCWRP), which will undergo an expansion of the treatment capacity to allow the plant to treat up to 52 MGD on an annual average basis. As part of this project, there will be several process modifications which will be implemented throughout the entire plant. Fiscal year 2022 capital expenditures for this project totaled \$27,175.
- Construction continued on the Pure Water Program Morena Wastewater Pump Station, which includes demolition of the existing pump station facility and construction of a new 38 MGD Morena wastewater pump station. The project also includes the construction of 48-inch, 60-inch diversion and overflow sewer, three diversion structures and one function structure on Friars Road. Fiscal year 2022 capital expenditures for this project totaled \$38,480.
- Construction continued on the Otay 1st/2nd Pipeline West of Highland Avenue project, which consists of replacing approximately 5.2 miles of deteriorated steel, cast iron and asbestos cement transmission mains for the Otay 1st and Otay 2nd pipelines located in the communities of City Heights and Greater North Park. These improvements will improve service pressure and eliminate leaks. The project will also update pedestrian curb ramps to the latest standards. Fiscal year 2022 capital expenditures for this project totaled \$8,437.
- Construction began on the Metropolitan Biosolids Center (MBC) Equipment Upgrades project. Due to the expansion of the NCWRP, the MBC will experience higher biosolids flows than it is currently receiving. To accommodate the additional flows, upgrades and improvements of the MBC will be necessary. The following unit process equipment will be upgraded: grit removal system; biosolids thickening; anaerobic digestion; biosolids dewatering; centrate pumping station; and chemical systems. Fiscal year 2022 capital expenditures for this project totaled \$10,332.

## 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 <sup>1</sup>	\$ 3,925
Nonmajor Governmental Funds	130,519
Sewer Utility	250,926
Water Utility	286,310
Nonmajor Enterprise Funds	6,243
Internal Service Funds	698
Total Contractual Commitments	<u>\$ 678,621</u>

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

Total Contractual Commitments at the end of fiscal year 2022 were \$678,621, which was an increase of \$235,695, or 53%, from fiscal year 2021, primarily due to the timing of contract awards and progress of continuing projects.

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

## LONG-TERM DEBT

At the end of fiscal year 2022, the City, including blended component units, had total long-term and commercial paper debt outstanding of \$3,087,942 as follows:

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Leases Payable	\$ 74,333	\$ —	\$ 13,848	\$ —	\$ 88,181	\$ —
Financed Purchase Obligations	217,273	231,048	—	8,624	217,273	239,672
QECCB Lease Obligations	3,968	4,903	—	—	3,968	4,903
Notes Payable	—	—	2	4	2	4
Loans Payable	27,635	28,110	312,814	243,223	340,449	271,333
Section 108 Loans Payable	1,372	1,778	—	—	1,372	1,778
Commercial Paper Notes Payable	—	—	195,092	98,724	195,092	98,724
Revenue Bonds/Lease Revenue Bonds	557,825	588,900	1,629,530	1,572,200	2,187,355	2,161,100
Tobacco Settlement Asset-Backed Bonds	54,250	64,290	—	—	54,250	64,290
Totals	<u>\$ 936,656</u>	<u>\$ 919,029</u>	<u>\$ 2,151,286</u>	<u>\$ 1,922,775</u>	<u>\$ 3,087,942</u>	<u>\$ 2,841,804</u>

### Governmental Activities

Total principal payments on long-term debt were \$75,636. Included in this amount were \$41,115 for bonds payable, \$9,792 for leases payable, \$881 for loans payable, \$935 for Qualified Energy Conservation Bonds (QECCB), and \$22,913 for financed purchase obligations.

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 SRF loan disbursements of \$9,408 from the California State Water Resources Control Board for the Pump Station 2 Power Reliability and Surge Protection Project.

In November 2018, the City and the United States Environmental Protection Agency (USEPA) executed the WIFIA loan agreement in an amount up to \$614,000 payable from net system revenues of the Water Utility Fund. This WIFIA Loan will fund a portion of the Water Utility's cost of the Pure Water Program Phase I. This agreement was replaced in September 2020 (First WIFIA Loan), which kept the same terms with some administrative updates, but at a lower interest rate. During fiscal year 2022, the City received the additional loan proceeds in the amount of \$74,393 at a rate of 1.29%.

On December 16, 2016, the City and PFFA adopted resolutions authorizing the issuance of \$250,000 in tax-exempt subordinate Water Commercial Paper Notes (Water CP Notes) in one or more series. On November 10, 2021 and November 2, 2021, the City and PFFA, respectively, ratified, reauthorized, and reapproved the prior request of the Authority to issue tax-exempt CP Notes from time to time, and the form and content of the Initial Financing Documents. The City selected Bank of America, N.A. as the letter of Credit (LOC) provider and Series A and Series B were combined under one series. During fiscal year 2022, the City issued Water CP Notes, Series A of \$104,614 (reported in Note 6) at rates ranging from 0.07% to 1.30%.

On May 18, 2022, PFFA issued tax-exempt Subordinated Sewer Revenue Bonds, Series 2022A (2022 Sewer Bonds) in the amount of \$168,250. The proceeds of the 2022 Sewer Bonds were used to finance the costs of the acquisition, design, construction and installation of improvements of projects of the City's Wastewater System and pay costs of issuance related to the bonds. The 2022 Sewer Bonds are payable solely from Subordinated Installment Payments secured by Wastewater System Net Revenues. The final maturity date for the 2022 Sewer Bonds is May 15, 2052.

Total principal payments on long-term debt were \$137,861. Included in this amount was \$8,246 for commercial paper, \$110,920 for bonds payable, \$4,449 for leases payable, \$14,231 for loans payable, \$13 for financed purchase obligations, and \$2 for SDCCC's notes payable.

Readers interested in more detailed information regarding business-type activities long-term liabilities should refer to Note 8.

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

	Fitch Ratings	Moody's Investors Service	Standard & Poor's
Implied GO/Issuer Credit Rating	AA	Aa2	AA
Outlook	Stable	Stable	Stable
Lease Revenue Bonds	AA-	—	AA-
Outlook	Stable	—	Stable
Wastewater System Bonds (Senior Bonds)	AA	—	AA+
Outlook	Stable	—	Stable
Wastewater System Bonds (Subordinate Bonds)	AA	—	AA
Outlook	Stable	—	Stable
Water System Bonds (Senior Bonds) <sup>1</sup>	AA	Aa2	—
Outlook	Stable	Stable	—
Water System Bonds (Subordinate Bonds)	AA-	Aa3	—
Outlook	Stable	Stable	—

<sup>1</sup> In addition, the Water System Senior Bonds are rated by Kroll Bond Rating Agency with an AA+ Rating and a Stable outlook.

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



## OTHER INFORMATION

### Recognized Employee Organization (REO) Agreements

City employees are represented by six REOs. The City reached successor collective bargaining agreements with the Municipal Employees Association (MEA), American Federation of State, County, and Municipal Employees (AFSCME Local 127), and the Deputy City Attorneys Association (DCAA). Employees represented by these three REOs will receive general salary increases ranging between 4% and 6% in fiscal year 2023. In addition, the bargaining agreements include special salary adjustments for multiple job classifications ranging between 3% and 39% in addition to other compensation and benefit adjustments. The Police Officers Association (POA), International Association of Firefighters (Local 145), and Teamsters (Local 911) were still in active negotiations for their fiscal year 2023 labor contracts.

## REQUESTS FOR INFORMATION

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





# Basic Financial Statements





**STATEMENT OF NET POSITION**  
**June 30, 2022**  
(Dollars in Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	San Diego Housing Commission
<b>ASSETS</b>				
Cash and Investments .....	\$ 2,036,404	\$ 934,282	\$ 2,970,686	\$ 192,842
Receivables:				
Taxes - Net of Allowance for Uncollectibles .....	202,960	—	202,960	—
Accounts - Net of Allowance for Uncollectibles .....	45,342	249,046	294,388	33,475
Claims .....	28,626	—	28,626	—
Contributions .....	2,294	—	2,294	—
Special Assessments .....	4,707	—	4,707	—
Notes .....	301,030	—	301,030	428,146
Loans .....	79,493	—	79,493	—
Accrued Interest .....	2,454	1,128	3,582	69,446
Grants .....	93,214	11,811	105,025	—
From Other Agencies .....	1,863	—	1,863	—
Leases .....	610,220	27,648	637,868	95,063
Advances to Other Agencies .....	15,192	—	15,192	—
Internal Balances .....	(5,877)	5,877	—	—
Prepaid Expenses .....	—	29,486	29,486	4,944
Inventories .....	1,708	91,083	92,791	—
Land Held for Resale .....	17,769	—	17,769	—
Restricted Cash and Investments .....	90,404	141,648	232,052	13,956
Other Assets .....	—	194	194	3,157
Capital Assets - Non-Depreciable .....	2,351,956	1,037,867	3,389,823	113,869
Capital Assets - Depreciable .....	3,083,147	6,035,191	9,118,338	325,802
<b>TOTAL ASSETS</b> .....	<b>8,962,906</b>	<b>8,565,261</b>	<b>17,528,167</b>	<b>1,280,700</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Loss on Refunding .....	13,644	84,750	98,394	—
OPEB Related .....	29,096	7,904	37,000	—
Pension Related .....	533,488	100,631	634,119	—
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b> .....	<b>576,228</b>	<b>193,285</b>	<b>769,513</b>	<b>—</b>
<b>LIABILITIES</b>				
Accounts Payable .....	148,404	166,258	314,662	18,396
Accrued Wages and Benefits .....	55,093	12,549	67,642	2,521
Other Accrued Liabilities .....	36,095	24,416	60,511	12,514
Interest Accrued on Long-Term Debt .....	5,962	24,847	30,809	11,977
Long-Term Liabilities Due Within One Year .....	214,078	172,219	386,297	27,455
Due to Other Agencies .....	7	—	7	—
Unearned Revenue .....	261,765	51,389	313,154	25,619

**STATEMENT OF NET POSITION (Continued)**  
**June 30, 2022**  
(Dollars in Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	San Diego Housing Commission
<b>LIABILITIES (Continued)</b>				
Sundry Trust Liabilities .....	\$ 125	\$ —	\$ 125	\$ —
Liabilities Payable from Restricted Assets:				
Customer Deposits Payable .....	—	16,718	16,718	—
Deposits/Advances from Others .....	—	7,796	7,796	3,000
Long-Term Liabilities Due After One Year:				
Compensated Absences .....	40,800	9,099	49,899	—
Liability Claims .....	294,556	135,690	430,246	—
Reimbursement Agreement Obligations .....	20,968	—	20,968	—
Leases Payable .....	65,142	9,410	74,552	—
Financed Purchase Obligations .....	190,371	—	190,371	—
QECC Lease Obligations .....	3,011	—	3,011	—
Notes Payable .....	—	—	—	289,948
Loans Payable .....	27,149	301,148	328,297	—
Section 108 Loans Payable .....	942	—	942	—
Commercial Paper Notes Payable .....	—	195,092	195,092	—
Net Bonds Payable .....	616,811	1,740,239	2,357,050	—
Estimated Landfill Closure and Postclosure Care .....	—	54,865	54,865	—
Net Other Postemployment Benefits Liability .....	332,792	96,927	429,719	—
Pension Liabilities .....	1,732,629	431,542	2,164,171	—
<b>TOTAL LIABILITIES</b> .....	<b>4,046,700</b>	<b>3,450,204</b>	<b>7,496,904</b>	<b>391,430</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Gain on Refunding .....	—	4,171	4,171	—
OPEB Related .....	9,831	2,657	12,488	—
Pension Related .....	771,034	133,641	904,675	—
Lease Related .....	608,743	27,291	636,034	93,775
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b> .....	<b>1,389,608</b>	<b>167,760</b>	<b>1,557,368</b>	<b>93,775</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets .....	4,511,654	4,779,653	9,291,307	159,314
Restricted for:				
Capital Projects .....	804,253	—	804,253	—
Debt Service .....	—	9,738	9,738	—
Low-Moderate Income Housing .....	364,219	—	364,219	—
Nonexpendable Permanent Endowments .....	18,058	—	18,058	—
Grants .....	82,115	—	82,115	—
Other .....	609,219	2,508	611,727	260,353
Unrestricted (Deficit) .....	(2,286,692)	348,683	(1,938,009)	375,828
<b>TOTAL NET POSITION</b> .....	<b>\$ 4,102,826</b>	<b>\$ 5,140,582</b>	<b>\$ 9,243,408</b>	<b>\$ 795,495</b>

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

**STATEMENT OF ACTIVITIES**  
**Fiscal Year Ended June 30, 2022**  
(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>
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General Government and Support .....	\$ 380,023	\$ 191,666	\$ 117,020	\$ 10,376
Public Safety - Police .....	532,695	41,628	3,302	232
Public Safety - Fire and Life Safety and Homeland Security .....	305,596	64,016	18,714	74
Parks, Recreation, Culture and Leisure .....	339,222	111,597	5,917	8,285
Transportation .....	244,789	68,407	66,535	38,295
Sanitation and Health .....	108,419	19,022	263	1,768
Neighborhood Services .....	285,879	45,637	187,651	—
Debt Service - Interest .....	29,449	—	—	—
<b>TOTAL GOVERNMENTAL ACTIVITIES</b> .....	<b>2,226,072</b>	<b>541,973</b>	<b>399,402</b>	<b>59,030</b>
<b>Business-Type Activities:</b>				
Sewer Utility .....	353,774	388,248	36,356	51,155
Water Utility .....	620,436	566,909	40,671	36,603
Airports .....	9,713	6,614	245	—
Development Services .....	89,594	110,633	82	—
Environmental Services .....	48,592	37,562	1,284	508
Golf Course .....	22,174	32,660	—	—
Recycling .....	25,137	27,527	518	—
San Diego Convention Center Corporation .....	36,304	28,363	—	—
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b> .....	<b>1,205,724</b>	<b>1,198,516</b>	<b>79,156</b>	<b>88,266</b>
<b>TOTAL PRIMARY GOVERNMENT</b> .....	<b>\$ 3,431,796</b>	<b>\$ 1,740,489</b>	<b>\$ 478,558</b>	<b>\$ 147,296</b>
<b>Component Unit:</b>				
San Diego Housing Commission .....	\$ 577,801	\$ 75,174	\$ 507,436	\$ 3,505

**General Revenues:**

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



Net Revenue/(Expense) and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	San Diego Housing Commission
\$ (60,961)	\$ —	\$ (60,961)	\$ —
(487,533)	—	(487,533)	—
(222,792)	—	(222,792)	—
(213,423)	—	(213,423)	—
(71,552)	—	(71,552)	—
(87,366)	—	(87,366)	—
(52,591)	—	(52,591)	—
(29,449)	—	(29,449)	—
<u>(1,225,667)</u>	<u>—</u>	<u>(1,225,667)</u>	<u>—</u>
—	121,985	121,985	—
—	23,747	23,747	—
—	(2,854)	(2,854)	—
—	21,121	21,121	—
—	(9,238)	(9,238)	—
—	10,486	10,486	—
—	2,908	2,908	—
—	(7,941)	(7,941)	—
<u>—</u>	<u>160,214</u>	<u>160,214</u>	<u>—</u>
<u>(1,225,667)</u>	<u>160,214</u>	<u>(1,065,453)</u>	<u>—</u>
<u>—</u>	<u>—</u>	<u>—</u>	<u>8,314</u>
684,513	—	684,513	—
259,231	—	259,231	—
434,719	—	434,719	—
114,722	—	114,722	—
75,660	—	75,660	—
78,485	—	78,485	—
3,916	—	3,916	—
(21,964)	(17,019)	(38,983)	11,098
4,777	83	4,860	(28)
18,571	28,937	47,508	—
(10,113)	10,113	—	—
<u>1,642,517</u>	<u>22,114</u>	<u>1,664,631</u>	<u>11,070</u>
<u>(108,636)</u>	<u>(36,114)</u>	<u>(144,750)</u>	<u>—</u>
308,214	146,214	454,428	19,384
3,794,612	4,994,368	8,788,980	776,111
<u>\$ 4,102,826</u>	<u>\$ 5,140,582</u>	<u>\$ 9,243,408</u>	<u>\$ 795,495</u>

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

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
June 30, 2022  
(Dollars in Thousands)**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and Investments .....	\$ 627,325	\$ 1,285,475	\$ 1,912,800
Receivables:			
Taxes - Net of Allowance for Uncollectibles .....	130,657	72,303	202,960
Accounts - Net of Allowance for Uncollectibles .....	33,453	11,637	45,090
Claims .....	—	28,626	28,626
Special Assessments .....	—	4,707	4,707
Notes .....	—	301,030	301,030
Loans .....	—	79,493	79,493
Accrued Interest .....	1,169	1,262	2,431
Grants .....	—	93,214	93,214
From Other Funds .....	45,444	—	45,444
From Other Agencies .....	1,863	—	1,863
Contributions .....	1,191	—	1,191
Interfund Loan Receivable .....	—	26,167	26,167
Leases .....	604,355	5,865	610,220
Advances to Other Agencies .....	674	14,518	15,192
Land Held for Resale .....	—	17,769	17,769
Restricted Cash and Investments .....	2,320	88,084	90,404
<b>TOTAL ASSETS</b> .....	<b>\$ 1,448,451</b>	<b>\$ 2,030,150</b>	<b>\$ 3,478,601</b>
<b>LIABILITIES</b>			
Accounts Payable .....	\$ 70,145	\$ 72,282	\$ 142,427
Accrued Wages and Benefits .....	52,232	514	52,746
Other Accrued Liabilities .....	15,009	20,956	35,965
Due to Other Funds .....	—	45,444	45,444
Due to Other Agencies .....	—	7	7
Unearned Revenue .....	201,095	60,670	261,765
Sundry Trust Liabilities .....	125	—	125
Interfund Loan Payable .....	—	26,167	26,167
<b>TOTAL LIABILITIES</b> .....	<b>338,606</b>	<b>226,040</b>	<b>564,646</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Taxes .....	18,189	37,724	55,913
Unavailable Revenue - Grants .....	—	62,483	62,483
Unavailable Revenue - Other .....	8,007	10,347	18,354
Lease Related .....	602,989	5,754	608,743
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b> .....	<b>629,185</b>	<b>116,308</b>	<b>745,493</b>

**GOVERNMENTAL FUNDS  
BALANCE SHEET (Continued)  
June 30, 2022  
(Dollars in Thousands)**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>FUND BALANCES</b>			
Nonspendable .....	\$ —	\$ 18,058	\$ 18,058
Restricted .....	200,861	1,672,103	1,872,964
Committed .....	100,866	76,686	177,552
Assigned .....	20,036	—	20,036
Unassigned (Deficit) .....	158,897	(79,045)	79,852
<b>TOTAL FUND BALANCES</b> .....	<u>480,660</u>	<u>1,687,802</u>	<u>2,168,462</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b> ....	<u>\$ 1,448,451</u>	<u>\$ 2,030,150</u>	

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.	5,217,379
Deferred outflows of resources are not financial resources (uses), and therefore, are not reported at the fund level.	563,202
Unavailable revenues are not financial resources, and therefore, are reported as deferred inflows of resources.	136,750
Internal service funds are used by management to charge the costs of activities such as Fleet Operations, Central Stores, Publishing Services, and Employee Benefit Programs to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of certain internal service funds are included in the governmental activities in the Statement of Net Position.	153,820
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.	<u>(4,136,787)</u>
Net Position of Governmental Activities (page 51)	<u>\$ 4,102,826</u>

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

**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Fiscal Year Ended June 30, 2022**  
**(Dollars in Thousands)**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Property Taxes .....	\$ 663,142	\$ 18,750	\$ 681,892
Special Assessments .....	—	69,193	69,193
Sales Taxes - Shared State Revenue .....	387,872	37,654	425,526
Transient Occupancy Taxes .....	136,468	122,642	259,110
Franchises .....	114,621	71,580	186,201
Other Local Taxes .....	75,727	—	75,727
Licenses and Permits .....	43,842	92,814	136,656
Fines, Forfeitures and Penalties .....	30,506	2,954	33,460
Revenue (Loss) from Use of Money and Property .....	59,396	(3,365)	56,031
Revenue from Federal Agencies .....	100,123	236,622	336,745
Revenue from Other Agencies .....	9,679	35,730	45,409
Revenue from Private Sources .....	220	2,764	2,984
Charges for Current Services .....	322,149	25,591	347,740
Other Revenue .....	13,881	3,604	17,485
<b>TOTAL REVENUES</b> .....	<b>1,957,626</b>	<b>716,533</b>	<b>2,674,159</b>
<b>EXPENDITURES</b>			
Current:			
General Government and Support .....	449,925	17,866	467,791
Public Safety - Police .....	592,198	10,721	602,919
Public Safety - Fire and Life Safety and Homeland Security .....	327,026	14,367	341,393
Parks, Recreation, Culture and Leisure .....	184,384	132,784	317,168
Transportation .....	141,408	22,756	164,164
Sanitation and Health .....	99,329	8,130	107,459
Neighborhood Services .....	46,712	241,507	288,219
Capital Outlay .....	12,851	187,280	200,131
Debt Service:			
Principal Retirement .....	20,073	42,328	62,401
Cost of Issuance .....	—	105	105
Interest .....	3,383	26,240	29,623
<b>TOTAL EXPENDITURES</b> .....	<b>1,877,289</b>	<b>704,084</b>	<b>2,581,373</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b> .....	<b>80,337</b>	<b>12,449</b>	<b>92,786</b>

**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (Continued)**  
**Fiscal Year Ended June 30, 2022**  
**(Dollars in Thousands)**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from Other Funds .....	\$ 37,714	\$ 102,193	\$ 139,907
Transfers to Proprietary Funds .....	(217)	(10,196)	(10,413)
Transfers to Other Funds .....	(68,499)	(71,408)	(139,907)
Proceeds from the Sale of Capital Assets .....	3	2,559	2,562
Leases .....	851	596	1,447
Proceeds from Financed Purchases .....	1,029	—	1,029
<b>TOTAL OTHER FINANCING SOURCES (USES) .....</b>	<b>(29,119)</b>	<b>23,744</b>	<b>(5,375)</b>
<b>NET CHANGE IN FUND BALANCES .....</b>	<b>51,218</b>	<b>36,193</b>	<b>87,411</b>
Fund Balances at Beginning of Year .....	429,442	1,651,609	2,081,051
<b>FUND BALANCES AT END OF YEAR .....</b>	<b>\$ 480,660</b>	<b>\$ 1,687,802</b>	<b>\$ 2,168,462</b>

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
Fiscal Year Ended June 30, 2022  
(Dollars in Thousands)

Net Change in Fund Balances of Governmental Funds (page 57)	\$	87,411
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/amortization 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/amortization in the current period.		56,098
The net effect of various miscellaneous transactions involving capital assets (e.g., retirements and transfers) is to decrease net position.		(4,211)
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.		15,044
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		59,925
Some expenses reported in the Statement of Activities do not require the use of current financial resources (e.g., compensated absences, NPL), and therefore, are not accrued as expenditures in governmental funds.		84,318
Internal service funds are used to charge the costs of activities such as Fleet Operations, Central Stores, Publishing Services, and Employee Benefit Programs to individual funds. The net income of certain internal service activities is reported with governmental activities.		<u>9,629</u>
Change in Net Position of Governmental Activities (page 53)	\$	<u><u>308,214</u></u>

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



**Page Intentionally Left Blank**

**PROPRIETARY FUNDS**  
**STATEMENT OF FUND NET POSITION**  
**June 30, 2022**  
(Dollars in Thousands)

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Internal Service Funds</u>
	<u>Sewer Utility</u>	<u>Water Utility</u>	<u>Other Enterprise Funds</u>	<u>Total</u>	
<b>ASSETS</b>					
Current Assets:					
Cash and Investments .....	\$ 329,418	\$ 411,382	\$ 192,163	\$ 932,963	\$ 124,923
Receivables:					
Accounts - Net of Allowance for Uncollectibles .....	86,849	139,124	23,073	249,046	252
Contributions .....	—	—	—	—	1,103
Accrued Interest .....	370	505	253	1,128	23
Grants .....	9,600	962	1,249	11,811	—
Leases .....	—	800	662	1,462	—
Inventories .....	—	82,258	55	82,313	10,478
Total Current Assets .....	<u>426,237</u>	<u>635,031</u>	<u>217,455</u>	<u>1,278,723</u>	<u>136,779</u>
Non-Current Assets:					
Restricted Cash and Investments .....	78,973	7,476	55,199	141,648	—
Prepaid Expenses .....	2,439	26,104	943	29,486	—
Leases Receivable .....	—	18,267	7,919	26,186	—
Other Assets .....	—	—	194	194	—
Capital Assets - Non-Depreciable .....	431,917	576,791	29,159	1,037,867	6,056
Capital Assets - Depreciable .....	2,995,232	2,869,695	170,264	6,035,191	211,668
Total Non-Current Assets .....	<u>3,508,561</u>	<u>3,498,333</u>	<u>263,678</u>	<u>7,270,572</u>	<u>217,724</u>
<b>TOTAL ASSETS</b> .....	<u>3,934,798</u>	<u>4,133,364</u>	<u>481,133</u>	<u>8,549,295</u>	<u>354,503</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Loss on Refunding .....	43,920	40,830	—	84,750	—
OPEB Related .....	2,711	2,380	2,813	7,904	1,075
Pension Related .....	34,244	34,526	31,861	100,631	11,951
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b> .....	<u>80,875</u>	<u>77,736</u>	<u>34,674</u>	<u>193,285</u>	<u>13,026</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable .....	64,234	88,200	13,030	165,464	6,771
Accrued Wages and Benefits .....	4,288	3,653	4,608	12,549	2,347
Interest Accrued on Long-Term Debt .....	5,902	18,934	11	24,847	278
Other Accrued Liabilities .....	15,177	7,492	1,747	24,416	130
Long-Term Liabilities Due Within One Year .....	96,559	62,711	12,949	172,219	20,989
Unearned Revenue .....	11,692	8,372	31,325	51,389	—
Current Liabilities Payable from Restricted Assets:					
Customer Deposits Payable .....	—	3,468	13,250	16,718	—
Total Current Liabilities .....	<u>197,852</u>	<u>192,830</u>	<u>76,920</u>	<u>467,602</u>	<u>30,515</u>



**PROPRIETARY FUNDS**  
**STATEMENT OF FUND NET POSITION (Continued)**  
**June 30, 2022**  
**(Dollars in Thousands)**

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Internal Service Funds</u>
	<u>Sewer Utility</u>	<u>Water Utility</u>	<u>Other Enterprise Funds</u>	<u>Total</u>	
Non-Current Liabilities:					
Non-Current Liabilities Payable from Restricted Assets:					
Deposits/Advances from Others .....	\$ —	\$ —	\$ 7,796	\$ 7,796	\$ —
Compensated Absences .....	2,437	3,338	3,324	9,099	1,202
Liability Claims .....	19,158	108,347	8,185	135,690	9,411
Leases Payable .....	1,234	1,234	6,942	9,410	20,559
Financed Purchase Obligations .....	—	—	—	—	41,001
Loans Payable .....	126,671	152,066	22,411	301,148	—
Commercial Paper Notes Payable .....	—	195,092	—	195,092	—
Net Revenue Bonds Payable .....	697,755	1,042,484	—	1,740,239	—
Estimated Landfill Closure and Postclosure Care .....	—	—	54,865	54,865	—
Net Other Postemployment Benefits Liability .....	35,693	33,304	27,930	96,927	16,661
Pension Liabilities .....	147,298	147,924	136,320	431,542	61,773
Total Non-Current Liabilities .....	<u>1,030,246</u>	<u>1,683,789</u>	<u>267,773</u>	<u>2,981,808</u>	<u>150,607</u>
<b>TOTAL LIABILITIES</b> .....	<u>1,228,098</u>	<u>1,876,619</u>	<u>344,693</u>	<u>3,449,410</u>	<u>181,122</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Gain on Refunding .....	—	4,171	—	4,171	—
OPEB Related .....	902	793	962	2,657	381
Pension Related .....	48,372	42,165	43,104	133,641	17,034
Leases Related .....	—	18,765	8,526	27,291	—
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b> .....	<u>49,274</u>	<u>65,894</u>	<u>52,592</u>	<u>167,760</u>	<u>17,415</u>
<b>NET POSITION</b>					
Net Investment in Capital Assets .....	2,600,285	2,012,448	166,920	4,779,653	143,155
Restricted for Debt Service .....	5,726	4,012	—	9,738	—
Restricted for Closure/Postclosure Maintenance .....	—	—	2,508	2,508	—
Unrestricted (Deficit) .....	132,290	252,127	(50,906)	333,511	25,837
<b>TOTAL NET POSITION</b> .....	<u>\$ 2,738,301</u>	<u>\$ 2,268,587</u>	<u>\$ 118,522</u>	<u>5,125,410</u>	<u>\$ 168,992</u>
Adjustments to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds:					
Current Assets				1,319	
Internal Balances				5,877	
Inventories				8,770	
Current Liabilities				(794)	
Net position of business-type activities (page 51)				<u>\$ 5,140,582</u>	

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

**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**Fiscal Year Ended June 30, 2022**  
**(Dollars in Thousands)**

	<b>Business-Type Activities - Enterprise Funds</b>				<b>Internal Service Funds</b>
	<b>Sewer Utility</b>	<b>Water Utility</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	
<b>OPERATING REVENUES</b>					
Sales of Water .....	\$ —	\$ 552,962	\$ —	\$ 552,962	\$ —
Charges for Services .....	378,749	3,692	220,026	602,467	152,446
Revenue from Use of Property .....	—	—	6,175	6,175	106
Other .....	8,310	2,982	14,457	25,749	842
<b>TOTAL OPERATING REVENUES</b> .....	<b>387,059</b>	<b>559,636</b>	<b>240,658</b>	<b>1,187,353</b>	<b>153,394</b>
<b>OPERATING EXPENSES</b>					
Salaries and Employee Benefits .....	90,884	80,695	119,920	291,499	35,863
Materials and Supplies .....	31,110	236,342	5,256	272,708	25,680
Contractual Services .....	84,092	171,028	64,076	319,196	8,711
Information Technology .....	11,682	10,493	8,059	30,234	2,400
Energy and Utilities .....	25,710	10,902	11,615	48,227	13,550
Depreciation and Amortization .....	83,598	66,725	16,820	167,143	32,993
Benefit and Claim Expenses .....	—	—	—	—	17,325
Other Expenses .....	790	3,180	4,474	8,444	16
<b>TOTAL OPERATING EXPENSES</b> .....	<b>327,866</b>	<b>579,365</b>	<b>230,220</b>	<b>1,137,451</b>	<b>136,538</b>
<b>OPERATING INCOME (LOSS)</b> .....	<b>59,193</b>	<b>(19,729)</b>	<b>10,438</b>	<b>49,902</b>	<b>16,856</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Earnings (Losses) on Investments .....	(5,412)	(7,121)	(4,464)	(16,997)	(417)
Federal Grant Assistance .....	1,756	21,015	1,529	24,300	—
Other Agency Grant Assistance .....	9,600	(5,344)	600	4,856	21
Gain (Loss) on Sale/Retirement of Capital Assets .....	(711)	(375)	(1,884)	(2,970)	2,319
Leases .....	1,189	7,273	2,701	11,163	—
Debt Service Interest Expense .....	(26,412)	(41,805)	(976)	(69,193)	(1,314)
Other .....	31,097	40,942	6,898	78,937	681
<b>TOTAL NONOPERATING REVENUES, NET</b> .....	<b>11,107</b>	<b>14,585</b>	<b>4,404</b>	<b>30,096</b>	<b>1,290</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b> .....	<b>70,300</b>	<b>(5,144)</b>	<b>14,842</b>	<b>79,998</b>	<b>18,146</b>
Capital Contributions .....	51,155	36,603	508	88,266	33
Transfers from Other Funds .....	—	—	1,709	1,709	3,500
Transfers from Governmental Funds .....	—	—	10,196	10,196	217
Transfers to Other Funds .....	(665)	(2,835)	(1,709)	(5,209)	—
<b>TOTAL CONTRIBUTIONS AND TRANSFERS</b> .....	<b>50,490</b>	<b>33,768</b>	<b>10,704</b>	<b>94,962</b>	<b>3,750</b>
Extraordinary Loss .....	(7,953)	(10,705)	(17,456)	(36,114)	(4,899)
<b>CHANGE IN NET POSITION</b> .....	<b>112,837</b>	<b>17,919</b>	<b>8,090</b>	<b>138,846</b>	<b>16,997</b>
Net Position at Beginning of Year .....	2,625,464	2,250,668	110,432		151,995
<b>NET POSITION AT END OF YEAR</b> .....	<b>\$ 2,738,301</b>	<b>\$ 2,268,587</b>	<b>\$ 118,522</b>		<b>\$ 168,992</b>
Adjustments to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds:					
Allocated Operating Income .....				3,890	
Losses on Investments .....				(22)	
Transfers, Net .....				3,500	
Change in net position of business-type activities (page 53) .....				<b>\$ 146,214</b>	

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



**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**Fiscal Year Ended June 30, 2022**  
**(Dollars in Thousands)**

	<b>Business-Type Activities - Enterprise Funds</b>				<b>Internal Service Funds</b>
	<b>Sewer Utility</b>	<b>Water Utility</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from Customers and Users	\$ 403,309	\$ 598,809	\$ 253,989	\$ 1,256,107	\$ 29,370
Receipts from Interfund Services Provided	2,415	3,827	33	6,275	125,328
Payments to Suppliers	(138,197)	(380,602)	(68,295)	(587,094)	(48,855)
Payments to Employees	(100,155)	(88,014)	(140,427)	(328,596)	(59,798)
Payments for Interfund Services Used	(5,318)	(8,779)	(9,569)	(23,666)	(1,350)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>162,054</b>	<b>125,241</b>	<b>35,731</b>	<b>323,026</b>	<b>44,695</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers from Other Funds	—	—	1,709	1,709	3,500
Transfers from Governmental Funds	—	—	10,196	10,196	217
Transfers to Other Funds	(665)	(2,835)	(1,709)	(5,209)	—
Operating Grants	1,756	29,875	1,703	33,334	206
Proceeds from Advances and Deposits	—	904	1,758	2,662	—
Payments for Advances and Deposits	—	—	(549)	(549)	—
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>1,091</b>	<b>27,944</b>	<b>13,108</b>	<b>42,143</b>	<b>3,923</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from Loans	9,408	74,414	—	83,822	—
Proceeds from Commercial Paper	—	104,614	—	104,614	—
Proceeds from Revenue Bonds	190,572	—	—	190,572	—
Proceeds from Capital Contributions	25,338	17,940	508	43,786	—
Proceeds from the Sale of Capital Assets	2	1,316	9	1,327	3,824
Proceeds from Leasing Activity	1,189	6,971	2,701	10,861	—
Acquisition of Capital Assets	(172,815)	(221,771)	(8,257)	(402,843)	(20,007)
Principal Payments on Leases	(297)	(297)	(3,855)	(4,449)	(475)
Principal Payments on Financed Purchases	(4)	(9)	—	(13)	(12,760)
Principal Payments on Notes	—	—	(2)	(2)	—
Principal Payments on Loans	(8,912)	(4,534)	(785)	(14,231)	—
Principal Payments on Commercial Paper	—	(8,246)	—	(8,246)	—
Principal Payments on Revenue Bonds	(67,200)	(43,720)	—	(110,920)	—
Interest Paid on Long-Term Debt	(28,834)	(45,596)	(964)	(75,394)	(1,336)
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(51,553)</b>	<b>(118,918)</b>	<b>(10,645)</b>	<b>(181,116)</b>	<b>(30,754)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Sales of Investments	212,496	828,894	—	1,041,390	—
Purchases of Investments	(285,819)	(828,894)	(5,335)	(1,120,048)	—
Interest Received (Losses) on Investments	(5,268)	(7,023)	(4,396)	(16,687)	(411)
<b>NET CASH USED FOR INVESTING ACTIVITIES</b>	<b>(78,591)</b>	<b>(7,023)</b>	<b>(9,731)</b>	<b>(95,345)</b>	<b>(411)</b>
Net Increase in Cash and Cash Equivalents	33,001	27,244	28,463	88,708	17,453
Cash and Cash Equivalents at Beginning of Year	302,081	387,604	202,432	892,117	107,470
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 335,082</b>	<b>\$ 414,848</b>	<b>\$ 230,895</b>	<b>\$ 980,825</b>	<b>\$ 124,923</b>
<b>Reconciliation of Cash and Cash Equivalents at End of Year to the Statement of Fund Net Position:</b>					
Cash and Investments	\$ 329,418	\$ 411,382	\$ 192,163	\$ 932,963	\$ 124,923
Restricted Cash and Investments	78,973	7,476	55,199	141,648	—
Less Investments Not Meeting the Definition of Cash Equivalents	(73,309)	(4,010)	(16,467)	(93,786)	—
<b>TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 335,082</b>	<b>\$ 414,848</b>	<b>\$ 230,895</b>	<b>\$ 980,825</b>	<b>\$ 124,923</b>

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS (Continued)**  
**Fiscal Year Ended June 30, 2022**  
**(Dollars in Thousands)**

	<b>Business-Type Activities - Enterprise Funds</b>				<b>Internal Service Funds</b>
	<b>Sewer Utility</b>	<b>Water Utility</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>					
Operating Income (Loss) .....	\$ 59,193	\$ (19,729)	\$ 10,438	\$ 49,902	\$ 16,856
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Depreciation and Amortization .....	83,598	66,725	16,820	167,143	32,993
Other Nonoperating Revenues .....	31,097	40,942	511	72,550	681
(Increase) Decrease in Assets:					
Accounts Receivable - Net .....	(23,956)	(3,581)	11,584	(15,953)	462
Contributions Receivable .....	—	—	—	—	159
Inventories .....	—	(15,525)	—	(15,525)	(3,082)
Prepaid Expenses .....	—	—	(169)	(169)	—
Increase (Decrease) in Liabilities and Net Deferred Outflows/Inflows of Resources:					
Accounts Payable .....	25,726	9,185	(672)	34,239	(480)
Accrued Wages and Benefits .....	552	587	642	1,781	95
Other Accrued Liabilities .....	—	—	370	370	—
Due to Other Agencies .....	(17,040)	831	—	(16,209)	—
Unearned Revenue .....	11,137	5,638	1,269	18,044	—
Contract Deposits .....	386	—	—	386	—
Compensated Absences .....	(486)	635	156	305	(449)
Liability Claims .....	4,720	52,384	6,315	63,419	1,954
Estimated Landfill Closure and Postclosure Care .....	—	—	3,209	3,209	—
Net Other Postemployment Benefits Liability and Related Changes in Deferred Outflows/Inflows of Resources .....	(2,224)	(1,954)	(2,294)	(6,472)	(866)
Pension Liabilities and Related Changes in Deferred Outflows/Inflows of Resources .....	(2,696)	(192)	5,008	2,120	1,271
Total Adjustments .....	110,814	155,675	42,749	309,238	32,738
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES BEFORE EXTRAORDINARY LOSS</b> .....	<b>170,007</b>	<b>135,946</b>	<b>53,187</b>	<b>359,140</b>	<b>49,594</b>
Extraordinary Loss .....	(7,953)	(10,705)	(17,456)	(36,114)	(4,899)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b> .....	<b>\$ 162,054</b>	<b>\$ 125,241</b>	<b>\$ 35,731</b>	<b>\$ 323,026</b>	<b>\$ 44,695</b>
<b>Noncash Investing, Capital, and Financing Activities:</b>					
Capital Assets Acquired through Financed Purchases .....	\$ —	\$ —	\$ —	\$ —	\$ 8,109
Developer Contributed and Donated Capital Assets .....	25,818	18,662	—	44,480	25
Acquisition of Capital Assets .....	4,033	1,775	—	5,808	—
Capital Asset Acquisitions Related to Accounts Payable .....	3,600	1,181	2,496	7,277	148
Carrying Value of Retired Capital Assets .....	(663)	(1,657)	(1,893)	(4,213)	(1,505)
Amortization of Bond Premiums, Discounts and Refundings .....	2,705	3,576	—	6,281	—
Change in Fair Value of Investments .....	(7,946)	(10,014)	(5,404)	(23,364)	(564)
Interest and Reserve Fund Credits for Debt Service Payments .....	—	(1)	—	(1)	—
Forgiveness of Debt .....	—	—	6,387	6,387	—
Transfers of Capital Assets (To) From Governmental Activities .....	(50)	(33)	—	(83)	8

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

**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**June 30, 2022**  
(Dollars in Thousands)

	Trust Funds		
	Pension	Private-Purpose	Custodial Funds
<b>ASSETS</b>			
Cash and Investments .....	\$ 945	\$ 57,055	\$ 3,940
Cash and Investments with Custodian/Fiscal Agent .....	196,336	—	—
Investments at Fair Value:			
Domestic Fixed Income Securities .....	2,160,147	—	—
International Fixed Income Securities .....	584,278	—	—
Domestic Equity Securities .....	2,322,352	—	—
International Equity Securities .....	1,359,841	—	—
Global Equity Securities .....	625,932	—	—
Real Estate .....	1,201,435	—	—
Private Equity and Infrastructure .....	1,780,740	—	—
Receivables:			
Special Assessments .....	—	—	165
Contributions .....	4,443	—	—
Accrued Interest .....	8,553	64	4
Notes and Contracts .....	—	3,913	—
Securities Sold .....	249,101	—	—
Advances to Other Agencies .....	—	2,579	—
Prepaid Expenses .....	366	247	—
Securities Lending Collateral .....	134,472	—	—
Restricted Cash and Investments .....	—	34,703	9,205
Capital Assets - Non-Depreciable .....	—	14,278	—
Capital Assets - Depreciable .....	3,332	38,888	—
<b>TOTAL ASSETS</b> .....	<b>10,632,273</b>	<b>151,727</b>	<b>13,314</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Loss on Refunding .....	—	19,648	—
<b>LIABILITIES</b>			
Accounts Payable .....	3,894	702	3,226
Accrued Wages and Benefits .....	1,132	—	—
Interest Accrued on Long-Term Debt .....	—	99,159	—
Long-Term Liabilities Due Within One Year:			
Leases Payable .....	1,131	—	—
Sundry Trust/Agency Liabilities .....	—	472	—
Supplemental Benefits Payable .....	12,024	—	—
Securities Lending Obligations .....	134,485	—	—
Securities Purchased .....	491,504	—	—
Long-Term Liabilities Due After One Year:			
Liability Claims .....	—	64,408	—
Leases Payable .....	96	—	—
Due to Bondholders .....	—	307,156	9,882
<b>TOTAL LIABILITIES</b> .....	<b>644,266</b>	<b>471,897</b>	<b>13,108</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Gain on Refunding .....	—	2,198	—
<b>NET POSITION (DEFICIT)</b>			
Restricted for Pension Benefits .....	9,988,007	—	—
Held in Trust for Other Purposes .....	—	(302,720)	—
Restricted for Others .....	—	—	206
<b>TOTAL NET POSITION (DEFICIT)</b> .....	<b>\$ 9,988,007</b>	<b>\$ (302,720)</b>	<b>\$ 206</b>

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

**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**Fiscal Year Ended June 30, 2022**  
**(Dollars in Thousands)**

	Trust Funds		
	Pension	Private-Purpose	Custodial Funds
<b>ADDITIONS</b>			
Employer Contributions .....	\$ 447,584	\$ —	\$ —
Plan Member Contributions:			
Employee Contributions .....	81,551	—	—
DROP Contributions .....	5,541	—	—
Redevelopment Property Tax Trust Fund .....	—	60,733	—
Special Assessments .....	—	—	7,455
Fines, Forfeitures and Penalties .....	—	—	18
Special Tax Bonds Issued .....	—	—	22,470
Premium on Bonds Issued .....	—	—	3,457
Earnings (Losses) on Investments:			
Investment Income .....	241,604	(812)	(58)
Investment Expense .....	(73,623)	—	—
Net Depreciation in Fair Value of Investments .....	(318,787)	—	—
Net Investment Income (Loss) .....	(150,806)	(812)	(58)
Securities Lending Income:			
Gross Earnings .....	1,895	—	—
Borrower Rebates and Bank Charges .....	(671)	—	—
Net Securities Lending Income .....	1,224	—	—
Other Income .....	—	2,686	—
<b>TOTAL ADDITIONS</b> .....	<b>385,094</b>	<b>62,607</b>	<b>33,342</b>
<b>DEDUCTIONS</b>			
Enforceable Obligation Payments .....	—	2,631	—
Interest on Long-Term Debt .....	—	13,668	—
DROP Interest Expense .....	21,059	—	—
Benefit and Claim Payments .....	643,875	—	—
Paid to Bondholders .....	—	—	29,542
Administration .....	13,709	—	303
Cost of Issuance .....	—	—	256
Depreciation .....	—	1,813	—
Other Expenses .....	—	—	3,270
<b>TOTAL DEDUCTIONS</b> .....	<b>678,643</b>	<b>18,112</b>	<b>33,371</b>
<b>CHANGE IN NET POSITION</b> .....	<b>(293,549)</b>	<b>44,495</b>	<b>(29)</b>
Net Position (Deficit) at Beginning of Year .....	10,281,556	(347,215)	235
<b>NET POSITION (DEFICIT) AT END OF YEAR</b> .....	<b>\$ 9,988,007</b>	<b>\$ (302,720)</b>	<b>\$ 206</b>

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

## NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2022

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

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

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

#### a. Financial Reporting Entity

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

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

A discretely presented component unit does not function as an integral part of the primary government. It is reported in the government-wide financial statements in a column separate from the primary government. The City also reports fiduciary component units which are not included in the government-wide financial statements. Fiduciary component units are not part of the primary government and are reported as fiduciary funds to account for assets held in a trustee or custodial 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:

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

A brief description of each blended component unit follows:

- 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 (Chief Operating Officer), the President/CEO of the Port, and a member of the Board of Commissioners for the Port. 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. The members consist of the City, the Successor Agency, and the Housing Authority of the City of San Diego. PFFA is governed by a board of commissioners composed of the members of the City Council. PFFA provides services exclusively to the City. Financing for governmental funds is reported as a governmental activity and financing for enterprise funds is reported as a business-type activity.



- San Diego Convention Center Corporation (SDCCC) is a not-for-profit public benefit corporation, originally organized to market, operate, and maintain the San Diego Convention Center. The City is the sole member of SDCCC and acts through the San Diego City Council in accordance with the Charter and the City's Municipal Code. The City appoints all seven voting members to the Board of Directors of SDCCC. In accordance with the management agreement with SDCCC, the City allocates to SDCCC approved budgetary amounts for marketing, promotion, and capital projects for the Convention Center. SDCCC is reported as an enterprise fund. Complete stand-alone financial statements are available at [www.visitsandiego.com](http://www.visitsandiego.com).
- The Enhanced Infrastructure Financing District Public Financing Authority (EIFDPFA) was established in 2017 by the City to finance certain Otay Mesa public infrastructure and community benefit projects authorized under the Enhanced Infrastructure Financing District (EIFD) Law Government Code sections 53398.50 through 53398.88. The Otay Mesa EIFD governing board consists of three members of the City Council and two members of the public, all of whom are appointed by the City Council. Services provided primarily benefit the Otay Mesa area of the City. Financing is reported as a governmental activity.
- The Tobacco Settlement Revenue Funding Corporation (TSRFC) is a not-for-profit public benefit corporation established in 2006 for the purpose of acquiring the tobacco settlement revenues allocated to the City from the State of California, pursuant to the Master Settlement Agreement. TSRFC purchased from the City the rights to receive future tobacco settlement revenues due to the City. TSRFC is governed by a board of directors, which consists of the Chief Operating Officer, the Chief Financial Officer, and one independent director. The independent director is appointed by the Mayor or the remaining directors. TSRFC is reported as a governmental fund.

The City has one fiduciary component unit:

- The San Diego City Employees' Retirement System (SDCERS) was established in 1927 by the City and administers independent, qualified, single employer governmental defined benefit plans and trusts for the City, the Port, and the San Diego County Regional Airport Authority (Airport). SDCERS' Board of Administration (SDCERS Board) adopted a Declaration of Group Trust, effective July 1, 2007. Under the Group Trust, the City, Port and Airport plans are treated as separate plans, with assets pooled for investment purposes only. SDCERS also processes certain postemployment healthcare activities on behalf of the City. SDCERS is a legally separate, fiduciary component unit of the City. It is governed by a 13 member Board of Administration, eight of which are appointed by the City, and a Pension Administrator who does not report to or work under the direction of the elected officials or appointed managers of the City. As such, the City does not maintain direct operational oversight of SDCERS or its financial reports. SDCERS provides services primarily to the City and is reported as a pension trust fund. Complete stand-alone financial statements are available at [www.sdcers.org](http://www.sdcers.org).

The City has one discretely presented component unit:

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

SDHC has eight blended component units and twenty-three discretely presented component units which are included in the City's basic financial statements. The discretely presented component units are financially and legally separate entities from SDHC. SDHC's discretely presented component units reflect the financial reporting entity of consolidated Housing Development Partners, which includes the following legal entities:

Housing Development Partners of San Diego (HDP)	HDP New Palace Management, LLC
HDP Mason Housing Corporation	HDP Village North, LLC
Casa Colina, LP	HDP West Park, LP
Logan Development II, LP	HDP West Park Management, LLC

HDP Broadway, LP	HDP Quality Inn, LLC
HDP Churchill, LP	HDP Town and Country, LP
HDP Parker Kier, LLC	HDP Town and Country, LLC
HDP New Palace, LP	HDP Mariner's Village, LP
Logan Development Management, LLC	HDP Mariner's Village Management, LLC
HDP Broadway Management, LLC	HDP Casa Colina Management, LLC
HDP Churchill, LLC	HDP ADU, LLC
HDP Island Village, LLC	

Complete stand-alone financial statements are available at [www.sdhc.org](http://www.sdhc.org).

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

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the City and its blended and discretely presented 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 services. The primary government is reported discretely from SDHC, a legally separate component unit for which the primary government is financially accountable.

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

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

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

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

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

**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. Investment earnings available for expenditure are reported as Restricted Fund Balance in the fund level financial statements, and as Net Position 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.

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.

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

The City has two major enterprise funds:

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

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

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 the 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. The public utilities' inventory fund is also reported as an internal service fund.

**Fiduciary funds** are used to account for assets held by the City in a trustee capacity or as a custodian for individuals, private organizations, and/or other governmental units, and include the pension trust, private-purpose trust, and custodial funds. Fiduciary funds are reported using the economic resources measurement focus and the full accrual basis of accounting.

Fiduciary funds and fiduciary component units are excluded from the government-wide financial statements. The City has three types of fiduciary funds: pension trust; private-purpose trust; and custodial funds.

Pension Trust Funds - These funds account for SDCERS, a fiduciary component unit which provides retirement, disability, and death benefits for the City, Port, and Airport Authority.

Private-Purpose Trust Fund - This fund was established to account for the ongoing activity and obligations of the Successor Agency. The Successor Agency was established to hold the former Redevelopment Agency of the City of San Diego's (RDA) 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. In January 2012, the City was designated to serve as the Successor Agency subject to control by an oversight board.

Custodial Funds - These funds account for assets held by the City as a custodian for individuals, private organizations, and other governments, including asset forfeitures and Community Facilities Districts.

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. The City receives the current year's taxes through periodic apportionments from the County.

The County's tax calendar is from July 1 to June 30. Property taxes attach as a lien on property on January 1. Taxes are levied on July 1, based on the assessed values as of the lien date, are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Since the passage of California's Proposition 13, beginning with fiscal year ended 1979, general property taxes are based on either (1) a flat 1% rate applied to the 1975-76 full value of the property or (2) 1% of the sales price of any property sold or of the cost of any new construction after the 1975-76 valuation. Taxable values of properties (exclusive of increases related to sales and new construction) can increase by a maximum of 2% per year. The Proposition 13 limitation on general property taxes does not apply to taxes levied to pay the debt service on any indebtedness approved by the voters prior to June 6, 1978 (the date of passage of Proposition 13).

At the government-wide level, property tax revenue is recognized in the fiscal year for which the taxes have been levied. Property taxes received after the fiscal year which do not meet the 60 day availability criterion are not considered available as a resource that can be used to finance the current year operations of the City and, therefore, are recorded as deferred inflows of resources in the governmental funds. The City provides an allowance for uncollectible property taxes, which is analyzed each year against the most recent data from the County. For fiscal year 2022, the allowance amount was \$3,017. 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 have a negative impact on future tax collections until assessed valuations increase.

e. Cash and Investments

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

The City's cash resources are combined to form a cash and investment pool managed by the City Treasurer. The City is not required to register the Pool as an investment company with the Securities and Exchange Commission (SEC). The investment activities of the City Treasurer in managing the Pool are governed by California Government Code § 53601 and the City of San Diego City Treasurer's Investment Policy, which is reviewed by the City Treasurer's Investment Advisory Committee and presented annually to the City Council. Interest earned on pooled investments is allocated to participating

funds and entities based upon their average daily cash balance during the allocation month. Fair value adjustments to the Pool are recorded annually. The Pool participates in the California State Treasurer's Local Agency Investment Fund (LAIF). Investments in LAIF are governed by State statutes and overseen by a five member Local Investment Advisory Board. The fair value of the City's position in LAIF may be greater or less than the value of the shares. Investments in LAIF are valued in the financial statements using a fair value factor provided by LAIF applied to the value of the City's shares in the investment pool.

Certain governmental funds maintain investments outside of the Pool. These funds are supervised and controlled by a five member Funds Commission comprised of three members appointed by the Mayor and confirmed by the City Council and the City Attorney and City Treasurer, ex officio. 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 (GASB Statement No. 72)*. Note 3 contains additional information on permissible investments per the City Treasurer's Investment Policy and other policies applicable to the cash and investments reported herein.

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

SDCERS' investments are reported at fair value or net asset value (NAV), in accordance with GASB Statement No. 72, in the Statement of Fiduciary Net Position. SDCERS' custodial bank, State Street Bank & Trust Company, provides the fair values of exchange traded assets. Through its agents, SDCERS also holds investments in non-publicly traded institutional investment funds. These institutional investment funds are comprised of exchange traded securities, the fair values of which are provided by the respective investment managers. Directly-owned real estate assets are stated at appraised values as determined by SDCERS' real estate managers and third party appraisal firms. Private equity and infrastructure assets are measured at fair value using the NAV per share or its equivalent by their respective investment managers, giving consideration to the financial condition and operating results of the portfolio companies, and other factors deemed relevant. These values are reviewed by the real estate, private equity and infrastructure consultants, the underlying investment managers and SDCERS' investments staff. Where fair value information as of June 30, 2022, was not available at the time of these financial statements, SDCERS has estimated fair value by using the most recent fair value information available from the fund manager/general partner and adding any contributions and/or deducting any distributions to/from the investment from the date of the most recent fair value information to June 30, 2022.

f. Receivables

The City's receivables are comprised mainly of notes, loans, accounts and taxes. Long-term notes and loans receivable consist primarily of former RDA agreements with terms that provide for limited cash flows, e.g. residual receipts from Low and Moderate Housing developer loans. These receivables are reported in the governmental fund statements and are recorded with an offset to restricted fund balance as resources are not available for expenditure. Accounts receivable and taxes receivable are reported net of an allowance for uncollectible amounts. The allowance amounts as of June 30, 2022, are as shown on the following page:

Fund	Accounts Receivable Allowance	Taxes Receivable Allowance
General Fund	\$ 12,498	\$ 2,948
Nonmajor Governmental Funds	6,153	69
Sewer Utility	6,723	—
Water Utility	9,136	—
Nonmajor Enterprise Funds	3,699	—
Internal Service Funds	874	—
Total	\$ 39,083	\$ 3,017

g. Inventories

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

h. Land Held for Resale

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

i. Deferred Outflows/Inflows of Resources

The Statement of Net Position reports separate sections for deferred outflows and inflows of resources. A deferred outflow of resources represents a consumption of net assets that is applicable to future reporting periods and will not be recognized as an expense/expenditure until then. A deferred inflow of resources represents an acquisition of net assets that is applicable to future reporting periods and will not be recognized as revenue until then.

A gain or loss on refunding results from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt. If the reacquisition price of the refunded debt exceeds its net carrying value, it results in a deferred outflow of resources (loss on refunding.) If the net carrying value of the refunded debt exceeds the reacquisition price, it results in a deferred inflow of resources (gain on refunding.)

Deferred outflows and inflows of resources related to pension and OPEB include differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes.

Deferred inflows of resources related to leases are reported for leases in which the City is the lessor. At the commencement of a lease, both a lease receivable and deferred inflow of resources are reported. The deferred inflow of resources is amortized and recognized as inflows of resources (revenue) over the term of the lease.

The governmental funds Balance Sheet reports a separate section for deferred inflows of resources. Lease related deferred inflows of resources are reported at the fund level, as well as deferred inflows of resources related to revenues which have been earned but have not met the recognition criteria based on the modified accrual basis of accounting. These amounts are deferred and recognized as inflows of resources (revenue) in the period that the amounts become available.

j. Capital Assets

Capital assets, when purchased or constructed, are recorded at historical cost or estimated historical cost, with the exception of right-to-use leased assets, which are discussed in section (k) below. Donated capital assets are recorded at acquisition value or estimated acquisition value on the date received. Costs for routine maintenance are expensed as incurred. Capital assets are reported in the applicable Governmental or Business-Type Activities column in the government-wide financial statements, as well as in the proprietary funds and fiduciary funds financial statements.

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

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

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

Depreciation/amortization of capital assets is computed using the straight-line method over the estimated useful life of the asset or the remaining lease term as follows:

Asset Category	Useful Life (In Years)	Right-to-Use Leased Asset Category	Remaining Lease Term (In Years)
Structures and Improvements:			
Buildings	10 - 50	Land	1 - 15
Building Improvements	3 - 50	Buildings	2 - 25
		Equipment	1 - 4
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. Leases

**City as Lessee**

The City is a lessee for noncancellable leases of land, buildings, and equipment. The City recognizes a lease liability and an intangible right-to-use leased asset (lease asset) in the Government-wide, Proprietary, and Fiduciary Fund financial statements. Lease assets are reported with depreciable capital assets and lease liabilities are reported with long-term liabilities.

At the commencement of a lease, the City measures the lease liability at the present value of payments expected to be made over the course of the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the remaining lease term.

Key estimates and judgments related to leases in which the City is lessee are as follows:

- The City recognizes lease liabilities with an initial, individual value of \$100 or more.
- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Projected lease payments included in the measurement of the lease liability are comprised of fixed payments required per the lease terms.
- Extension options are included in the lease term unless it is reasonably certain that they will not be exercised.
- Leases with rent payments that depend on an index or rate, such as the Consumer Price Index or market rate, are initially measured using the index or rate as of the commencement of the lease term.
- Leases with periodic percentage rent increases or flat rate rent increases that are specified in the lease terms are included in the measurement of the lease liability.

The City monitors changes in circumstances that would require remeasurement of its leases and will remeasure the lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of the lease liabilities.

**City as Lessor**

The City is a lessor for noncancellable leases of land and buildings. The City recognizes a lease receivable and a deferred inflow of resources in the Government-wide, Governmental, and Proprietary Fund financial statements.

At the commencement of a lease, the City measures the lease receivable at the present value of payments expected to be received over the course of the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the lease term.

Key estimates and judgments related to leases in which the City is lessor are as follows:

- The City recognizes lease receivables with an initial, individual value of \$500 or more.
- The City uses its incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Projected lease revenues included in the measurement of the lease receivable are comprised of fixed payments required per the lease terms.
- Extension options are included in the lease term unless it is reasonably certain that they will not be exercised.
- Leases with rent payments that depend on an index or rate, such as the Consumer Price Index or market rate, are initially measured using the index or rate as of the commencement of the lease term.
- Leases with periodic percentage rent increases or flat rate rent increases that are specified in the lease terms are included in the measurement of the lease receivable.



The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivables and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivables.

l. 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.

m. Interfund Transactions

The City has the following types of interfund transactions:

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

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

Reimbursements represent repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. The reimbursement is reported as an expenditure or expense 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.

n. Long-Term Liabilities

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

o. Compensated Absences

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

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

p. 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.

q. 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.

r. Pensions

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

s. Other Postemployment Benefits (OPEB)

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

t. Net Position

For government-wide, proprietary, and fiduciary fund reporting, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. 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 those assets.
- **Restricted Net Position** consists of assets that have external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments, 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, 2022, the amount of restricted net position due to enabling legislation was approximately \$324,642.
- **Unrestricted Net Position** is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that that does not meet the definition of Net Investment in Capital Assets or Restricted Net Position.

u. Fund Balances

In governmental fund types, the amount of assets, less liabilities and deferred inflows of resources, is referred to as fund balance. The City categorizes fund balances as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the City is bound to observe constraints imposed on the use of resources.

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

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.

v. Reserves

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

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

The policy level for total General Fund Reserves is 16.7% of the most recent three year average of annual audited General Fund operating revenues (budgetary basis), as reported in the ACFR. The Emergency Reserve is set at a policy level of 8%, and the Stability Reserve is set at a policy level of 8.7%. The City's reserve policy established funding targets for each fiscal year ending 2016 to 2025 to reach policy levels. For fiscal year 2022, the Emergency Reserve funding target was 8%, or \$110,200, and the Stability Reserve funding target was also 8%, or \$110,200. The balances of the Emergency Reserve and the Stability Reserve as of June 30, 2022 were \$106,100 and \$99,500, respectively, which fall below policy target levels. Spendable and unassigned fund balance that is not part of General Fund Reserves is available for appropriation.

The Pension Payment Stabilization Reserve was established to mitigate service delivery risk due to increases in the annual pension payment, the ADC. The purpose of this reserve is to provide a source of funding for the ADC when these conditions occur and the ADC has increased year over year. The Pension Payment Stabilization Reserve is established at a policy level up to 8% of the average of the last three ADCs to the pension system. For fiscal year 2022, the Reserve balance is \$10,644, of which \$7,947 is reported as unassigned fund balance in the General Fund. The balance of \$2,697 was funded by the Sewer Utility, Water Utility and Nonmajor 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 Service Fund; Environmental Services Fund; and the Golf Course Fund. Information regarding reserves maintained by the City is contained in Council Policy No. 100-20.

w. 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.

x. 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.

y. New Governmental Accounting Standards Implemented During Year Ended June 30, 2022

In June 2017, GASB issued Statement No. 87, *Leases*. This Statement requires recognition of certain lease receivables and lease liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use the lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. As a result of the implementation of GASB Statement No. 87, capital assets and long-term liabilities as of June 30, 2021 were each restated by \$100,975, with no impact to beginning net position. Also leases receivable and deferred inflows of resources as of June 30, 2021 were each restated by \$659,396, with no impact to beginning net position.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have a material impact on the financial statements.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates (IBOR)*. Some governments have entered into agreements in which variable payments made or received depend on an IBOR, most notably the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR ceased to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an (IBOR). The implementation of GASB Statement No. 93 did not have a material impact on the financial statements.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - An Amendment of GASB Statements No. 14 and No. 84 and a Supersession of GASB Statement No. 32*. One objective of this Statement is to enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of this portion of GASB Statement No. 97 did not have a material impact on the financial statements.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The following practice issues addressed by this Statement became effective immediately: extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt; accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP); disclosures related to nonmonetary transactions; pledges of future revenues when resources are not received by the pledging government; clarification of certain provisions in Statement 34; and terminology updates related to Statement 53 and Statement 63. The implementation of GASB Statement No. 99 did not have a material impact on the financial statements.

z. 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 May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement will become effective in fiscal year 2023.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement will become effective in fiscal year 2023.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset for a period of time in an exchange or exchange-like transaction. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. This Statement will become effective in fiscal year 2023.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires

note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. This Statement will become effective in fiscal year 2023.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The following practice issues addressed by this Statement will become effective in fiscal year 2023: clarification of provisions in Statement No. 87, *Leases*; clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; and clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*. The requirements related to financial guarantees and the practice issues related to classification and reporting of derivative instruments within the scope of Statement 53, *Accounting and Financial Reporting for Derivative Instruments*, will become effective in fiscal year 2024.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement will become effective in fiscal year 2024.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the informational needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective in fiscal year 2025.

## 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 except the Public Utilities Inventory Fund, which is reported with Business-Type Activities). The reconciliation of these adjustments is as follows:

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

The Governmental Funds Balance Sheet includes a reconciliation between "Total Fund Balances" and "Net Position of Governmental Activities" as reported in the Government-Wide Statement of Net Position. One element of the reconciliation states, "Capital assets used in governmental activities are not financial resources, and therefore, are not reported at the fund level." The details of this \$5,217,379 difference are as follows:

Non-Depreciable Capital Assets	\$ 2,345,900
Depreciable Capital Assets	6,569,387
Less: Accumulated Depreciation	<u>(3,697,908)</u>
Total Depreciable Capital Assets - net of Depreciation	<u>2,871,479</u>
Net Adjustment to increase "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities	<u><u>\$ 5,217,379</u></u>

Another element of the reconciliation states, "Deferred outflows of resources are not financial resources (uses), and therefore, are not reported at the fund level." The details of this \$563,202 difference are as follows:

Unamortized Loss on Refunding	\$ 13,644
Deferred Outflows of Resources Related to Other Postemployment Benefits	28,021
Deferred Outflows of Resources Related to Pensions	<u>521,537</u>
Net adjustment to increase "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities	<u><u>\$ 563,202</u></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 \$136,750 difference are as follows:

Deferred Inflows of Resources - Unavailable Revenue:	
Taxes Receivable	\$ 55,913
Grants Receivable	62,483
Special Assessments Receivable	4,707
Revenue from Other Agencies	5,868
Charges for Services	6,240
Other	<u>1,539</u>
Net adjustment to increase "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities	<u><u>\$ 136,750</u></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 \$(4,136,787) difference are as follows:

Liabilities:	
Interest Accrued on Long-Term Debt	\$ (5,684)
Compensated Absences	(76,128)
Liability Claims	(373,773)
Reimbursement Agreement Obligations	(20,968)
Leases Payable	(53,303)
Financed Purchase Obligations	(163,734)
QECB Lease Obligation	(3,968)
Loans Payable	(27,635)
Section 108 Loans Payable	(1,372)
Net Bonds Payable	(659,785)
Net Other Postemployment Benefits Liability	(316,131)
Pension Liabilities	<u>(1,670,856)</u>
Total Liabilities	<u>(3,373,337)</u>
Deferred Inflows of Resources:	
Deferred Inflows Related to Other Postemployment Benefits	(9,450)
Deferred Inflows Related to Pensions	<u>(754,000)</u>
Total Deferred Inflows of Resources	<u>(763,450)</u>
Net adjustment to decrease "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities	<u>\$ (4,136,787)</u>

Another element of the reconciliation states: "Internal service funds are used by management to charge the costs of activities such as Fleet Operations, Central Stores, Publishing Services, and Employee Benefit Programs to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are included in the governmental activities in the Statement of Net Position." The details of this \$153,820 difference are as follows:

Assets:	
Capital Assets - Non-Depreciable	\$ 6,056
Capital Assets - Depreciable	211,668
Internal Balances	(5,877)
Current Assets	<u>126,690</u>
Total Assets	<u>338,537</u>
Deferred Outflows of Resources	<u>13,026</u>
Liabilities:	
Compensated Absences	(5,839)
Liability Claims	(12,754)
Leases Payable	(21,030)
Financed Purchase Obligations	(53,539)
Net Other Postemployment Benefits Liability	(16,661)
Pension Liabilities	(61,773)
Current Liabilities	<u>(8,732)</u>
Total Liabilities	<u>(180,328)</u>
Deferred Inflows of Resources	<u>(17,415)</u>
Net adjustment to increase "Total Fund Balances" of Governmental Funds to arrive at "Total Net Position" of Governmental Activities	<u>\$ 153,820</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 capitalized and allocated over their estimated useful lives and reported as depreciation/amortization expense. Donated assets are not financial resources, and therefore, are not reported in the funds." The details of this \$56,098 difference are as follows:

Capital Outlay	\$ 200,131
Donated Capital Assets	25,496
Depreciation/Amortization Expense	<u>(169,529)</u>
Net adjustment to increase "Net Change in Fund Balances" of Governmental Funds to arrive at "Change in Net Position" of Governmental Activities	<u>\$ 56,098</u>

Another element of the reconciliation states: "The net effect of various miscellaneous transactions involving capital assets (e.g., retirements and transfers) is to decrease net position." The details of this \$(4,211) are as follows:

In the Statement of Activities, only the gain (loss) on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the net book value of the capital assets sold/retired.	\$ (4,286)
Transfers of capital assets from business-type activities and internal service funds increase net position on the Statement of Activities, but do not appear in the governmental funds because they are not financial uses.	<u>75</u>
Net adjustment to decrease "Net Change in Fund Balances" of Governmental Funds" to arrive at "Change in Net Position" of Governmental Activities	<u>\$ (4,211)</u>

Another element of the reconciliation states: "Internal service funds are used to charge the costs of activities such as Fleet Operations, Central Stores, Publishing Services, and Employee Benefit Programs to individual funds. The net income of certain internal service activities is reported with governmental activities." The details of this \$9,629 are as follows:

Allocated Operating Income	\$ 12,966
Nonoperating Revenues:	
Gain on Sale/Retirement of Capital Assets	2,319
Other Agency Grant Assistance	21
Other Nonoperating Expenses, net	(1,028)
Capital Contributions	25
Capital Asset Transfers, net	8
Transfers, net	217
Extraordinary Loss	<u>(4,899)</u>
Net adjustment to increase "Net Change in Fund Balances" of Governmental Funds to arrive at "Change in Net Position" of Governmental Activities	<u>\$ 9,629</u>

Another element of the reconciliation states: "The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position." The details of this \$59,925 difference are as follows:

Debt Issued or Incurred:	
Leases Payable	\$ (1,447)
Financed Purchase Obligations	(1,029)
Total Debt Issued or Incurred	<u>(2,476)</u>
Principal Repayments:	
Leases Payable	9,317
Financed Purchase Obligations	10,153
QECC Lease Obligations	935
Loans Payable	475
Section 108 Loans Payable	406
Lease Revenue Bonds	31,075
Tobacco Settlement Asset-Backed Bonds	10,040
Total Principal Repayments	<u>62,401</u>
Net adjustment to increase "Net Change in Fund Balances" of Governmental Funds to arrive at "Change in Net Position" of Governmental Activities	<u>\$ 59,925</u>

Another element of the reconciliation states: "Some expenses reported in the Statement of Activities do not require the use of current financial resources (e.g., compensated absences, NPL), and therefore, are not accrued as expenditures in governmental funds." The details of this \$84,318 difference are as follows:

Compensated Absences	\$ (1,977)
Liability Claims	(4,646)
Reimbursement Agreement Obligations	(1,615)
Net Other Postemployment Benefit Obligation and Related Deferred Outflows/Inflows of Resources	22,916
Pension Liabilities and Related Deferred Outflows/Inflows of Resources	68,152
Interest Accrued on Long-Term Debt	(756)
Current Year Premiums and Loss on Refunding Less Amortization of Bond Premiums, Discounts, and Loss on Refunding	<u>2,244</u>
Net adjustment to increase "Net Change in Fund Balances" of Governmental Funds to arrive at "Change in Net Position" of Governmental Activities	<u>\$ 84,318</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, 2022:

	Governmental Activities	Business-Type Activities	Fiduciary Funds other than SDCERS	Subtotal	SDCERS Fiduciary Fund	Grand Total
Cash or Equity in Pooled Cash and Investments	\$ 2,038,540	\$ 977,952	\$ 60,995	\$ 3,077,487	\$ 945	\$ 3,078,432
Cash and Investments with Custodian, Fiscal Agents, and Trustees	63,996	97,978	43,908	205,882	196,336	402,218
Investments at Fair Value	24,272	—	—	24,272	10,034,725	10,058,997
Securities Lending Collateral	—	—	—	—	134,472	134,472
Total	<u>\$ 2,126,808</u>	<u>\$ 1,075,930</u>	<u>\$ 104,903</u>	<u>\$ 3,307,641</u>	<u>\$ 10,366,478</u>	<u>\$ 13,674,119</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	\$ 191
Deposits - Other Cash and Cash Equivalents	3,737
City Treasurer's Pooled Investments and Deposits	3,073,559
SDCERS Cash Deposits	945
Total Cash or Equity in Pooled Cash and Investments	<u>\$ 3,078,432</u>

A summary of the investments held by the City Treasurer's Investment Pool as of June 30, 2022 is presented in the table below:

Investment Type	Fair Value	Book Value	Interest Rate % Range	Maturity Range
Agency Discount Notes	\$ 276,778	\$ 276,669	0.70-1.55% <sup>1</sup>	7/6/2022-8/10/2022
Asset Backed Securities	74,766	77,075	0.55-2.16%	9/15/2022-7/15/2026
Commercial Paper	769,554	769,038	0.27-2.30%	7/1/2022-10/17/2022
Corporate Notes and Bonds	154,549	158,834	0.35-3.30%	10/15/2022-5/12/2024
Repurchase Agreements	280,000	280,000	1.42%	7/1/2022
State Local Agency Investment Fund (LAIF) <sup>2</sup>	65,050	65,898	0.75%	5/7/2023
U.S. Treasury Obligations - Bills	97,990	97,932	0.86% <sup>1</sup>	7/5/2022
U.S. Treasury Obligations - Notes	1,358,042	1,412,488	0.13-2.75%	1/15/2023-5/15/2025
Total	<u>\$ 3,076,729</u>	<u>\$ 3,137,934</u>		

<sup>1</sup> Discount Rates

<sup>2</sup> 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 311 days as of June 30, 2022. LAIF is part of the California Pooled Money Investment Account (PMIA) which is not SEC-registered, but is regulated under the California Government Code. At June 30, 2022, the PMIA fair value with accrued interest was \$231,867,874. The PMIA portfolio does not invest in derivatives.

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 and construction contract retention deposits held in escrow accounts. Additionally, Cash with Custodian/Fiscal Agent includes SDCERS' transaction settlements, held in each investment manager's portfolio, which are invested overnight by SDCERS' custodial bank. Furthermore, it represents the SDCERS portion of funds held as cash collateral for SDCERS' cash overlay program.

c. Investments at Fair Value

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

d. Investment Policy

In accordance with 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: pension trust funds; 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 assets of funds placed in the custody of the Funds Commission by Council action.

City Treasurer reviews the Investment Policy annually and may make revisions based upon changes to the California Government Code and the investment environment. These suggested revisions are presented to the City Treasurer's Investment Advisory Committee (IAC) for review and comment. The IAC consists of two City finance experts and three outside investment professionals with market and portfolio expertise. 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. Within the investments permitted by the CGC, the City has further restricted eligible investments in its Investment Policy. In the event a discrepancy exists between the CGC and City Investment Policy, the more restrictive parameters will take precedence.

The following table presents the authorized investments, requirements, and restrictions per the CGC and the Investment Policy:

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

<sup>1</sup> In the absence of a specified maximum maturity, the maximum is 5 years. Maximum percentage holding limits apply at the time the security is purchased.

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

<sup>3</sup> 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.

<sup>4</sup> International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.

<sup>5</sup> Maturity and Credit Rating Criteria must be in accordance with Section XII of the City Treasurer's Investment Policy.

<sup>6</sup> 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.

<sup>7</sup> Maximum percentage of portfolio for Reverse Repurchase Agreements is 20% of base value.

<sup>8</sup> Maximum investment is \$75,000.

<sup>9</sup> 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.

<sup>10</sup> Financial futures transactions would be purchased only to hedge against changes in market conditions for the reinvestment of bond proceeds.

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 securities whose coupon resets are based upon a single fixed income index which would be representative of an eligible investment, provided that the security is not leveraged or has a coupon that resets inversely to the underlying index. Securities issued by U.S. Government agencies that contain embedded calls or options are authorized provided 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 at the time of purchase. The City may invest in securities issued by, or backed by, the United States government that could result in zero or negative interest accrual if held to maturity, in the event of, and for the duration of, a period of negative market interest rates.

Ineligible investments prohibited from use in the portfolio include, but are not limited to, common stocks and long-term corporate notes/bonds. The City shall not purchase any investment issued directly by a corporation that engages in the exploration, production, drilling or refining of coal, petroleum, or natural gas. The Investment Policy is available online at the following website address: [www.sandiego.gov/treasurer/investments/invpolicy](http://www.sandiego.gov/treasurer/investments/invpolicy).

### Other Investment Policies

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

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

#### e. Fair Value Hierarchy

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

The table below represents the City's fair value hierarchy as of June 30, 2022:

Investment Type <sup>1</sup>	Fair Value	Level 1	Level 2
Asset Backed Securities	\$ 74,766	\$ —	\$ 74,766
Commercial Paper	843,522	—	843,522
Corporate Notes and Bonds	161,077	—	161,077
Exchange Traded Funds	7,967	7,967	—
Government Mortgage Backed Securities	1	—	1
Mutual Funds	16,103	—	16,103
Negotiable Certificates of Deposit	2,666	—	2,666
U.S. Agencies	281,761	—	281,761
U.S. Treasury Obligations - Bills and Notes	1,457,482	—	1,457,482
Total Investments & Cash Equivalents by Fair Value Level	<u>\$ 2,845,345</u>	<u>\$ 7,967</u>	<u>\$ 2,837,378</u>

<sup>1</sup> Excludes \$432,502 in investments exempt from the fair value hierarchy: guaranteed investment contracts, \$9,223; money market mutual funds, \$74,058; repurchase agreements, \$280,875; LAIF, \$65,050; and \$3,296 in cash equivalent investment contracts measured and reported at amortized cost by San Diego Convention Center Corporation.

Asset backed securities, commercial paper, corporate notes and bonds, government mortgage backed securities, mutual funds, negotiable certificates of deposit, investments in U.S. Agencies, and U.S. Treasury obligations are all classified in Level 2 of the fair value hierarchy. These investments are valued using either bid evaluation or matrix pricing techniques. Bid evaluation may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value the securities based on the securities' relationship to benchmark quoted prices which are maintained by various pricing vendors.

Investments in guaranteed investment contracts are valued at cost and exempt from the fair value hierarchy. Investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) are not classified in the fair value hierarchy. The City values investments in money market mutual funds at NAV based on amortized cost. Repurchase agreements are held at amortized cost and also exempt from the fair value hierarchy. 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 Bloomberg Barclays US T-Bills 3-6 month Index, or equivalent, as a benchmark with a target duration of plus or minus 40% of that benchmark.

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

As of June 30, 2022, the City's investments (dollars in thousands) by maturity are as follows:

	Years				Fair Value
	Under 1	1-3	3-5	Over 5	
<b>City Treasurer's Investment Pool:</b>					
Asset Backed Securities	\$ 20,000	\$ 29,277	\$ 25,489	\$ —	\$ 74,766
Commercial Paper	769,554	—	—	—	769,554
Corporate Notes and Bonds	93,815	60,734	—	—	154,549
Repurchase Agreements	280,000	—	—	—	280,000
State Local Agency Investment Fund	65,050	—	—	—	65,050
U.S. Agencies - Federal Home Loan Bank	276,778	—	—	—	276,778
U.S. Treasury Obligations - Bills and Notes	343,550	1,112,482	—	—	1,456,032
	<u>1,848,747</u>	<u>1,202,493</u>	<u>25,489</u>	<u>—</u>	<u>3,076,729</u>
<b>Investments with Fiscal Agents/Trustees, Funds Commission, and Blended Component Units:</b>					
Commercial Paper	76,441	—	—	—	76,441
Corporate Notes and Bonds	495	3,286	2,747	—	6,528
Exchange Traded Funds - Equity <sup>1</sup>	3,207	—	—	—	3,207
Exchange Traded Funds - Fixed Income	—	—	—	4,760	4,760
Government Mortgage Backed Securities	—	—	—	1	1
Guaranteed Investment Contracts	—	9,223	—	—	9,223
Money Market Mutual Funds <sup>1</sup>	74,058	—	—	—	74,058
Mutual Funds - Equity <sup>1</sup>	9,862	—	—	—	9,862
Mutual Funds - Fixed Income	—	282	—	5,959	6,241
Negotiable Certificates of Deposit	3,489	—	—	—	3,489
Repurchase Agreement	875	—	—	—	875
U.S. Agencies - Federal Home Loan Mortgage Corporation	—	711	711	—	1,422
U.S. Agencies - Federal National Mortgage Association	—	2,138	1,423	—	3,561
U.S. Treasury Obligations - Bills and Notes	—	747	703	—	1,450
	<u>168,427</u>	<u>16,387</u>	<u>5,584</u>	<u>10,720</u>	<u>201,118</u>
<b>Total Investments</b>	<u>\$ 2,017,174</u>	<u>\$ 1,218,880</u>	<u>\$ 31,073</u>	<u>\$ 10,720</u>	<u>3,277,847</u>
Cash on Hand - Petty Cash					191
Deposits - Pooled and Other Cash and Cash Equivalents					567
Deposits - Cash with Fiscal Agents/Trustees					8,087
Deposits - Cash with Fiscal Agents/Trustees Held in Escrow Accounts					20,949
<b>Total Investments, Cash on Hand, and Deposits</b>					<u>\$ 3,307,641</u>

<sup>1</sup> Equity exchange traded funds, equity mutual funds, and money market mutual funds 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. An investment listed as "Not Rated" indicates that no rating is available from that rating agency. The City provides the credit rating of either Moody's or S&P as a primary rating agency; "Not Provided" has been notated for the secondary rating agency. Per GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, U.S. Treasury Obligations do not require disclosure of credit quality and are listed as "Exempt".



As of June 30, 2022, the City's investments and corresponding credit ratings are as follows:

	Moody's	S&P	Fair Value	Percentage
City Treasurer's Investment Pool:				
Asset Backed Securities	Not Rated	AAA	\$ 74,766	2.43 %
Commercial Paper	P-1	Not Provided	769,554	25.02 %
Corporate Notes and Bonds	Aaa	Not Provided	18,128	0.59 %
Corporate Notes and Bonds	Aa3	Not Provided	15,013	0.49 %
Corporate Notes and Bonds	A1	Not Provided	86,413	2.81 %
Corporate Notes and Bonds	A2	Not Provided	25,615	0.83 %
Corporate Notes and Bonds	Baa2 <sup>2</sup>	Not Provided	9,380	0.30 %
Repurchase Agreements <sup>1</sup>	Not Rated	Not Rated	280,000	9.10 %
State Local Agency Investment Fund	Not Rated	Not Rated	65,050	2.11 %
U.S. Agencies - Federal Home Loan Bank <sup>1</sup>	P-1	Not Provided	276,778	9.00 %
U.S. Treasury Obligations - Bills and Notes	Exempt	Exempt	1,456,032	47.32 %
			<u>3,076,729</u>	<u>100.00 %</u>
Investments with Fiscal Agents/Trustees, Funds Commission, and Blended Component Units:				
Commercial Paper <sup>1</sup>	Not Provided	A-1+	22,000	10.94 %
Commercial Paper <sup>1</sup>	Not Provided	A-1	54,441	27.07 %
Corporate Notes and Bonds	Not Provided	A+	930	0.46 %
Corporate Notes and Bonds	Not Provided	A	923	0.46 %
Corporate Notes and Bonds	Not Provided	A-	3,278	1.63 %
Corporate Notes and Bonds	Not Provided	AA+	462	0.23 %
Corporate Notes and Bonds	Not Provided	BBB-	935	0.46 %
Exchange Traded Funds - Equity	Not Rated	Not Rated	3,207	1.59 %
Exchange Traded Funds - Fixed Income	Not Rated	Not Rated	4,760	2.37 %
Government Mortgage Backed Securities	Not Rated	Not Rated	1	0.01 %
Guaranteed Investment Contracts	Not Rated	Not Rated	9,223	4.59 %
Money Market Mutual Funds	Aaa	Not Provided	74,036	36.81 %
Money Market Mutual Funds	Not Rated	Not Rated	22	0.01 %
Mutual Funds - Equity	Not Rated	Not Rated	9,862	4.90 %
Mutual Funds - Fixed Income	Not Rated	Not Rated	6,241	3.10 %
Negotiable Certificates of Deposit	Not Provided	A-1+	823	0.41 %
Negotiable Certificates of Deposit	Not Provided	A-1	2,666	1.33 %
Repurchase Agreement	Not Rated	Not Rated	875	0.43 %
U.S. Agencies - Federal Home Loan Mortgage Corporation	Not Provided	AA+	1,422	0.71 %
U.S. Agencies - Federal National Mortgage Association	Not Provided	AA+	3,561	1.77 %
U.S. Treasury Obligations - Bills and Notes	Not Provided	AA+	1,450	0.72 %
			<u>201,118</u>	<u>100.00 %</u>
Total Investments			<u>\$ 3,277,847</u>	

<sup>1</sup> More than 5% of total investments with a single issuer are with a Repurchase Agreement, U.S. Agencies- Federal Home Loan Bank, and Commercial Paper, whose debt is not backed by the full faith and credit of the U.S. Government.

<sup>2</sup> Security was in compliance with City Treasurer Investment Policy at the time of purchase.

### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the relative size of an investment in a single issuer. GASB Statement No. 40 requires disclosure of certain investments in any one issuer that represents 5% or more of total investments. Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are exempt. As of June 30, 2022, the City exceeded the 5% limit of total investments in issuers of a Repurchase Agreement, U.S. Agencies-Federal Home Loan Bank, and Commercial Paper. Investments exceeding the 5% limit are referenced in the credit ratings table above.

h. Custodial Credit Risk

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

*Deposits*

At June 30, 2022, the carrying amount of the City's deposits was approximately \$9,302 and the bank balance was \$16,808 the difference is substantially due to outstanding checks. For the balance of cash deposits in financial institutions, approximately \$1,000 was covered by federal depository insurance and approximately \$15,808 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 \$15,808, 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 \$20,949. For the balance of deposits in escrow accounts, approximately \$2,119 was covered by federal depository insurance. The remaining balance of \$18,830, was uninsured, but collateralized and pledged at 110%.

*Investments*

At June 30, 2022, all of the City's investments were held in the City's name and were not exposed to custodial credit risk.

i. Restricted Cash and Investments

Cash and investments at June 30, 2022 restricted by legal or contractual requirements are comprised of the following:

Governmental Funds	
General Fund	\$ 2,320
Special Revenue	1,291
Debt Service	11,647
Capital Projects	54,029
Permanent Endowments	21,117
Total Governmental Funds	<u>90,404</u>
Sewer Utility Enterprise Fund	
Interest and Redemption Funds	78,973
Water Utility Enterprise Fund	
Customer Deposits	3,466
Interest and Redemption Funds	4,010
Total Water Utility Enterprise Fund	<u>7,476</u>
Nonmajor Enterprise Funds	
Airports Fund - Deposits and Advances	74
Development Services Fund - Deposits and Advances	7,722
Environmental Services Fund - Funds set aside for landfill site closure and maintenance costs	34,153
Recycling Fund - Customer deposits	13,250
Total Nonmajor Enterprise Funds	<u>55,199</u>
Private-Purpose Trust Fund	34,703
Custodial Funds	
Community Facilities Districts	9,205
Total Restricted Cash and Investments	<u>\$ 275,960</u>

**Summary of Total Cash and Investments**

Total Unrestricted Cash and Investments	\$ 13,398,159
Total Restricted Cash and Investments	275,960
Total Cash and Investments	<u>\$ 13,674,119</u>
Total Governmental Activities	\$ 2,126,808
Total Business-Type Activities	1,075,930
Total Fiduciary Activities	10,471,381
Total Cash and Investments	<u>\$ 13,674,119</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 annual comprehensive financial report of the San Diego City Employees' Retirement System as of June 30, 2022 (certain terms have been modified to conform to the City's ACFR presentation).*

Summary of Cash and Investments - SDCERS	
Cash on Deposit with Wells Fargo Bank	\$ 945
Cash and Cash Equivalents on Deposit with Custodial Bank and Fiscal Agents	196,336
Investments at Fair Value:	
Domestic Fixed Income Securities	2,160,147
International Fixed Income Securities	584,278
Domestic Equity Securities	2,322,352
International Equity Securities	1,359,841
Global Equity Securities	625,932
Real Estate	1,201,435
Private Equity and Infrastructure	1,780,740
Securities Lending Collateral	134,472
Total Cash and Investments for SDCERS	<u>\$ 10,366,478</u>

### j. Investment Policy and Portfolio Risk

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

Net investment income includes the net appreciation (depreciation) in the fair value of investments, interest income, dividend income, and other income not included in the appreciation (depreciation) in the fair value of investments, less total investment expenses, including investment management and custodial fees and all other significant investment-related costs. SDCERS' net realized gains totaled \$621,400 for the fiscal year ended June 30, 2022. Realized gains and losses are independent of the calculation of net appreciation (depreciation) in the fair value of investments. Unrealized gains and losses on investments sold in the current year that had been held for more than one year were included in net appreciation (depreciation) in the fair value of the investments reported in the prior year and current year. Pursuant to the City, Port and Airport plan documents, realized gains and losses determine whether certain contingent benefits will be paid each fiscal year. Realized gains and losses are reported in the net appreciation (depreciation) in the fair value of investments in the financial statements.

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

The following was SDCERS' adopted asset allocation policy as of June 30, 2022:

Asset Class	Target Allocation
Domestic Equity	19 %
International Equity	12 %
Global Equity	8 %
Domestic Fixed Income	22 %
Return-Seeking Fixed Income	5 %
Real Estate	11 %
Private Equity and Infrastructure	13 %
Opportunity Fund	10 %
Total	100 %

For the fiscal year ended June 30, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was (1.44)%. 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, 2022, was 27.0%, which includes domestic fixed income and return-seeking fixed income. The fixed income allocation is externally managed and is comprised as follows: 22.0% to core domestic fixed income, which is benchmarked against the Barclays Capital Intermediate Aggregate Bond Index; and 5% to emerging market debt, which is benchmarked 40% to JP Morgan Emerging Market Bond Index Global Diversified and 60% to JP Morgan Government Bond Index-Emerging Market Global Diversified. SDCERS' overall portfolio diversification limits the fixed income invested in the debt security of any one issuer to 10% of the portfolio at the time of the initial commitment, except for U.S. Government obligations (or agencies and instruments of the U.S. Government) to minimize overall market and credit risk.

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

k. Fair Value Hierarchy

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

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

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

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

Investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent), such as commingled fund investments, 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 on the following page shows the fair value leveling of the investments for the pension system.

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

The following table represents SDCERS' fair value hierarchy as of June 30, 2022:

Investments	Fair Value	Level 1	Level 2	Level 3
Short-Term Securities	\$ 11,753	\$ —	\$ 11,753	\$ —
Fixed Income Securities:				
Asset-Backed Securities	46,049	—	46,049	—
Commercial Mortgage-Backed Securities	52,565	—	52,565	—
Collateralized Mortgage Obligations	43,485	—	43,485	—
Corporate Bonds	494,976	—	494,976	—
Government & Agency Obligations	476,534	—	476,534	—
Mortgage-Backed Securities	366,401	—	366,401	—
Total Fixed Income Securities	1,480,010	—	1,480,010	—
Equity Securities:				
Consumer Discretionary	225,303	225,303	—	—
Consumer Staples	132,555	132,555	—	—
Energy	84,162	84,162	—	—
Financials	212,765	212,765	—	—
Healthcare	299,644	299,644	—	—
Industrials	164,366	164,366	—	—
Information Technology	458,216	458,216	—	—
Materials	57,192	57,192	—	—
Real Estate Investment Trust	50,197	50,197	—	—
Telecommunication Services	43,873	43,873	—	—
Utilities	40,440	40,440	—	—
Total Equity Securities	1,768,713	1,768,713	—	—
Real Estate	4,196	2,360	—	1,836
Investment Derivative Instruments				
Fixed Income Securities:				
Credit Default Swaps	(633)	—	(633)	—
Foreign Currency Forwards	1,499	—	1,499	—
Interest Rate Swaps	5,549	—	5,549	—
Options - Fixed Income	(852)	—	(852)	—
Equity Securities:				
Warrants	320	—	320	—
Total Investment Derivative Instruments	5,883	—	5,883	—
Total Investments by Fair Value Level <sup>1</sup>	\$ 3,270,555	\$ 1,771,073	\$ 1,497,646	\$ 1,836

<sup>1</sup> Total Investments measured at fair value differs from the total investments including securities lending collateral on the Fiduciary Statement of Net Position because of investment receivables and payables unrealized gains and losses. Total investments at fair value excludes \$12 of unrealized gains as of June 30, 2022.

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

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

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

Investments Measured at NAV	NAV	Unfunded Commitments	Redemption Frequency - (If Currently Eligible)	Redemption Notice Period
Equity Investments:				
Commingled Domestic Equity Funds	\$ 1,063,877	\$ —	Daily	0-5 Days
Commingled International Equity Funds	1,177,801	—	Daily, Monthly	0-30 Days
Commingled Global Equity Funds	295,165	—	Daily	None
Total Equity Investments Measured at NAV	<u>2,536,843</u>	<u>—</u>		
Fixed Income Investments:				
Commingled Domestic Fixed Income Funds	662,833	—	Daily	None
Commingled International Fixed Income Funds	584,143	40,721	Daily	0-5 Days
Total Fixed Income Investments Measured at NAV	<u>1,246,976</u>	<u>40,721</u>		
Real Estate Investments:				
Real Estate Limited Partnerships	283,295	203,534	Not Eligible	N/A
Commingled Real Estate Funds	916,304	9,935	Monthly	None
Total Real Estate Investments Measured at NAV	<u>1,199,599</u>	<u>213,469</u>		
Private Equity & Infrastructure Investments:				
Commingled Private Equity & Infrastructure Funds	1,780,740	801,299	Not Eligible	N/A
Invested Securities Lending Collateral:				
Commingled Equity Securities	18,571	—	Daily	3 Days
Commingled Fixed Income Securities	115,901	—	Daily	3 Days
Total Invested Securities Lending Collateral Measured at NAV	<u>134,472</u>	<u>—</u>		
Total Investments Measured at NAV	<u>\$ 6,898,630</u>	<u>\$ 1,055,489</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 an all cap passive index fund, a large cap passive index fund and two funds that invest in managed futures. The Commingled International Equity Funds consist of a broad international equity passive index fund with exposure to both developed and emerging markets, a fund that invests in international large cap growth equities, two funds that invest in emerging market equities, a fund that invests in non-U.S. small and mid-cap equities, and one fund that invests in international small cap equities. The Commingled Global Equity Funds consist of two funds that invest in both international and U.S. equities and an investment with an international equity fund and separately held domestic equity securities. The fair values of the investments in these types have been determined using the NAV per share (or its equivalent).

The Commingled Domestic Fixed Income Funds consist of 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 three funds that invest in global fixed income strategies. The fair values of the investments in these types have been determined using the NAV per share (or its equivalent).

The Commingled Real Estate Funds consist of 12 open-ended commingled funds and 24 real estate limited partnerships that are invested in apartments, retail, industrial, and office assets throughout the United States, Europe and Asia. Although the open-ended commingled funds are private investments, they can be redeemed on a monthly basis, subject to available liquidity, and the fair value of these investments has been determined using the NAV per share (or its equivalent). Investments in the limited partnerships can never be redeemed with the funds. Instead, the nature of these investment funds is that distributions from each investment will be received as the underlying investments are liquidated. Because it is not probable that any individual investment will be sold, the fair value of SDCERS' ownership interest in partner's capital has been determined using the NAV per share (or its equivalent).

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

#### I. Interest Rate Risk

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

The following table identifies the durations of SDCERS' domestic and international fixed income strategies based on portfolio holdings as of June 30, 2022:

Type of Security	Effective Duration (in years) <sup>2</sup>	Fair Value <sup>1</sup>
Asset-Backed Securities	1.07	\$ 46,049
Commercial Mortgage-Backed Securities	2.73	52,565
Collateralized Mortgage Obligations	0.76	43,485
Corporate Bonds	2.52	494,976
Government and Agency Obligations		
Foreign Securities	1.47	12,735
Treasury Securities	3.19	463,799
Mortgage-Backed Securities	6.74	366,401
Total		\$ 1,480,010

<sup>1</sup> Fair Value does not include convertible bonds, mutual funds and derivative instruments of \$1,264,415. These securities do not exhibit interest rate risk and/or duration cannot be calculated.

<sup>2</sup> Duration could not be calculated for the derivative instruments, short-term instruments and mutual funds of \$1,264,415. Although the duration was not available for these securities, the weighted average maturity was calculated for the mutual funds.



The following table depicts the weighted average maturity for the commingled fixed income mutual funds as of June 30, 2022:

Name of Institutional Mutual Fund	Fair Value	Weighted Average Maturity (in years)
BlackRock Intermediate Aggregate Index Strategy NL Fund	\$ 577,031	5.74
Davidson Kempner Special Opportunities Fund III <sup>1</sup>	8,610	—
Davidson Kempner Special Opportunities Fund IV <sup>1</sup>	22,302	—
GCM WindandSea Fund	179,663	2.10
Ninety-One Emerging Market Debt	129,735	7.38
Metropolitan West Floating Rate	10,092	4.64
Metropolitan West High Yield Bond Fund	8,204	6.58
PIMCO PAPS Short-Term Floating NAV II Portfolio	33,892	0.12
PIMCO FDS Pac Invnt Mgmt Ser	33,614	0.83
Stone Harbor	129,111	9.40
Wellington Trust Company CIF II Opportunistic	114,722	11.61
Total	\$ 1,246,976	

<sup>1</sup> These funds are early in their 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, 2022, 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	\$ 84,783	3.1 %
Asset-Backed Securities	17,947	0.7 %
Floating Rate Notes	146,394	5.3 %
Range Notes	1,000	— %
Total	\$ 250,124	9.1 %

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

n. Credit Risk

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

SDCERS employs two core bond managers that invest primarily in U.S. fixed income and derivative securities, fixed income mutual funds, and some non-U.S. fixed income securities. SDCERS also invests in three emerging market debt commingled funds, one passive core fixed income index fund, and three opportunistic global credit funds. The investment management agreements between SDCERS and its two core bond managers contain specific investment guidelines that identify permitted fixed income investments. Two of SDCERS' domestic core fixed income managers have 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 A1/A+ rating (fair value weighted) for both of SDCERS' domestic fixed income managers and a minimum credit quality at time of purchase of BBB- for the two domestic fixed income managers.

The following table identifies the credit quality of SDCERS' fixed income strategies based on portfolio holdings as of June 30, 2022.

S&P Quality Rating <sup>1</sup>	Total Fair Value	Asset-Backed Securities	Commercial Mortgage-Backed Securities	Collateralized Mortgage Obligations	Corporate Bonds <sup>2</sup>	Government and Agency Obligations <sup>3</sup>	Mortgage-Backed Securities	Short-Term/Other
U.S. Treasuries	\$ 306,679	\$ —	\$ —	\$ —	\$ —	\$ 306,679	\$ —	\$ —
GNMA Securities	39,287	—	—	16,793	—	—	22,494	—
AAA	48,082	16,891	14,229	16,962	—	—	—	—
AA+	182,866	2,417	—	4,083	—	53,401	122,965	—
AA	1,314	231	—	115	968	—	—	—
AA-	7,236	1,351	—	50	4,695	1,140	—	—
A+	11,380	1,446	—	107	9,827	—	—	—
A	8,327	—	—	3,477	3,730	1,120	—	—
A-	78,461	3,582	—	—	74,879	—	—	—
BBB+	103,495	2,434	—	576	97,840	2,645	—	—
BBB	86,091	—	—	—	86,091	—	—	—
BBB-	74,831	4,317	487	149	69,878	—	—	—
BB+	12,477	—	—	—	11,171	1,306	—	—
BB	1,026	1,026	—	—	—	—	—	—
BB-	819	819	—	—	—	—	—	—
B+	13	—	—	13	—	—	—	—
B	3,894	3,227	—	—	667	—	—	—
CC	307	307	—	—	—	—	—	—
NR <sup>4</sup>	1,777,840	8,001	37,849	1,160	135,230	110,243	220,942	1,264,415 <sup>5</sup>
Totals	<u>\$ 2,744,425</u>	<u>\$ 46,049</u>	<u>\$ 52,565</u>	<u>\$ 43,485</u>	<u>\$ 494,976</u>	<u>\$ 476,534</u>	<u>\$ 366,401</u>	<u>\$ 1,264,415</u>

<sup>1</sup> Credit ratings with qualifiers and ratings outlooks have been combined to show the credit rating as of June 30, 2022.

<sup>2</sup> Corporate Bonds include convertible bonds from SDCERS' convertible bond manager.

<sup>3</sup> Includes international and municipal holdings.

<sup>4</sup> NR represents those securities that are not rated by one of the NRSROs.

<sup>5</sup> Includes fixed income mutual fund investments of \$1,246,976. These institutional quality fund investments are not directly rated by major credit rating agencies.

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

o. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the relative size of an investment in a single issuer. As of June 30, 2022, SDCERS had no single issuer that exceeded 5% of total investments or that exceeded 5% of fiduciary 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). SDCERS' investment manager guidelines state that not more than 5% of the investment portfolio shall be invested in the 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, 2022 SDCERS' cash balance was \$945. Cash and cash equivalents on deposit with custodial bank and fiscal agents was \$196,336, which includes cash collateral for SDCERS' cash overlay program of \$23,800 and residual cash held in each manager's portfolio of \$172,500, 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, 2022 SDCERS held \$170,300 in STIF and a DDA cash balance of \$26,000 on deposit with the custodial bank. SDCERS does not have a specific policy relating to custodial credit risk because the majority of SDCERS' assets are held in SDCERS' name and are not available to satisfy the obligations of State Street to its creditors.

*Investments*

As of June 30, 2022, 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 \$162,000 as of June 30, 2022. 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 \$134,472 as of June 30, 2022, is also at risk as it is invested in pooled vehicles managed by the custodian. The investment characteristics of the collateral pools are disclosed in the Securities Lending section of this note.

q. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The following table represents SDCERS' securities held in a foreign currency as of June 30, 2022.

<u>Local Currency Name</u>	<u>Cash</u>	<u>Equity</u>	<u>Fixed Income</u>	<u>Total</u>
Argentine Peso	\$ 2	\$ —	\$ 19	\$ 21
Australian Dollar	—	5,347	829	6,176
Brazilian Real	59	1,077	(698)	438
British Pound	(3,673)	46,682	22,722	65,731
Canadian Dollar	185	12,507	311	13,003
Danish Krone	—	7,913	—	7,913
Euro Currency	(49)	128,504	15,671	144,126
Hong Kong Dollar	—	10,540	—	10,540
Japanese Yen	(156)	46,190	7,745	53,779
Mexican Peso	—	1,753	—	1,753
Peruvian Sol	—	—	2,645	2,645
South Korean Won	—	2,063	—	2,063
Swiss Franc	(2)	35,003	—	35,001
Total	<u>\$ (3,634)</u>	<u>\$ 297,579</u>	<u>\$ 49,244</u>	<u>\$ 343,189</u>

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

Foreign currency is comprised of international investment proceeds and income to be repatriated into U.S. dollars and funds available to purchase international securities. Foreign currency is not held by SDCERS as an investment. Foreign currency is held temporarily in foreign accounts until it is able to be repatriated or expended to settle trades. An important component of the diversification benefit of international 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, 2022, the derivative instruments held by SDCERS are considered investments and not hedges for accounting purposes. The gains and losses arising from this activity are recognized in the Statement of Changes in Fiduciary Net Position within the net appreciation (depreciation) in fair value of investments.

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

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

The following table provides a summary of the derivative instruments outstanding as of June 30, 2022:

Investment Derivative Instruments	Net Appreciation (Depreciation) in Fair Value	Fair Value at June 30, 2022		
	Amount	Classification	Amount	Notional (Dollars)
Credit Default Swaps	\$ (261)	Domestic Fixed Income	\$ (633)	\$ 91,800
Fixed Income Futures	(25,830)	Domestic Fixed Income	—	213,028
Fixed Income Options	(529)	Domestic Fixed Income	(602)	(109,800)
Foreign Currency Futures	(137)	Domestic Fixed Income	—	2,200
Futures Options	(1,856)	Domestic Fixed Income	(250)	(845)
Foreign Currency Forwards	10,178	Domestic Fixed Income	1,499	125,520
Index Futures	(6,487)	Domestic Fixed Income	—	26
Interest Rate Swaps	1,531	Domestic Fixed Income	5,549	496,577
Warrants	199	Domestic Equity	320	9
Total Derivative Instruments	<u>\$ (23,192)</u>		<u>\$ 5,883</u>	<u>\$ 818,515</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, 2022. 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, 2022.

#### 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, 2022:

Counterparty Name	Fair Value	S&P Rating
Bank of America, N.A.	1,086	A+
BNP Paribas SA	154	A+
Barclays Bank PLC Wholesale	24	A
HSBC Bank PLC	52	A-
Morgan Stanley CME	2,324	A-
Morgan Stanley ICE	26	A-
Morgan Stanley LCH	7,345	A-
Societe Generale	502	A
Total	<u>\$ 11,513</u>	

The aggregate fair value of investment derivative instruments in an asset position subject to counterparty credit risk at June 30, 2022, was \$11,513. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. At June 30, 2022, 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, 2022, 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, 2022, SDCERS was exposed to interest rate risk on its investments in interest rate swaps, options, and credit default swaps. The table below illustrates the maturity periods of these derivative instruments.

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
Credit Default Swaps	\$ (633)	\$ —	\$ (633)	\$ —	\$ —
Fixed Income Options	(602)	(380)	(222)	—	—
Interest Rate Swaps	5,549	—	(2,448)	700	7,297
Total	<u>\$ 4,314</u>	<u>\$ (380)</u>	<u>\$ (3,303)</u>	<u>\$ 700</u>	<u>\$ 7,297</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, 2022.

Investment Type	Fair Value	Notional
Credit Default Swaps	\$ (633)	\$ 91,800
Fixed Income Futures	—	213,028
Fixed Income Options	(602)	(109,800)
Interest Rate Swaps	5,549	496,577
Total	<u>\$ 4,314</u>	<u>\$ 691,605</u>

*Foreign Currency Risk*

At June 30, 2022, SDCERS was exposed to foreign currency risk on its investments in options, currency forward contracts and interest rate swaps denominated in foreign currencies.

Currency Name	Options/Rights/ Warrants	Foreign Currency Forwards			Total
		Net Receivables	Net Payables	Swaps	
Australian Dollar	\$ —	\$ (1)	\$ 46	\$ —	\$ 45
Brazilian Real	—	(2)	—	(698)	(700)
Canadian Dollar	—	—	6	—	6
Euro Currency	—	(101)	554	705	1,158
Pound Sterling	—	(40)	793	4,111	4,864
Japanese Yen	—	(8)	413	1,239	1,644
Peruvian Sol	—	(26)	(135)	—	(161)
Subtotal	—	(178)	1,677	5,357	6,856
Investments Denominated in USD	(532)	—	—	(441)	(973)
Total	<u>\$ (532)</u>	<u>\$ (178)</u>	<u>\$ 1,677</u>	<u>\$ 4,916</u>	<u>\$ 5,883</u>

In addition to the investments listed in the previous table, SDCERS has investments in foreign futures contracts with a total notional value of (\$16,600). As indicated previously, futures variation margin amounts are settled each trading day and recognized as realized gains/losses as they are incurred. As a result, the foreign futures contracts have no fair value at June 30, 2022.

#### *Contingent Features*

At June 30, 2022, 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 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. SDCERS utilizes two discretionary advisors to invest in private equity and infrastructure through two limited partnership vehicles. Unfunded capital commitments as of June 30, 2022, totaled \$801,299 and private equity and infrastructure investments totaled \$1,780,740.

#### t. Real Estate

SDCERS' long-term target allocation to real estate is 11%. The Board has established that the composition of the real estate portfolio is 100% to private real estate investments. The portfolio is diversified with a target of 70% in core real estate and 30% in non-core real estate. No more than 15% 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, 2022, real estate investments totaled \$1,201,435 and unfunded capital commitments totaled \$213,469. Pursuant to a policy, SDCERS has established a maximum leverage limit of 50% at the portfolio level. As of June 30, 2022, SDCERS' real estate portfolio had leverage of 22.4%.

#### 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 2022, 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, 2022, securities on loan collateralized by cash had a fair value of \$131,800 and SDCERS received cash collateral of \$134,472, 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, 2022, securities on loan collateralized by securities, irrevocable letters of credit, or tri-party collateral had a fair value of \$152,200 and a collateral value of \$162,000, 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, 2022, for its securities lending activities was \$296,500.

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, 2022, these collateral pools were not rated by the NRSROs.

As of June 30, 2022, SDCERS had \$134,500 invested in the Compass Fund, which was formerly known as the Quality D liquidity collateral pool. The Compass Fund had a weighted average maturity of 3.9 days and an average weighted final maturity of 76.6 days. Duration is the weighted time average until cash flows are received in the collateral pool and is measured in days. Alternatively, the weighted average final maturity measures when all final maturities in the portfolio will occur. The duration of the investments made with cash collateral does not generally match the duration of the loans. This is because the loans are terminable at any time by SDCERS or the borrower.

#### Discretely Presented Component Unit - Disclosures for Policy and Specific Risks

*Narratives and tables presented in the following section are taken directly from the audited annual comprehensive financial report of the San Diego Housing Commission (SDHC) as of June 30, 2022 (certain terms have been modified to conform to the City's ACFR presentation)*

#### v. San Diego Housing Commission

Cash, cash equivalents, and investments at June 30, 2022 consisted of the following:

	SDHC	Component Units <sup>1</sup>	Total
Deposits and Petty Cash	\$ 36,670	\$ 18,004	\$ 54,674
U.S. Agency Bonds	99,881	—	99,881
San Diego County Investment Pool	22,327	—	22,327
State Local Agency Investment Fund	15,960	—	15,960
Total Cash and Investments	174,838	18,004	192,842
Restricted Cash and Cash Equivalents	3,523	10,433	13,956
Total	<u>\$ 178,361</u>	<u>\$ 28,437</u>	<u>\$ 206,798</u>

<sup>1</sup> 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 \$36,670 at June 30, 2022. 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. As of June 30, 2022, \$35,705 was collateralized and the remaining \$13 was uncollateralized cash deposits and cash equivalents. The California Government Code requires California financial institutions to secure cash deposits of public institutions not covered by federal deposit insurance by pledging securities as collateral. California Government Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. As a result, for the purpose of custodial credit risk, the collateral for cash deposits is considered to be held in SDHC's name.

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

### *Investment Policy*

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

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

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

### *Investments*

As of June 30, 2022, SDHC had investments in agency bonds, SDCIP, and LAIF. The following paragraphs provide further detail for each investment.

GASB Statement No. 72 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 are 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, 2022:

Investment Type	Fair Value	Level 1	Level 2
U.S. Agency Bonds	\$ 99,881	\$ —	\$ 99,881

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

SDHC's investments under U.S. Government Agency bonds are Mortgage Backed Security (MBS) bonds and debentures traded on an active secondary market. MBS Bonds are a security or debt obligation that represents a claim on the monthly cash flows from mortgage loans. They represent investments in securities that are backed by pools of high quality multi-family mortgages guaranteed by a government agency or Government Sponsored Enterprises (GSE). Government Agency Debentures are also bonds traded on an active secondary market and represent a security or debt obligation of the issuer. While Standard & Poor's and Moody's do not specifically rate MBS, they carry an implied rating based on the credit worthiness of Federal National Mortgage Association (FNMA), Federal Home Loans Money Corporation (FHLMC) and Freddie Mac Small Balance Loans (FRESB). Moody's rates FNMA, FHLMC and FRESB as AAA while Standard and Poor's rates FNMA, FHLMC, and FRESB as AA+. At June 30, 2022, SDHC had \$99,881 invested in Agency MBS bonds.

SDHC voluntarily participates in the San Diego County Investment Pool (SDCIP), 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, 2022 was \$13,553,588. The investment portfolio had a weighted average yield to maturity of 1.25%, weighted average days to maturity of 551 days and an effective duration of 1.36 years. As of June 30, 2022, SDHC had \$22,327 invested in SDCIP.

In addition to SDCIP, SDHC participates in the State's LAIF. LAIF is part of the State of California Pooled Money Investment Account (PMIA) and is protected by statute ensuring invested funds remain SDHC's assets. PMIA is not registered with the SEC but is required to invest in accordance with California Government Code. As of June 30, 2022, the average maturity of PMIA investments was 311 days and the fair value with accrued interest of the investment portfolio of PMIA was approximately \$231,867,874. SDHC had \$15,960 invested with LAIF as of June 30, 2022.

#### *Investment Risk Factors*

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

#### *Market Risk*

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

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

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

SDHC's exposure to interest rate risk as of June 30, 2022 is shown in the following table:

	Maturities as of June 30, 2022			Total Fair Value
	Less Than 3 Months	4-12 Months	1-5 Years	
Cash and Cash Equivalents: <sup>1</sup>				
Deposits	\$ 36,655	\$ —	\$ —	\$ 36,655
Petty Cash	15	—	—	15
Restricted Cash and Cash Equivalents	3,523	—	—	3,523
Total Cash and Cash Equivalents	40,193	—	—	40,193
Short-Term Investments:				
U.S. Agencies - Fannie Mae Alternative Credit Enhancement Securities	76	702	—	778
U.S. Agencies - Fannie Mae Delegated Underwriting Servicing Program Securities	—	7,816	—	7,816
U.S. Agencies - Freddie Mac Federal Home Loan Mortgage Corp. K Series Securities	955	3,963	—	4,918
U.S. Agencies - Freddie Mac Small Balance Loans	—	240	—	240
San Diego County Investment Pool	—	—	22,327	22,327
State Local Agency Investment Fund	—	15,960	—	15,960
Total Short-Term Investments	1,031	28,681	22,327	52,039
Long-Term Investments:				
U.S. Agencies - Fannie Mae Alternative Credit Enhancement Securities	—	—	23,065	23,065
U.S. Agencies - Fannie Mae Delegated Underwriting Servicing Program Securities	—	—	29,115	29,115
U.S. Agencies - Freddie Mac Federal Home Loan Mortgage Corp. K Series Securities	—	—	31,707	31,707
U.S. Agencies - Freddie Mac Small Balance Loans	—	—	2,242	2,242
Total Long-Term Investments	—	—	86,129	86,129
Total Cash, Cash Equivalents, and Investments	\$ 41,224	\$ 28,681	\$ 108,456	\$ 178,361

<sup>1</sup> Cash and Cash Equivalents do not have maturities.

### Credit Risk

Fixed income securities are subject to credit risk, which is the risk that an issuer will fail to pay interest or principal in a timely manner or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. Certain fixed income securities, including obligations of the U.S. Government or those explicitly guaranteed by the U.S. Government are considered to have minimal credit risk. SDHC minimizes credit risk by limiting investments to those listed in its 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.

*Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of the failure of the custodian, the investments may not be recovered. All bonds are purchased through SDHC's primary financial institution's clearing account in SDHC's name where all securities are held in safekeeping and certificates of deposit are purchased at values less than the federally insured limit.

The exposure of SDHC's debt securities to credit risk as of June 30, 2022 is as follows:

	Standard & Poor's Credit Rating		Total Fair Value
	AA+	Rating Not Provided	
<b>Short-Term Investments</b>			
U.S. Agencies - Fannie Mae Alternative Credit Enhancement Securities	\$ 778	\$ —	\$ 778
U.S. Agencies - Fannie Mae Delegated Underwriting Servicing Program Securities	7,816	—	7,816
U.S. Agencies - Freddie Mac Home Loan Mortgage Corp. K Series Securities	4,918	—	4,918
U.S. Agencies - Freddie Mac Small Balance Loans	240	—	240
San Diego County Investment Pool	22,327	—	22,327
State Local Agency Investment Fund	—	15,960	15,960
Total Short-Term Investments	<u>36,079</u>	<u>15,960</u>	<u>52,039</u>
<b>Long-Term Investments</b>			
U.S. Agencies - Fannie Mae Alternative Credit Enhancement Securities	23,065	—	23,065
U.S. Agencies - Fannie Mae Delegated Underwriting Servicing Program Securities	29,115	—	29,115
U.S. Agencies - Freddie Mac Federal Home Loan Mortgage Corp. K Series Securities	31,707	—	31,707
U.S. Agencies - Freddie Mac Small Balance Loans	2,242	—	2,242
Total Long-Term Investments	<u>86,129</u>	<u>—</u>	<u>86,129</u>
Total Investments	<u>\$ 122,208</u>	<u>\$ 15,960</u>	<u>\$ 138,168</u>

The U.S. Government Agency securities in SDHC's portfolio include Fannie Mae Federal National Mortgage Association (FNMA/FNA) and Freddie Mac Federal Home Loan Mortgage Corporation (FHMS). Of the \$99,881 invested in agency bonds and debentures as of June 30, 2022, all are mortgage-backed securities (MBS) issued either by Freddie Mac Federal Home Loan Mortgage Corporation K Series, Fannie Mae Delegated Underwriting Service Program (Fannie Mae DUS), Fannie Mae Alternative Credit Enhancement (Fannie Mae ACE), or Freddie Mac Small Balance Loans.

MBS are not rated by credit rating agencies. While the rating agencies do not specifically rate MBS, they carry an implied AA+ rating based on the collateral that backs the bond and AA+ rating of the Agency that issues/guarantees them. MBS are not considered subject to concentration of credit risk.

SDHC may choose to maintain 100% of its investment portfolio in U.S. Treasury Bills, notes, bonds and collateralized certificates of deposit. Certificates of deposit are, according to SDHC's Investment Policy, to be collateralized at 100% of the amount that is not federally insured. Securities pledged as collateral are held by a third party. Joint custody safekeeping receipts are held in the name of the depository institution, but pledged to SDHC. The security cannot be released, substituted or sold without the approval of SDHC.

#### 4. CAPITAL ASSETS (Dollars in Thousands)

Capital asset activities for the year ended June 30, 2022 are as follows:

	Primary Government				Ending Balance
	Beginning Balance	Increases	Decreases	Transfers	
<b>GOVERNMENTAL ACTIVITIES</b>					
Non-Depreciable Capital Assets:					
Land and Rights of Way	\$ 1,887,545	\$ 16,982	\$ (101)	\$ (2)	\$ 1,904,424
Easements (Intangible)	7,888	—	(3)	—	7,885
Artwork/Historical Treasures	5,052	—	—	—	5,052
Construction in Progress	353,132	154,612	(3,427)	(69,722)	434,595
Total Non-Depreciable Capital Assets	2,253,617	171,594	(3,531)	(69,724)	2,351,956
Depreciable Capital Assets:					
Structures and Improvements	1,539,515	7,397	(583)	10,396	1,556,725
Equipment	565,468	33,917	(23,599)	3,265	579,051
Equipment (Intangible)	56,119	376	—	113	56,608
Infrastructure	4,615,314	39,187	(1,031)	56,092	4,709,562
Right-to-Use Leased Land <sup>1</sup>	17,349	—	—	—	17,349
Right-to-Use Leased Structures <sup>1</sup>	61,869	1,447	—	—	63,316
Right-to-Use Leased Equipment <sup>1</sup>	3,460	—	—	—	3,460
Total Depreciable Capital Assets	6,859,094	82,324	(25,213)	69,866	6,986,071
Less Accumulated Depreciation/Amortization:					
Structures and Improvements	(673,311)	(43,304)	511	13	(716,091)
Equipment	(301,036)	(44,501)	21,976	(59)	(323,620)
Equipment (Intangible)	(33,268)	(1,750)	—	—	(35,018)
Infrastructure	(2,715,680)	(102,901)	465	(13)	(2,818,129)
Right-to-Use Leased Land	—	(1,517)	—	—	(1,517)
Right-to-Use Leased Structures	—	(6,994)	—	—	(6,994)
Right-to-Use Leased Equipment	—	(1,555)	—	—	(1,555)
Total Accumulated Depreciation	(3,723,295)	(202,522)	22,952	(59)	(3,902,924)
Total Depreciable Capital Assets - Net of Depreciation/Amortization	3,135,799	(120,198)	(2,261)	69,807	3,083,147
Governmental Activities Capital Assets, Net	\$ 5,389,416	\$ 51,396	\$ (5,792)	\$ 83	\$ 5,435,103

	Primary Government				Ending Balance
	Beginning Balance	Increases	Decreases	Transfers	
<b>BUSINESS-TYPE ACTIVITIES</b>					
Non-Depreciable Capital Assets:					
Land and Rights of Way	\$ 107,232	\$ 218	\$ —	\$ 14	\$ 107,464
Easements (Intangible)	4,887	450	—	—	5,337
Artwork/Historical Treasures	1,875	—	—	—	1,875
Construction in Progress	691,130	358,662	(1,634)	(124,967)	923,191
Total Non-Depreciable Capital Assets	805,124	359,330	(1,634)	(124,953)	1,037,867
Depreciable Capital Assets:					
Structures and Improvements	2,197,076	4,638	(5,152)	12,222	2,208,784
Equipment <sup>1</sup>	505,757	6,677	(4,434)	1,745	509,745
Equipment (Intangible)	57,768	28	—	572	58,368
Distribution and Collection Systems and Other Infrastructure	6,001,849	89,736	(2,445)	110,272	6,199,412
Right-to-Use Leased Structures <sup>1</sup>	3,666	—	—	—	3,666
Right-to-Use Leased Equipment <sup>1</sup>	14,631	—	—	—	14,631
Total Depreciable Capital Assets	8,780,747	101,079	(12,031)	124,811	8,994,606
Less Accumulated Depreciation/Amortization:					
Structures and Improvements	(772,619)	(42,916)	5,136	167	(810,232)
Equipment	(364,931)	(15,831)	2,497	96	(378,169)
Equipment (Intangible)	(26,138)	(3,348)	—	(19)	(29,505)
Distribution and Collection Systems and Other Infrastructure	(1,638,094)	(100,627)	1,818	(185)	(1,737,088)
Right-to-Use Leased Structures	—	(610)	—	—	(610)
Right-to-Use Leased Equipment	—	(3,811)	—	—	(3,811)
Total Accumulated Depreciation	(2,801,782)	(167,143)	9,451	59	(2,959,415)
Total Depreciable Capital Assets - Net of Depreciation/Amortization	5,978,965	(66,064)	(2,580)	124,870	6,035,191
Business-Type Activities Capital Assets, Net	\$ 6,784,089	\$ 293,266	\$ (4,214)	\$ (83)	\$ 7,073,058

<sup>1</sup> Beginning Balances for Equipment and Right-to Use Leased Assets have been restated as a result of GASB Statement No. 87 implementation, with offsetting restatements to Leases Payable in Notes 5 and 6.

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

**GOVERNMENTAL ACTIVITIES**

General Government and Support	\$	15,706
Public Safety - Police		18,017
Public Safety - Fire and Life Safety and Homeland Security		14,326
Parks, Recreation, Culture and Leisure		49,541
Transportation		84,499
Sanitation and Health		18,635
Neighborhood Services		1,798
Total Depreciation Expense	\$	<u>202,522</u>

**BUSINESS-TYPE ACTIVITIES**

Sewer Utility	\$	83,598
Water Utility		66,725
Airports		3,547
Development Services		456
Environmental Services		6,400
Golf Course		3,446
Recycling		170
SDCCC		2,801
Total Depreciation Expense	\$	<u>167,143</u>

Capital asset activities for the City's Successor Agency for the fiscal year ended June 30, 2022 are as follows:

	<u>Successor Agency Private-Purpose Trust Fund</u>			
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Non-Depreciable Capital Assets:				
Land and Rights of Way	\$ 13,279	\$ —	\$ —	\$ 13,279
Construction in Progress	991	8	—	999
Total Non-Depreciable Capital Assets	<u>14,270</u>	<u>8</u>	<u>—</u>	<u>14,278</u>
Depreciable Capital Assets:				
Structures and Improvements	64,425	—	—	64,425
Equipment	819	—	—	819
Infrastructure	—	3	—	3
Total Depreciable Capital Assets	<u>65,244</u>	<u>3</u>	<u>—</u>	<u>65,247</u>
Less Accumulated Depreciation for:				
Structures and Improvements	(23,727)	(1,813)	—	(25,540)
Equipment	(819)	—	—	(819)
Total Accumulated Depreciation	<u>(24,546)</u>	<u>(1,813)</u>	<u>—</u>	<u>(26,359)</u>
Total Depreciable Capital Assets - Net of Depreciation	<u>40,698</u>	<u>(1,810)</u>	<u>—</u>	<u>38,888</u>
Capital Assets, Net	<u>\$ 54,968</u>	<u>\$ (1,802)</u>	<u>\$ —</u>	<u>\$ 53,166</u>

**Discretely Presented Component Unit - San Diego Housing Commission**

Capital asset activities for SDHC for the fiscal year ended June 30, 2022 are as follows:

<b>Discretely Presented Component Unit - San Diego Housing Commission</b>				
	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 108,617	\$ —	\$ —	\$ 108,617
Construction in Progress	758	200	(408)	550
Total Non-Depreciable Capital Assets	<u>109,375</u>	<u>200</u>	<u>(408)</u>	<u>109,167</u>
<b>Depreciable Capital Assets:</b>				
Structures and Improvements	261,655	2,865	203	264,723
Equipment	5,814	906	(36)	6,684
Total Depreciable Capital Assets	<u>267,469</u>	<u>3,771</u>	<u>167</u>	<u>271,407</u>
<b>Less Accumulated Depreciation for:</b>				
Structures and Improvements	(65,302)	(10,130)	4	(75,428)
Equipment	(4,008)	(553)	36	(4,525)
Total Accumulated Depreciation	<u>(69,310)</u>	<u>(10,683)</u>	<u>40</u>	<u>(79,953)</u>
Total Depreciable Capital Assets - Net of Depreciation	<u>198,159</u>	<u>(6,912)</u>	<u>207</u>	<u>191,454</u>
Capital Assets, Net	<u>\$ 307,534</u>	<u>\$ (6,712)</u>	<u>\$ (201)</u>	<u>\$ 300,621</u>

Capital assets for the discretely presented component units of SDHC as of December 31, 2021 are as follows:

<b>Non-Depreciable Capital Assets:</b>	
Land	\$ 4,477
Construction in Progress	225
Total Non-Depreciable Capital Assets	<u>4,702</u>
<b>Depreciable Capital Assets:</b>	
Structures and Improvements	149,764
Equipment	8,517
Total Depreciable Capital Assets	<u>158,281</u>
Less Accumulated Depreciation	<u>(23,933)</u>
Total Depreciable Capital Assets - Net of Depreciation	<u>134,348</u>
Capital Assets, Net	<u>\$ 139,050</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, 2022, is reflected in the table below:

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2022
Compensated Absences				\$ 81,967
Liability Claims				386,527
Reimbursement Agreement Obligations				20,968
Leases Payable				74,333
Financed Purchase Obligations:				
Equipment Vehicle Financing Program (EVFP)				
MLA 2014	0.71 - 2.06	2023	\$ 31,934	1,047
MLA 2016	1.39 - 2.05	2025	28,452	8,965
MLA 2017	1.93 - 2.79	2026	7,740	3,870
MLA 2017B	2.32 - 2.61	2026	28,045	12,715
MLA 2018	2.26 - 2.66	2029	19,807	13,565
MLA 2019	0.64 - 1.82	2031	33,993	28,177
MLA 2020	0.76 - 1.19	2032	8,109	7,550
101 Ash, LLC <sup>1</sup>	3.503	2037	77,440	79,723
CCP 1200, LLC <sup>1</sup>	3.4	2035	44,000	46,340
Other Financed Purchase Obligations	1.36-3.29	2033	18,516	15,321
Total Financed Purchase Obligations				217,273
QECCB Lease Obligation	6.16 <sup>2</sup>	2026	13,142	3,968
Loans Payable:				
California Energy Resources Conservation and Development Commission:				
Issued December 2011	3.0	2024	2,987	503
Issued December 2012	1.0	2029	1,415	965
SANDAG	0.19 - 0.24	2029	26,167	26,167
Total Loans Payable				27,635
Section 108 Loans Payable		2025	5,910	1,372
Lease Revenue Bonds:				
PFFA CIP Bonds, Series 2012A	2.0 - 5.0 <sup>3</sup>	2024	72,000	3,605
PFFA Fire and Life Safety Refunding Bonds, Series 2012B	2.0 - 5.0 <sup>3</sup>	2032	18,745	11,395
PFFA CIP/Old Town Light Rail Extension Refunding Bonds, Series 2013A	2.0 - 5.0 <sup>3</sup>	2043	43,245	29,620
PFFA Balboa Park/Mission Bay Park Refunding Bonds, Series 2013B	2.0 - 5.0 <sup>3</sup>	2024	6,285	1,400
PFFA CIP Bonds, Series 2015A	5.0	2045	62,260	62,260
PFFA CIP Bonds, Series 2015B	5.0	2033	45,030	32,040
PFFA Ballpark Refunding Bonds, Series 2016	2.0 - 5.0 <sup>3</sup>	2032	103,255	73,120
PFFA Refunding Bonds, Series 2018A	2.57 - 4.23 <sup>3</sup>	2039	129,320	100,440
PFFA Refunding Bonds, Series 2020A	0.85 - 3.43 <sup>3</sup>	2042	60,745	59,100
CCEFA Refunding Bonds, Series 2020A	0.99 - 2.36 <sup>3</sup>	2028	70,750	67,700
PFFA Revenue Bonds, Series 2021	4.00 - 5.00 <sup>3</sup>	2051	117,145	117,145
Total Lease Revenue Bonds				557,825
Tobacco Settlement Bonds:				
TSRFC Bonds, Series 2018A	2.13-4.02 <sup>3</sup>	2028	70,510	39,785
TSRFC Bonds, Series 2018C	4.0	2032 <sup>4</sup>	25,345	14,465
Total Tobacco Settlement Bonds				54,250
Total Bonds Payable				612,075

(Continued on Next Page)

Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2022
(Continued from previous page)				
Net OPEB Liability				\$ 332,792
Pension Liabilities (Retirement)				1,716,801
Total Pension Liability (POB)				<u>15,828</u>
Total Governmental Activities Long-Term Liabilities				<u>\$ 3,491,539</u>

<sup>1</sup> See Note 22 for additional information on 101 Ash, LLC and CCP 1200, LLC.

<sup>2</sup> Nominal interest rate of 6.16% with a net effective rate of 2.62% inclusive of QECCB federal subsidy and 5.7% subsidy sequestration calculated by the Federal Office of Management and Budget for fiscal year 2022.

<sup>3</sup> Interest rates are fixed and reflect the range of coupon rates for various maturities from the date of issuance to maturity.

<sup>4</sup> 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 OPEB liabilities are paid out of operating funds based on a percentage of covered payroll.

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

Leases payable represent obligations owed for noncancellable leases of land, office space, and equipment. The General Fund primarily benefits from leased assets, as well as the Fleet Operations Internal Service Fund.

Financed Purchase Obligations are direct borrowing agreements with lenders to finance the acquisition of governmental assets including equipment, vehicles, and buildings for City staff and operations. Repayments are secured from revenues of the General Fund for the General Fund Financed Purchase Obligations, and from charges for services for the Internal Service Fund Financed Purchase Obligations, which primarily come from the General Fund. The General Fund primarily benefits from the finance-purchased assets.

Taxable Qualified Energy Conservation Bonds (QECCB) were issued pursuant to the American Recovery and Reinvestment Act of 2009. QECCB 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 QECCBs were issued to fund the Broad Spectrum Street Lighting Conversion Program and are paid from annual appropriations of any source of legally available funds.

Loans Payable represent obligations owed for energy conservation loans received for qualifying energy efficiency retrofits and improvements for certain City facilities. Repayments are secured from the General Fund functions that benefit from the facility improvements. Loans Payable also represent obligations owed to the SANDAG Commercial Paper Program to support the construction phase of the West Mission Bay Drive Bridge project, and are secured by future TransNet revenues to the City. Repayments are expected to be made from the West Mission Bay Bridge Construction federal grant through cost reimbursement.

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

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

The General Fund Commercial Paper Notes (General Fund CP Notes) are used to finance the costs of the acquisition, design, construction, installation, improvement, replacement, and equipping of certain capital improvement projects of the City. The General Fund CP Notes are payable from the base rental payments to be made by the City pursuant to the lease between the City and the PFFA. These base rental payments are derived from the funds and accounts pledged under the Indenture. As of June 30, 2022 there are no outstanding balances for the General Fund CP Notes.

b. Amortization Requirements

The annual requirements to amortize the long-term debt outstanding as of June 30, 2022, including interest payments to maturity, are as follows:

Year Ending June 30	Leases Payable		EVFP		101 Ash, LLC		CCP 1200, LLC	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 9,191	\$ 964	\$ 19,042	\$ 1,258	\$ 3,927	\$ 2,490	\$ 2,320	\$ 1,540
2024	8,046	889	16,700	902	4,066	2,350	2,498	1,458
2025	6,978	817	11,830	605	4,211	2,205	2,684	1,370
2026	6,973	746	9,448	414	4,361	2,056	2,880	1,276
2027	7,087	674	7,019	269	4,516	1,900	3,085	1,175
2028-2032	16,411	2,563	11,850	271	25,111	6,973	18,855	4,097
2033-2037	9,126	1,520	—	—	26,679	2,197	14,018	734
2038-2042	4,846	872	—	—	—	—	—	—
2043-2047	5,390	327	—	—	—	—	—	—
2048-2052	285	1	—	—	—	—	—	—
Withheld Payments	—	—	—	—	6,852	4,912	—	—
Total	<u>\$ 74,333</u>	<u>\$ 9,373</u>	<u>\$ 75,889</u>	<u>\$ 3,719</u>	<u>\$ 79,723</u>	<u>\$ 25,083</u>	<u>\$ 46,340</u>	<u>\$ 11,650</u>

Year Ending June 30	Other Financed Purchase Obligations		QECCB Lease Obligation		CEC Loans Payable		SANDAG Loan Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest <sup>1</sup>
2023	\$ 1,613	\$ 463	\$ 957	\$ 244	\$ 486	\$ 22	\$ —	\$ —
2024	1,663	413	980	186	325	10	436	—
2025	1,509	361	1,004	125	156	6	5,233	—
2026	1,556	315	1,027	63	158	5	5,233	—
2027	1,386	266	—	—	159	3	5,234	—
2028-2032	7,194	649	—	—	184	2	10,031	—
2033-2037	400	5	—	—	—	—	—	—
Total	<u>\$ 15,321</u>	<u>\$ 2,472</u>	<u>\$ 3,968</u>	<u>\$ 618</u>	<u>\$ 1,468</u>	<u>\$ 48</u>	<u>\$ 26,167</u>	<u>\$ —</u>

Year Ending June 30	Section 108 Loans Payable		Lease Revenue Bonds		Tobacco Settlement Bonds	
	Principal	Interest	Principal	Interest	Principal <sup>2</sup>	Interest
2023	\$ 430	\$ 69	\$ 33,455	\$ 22,295	\$ 6,420	\$ 2,074
2024	457	43	33,500	21,187	6,465	1,854
2025	485	15	33,905	20,050	6,490	1,621
2026	—	—	35,055	18,912	6,570	1,378
2027	—	—	36,270	17,685	6,760	1,128
2028-2032	—	—	130,185	71,019	21,545	3,177
2033-2037	—	—	87,485	48,120	—	—
2038-2042	—	—	87,740	27,846	—	—
2043-2047	—	—	47,490	11,474	—	—
2048-2052	—	—	32,740	2,685	—	—
Total	<u>\$ 1,372</u>	<u>\$ 127</u>	<u>\$ 557,825</u>	<u>\$ 261,273</u>	<u>\$ 54,250</u>	<u>\$ 11,232</u>

<sup>1</sup> The interest on the SANDAG Loan Payable does not have a fixed repayment schedule and is determined based on SANDAG's rate of borrowing and the number of participating agencies under their CP program.

<sup>2</sup> The Tobacco Settlement Bonds' principal debt service requirements shown reflect turbo redemption payments made on the Series 2018C Bonds since the issue date.

c. Change in Long-Term Liabilities

The following is a summary of changes in governmental activities long-term liabilities for the year ended June 30, 2022. The effect of bond issuance premiums and discounts are reflected as adjustments to the carrying value of long-term liabilities.

	Governmental Activities				
	Beginning Balance <sup>7</sup>	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$ 80,439	\$ 77,147	\$ (75,619)	\$ 81,967	\$ 41,167
Liability Claims	379,927	95,692	(89,092)	386,527	91,971
Reimbursement Agreement Obligations	19,353	11,949	(10,334)	20,968	—
Leases Payable <sup>6</sup>	82,678	1,447	(9,792)	74,333	9,191
Financed Purchase Obligations:					
EVFP <sup>1</sup>	86,951	8,109	(19,171)	75,889	19,042
101 Ash, LLC <sup>2</sup>	79,723	—	—	79,723	3,927
CCP 1200, LLC <sup>2</sup>	48,490	—	(2,150)	46,340	2,320
Other Financed Purchase Obligations <sup>3</sup>	15,884	1,029	(1,592)	15,321	1,613
Total Financed Purchase Obligations <sup>4</sup>	231,048	9,138	(22,913)	217,273	26,902
QECCB Lease Obligation <sup>4</sup>	4,903	—	(935)	3,968	957
Loans Payable					
California Energy Resource Conservation and Development Commission	1,943	—	(475)	1,468	486
SANDAG <sup>5</sup>	26,167	—	—	26,167	—
Total Loans Payable <sup>4</sup>	28,110	—	(475)	27,635	486
Section 108 Loans Payable	1,778	—	(406)	1,372	430
Lease Revenue Bonds	588,900	—	(31,075)	557,825	33,455
Unamortized Bond Premiums and Discounts	51,444	—	(3,734)	47,710	3,099
Net Lease Revenue Bonds	640,344	—	(34,809)	605,535	36,554
Tobacco Settlement Bonds	64,290	—	(10,040)	54,250	6,420
Net Other Postemployment Benefits Liability	364,508	23,117	(54,833)	332,792	—
Pension Liabilities (Retirement)	2,879,608	411,756	(1,574,563)	1,716,801	—
Total Pension Liability (POB)	15,768	1,467	(1,407)	15,828	—
Total	\$ 4,792,754	\$ 631,713	\$ (1,885,218)	\$ 3,539,249	\$ 214,078

<sup>1</sup> City's unused line of credit for EVFP is \$48,891.

<sup>2</sup> See Note 22 for additional information on 101 Ash, LLC and CCP 1200, LLC.

<sup>3</sup> Other Financed Purchase Obligations include GE Government Finance Lease & Hewlett-Packard Lease. The City's unused line of credit for GE Government Finance is \$11,228.

<sup>4</sup> City's direct borrowings.

<sup>5</sup> City's unused line of credit for SANDAG is \$13,833.

<sup>6</sup> Beginning Balance for Leases Payable has been restated as a result of GASB Statement No. 87 Implementation, with an offsetting restatement to Capital Assets (See Note 4).

During fiscal year 2022, the City executed new leases for office space. Under various agreements with different entities, the obligations totaled \$1,447 to be paid over lease terms ranging from 2 to 3 years at rates between 0.34% to 0.46%.

During fiscal year 2022, the City finance-purchased various public safety and support vehicles. Under various agreements with Bank of America Public Capital Corp., the obligations totaled \$8,109, to be financed over periods ranging from five to ten years at rates between 0.76% and 1.19%.

On June 24, 2022, the City finance-purchased various office equipment with Hewlett-Packard Financial Services Company in the amount of \$1,029, to be financed for five years at a rate of 2.83%.

On November 24, 2021, the City and PFFA extended the Letter of Credit with Wells Fargo Bank for the General Fund CP Notes in the amount of \$88,500. The new LOC expiration date is November 29, 2024. As of June 30, 2022, no notes have been issued under the new LOC and the unused authorization for the General Fund CP Notes is \$88,500.

d. Redemption and Defeasance of Debt

During fiscal year 2021, the PFFA Lease Revenue Refunding Bonds, Series 2020A (2020A Bonds) were issued to refund a portion of PFFA's outstanding CIP Lease Revenue Bonds, Series 2012A (2012A Bonds). The final maturity date for the 2020A Bonds is October 15, 2041. The defeased portion of the 2012A Bonds was fully redeemed on April 15, 2022, and the remaining 2012A Bonds have a final maturity of April 15, 2024.

During fiscal year 2021, the CCEFA Lease Revenue Refunding Bonds, Series 2020A (2020A Bonds) were issued to refund a portion of CCEFA's outstanding Lease Revenue Refunding Bonds, Series 2012A (2012A Bonds). The final maturity date for the Series 2020A Bonds is April 15, 2028. The refunded portion of the 2012A Bonds was fully redeemed on April 15, 2022, and the remaining 2012A Bonds matured on April 15, 2022.

e. Legal Debt Margin

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation for each City. As of June 30, 2022, the limit for the City was \$38,096,810, and the amount of City debt subject to the limit was \$0 (See Statistical Table 13). The limit is only applicable to General Obligation Bonds, of which the City has none outstanding as of June 30, 2022.

f. Event of Default Provisions

The City's outstanding Financed Purchased Obligations of \$217,273 contain provisions that in the event of default, the lessor may recover unpaid payments and terminate the financing agreement(s). The lease revenue bond obligations of \$557,825 contain provisions that in the event of default, bondholders may bring suit against the City and receive any funds held by the Trustee to pay principal and interest on the bonds when due. The bonds are secured by lease payments made under leases of various governmental assets, including but not limited to, certain fire and police stations, libraries, and leases of City-owned land. The outstanding Tobacco Settlement Revenue Bonds of \$54,250 contain event of default provisions that all revenues held or thereafter received by the Trustee shall be applied in order of lien priority, however, as these bonds are payable from pledged TSRs, bondholders have no recourse to any income, or revenues of the City. There are no clauses to accelerate payment of principal amounts with any of the governmental direct borrowing and direct placement obligations.

g. Leases Payable

The City is a lessee in various noncancellable leases of land, office space, and equipment. As of June 30, 2022, the Governmental Activities' leases payable balance of \$74,333 was comprised of the following:

Various land leases with fiscal year 2022 principal and interest payments totaling \$1,644, at interest rates ranging from 0.34% - 5.17%, and remaining lease terms ranging from 6 months - 15 years.	\$ 15,712
Various office space leases with fiscal year 2022 principal and interest payments totaling \$6,984, at interest rates ranging from 0.34% - 2.15%, and remaining lease terms ranging from 2 - 25 years.	57,042
Various equipment leases, with fiscal year 2022 principal and interest payments totaling \$1,887, at interest rates ranging from 0.20% - 0.34%, and remaining lease terms ranging from 8 months - 2 years.	<u>1,579</u>
Total Leases Payable	<u>\$ 74,333</u>

h. Long-Term Pledged Liabilities

Governmental long-term pledged liabilities as of June 30, 2022 are comprised of the following:

Type of Pledged Revenue	Fiscal Year Maturity Date	Pledged Revenue to Maturity	Debt Principal & Interest Paid	Pledged Revenue Recognized
Pledged Development Impact Fee (DIF) Revenue:				
Quarry Falls (Civita) Neighborhood Parks Reimbursement Agreement		\$ 17,528	\$ —	\$ —
Pledged Facilities Benefit Assessment (FBA) Revenue:				
Facilities Financing Reimbursement Agreement Obligations		870	10,334	10,334
Pledged Regional Transportation Congestion Improvement Program (RTCIP):				
Quarry Falls (Civita) Neighborhood Parks Reimbursement Agreement		2,570	—	—
Naval Training Center Civic, Arts and Cultural Center (Section 108)	2025	1,372	1,499	1,499
Pledged Tobacco Settlement Revenue:				
TSRFC Bonds, Series 2018 A,C	2032	65,483	12,462	11,810
Pledged TransNet Revenue:				
SANDAG Loan	2029	26,167	93	93
Total		\$ 113,990	\$ 24,388	\$ 23,736

**6. BUSINESS-TYPE ACTIVITIES LONG-TERM LIABILITIES (Dollars in Thousands)****a. Long-Term Liabilities**

Business-type activities long-term liabilities as of June 30, 2022 are comprised of the following:

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Fiscal Year Maturity Date</u>	<u>Original Amount <sup>4</sup></u>	<u>Balance Outstanding June 30, 2022</u>
Compensated Absences				\$ 18,306
Liability Claims				153,282
Leases Payable				13,848
Notes Payable	—	2023	22	2
Loans Payable:				
SDCCC:				
California Infrastructure and Economic Development Bank (I-Bank)	3.59 <sup>1</sup>	2042	25,500	23,225
Sewer Utility - State Water Resources Control Board				
Point Loma Digesters Project C1 and C2, October 3, 2002	1.80 <sup>2</sup>	2023	8,068	475
Environment Monitoring and Technical Svcs, December 14, 2005	1.89 <sup>2</sup>	2024	10,093	1,239
Point Loma 4th Sludge Pump Project, October 15, 2006	1.99 <sup>2</sup>	2024	3,858	500
Point Loma Digesters S1 and S2, February 28, 2007	1.89 <sup>2</sup>	2026	11,068	2,669
Point Loma Digesters Grit Processing, February 17, 2012 <sup>3</sup>	—	2036	31,514	23,710
Sewer Pipeline Rehab Project MNOP, July 10, 2012 <sup>3</sup>	—	2033	18,914	9,653
Metro Biosolids Center Storage Silos, August 6, 2015 <sup>3</sup>	—	2035	7,204	4,955
MBC Odor Control Facilities Upgrades, July 15, 2015	1.70 <sup>1</sup>	2035	6,840	4,931
MBC Dewatering Centrifuge Replacement, July 8, 2015	1.70 <sup>1</sup>	2039	10,969	9,528
Sewer Pipeline Rehab Project-Q, June 26, 2013	2.20 <sup>1</sup>	2034	4,791	1,574
Sewer Pipeline Rehab Project-RS, August 22, 2013	—	2034	8,924	5,317
Sewer Pipeline Rehab Project-T, July 12, 2016 <sup>3</sup>	1.70 <sup>1</sup>	2036	2,314	1,685
MBC Chemical Systems Improvement Phase II, July 12, 2016	1.70 <sup>1</sup>	2037	5,284	4,079
Pump Station 2 Power Reliability/ Surge Protection, September 12, 2018	1.80 <sup>1</sup>	2052	62,573	62,573
Total Sewer Utility Loans Payable				<u>132,888</u>
Water Utility - State Water Resources Control Board				
Alvarado Water Treatment Plant, May 30, 2011	2.31 <sup>1</sup>	2032	12,000	6,386
Miramar Water Treatment Plant, September 26, 2011	2.31 <sup>1</sup>	2032	20,000	10,642
Otay Water Treatment Plant, December 22, 2011	2.50 <sup>1</sup>	2032	18,000	10,113
Harbor Drive Pipeline Replacement Project, January 29, 2013	2.09 <sup>1</sup>	2036	10,561	7,875
Lindbergh Field Pipeline Replacement Project, January 29, 2013	2.09 <sup>1</sup>	2036	3,262	2,428
University Avenue Pipeline Replacement Project, June 7, 2016	2.09 <sup>1</sup>	2039	25,300	22,208
69th Street & Mohawk Pump Station Project, June 14, 2018	1.70 <sup>1</sup>	2050	13,816	13,097
Water Utility - WIFIA Loan Agreement, September 24, 2020	1.29 <sup>1</sup>	2058	83,952	83,952
Total Water Utility Loans Payable				<u>156,701</u>
Total Loans Payable				<u>312,814</u>



Type of Obligation	Interest Rates	Fiscal Year Maturity Date	Original Amount <sup>4</sup>	Balance Outstanding June 30, 2022
Water CP Notes, Series A <sup>5</sup>	0.07-1.30	2025	\$ 195,092	\$ 195,092
Revenue Bonds Payable:				
Senior Sewer Revenue Refunding Bonds, Series 2015	2.0-5.0 <sup>1</sup>	2027	313,620	242,720
Senior Sewer Revenue Refunding Bonds, Series 2016 A	4.0-5.0 <sup>1</sup>	2039	403,280	270,130
Subordinated Water Revenue Bonds, Series 2016 A	3.0-5.0 <sup>1</sup>	2046	40,540	36,765
Subordinated Water Revenue Bonds, Refunding Series 2016 B	5.0 <sup>1</sup>	2040	523,485	370,930
Subordinated Water Revenue Bonds, Refunding Series 2018 A	5.0-5.25 <sup>1</sup>	2048	243,180	231,140
Senior Water Revenue Bonds, Series 2020 A	3.0-5.0 <sup>1</sup>	2050	221,420	211,945
Senior Water Revenue Refunding Bonds, Series 2020 B	1.031-2.33 <sup>1</sup>	2033	114,195	97,650
Subordinated Sewer Revenue Bonds, Series 2022 A	5.0 <sup>1</sup>	2052	168,250	168,250
Total Revenue Bonds Payable				1,629,530
Estimated Landfill Closure and Postclosure Care				54,865
Net Other Postemployment Benefits Liability				96,927
Pension Liabilities (Retirement)				429,826
Total Pension Liability (POB)				1,716
Total Business-Type Activities Long-Term Liabilities				\$ 2,906,208

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

<sup>2</sup> Effective rate.

<sup>3</sup> Beginning in Fiscal Year 2022, the State applies a Small Community Grant Fee in lieu of interest.

<sup>4</sup> For Loans Payable, the Original Amount is based on the amount disbursed to date and may include capitalized interest.

<sup>5</sup> Amount authorized is \$250,000. Maturity date of 2025 represents expiration date of direct-pay LOC which is January 31, 2025. Series B is now classified as a long-term liability and combined under Series A. See Note 8 for more information.

#### b. Amortization Requirements

Annual requirements to amortize long-term debt as of June 30, 2022, including interest payments to maturity, are as follows:

Year Ending June 30	Leases Payable		Notes Payable		Loans Payable		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 4,438	\$ 73	\$ 2	\$ —	\$ 11,666	\$ 3,789	\$ 113,250	\$ 75,313
2024	4,427	48	—	—	10,573	2,249	99,305	69,993
2025	3,704	21	—	—	9,923	2,076	105,995	65,339
2026	656	7	—	—	10,157	1,916	91,220	60,248
2027	623	2	—	—	9,697	1,751	93,710	56,345
2028-2032	—	—	—	—	51,081	6,339	333,610	225,874
2033-2037	—	—	—	—	30,967	2,939	292,655	156,215
2038-2042	—	—	—	—	10,457	766	235,745	84,522
2043-2047	—	—	—	—	—	—	165,425	41,944
2048-2052	—	—	—	—	—	—	98,615	9,373
Unscheduled <sup>1</sup>	—	—	—	—	168,293	—	—	—
Total	\$ 13,848	\$ 151	\$ 2	\$ —	\$ 312,814	\$ 21,825	\$ 1,629,530	\$ 845,166

<sup>1</sup> The loans payable to the State Water Resources Control Board and the Environmental Protection Agency in the amounts of \$84,341 and \$83,952, respectively, 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, 2022. The effects of bond premiums and discounts are reflected as adjustments to long-term liabilities.

	Business-Type Activities				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$ 17,280	\$ 17,203	\$ (16,177)	\$ 18,306	\$ 9,207
Liability Claims	89,861	72,541	(9,120)	153,282	17,592
Leases Payable <sup>4</sup>	18,297	—	(4,449)	13,848	4,438
Financed Purchase Obligations: <sup>4</sup>					
EVFP	13	—	(13)	—	—
Notes Payable <sup>1</sup>	4	—	(2)	2	2
Loans Payable <sup>1,2</sup>	243,223	83,822	(14,231)	312,814	11,666
Water CP Notes, Series A <sup>3</sup>	—	203,338	(8,246)	195,092	—
Revenue Bonds Payable	1,572,200	168,250	(110,920)	1,629,530	113,250
Unamortized Bond Premiums and Discounts	233,765	22,322	(16,064)	240,023	16,064
Net Revenue Bonds Payable	<u>1,805,965</u>	<u>190,572</u>	<u>(126,984)</u>	<u>1,869,553</u>	<u>129,314</u>
Estimated Landfill Closure/Postclosure Care	51,656	3,209	—	54,865	—
Net Other Postemployment Benefits Liability	105,467	6,224	(14,764)	96,927	—
Pension Liabilities (Retirement)	616,589	85,608	(272,371)	429,826	—
Total Pension Liability (POB)	<u>1,709</u>	<u>162</u>	<u>(155)</u>	<u>1,716</u>	<u>—</u>
Totals	<u>\$ 2,950,064</u>	<u>\$ 662,679</u>	<u>\$ (466,512)</u>	<u>\$ 3,146,231</u>	<u>\$ 172,219</u>

<sup>1</sup> City's direct borrowings.

<sup>2</sup> City's unused lines of credit for Pump Station 2 Power Reliability Surge Protection, 69th Street & Mohawk Pump Station Project, and WIFIA Loans are \$7,621, \$1,184, and \$649,548, respectively.

<sup>3</sup> City's unused authorization for Water CP Notes is \$54,908.

<sup>4</sup> Beginning Balances for Leases Payable and Financed Purchase Obligations have been restated as a result of GASB Statement No. 87 Implementation, with an offsetting restatement to Capital Assets (See Note 4).

During fiscal year 2022, the Sewer Utility and Water Utility Funds received additional loan proceeds through State Revolving Fund (SRF) loan agreements with the State Water Resources Control Board (SWRCB) totaling approximately \$9,429. The repayment periods of the loans range from 20 to 30 years from completion of construction at rates between 1.70% to 1.80%.

During fiscal year 2022, the Water Utility received additional loan proceeds through the Water Infrastructure Finance Innovation Act (WIFIA) agreement totaling \$74,393 at a rate of 1.29%. The First WIFIA Loan will fund a portion of the Water Utility's cost of the Pure Water Program Phase I. The repayment period of this loan is 35 years with a current final maturity date of August 1, 2057.

During fiscal year 2022, the City issued Water CP Notes in the amount of \$104,614. Series A and B were combined into one series (now Series A), which is now classified as a long-term liability based on the 2025 expiration date of the letter of credit (LOC). Series A and Series B totaling \$98,724 were previously classified as short-term liabilities in fiscal year 2021. See Note 8 for additional information on Water CP Notes.

On May 18, 2022, PFFA issued tax-exempt Subordinated Sewer Revenue Bonds, Series 2022A (2022 Sewer Bonds) in the amount of \$168,250. The proceeds of 2022 Sewer Bonds were used to finance the costs of the acquisition, design, construction and installation of improvements of projects of the City's Wastewater System and pay costs of issuance related to the bonds. The 2022 Sewer Bonds are payable solely from Subordinated Installment Payments secured by Wastewater System Net Revenues. The final maturity date for the 2022 Sewer Bonds is May 15, 2052.

In August 2021, the City and the U.S. Environmental Protection Agency (USEPA) executed a second WIFIA loan in the amount of up to \$119,500 payable from net system revenues of the Water Utility Fund, also to fund a portion of the Water Utility's cost of the Pure Water Program Phase I. The repayment period is 34 years from substantial completion at an interest rate of 1.82%

with a final maturity date of August 1, 2058. As of June 30, 2022, no proceeds have been drawn under the second WIFIA Program loan.

On April 6, 2022, the City's Sewer Utility Fund executed a SRF loan agreement with the SWRCB in the amount of \$155,106 for the Pure Water North City Morena Blvd Pump Station Project. This project includes five dual stage pumps, one standby pump, a screening facility, high purity oxygenation system, and large diameter piping for influent and overflows. The interest rate on the loan is 0.80%. The repayment period for this loan is 30 years from the completion of construction, which is estimated to be October 31, 2025.

On April 14, 2022, the City's Sewer Utility Fund executed a SRF loan agreement with the SWRCB in the amount of \$225,000 for the Pure Water North City Conveyance System Project. This project will construct 10.8 miles of 48-inch diameter force main and 10.8 miles of 36-inch diameter brine/centrate pipeline. Construction will be completed in the following segments: Northern 4 miles of pipelines, Middle 3.6 miles of pipelines, and Southern 3.2 miles of pipelines. The interest rate on the loan is 0.80%. The repayment period for this loan is 30 years from the completion of construction, which is estimated to be October 31, 2025.

On April 14, 2022, the City's Sewer Utility Fund executed a SRF loan agreement with the SWRCB in the amount of \$274,277 for the Pure Water North City Reclamation Plant Expansion Project. This project will expand the NCWRP treatment capacity to 52 MGD. This includes construction of new primary and secondary clarifiers, new tertiary filters, new bioreactor basins, an equalization basin, and retrofits to integrate upgrades into existing facilities. The project will also relocate the ozone and biological activated carbon system. The interest rate on the loan is 1.10%. The repayment period for this loan is 30 years from the completion of construction, which is estimated to be July 31, 2024.

On April 14, 2022, the City's Sewer Utility Fund executed a SRF loan agreement with the SWRCB in the amount of \$9,918 for the Pure Water North City Metropolitan BioSolids Center Improvements Project. This project will construct a grit separator, biogas flare and feed pipeline, biosolids thickening, anaerobic digestion, and centrate pump station equipment at the Metropolitan BioSolids Center. The interest rate on the loan is 0.80%. The repayment period for this loan is 30 years from the completion of construction, which is estimated to be October 31, 2025.

As of June 30, 2022, no proceeds have been drawn for the four Sewer Pure Water SRF loans listed above. The obligations are secured by net revenues of the Sewer Utility Fund. These projects are part of the City's Pure Water Program (PWP). The PWP will be completed utilizing various phases and funding sources.

d. Redemption and Defeasance of Debt

In fiscal year 2020, the Water Revenue Refunding Bonds, Series 2020B were issued to refund the outstanding Water Revenue Bonds, Series 2012A.

As of June 30, 2022, principal amounts payable from escrow funds established for defeased bonds are as follows:

<u>Water Revenue Defeased Bonds 2020 Escrow (May 11, 2020)</u>	<u>Amount</u>	<u>Redemption Date</u>
Water Revenue Bonds, Series 2012A	<u>\$ 100,185</u>	August 1, 2022

e. Event of Default Provisions

The governing documents of the loans payable of \$312,814 contain event of default provisions allowing the lenders to terminate the funding agreements if not cured within 30 days, and are subject to acceleration clauses making outstanding amounts immediately payable. The governing documents of the Revenue Bonds Payable of \$1,629,530 contain provisions that in the event of default, the Trustee may declare that all principal and interest accrued to be immediately due and payable, or bondholders may bring suit against the City and receive any funds held by the Trustee to pay principal and interest on the bonds.

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

f. Leases Payable

The City is a lessee in various noncancellable leases of office space, vehicles, and equipment. As of June 30, 2022, the Business-Type Activities' leases payable balance of \$13,848 was comprised of the following:

One office space lease with fiscal year 2022 principal and interest payments totaling \$615, at an interest rate of 0.71%, with a remaining lease term of five years.	\$ 3,073
Various vehicle and equipment leases with fiscal year 2022 principal and interest payments totaling \$3,915, at interest rates ranging from 0.09% to 0.65%, with remaining lease terms ranging from six months to four years.	<u>10,775</u>
Total Leases Payable	<u><u>\$ 13,848</u></u>

g. Long-Term Pledged Liabilities

Business-type activities long-term pledged liabilities as of June 30, 2022, 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 &amp; Interest Paid</u>	<u>Pledged Revenue Recognized</u>
Pledged Net Sewer Systems Revenue:				
Loans - State Water Resources Control Board				
Point Loma Central Boilers, February 9, 2000	2022	\$ —	\$ 401	\$ 401
South Bay Water Reclamation Plant Package 3, March 30, 2001	2022	—	2,025	2,025
South Bay Sewers and Pump Station Package A, May 17, 2001	2022	—	464	464
Point Loma Digesters Project C1 and C2, October 3, 2002	2023	485	484	484
Environment Monitoring and Technical Svs, December 14, 2005	2024	1,275	637	637
Point Loma 4th Sludge Pump Project, October 15, 2006	2024	514	257	257
Point Loma Digesters S1 and S2, February 28, 2007	2026	2,796	699	699
Point Loma Digesters Grit Processing, February 17, 2012	2036	23,710	1,379	1,379
Sewer Pipeline Rehab Project MNOP, July 10, 2012	2033	9,653	768	768
Metro Biosolids Center-Storage Silos, August 6, 2015	2035	4,955	338	338
MBC Odor Control Facilities Upgrades, July 15, 2015	2035	5,537	426	426
MBC Dewatering Centrifuge Replacement, July 8, 2015	2038	9,690	650	650
Sewer Pipeline Rehab Project-Q, June 26, 2013	2034	1,809	151	151
Sewer Pipeline Rehab Project-RS, August 22, 2013	2034	5,317	384	384
Sewer Pipeline Rehab Project-T, July 12, 2016	2036	1,908	136	136
MBC Chemical Systems Improvement Phase II, July 12, 2016	2037	4,656	310	310
Pump Station 2 Power Reliability and Surge Protection, September 12, 2018	2052	62,572	—	—
Revenue Bonds				
Senior Sewer Revenue Refunding Bonds, Series 2015	2027	270,561	80,374	80,374
Senior Sewer Revenue Refunding Bonds, Series 2016 A	2039	415,186	15,051	15,051
Subordinated Sewer Revenue Refunding Bonds, Series 2022 A	2052	328,219	—	—
Total Pledged Net Sewer Systems Revenue		<u>1,148,843</u>	<u>104,934</u>	<u>104,934</u>
Pledged Net Water Systems Revenue:				
Loans - State Water Resources Control Board				
Alvarado Water Treatment Plant, May 30, 2011	2032	7,149	753	753
Miramar Water Treatment Plant, September 26, 2011	2032	11,909	1,253	1,253
Otay Water Treatment Plant, December 22, 2011	2032	11,494	1,150	1,150
Harbor Drive Pipeline Replacement Project, January 29, 2013	2036	9,126	651	651
Lindbergh Field Pipeline Replacement Project, January 29, 2013	2036	2,814	201	201
University Avenue Pipeline Replacement Project, June 7, 2016	2039	26,490	1,558	1,558
69th Street & Mohawk Pump Station Project, June 14, 2018	2050	13,318	588	588
WIFIA Loan Agreement, September 24, 2020	2058	84,930	213	213
Revenue Bonds				
Subordinated Water Revenue Bonds, Series 2016 A	2046	62,710	2,611	2,611
Subordinated Water Revenue Bonds, Refunding Series 2016 B	2040	524,385	46,309	46,308
Subordinated Water Revenue Bonds, Refunding Series 2018 A	2048	416,616	16,022	16,022
Senior Water Revenue Bonds, Series 2020 A	2050	347,725	12,417	12,417
Senior Water Revenue Refunding Bonds, Series 2020 B	2033	109,294	9,935	9,935
Total Pledged Net Water Systems Revenue		<u>1,627,960</u>	<u>93,661</u>	<u>93,660</u>
Total Pledged Revenues		<u>\$ 2,776,803</u>	<u>\$ 198,595</u>	<u>\$ 198,594</u>

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

Narratives and tables presented in the following sections are taken from the audited annual comprehensive financial report of the San Diego Housing Commission as of June 30, 2022.

### San Diego Housing Commission

Long-term liabilities of SDHC as of June 30, 2022, are comprised of the following:

Type of Obligation	Interest Rate	Fiscal Year Maturity Date	Original Amount	Balance Outstanding June 30, 2022 <sup>1</sup>	Due Within One Year
Compensated Absences					\$ 3,887
Direct Borrowing Debts of the Commission:					
Key Bank Real Estate Capital - Smart Corner * Note converted to variable interest November 2021	5.53 %	2027	\$ 15,000	\$ 923	47
City of San Diego - Hotel Sandford Forgivable loan with accrued interest totaling \$656	1.00 %	2065	6,095	5,843	—
State of California - Housing Loan Conv Program 12-HLCP 0004	3.00 %	2068	—	1,405	—
State of California - Housing Loan Conv Program 12-HLCP 0003	3.00 %	2068	—	3,150	—
Red Capital Mortgage, LLC - Courtyard Apartments	4.92 %	2030	—	3,912	73
JP Morgan Chase - Hotel Circle	3.29 %	2030	32,840	31,874	671
JP Morgan Chase - Kearny Vista	3.39 %	2030	17,426	16,922	350
Debts of the LLCs:					
Greystone Servicing Corp, Inc. - Belden SDHC FNMA, LLC	7.32 %	2040	12,320	10,028	291
Greystone Servicing Corp, Inc. - Northern SDHC FNMA, LLC	7.32 %	2040	10,810	8,800	255
Greystone Servicing Corp, Inc. - Central SDHC FNMA, LLC	7.32 %	2040	14,010	11,404	331
PNC Bank, NA FHA Southern SDHC FHA, LLC	3.76 %	2046	25,017	19,919	547
PNC Bank, NA FHA - Northern SDHC FHA, LLC	3.76 %	2046	17,500	13,934	382
PNC Bank, NA FHA - Central SDHC FHA, LLC	3.65 %	2046	15,726	12,497	346
Subtotal				140,611	3,293
Less: unamortized debt issuance costs				(1,220)	—
Total				\$ 139,391	\$ 7,180

<sup>1</sup> Long-term liabilities of \$174,125 for the discrete component units of SDHC are not included (\$20,275 short-term and \$153,850 long-term)

At June 30, 2022, the current portion of notes payable was \$3,293 and the non-current portion of notes payable was \$136,098.

Debt issuance costs associated with the LLC loans totaled \$2,120, less accumulated amortization of \$900 at June 30, 2022. For fiscal year 2022, amortization totaled \$78. Under guidance issued by the GASB, these fees would be expensed as incurred, however, the LLCs are not governmental agencies, and therefore, they follow the standards issued by the FASB. In accordance with ASU 2015-03, debt issuance costs are capitalized and presented as a direct reduction of notes payable. In addition, the debt issuance costs are amortized over the life of the loan using the effective interest method.

The American Recovery and Reinvestment Act of 2009 created the new Build America Bond (BABs) program. State and local governments receive subsidy payments directly from the U.S. Treasury for a portion of their borrowing costs on BABs, equal to 35% of the total coupon interest paid less the reductions in federal appropriations. The subsidy stream is paid for the full term of the bonds. The Belden SDHC FNMA LLC, Northern SDHC FHA LLC, and Southern SDHC FHA LLC loans have been approved as qualified direct subsidy BABs loans. SDHC received subsidy payments of \$678 in fiscal year 2022.

The \$696 Parker Kier Note was forgiven by the City of San Diego in fiscal year 2022. Accrued interest on the forgiven note was \$0 as of June 30, 2022.

The projected annual principal and interest payment requirements for all of SDHC's notes payable are shown in the table below. These amounts include a forgivable loan of \$5,843 which will be forgiven at maturity in 2065. Accrued interest for the forgivable loan is \$656 as of June 30, 2022.

Year Ending June 30	Principal	Interest	Total
2023	\$ 3,293	\$ 5,767	\$ 9,060
2024	3,449	5,611	9,060
2025	3,621	5,437	9,058
2026	3,798	5,260	9,058
2027	4,605	5,064	9,669
2028-2032	62,486	19,848	82,334
2033-2037	20,573	9,648	30,221
2038-2042	19,213	3,623	22,836
2043-2047	9,175	653	9,828
2048-2052	—	96	96
2053-2068	4,555	6,860	11,415
Subtotal	134,768	67,867	202,635
Forgivable loans	5,843	—	5,843
Total Notes Payable	<u>\$ 140,611</u>	<u>\$ 67,867</u>	208,478
Less: unamortized debt issuance costs			<u>(1,220)</u>
Total Notes Payable, Net			<u>\$ 207,258</u>

## 8. SHORT-TERM LIABILITIES (Dollars In Thousands)

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

On December 16, 2016, the City and PFFA adopted resolutions authorizing the issuance of \$250,000 tax-exempt subordinate water revenue commercial paper notes in one or more series. The funds are used to (i) provide short-term financing for design, acquisition, construction, installation, and improvements of components of the City's water system, (ii) reimburse the City's Water Utility Fund for eligible expenditures and (iii) pay costs of issuance for the Water CP Notes. The Water CP Notes have been issued periodically since January 2017 and are payable from subordinate installment payments by revenues of the City's Water Utility Fund. On November 10, 2021 and November 2, 2021, the City and PFFA, respectively, ratified, reauthorized, and reapproved the prior request of the Authority to issue tax-exempt CP Notes from time to time, and the form and content of the Initial Financing Documents. The City selected Bank of America, N.A. as the letter of Credit (LOC) provider for the full \$250 million CP Notes program, with an LOC expiration date of January 31, 2025. Under this program, PFFA is able to issue notes at prevailing short-term interest rates for periods of maturity up to 270 days. Upon maturity, the notes can be rolled over for additional intervals of up to 270 days with new short-term interest rates until the notes are refinanced using a long-term bond or cash repayment option. As of June 30, 2022, the Water CP Notes are now classified as long-term liabilities based on the expiration date of the LOC.

### b. Changes in Short-Term Liabilities

The following is a summary of changes in short-term liabilities for the year ended June 30, 2022:

Type of Obligation	Beginning Balance	Additions	Reductions <sup>1</sup>	Ending Balance
Water Commercial Paper Notes, Series A	\$ 39,758	\$ —	\$ (39,758)	\$ —
Water Commercial Paper Notes, Series B	58,966	—	(58,966)	—
Total Water Commercial Paper Notes	<u>\$ 98,724</u>	<u>\$ —</u>	<u>\$ (98,724)</u>	<u>—</u>

<sup>1</sup> See Note 6 for information on Water CP Notes, Series A.

### c. SDCCC's Paycheck Protection Program

SDCCC applied for a United States Small Business Administration Loan and was approved for the Paycheck Protection Program (PPP) in April 2020 to pursue funding for payroll costs. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of qualifying business. SDCCC received loan proceeds in the amount of \$4,387 in May 2020. An additional loan of \$2,000 was obtained in February 2021 as part of the PPP second draw opportunity. Both loan installments have since been confirmed as fully forgiven.



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

### San Diego Geographic Information Source (SanGIS)

SanGIS was created in 1997 as a joint powers agreement between the City and the County. The agreement was amended and restated in 2016 to update its provisions and to reflect the current status of the structure and operations of SanGIS. SanGIS objectives are to create and maintain a geographic information system, to market and license digital geographic data and software, to provide technical services, and to publish geographical and land-related information for the City and County, other public agencies, and the private sector. SanGIS is governed by a Board of Directors consisting of one voting member from the City and one from the County. The Board approves the annual budget and fiscal audit, sets long range plans and strategic goals, and authorizes major project funding. All initiatives and decisions must be approved by a consensus of both members of the Board before being implemented. The SanGIS fiscal year 2022 annual budget of \$1,550 was funded primarily by equal contributions from the City and County. In its latest audited report, SanGIS reported an increase in net position of \$68 and an ending net position of \$724 for the fiscal year ended June 30, 2021. Complete stand-alone financial statements are available at [www.sangis.org](http://www.sangis.org).

### San Diego Workforce Partnership (SDWP)

In 1974, the City and County 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 \$306 and ending net position of \$987 for the fiscal year ended June 30, 2021. Complete stand-alone financial statements can be requested from San Diego Workforce Partnership, Inc. 9246 Lightwave Ave., San Diego, CA 92123.

### San Dieguito River Valley Regional Open Space Park

The San Dieguito River Valley Regional Open Space Park Joint Powers Authority (JPA) was formed in 1989 by the City and County 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 2022 annual budget for agency contributions was \$1,120, of which the City's share was \$358, or 32%. In its latest audited report for the fiscal year ended June 30, 2021, the JPA reported a decrease in net position of \$86 and an ending net position of \$54,106. The debts, liabilities, and obligations of the JPA belong to the JPA, and not the agencies. Upon termination of the agreement or existence of the JPA, real property owned by the JPA will be distributed to the jurisdiction on which the land is located, while remaining assets and liabilities will be divided among the agencies based on the contribution calculation percentages. Complete stand-alone financial statements are available at [www.sdrp.org](http://www.sdrp.org).

### San Diego Community Power (SDCP)

In September 2019, an ordinance and resolution were adopted to form SDCP, a California joint powers agency (JPA). As a Community Choice Aggregator, SDCP will pool the electricity needs of its customers and purchase power on their behalf. San Diego Gas & Electric will continue to deliver the electricity through its existing power lines, and will continue to provide meter reading, billing, and line maintenance services to customers. SDCP's Board is comprised of elected representatives from each member jurisdiction, which currently includes the Cities of San Diego, Chula Vista, Encinitas, La Mesa, Imperial Beach, and National City, as well as the County. These jurisdictions may expand if new communities in the surrounding area decide to join SDCP. The Board is publicly accountable to SDCP ratepayers and hosts monthly Board meetings to establish policy, set rates, determine power options and maintain fiscal oversight. Per the approved agreement, City staff may provide administrative

assistance, with costs to be reimbursed by SDCP. No expenditures were incurred by the City during fiscal year 2022. Additional information can be found at [www.sdcommunitypower.org](http://www.sdcommunitypower.org).

**10. LEASES RECEIVABLE (Dollars in Thousands)**

The City is a lessor in various noncancellable leases of land and buildings. As a result of the implementation of GASB Statement No. 87, leases receivable and deferred inflows of resources were each restated by \$659,396, with no effect to beginning net position. During fiscal year 2022, the City recognized \$21,528 in lease revenue and \$12,774 in interest revenue. As of June 30, 2022, the City's leases receivable balance of \$637,868 was comprised of the following:

**Governmental Activities**

Various land leases with rents received totaling \$31,821 during fiscal year 2022, at interest rates ranging from 0.20% - 2.15%, with remaining lease terms ranging from 1 to 46 years.	\$ 602,511
One building lease with rents received totaling \$564 during fiscal year 2022, at an interest rate of 0.71%, with a remaining lease term of 13 years.	<u>7,709</u>
Total Governmental Activities	<u>610,220</u>

**Business-Type Activities**

Various land leases with rents received totaling \$1,916 during fiscal year 2022, at interest rates ranging from 0.59% - 2.15%, with remaining lease terms ranging from 4 to 29 years.	<u>27,648</u>
Total Leases Receivable	<u>\$ 637,868</u>

The leases receivable are expected to be received in subsequent years as follows:

	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 25,686	\$ 12,285	\$ 1,463	\$ 470
2024	15,861	11,890	1,489	451
2025	16,224	11,539	1,519	429
2026	16,590	11,213	1,540	408
2027	16,887	10,880	1,445	387
2028-2032	89,601	49,215	7,144	1,610
2033-2037	94,457	39,835	4,214	1,116
2038-2042	99,355	29,827	2,557	834
2043-2047	103,118	19,192	3,322	526
2048-2052	55,268	10,106	2,955	142
2053-2057	27,773	6,397	—	—
2058-2062	26,519	3,586	—	—
2063-2067	19,690	1,342	—	—
2068-2072	3,191	32	—	—
Total	<u>\$ 610,220</u>	<u>\$ 217,339</u>	<u>\$ 27,648</u>	<u>\$ 6,373</u>

The City has deferred inflows of resources associated with leases that will be recognized as revenue over the remaining lease terms. As of June 30, 2022, the balance of the deferred inflows of resources was \$636,034.

Many of the City's leases have variable components, or contract terms that require tenants to pay the greater of either of a monthly minimum rent, or a percentage rent based on revenues generated by the lessee. Percentage rents and other variable payments in excess of the minimum guaranteed rent are not included in the measurement of the lease receivable. During fiscal year 2022, inflows of resources for percentage or variable rents totaled \$8,403 and were comprised of the following:

### Governmental Activities

Various land leases with contract terms that require payment of either a monthly minimum rent, or a percentage rent, whichever is greater. Interest rates range from 0.59% to 2.15%, with remaining lease terms ranging from 4 to 46 years.

\$ 8,080

### Business-Type Activities

Three land leases, with contract terms requiring payment of either a monthly minimum rent, or a percentage rent, whichever is greater. Interest rates range from 1.38% to 2.15%, with remaining lease terms ranging from 11 to 28 years.

232

One land lease, with contract terms requiring payment of a fixed rent amount, plus percentage rent, at an interest rate of 1.13% and remaining lease term of 7 years.

91

Total Business-Type Activities

323

Total Inflows of Resources

\$ 8,403

The City has various aeronautical leasing agreements for land and hangar space at Montgomery-Gibbs Executive Airport and Brown Field Municipal Airport. These qualify as regulated leases and are not included in the measurement of lease receivables, in accordance with the requirements of GASB Statement No. 87. The City recognized \$1,413 in lease revenue during fiscal year 2022 for these leases, which have interest rates ranging from 1.23% to 2.15%, and remaining terms ranging from 14 to 39 years. As of June 30, 2022, the minimum payments expected to be received over the remaining lease terms totaled \$47,340, as shown in the table below:

Fiscal Year	Expected Minimum Payments
2023	\$ 1,413
2024	1,413
2025	1,413
2026	1,413
2027	1,413
2028 - 2032	7,065
2033 - 2037	7,011
2038 - 2042	6,510
2043 - 2047	5,861
2048 - 2052	5,861
2053 - 2057	5,450
2058 - 2062	2,517
Total	<u><u>\$ 47,340</u></u>

**Discretely Presented Component Unit - San Diego Housing Commission**

SDHC, as a lessor, has entered into lease agreements for the use of certain SDHC land and commercial spaces. As an interest rate implicit in SDHC's leases is not readily determinable, SDHC uses the state of California's incremental borrowing rate.

For fiscal year 2022, SDHC held the following leases:

	Leases Receivable Current Portion	Leases Receivable Noncurrent Portion	Deferred Inflows	Lease Revenue	Lease Interest Revenue
Commercial leases	\$ 949	\$ 3,634	\$ 4,526	\$ 949	\$ 35
Land Leases:					
Non-Related	645	63,510	63,098	1,750	899
Related Party	282	26,043	26,151	522	398
Total	<u>\$ 1,876</u>	<u>\$ 93,187</u>	<u>\$ 93,775</u>	<u>\$ 3,221</u>	<u>\$ 1,332</u>

Minimum lease payments receivable are as follows:

Year Ending June 30	Lease Principal	Lease Interest
2023	\$ 1,876	\$ 1,387
2024	1,809	1,369
2025	1,849	1,351
2026	1,395	1,332
2027	1,224	1,315
2028 - 2032	6,277	6,296
2033 - 2037	5,163	5,872
2038 - 2042	5,528	5,474
2043 - 2047	5,957	5,046
2048 - 2112	63,985	21,078
Total	<u>\$ 95,063</u>	<u>\$ 50,520</u>

For further details on SDHC's Leases Receivable, refer to SDHC's Annual Comprehensive Financial Report at [www.sdhc.org](http://www.sdhc.org).

**11. DEFERRED COMPENSATION PLAN (Dollars in Thousands)**

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

In accordance with GASB Statement No. 84, *Fiduciary Activities*, the deferred compensation plans are not considered part of the City's financial reporting entity.

## 12. PENSION PLANS (Dollars in Thousands)

The City has a defined benefit pension plan (Pension Plan), a Preservation of Benefits Plan (POB), which is a single-employer qualified governmental excess benefit arrangement (QEBA), and various defined contribution pension plans covering substantially all of its employees. The following is a summary of balances for the defined benefit plans as of June 30, 2022:

	SDCERS	Preservation of Benefits	Proposition B	Total
Net Pension Liability	\$ 2,024,685	\$ 17,544	\$ —	\$ 2,042,229
Proposition B Make-Whole Provision	—	—	121,942	121,942
Deferred Outflows - Pension Related	629,920	4,199	—	634,119
Deferred Inflows - Pension Related	904,675	—	—	904,675
Pension Expenses	230,193	3,519	—	233,712

### UNWINDING OF PROPOSITION B

On June 5, 2012, City of San Diego voters approved Proposition B, a pension reform initiative amending the Charter. While in effect, Proposition B prevented all employees hired on or after July 20, 2012, other than sworn police officers, from participating in the City's defined benefit plan. Instead, those employees were only eligible to participate in a defined contribution plan, Supplemental Pension Savings Plan-H (SPSP-H Plan). In early 2021, the California Superior Court invalidated Proposition B in a quo warranto proceeding. Since then, the City has struck the Proposition B provisions from the Charter and has conformed the San Diego Municipal Code ("Municipal Code") and any related enactments accordingly.

The Court ruling required that the City meet and confer with the Recognized Employee Organizations (REOs) over the effects of Proposition B and that the City pay the affected current and former employees represented by the REOs the difference, plus seven percent annual interest, between the compensation (including retirement benefits) those employees would have received prior to when Proposition B took effect and the compensation they actually received after Proposition B took effect (the "Make-Whole Provision").

On June 22, 2021, the City Council approved amendments to both the Municipal Code and the SPSP-H Plan so that most employees hired after July 9, 2021 now enter the San Diego City Employees' Retirement System (SDCERS). Subsequently, the City entered into labor agreements with all its REOs except for the San Diego Police Officers Association.

The agreements provide Municipal Employees Association (MEA) and Local 127-represented employees with a one-time, irrevocable option for participants to remain in an amended SPSP-H Plan in lieu of participating in SDCERS, prospectively. Those employees who elect to participate in SDCERS will be required to purchase all missed years of service credit for the time they were employed by the City in an eligible standard hour position, but excluded from participation in SDCERS due to Proposition B. The purchases of service credit will be accomplished through mandatory transfers of SPSP-H account balances, with the City responsible for any shortfall in funding if the SPSP-H account balances are not sufficient to fully purchase the service credit. The Interest Penalty required as part of the Modified Public Employment Relations Board (PERB) Order will be calculated on an individual basis, then combined as an aggregate amount by REO following inclusion of adjustments to the Make-Whole amounts, and will be reallocated to all impacted employees based on years of service. The City Council extended the terms of the joint MEA and Local 127 agreement to unclassified, unrepresented employees, with the exception of the Interest Penalty.

Employees represented by Deputy City Attorneys Association (DCAA), Local 911, and Local 145 must participate in SDCERS, prospectively. The agreements do not provide these employees with an option to remain participants in the modified SPSP-H Plan. DCAA, Local 911, and Local 145-represented employees, like MEA and Local 127-represented employees, must also purchase all missed years of service credit for the time they were employed by the City in an eligible standard hour position, but excluded from participation in SDCERS due to Proposition B, and those purchases will be accomplished through mandatory transfers of SPSP-H account balances, with the City responsible for any shortfall in funding. The Interest Penalty for these employees will be calculated and paid on an individual employee basis.

The estimated one-time cost for unwinding Proposition B for current employees is \$142.0 million citywide (\$80.1 million for the General Fund). While these costs represent the most significant portion of the costs associated with unwinding Proposition B, costs will vary based on ongoing negotiations with the San Diego Police Officers Association regarding its members impacted by Proposition B and negotiations with the REOs regarding employees who are eligible to receive benefits under the Make-Whole Provision but have left the City.

The City will need to pay a court-ordered penalty to affected employees of about \$22.8 million in fiscal year 2023. The remaining portion of the one-time cost estimate for current employees is \$119.2 million citywide (\$66.1 million for the General Fund), representing a pension liability payable to SDCERS as of June 30, 2022. SDCERS' actuary has recommended, and therefore the SDCERS Board is expected to, include this amount as part of the Unfunded Actuarial Liability (UAL) and amortize it over 20 years.

In addition to the costs identified above, there are approximately \$2.7 million in outstanding fiscal year 2022 related normal costs associated with employees hired after July 10, 2021 when SDCERS was reopened to non-police new hires. The City expects to receive a supplemental bill from SDCERS for the \$2.7 million during fiscal year 2023 payable in July of fiscal year 2024.

Eligible MEA, Local 127-represented, and unrepresented employees with the option to stay in the modified SPSP-H Plan or participate in SDCERS are largely expected to join SDCERS. General members will receive the existing hybrid retirement plan that includes joining an existing tier of SDCERS that was in effect prior to July 20, 2012, as well as the City's 401(a) Plan. Safety members will only receive a defined benefit retirement plan.

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

The plans cover all eligible employees of the City, the Port, and the Airport. All City employees working half time or greater, except those employees who elected to remain in the Defined Contribution Plan after Proposition B was unwound, and full-time employees of the Port and Airport are eligible for membership and are required to join SDCERS. The Port and Airport are not component units of the City; however, the financial statements of the SDCERS Pension Trust do include the Port and Airport activity and are reported in the fiduciary funds section of this report.

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

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

Final compensation is based upon either the highest salary earned over a consecutive twelve month period, the highest average salary earned over three one-year periods, or the highest salary earned over a consecutive 36 month period, depending on the member's class and 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.



Members in the Elected Officers' Retirement Plan require four years of service at age 55 or eight years of service at any age. Sworn police officers hired after July 1, 2013 have a reduction of 3.0% per year if retiring earlier than age 55. Retirement benefits are awarded at various rates, ranging from 1.0% to 3.5% per year of service multiplied by final compensation depending on the member's plan and hire date. The actual percentage of final compensation per year served component of the calculation rises as the employee's retirement age increases, with the exception of some safety employees and all elected officials, and depends on the retirement option selected by the employee. Some safety members also have the option to elect 3.0% per year of service at age 50 and above, not to exceed 90% of final compensation, as part of the formula to calculate their retirement benefits. The maximum percentage of final compensation per year served is 2.8% for general members, 3.0% for safety members and 3.5% for elected officers. Depending on the number of years of service, participants of the Elected Officer's Retirement Pension component of the Pension Plan can retire earlier than the age of 55; however, their retirement allowance is reduced by 2.0% for each year under the age of 55.

At June 30, 2021, the most recent actuarial valuation, the following employees were covered by the benefit terms:

Employees or Beneficiaries Currently Receiving Benefits <sup>1</sup>	10,858
Inactive (Terminated) Employees Entitled to but not yet Receiving Benefits	2,847
Active Employees	5,068
Total	<u>18,773</u>

<sup>1</sup> Includes Disabled, Retired, and DROP participants.

#### Deferred Retirement Option Plan (DROP)

DROP is a program designed to allow members an alternate method of accruing additional retirement benefits from the Pension Plan while they continue to work for the City. Only members hired before July 1, 2005 are eligible to participate in DROP. A member must be eligible for a service retirement to enter DROP. In addition, the member may only participate in the program up to a maximum of five years. Members of Local 145 are permitted to extend the five year period by the amount of unused annual leave remaining at the end of the member's DROP period earned after July 1, 2002. 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. Effective January 1, 2022, the DROP interest crediting rate used to value the liability for account balances decreased from 1.0% to 0.8% reflect the SDCERS Board's adoption of these rates at the November 2021 meeting.

#### Purchase of Service Credits

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

#### Supplemental Cost-of-Living Benefit

On August 5, 2013, the City Council amended the San Diego Municipal Code (SDMC) to provide a method for funding a supplemental cost-of-living benefit (the "Supplemental COLA") previously given to a closed group of retirees who retired on or before June 30, 1982. SDCERS holds a reserve within the plan assets, and pays Supplemental COLA benefits from this reserve. On a yearly basis, the City cash funds the Supplemental COLA reserve based on an estimate of benefits to be paid during the fiscal year. In fiscal year 2022, the City contributed \$1,476 towards the Supplemental COLA reserve and paid approximately \$1,394 in benefits. As of June 30, 2022, the City's Supplemental COLA reserve had an unspent balance of \$82.

## b. Funding Policy and Contribution Rates

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

Pursuant to the Charter, City employer contribution rates, adjusted for payment at the beginning of the year, are actuarially determined rates and are expressed as a fixed ADC. The administrative component was assumed to be \$11.6 million for fiscal year 2023, increasing by 2.5% per year, and included as part of the ADC.

The following table shows the City's contribution rates (weighted average of each employee group) for fiscal year 2022, based on the June 30, 2020 actuarial valuation, expressed as percentages of expected payroll:

	Employer Contribution Rates	
	Non-Safety Members	Safety Members
Normal Cost <sup>1</sup>	12.84%	18.46%
Amortization Payment <sup>2</sup>	75.97%	64.23%
Administrative Expense <sup>3</sup>	2.49%	2.32%
Normal Cost Adjusted for Amortization Payment <sup>3</sup>	91.29%	85.01%
City Contribution Rates Adjusted for Payment at the Beginning of the Year	75.43%	80.71%

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

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

<sup>3</sup> Rates assume that contributions are made uniformly during the Plan year.

Members are required to contribute a percentage of their annual salary to the Pension Plan on a biweekly basis. Rates vary according to entry age. For fiscal year 2022, the City employee weighted average contribution rates as a percentage of annual covered payroll were 12.38% for general members and 18.02% for safety members.

In accordance with Chapter 2, Article 4, Division 15 of the SDMC, earnings in excess of the assumed actuarial rate of return are distributed to various SDCERS system reserves and contingent benefits. The order of distribution and a more detailed discussion of each distribution follows: 1) Pension Plan assets are used to credit interest, at a rate determined by the SDCERS Board, which was 6.50% for fiscal year 2022, to the Employer and Employee Contribution Reserves and between 1.0% - 0.8% 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 paid to retirees and their continuances, which ranges from \$30 to \$75 (whole dollars) times the number of years of service credit; and 2) Corbett Settlement Payment paid to retirees who terminated employment prior to July 1, 2000 (Corbett Settlement payments not paid in any one year accrue and remain an obligation of SDCERS until paid).

In January 2019, the SDCERS Board voted to set minimum annual pension payments of the City's Unfunded Actuarial Liability (UAL). This minimum payment is also referred to as a "floor;" meaning even if the ADC in a given year is less than the floor, the floor amount must still be paid for that year. The ADC for fiscal year 2023 will be \$384,300, based on the June 30, 2021 actuarial valuation. The floor payment for the City was set at \$275,500, representing the UAL component of the fiscal year 2021 ADC, and will remain at that level until the system is 100% funded or there is a vote of the SDCERS Board to change it. The floor amount was established based on the June 30, 2018 actuarial valuation and the calculated fiscal year 2020 payment to SDCERS. The SDCERS Board also voted to prospectively limit the long-term impacts of changes to the assumed rate of

return (i.e., the discount rate), retirement rates, life expectancy and other assumptions to a 20-year period from the previous 30-year period. Experience gains and losses will continue to be amortized over a 15-year period.

**c. Net Pension Liability**

The City has relied on the work of the SDCERS actuary (actuary) to determine the City's NPL, and considers the underlying assumptions used by the actuary to be reasonable. The NPL is measured as of June 30, 2021, based on the plan net position as of June 30, 2021 and the Total Pension Liability as of the valuation date, June 30, 2020, updated to June 30, 2021. As of the measurement date June 30, 2021, the NPL decreased by \$1,471,512 since the prior measurement date, primarily due to the return on investments being approximately \$1,477,000 greater than expected. The service cost and interest cost increased the NPL by approximately \$856,742, while contributions and investment income less administrative expenses decreased the NPL by approximately \$623,573.

A summary of the key assumptions as of the June 30, 2020 actuarial valuation, and the economic experience study is shown below:

Description	Actuarial Assumption
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Funding Method	Entry Age Normal (EAN)
Amortization Method	Closed; Level % (Police), Level \$ (non-Police)
Annual Rate of Return on Investments <sup>1</sup>	6.50% net of investment expense
Inflation Rate	3.05% per year, compounded annually
Cost of Living Adjustment	1.9% per year, compounded annually
Projected Salary Increases due to Inflation <sup>2</sup>	3.05%
Mortality	Healthy retired members use Society of Actuaries Tables

<sup>1</sup> Represents nominal rate of return on investments (includes inflation factor).

<sup>2</sup> Additional merit salary increases of 0.75% to 10.00% based on a participant's years of service, and membership group are also assumed.

The SDCERS Board has the authority to select economic and demographic assumptions for the Plan. The assumptions used in this report reflect the results of an experience study performed by the actuary covering the period July 1, 2015 through June 30, 2019 and adopted by the SDCERS Board in July 2020.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, permits the use of the assumed annual rate of return on investments (6.50%) as the discount rate to measure the projected benefit payments used to calculate the NPL, without regard to the funding level of the pension system, if (i) the pension plan's fiduciary net position is projected to be sufficient to make projected benefit payments and (ii) pension plan assets are expected to be invested using a strategy to achieve that return. In determining whether condition (i) is satisfied, the actuary can incorporate all projected cash flows for contributions from the City and from current active employees.

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

**d. Long-Term Expected Real Rate of Return**

The target allocation and the best estimates for long-term expected real rates of return for each major asset class of the Pension Plan, as of the June 30, 2021 measurement date, are summarized in the table on the following page:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	17.2 %	4.4%
International Equity	14.2 %	5.3%
Global Equity	8.0 %	4.9%
Domestic Fixed Income	21.6 %	0.5%
Emerging Market Debt	5.0 %	2.4%
Real Estate	11.0 %	3.5%
Private Equity and Infrastructure	13.0 %	6.7%
Opportunity Fund	10.0 %	4.2%
Total	100.0 %	

Source: SDCERS ACFR Fiscal Year 2021

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

**e. Changes in the Net Pension Liability**

Pursuant to GASB Statement No. 68, the following table shows the changes in NPL based on the actuarial information provided to the City:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2020	\$ 11,133,482	\$ 7,637,285	\$ 3,496,197
Changes for the Year:			
Service Cost	147,459	—	147,459
Interest	709,283	—	709,283
Differences Between Expected and Actual Experience	77,579	—	77,579
Contributions - Employer	—	369,678	(369,678)
Contributions - Employee	—	67,026	(67,026)
Net Investment Income	—	1,980,288	(1,980,288)
Benefit Payments, Including Refunds of Employee Contributions	(597,413)	(597,413)	—
Administrative Expense	—	(11,159)	11,159
Net Changes	336,908	1,808,420	(1,471,512)
Balances at June 30, 2021	\$ 11,470,390	\$ 9,445,705	\$ 2,024,685

The required schedule of changes in the NPL 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 NPL, as well as the itemized changes in those amounts during the fiscal year. The schedule also reports a ratio of plan fiduciary net position divided by the total pension liability, the payroll amount for current employees in the plan (covered payroll), and a ratio of the NPL divided by covered payroll. Seven years of information is presented and will build to 10 years of information on a prospective basis.

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

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - Pursuant to GASB Statement No. 68, the following table presents the NPL of the City, calculated using the discount rate of 6.50% as well as what it would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
Total Pension Liability	\$ 12,822,787	\$ 11,470,390	\$ 10,262,383
Plan Fiduciary Net Position	9,445,705	9,445,705	9,445,705
Net Pension Liability	<u>\$ 3,377,082</u>	<u>\$ 2,024,685</u>	<u>\$ 816,678</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](http://www.sdcers.org).

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

Pursuant to GASB Statement No. 68 as defined, for the measurement period ended June 30, 2021, the City recognized pension expense of \$230,193. As of the measurement period June 30, 2021, 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	\$ 418,936	\$ —
Differences Between Expected and Actual Experience	114,036	—
Changes in Assumptions	96,948	—
Net Difference Between Projected and Actual Earnings on Pension Plan Assets	—	904,675
Total	<u>\$ 629,920</u>	<u>\$ 904,675</u>

Pursuant to GASB Statement No. 68, \$418,936 reported as deferred outflows of resources related to pension contributions made subsequent to the measurement date of June 30, 2021 will be recognized as a reduction of the NPL in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as pension expense in subsequent fiscal years as follows:

Fiscal Year Ending June 30	Amount
2022	\$ (32,682)
2023	(168,632)
2024	(196,921)
2025	(295,459)

**g. Preservation of Benefits Plan**

The POB Plan is a single-employer qualified governmental excess benefit arrangement (QEBA) under IRC section 415(m), which was created by Congress to allow the payment of promised pension benefits that exceed the IRC section 415(b) limits (and therefore cannot be paid from a qualified retirement plan). As provided in SDMC Section 24.1606 and required by federal tax law, the POB Plan is unfunded within the meaning of the federal tax laws. The City may not pre-fund the POB Plan to cover future liabilities beyond the current year as it can with an IRC section 401(a) pension plan. Because the POB Plan is not administered through trusts that meet the criteria specified in GASB Statement No. 68, it is reported pursuant to requirements of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement No 67 and 68*, which extends the approach to accounting and financial reporting established in GASB Statement No. 68 to pension plans that are not similarly administered. SDCERS facilitates the payment of these benefits on a pay-as-you-go basis, which is funded by the City. The number of participants in any given year for the POB Plan is determined by the number of Pension Plan participants who exceed the current year's section 415(b) limitations as calculated by SDCERS' actuary. The maximum annual participant payment from a defined benefit plan for calendar year 2022 was \$245.

**Preservation of Benefits Plan Total Pension Liability**

The City's POB Plan pension cost, prepared by the SDCERS actuary for June 30, 2022, is based on the June 30, 2021 measurement date, a valuation date of June 30, 2020, and updated to June 30, 2021. The Total Pension Liability is the actuarial liability calculated under the entry age actuarial cost method.

A summary of the updated actuarial assumptions as of the June 30, 2020 actuarial valuation and economic experience study is shown below:

<u>Description</u>	<u>Actuarial Assumption</u>
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Funding Method	Entry Age Actuarial Cost
Amortization Method	Closed; Level % (Police), Level \$ (non-Police)
Inflation Rate	3.05% per year, compounded annually
Cost of Living Adjustment	1.9% per year, compounded: Active and Deferred Vested 2.0% per year, compounded: Members in Payment Status
Projected Salary Increases due to Inflation <sup>1</sup>	3.05%
Mortality	Healthy retired members use Society of Actuaries Mortality Tables

<sup>1</sup> Additional merit salary increases of 0.75% to 10.00% based on a participant's years of service, and membership group are also assumed.

GASB Statement No. 73 allows for a discount rate of a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The Municipal Bond yield for the Bond Buyer 20 year GO index was 2.21% as of the measurement date of June 30, 2020, and 2.16% as of June 30, 2021.

Changes in the Total Pension Liability

Pursuant to GASB Statement No. 73, the following table shows the changes in the total pension liability for POB based on the actuarial information provided to the City.

	Total Pension Liability
Balances at June 30, 2020	\$ 17,477
Changes for the Year:	
Service Cost	251
Interest	372
Differences Between Expected and Actual Experience	876
Changes in assumptions	130
Benefit Payments	<u>(1,562)</u>
Net Changes	<u>67</u>
Balances at June 30, 2021	<u>\$ 17,544</u>

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

**Sensitivity of the Total Pension Liability to Changes in the Discount Rate** - Pursuant to GASB Statement No. 73, the following table presents the NPL of the City, calculated using the discount rate of 2.16%, 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 (1.16)%	Discount Rate (2.16)%	1% Increase (3.16)%
Total Pension Liability	<u>\$ 20,542</u>	<u>\$ 17,544</u>	<u>\$ 15,253</u>

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

Pursuant to GASB Statement No. 73, for the measurement period ended June 30, 2021, the City recognized pension expense of \$3,519. As of the measurement period June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
POB Contributions Subsequent to Measurement Date	\$ 1,442	\$ —
Differences Between Expected and Actual Experience	1,486	—
Changes in assumptions	<u>1,271</u>	<u>—</u>
Total	<u>\$ 4,199</u>	<u>\$ —</u>

Pursuant to GASB Statement No. 73, \$1,442 reported as deferred outflows of resources related to pension contributions made subsequent to the measurement date of June 30, 2021, will be recognized as a reduction of the total pension liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as pension expense in subsequent fiscal years as follows:

Fiscal Year Ending June 30	Amount
2022	\$ 2,422
2023	335

## DEFINED CONTRIBUTION PLANS

### a. Supplemental Pension Savings Plan - City

Pursuant to the City's withdrawal from the Federal Social Security System effective January 8, 1982, the City established the Supplemental Pension Savings Plan (SPSP). Pursuant to the Federal Government's mandate of a Social Security Medicare tax for all employees not covered by Social Security hired on or after April 1, 1986, the City established the Supplemental Pension Savings Plan-Medicare (SPSP-M). The SPSP and SPSP-M were merged into a single plan (SPSP) on November 12, 2004 for administrative simplification, without a change in benefits. Pursuant to the requirements of the Omnibus Budget Reconciliation Act of 1990 (OBRA-90) requiring employee coverage under a retirement system in lieu of coverage under the Federal Insurance Contributions Act (FICA) effective July 1, 1991, the City Council established the Supplemental Pension Savings Plan-Hourly (SPSP-H). These supplemental plans are defined contribution plans administered by Wells Fargo to provide pension benefits for eligible employees. The City Council can amend any provisions of the plans that are not part of any employee's vested retirement benefit. If the City amends any non-legally mandated provisions, it must first comply with procedural requirements, including collective bargaining under the Meyers-Milias-Brown Act and for the SPSP plan, after approval by a simple majority vote of all active members. There are no plan members who belong to an entity other than the City. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings, less investment losses. The City's general members, lifeguard members and elected officers participate in the plan. Eligible employees may participate from the date of employment; however, the SPSP plan was closed to general and lifeguard members hired on or after July 1, 2009 and January 1, 2011, respectively. The following table details plan participation as of June 30, 2022:

Plan	Participants
SPSP	4,849
SPSP-H	8,949

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 City contribution for these employees is 6%. 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 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, for eligible employees in accordance with the SPSP-H plan provisions. As part of the unwinding of Proposition B, most employees currently enrolled in this plan are expected to join SDCERS instead. The City will continue to contribute



funds for those employees who elect to stay in the defined contribution plan through the SPSP-H (see Unwinding of Proposition B section for additional information). In fiscal year 2022, the City and the covered employees contributed \$43,715 and \$43,466, respectively, including contributions made under the 401(a) Plan under Proposition B. As of June 30, 2022, the plan fiduciary net position totaled \$1,059,062.

**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 Principal to provide pension benefits for eligible employees. In May 2021, the administration of the City's SPSP, SPSP-H, 401a and 401k plans transitioned from Wells Fargo to Principal. Employees are eligible to participate from the date of employment and are immediately 100% vested. Employees contribute 1% on a mandatory basis, which is matched by City contributions. Additionally, employees can make voluntary contributions to their 401(a) Plan accounts through payroll deductions not to exceed IRS limits. Voluntary contributions to the plan are not matched by the City. The City Council can amend any provisions of the plan that are not part of any employee's vested retirement benefit. However, if the City amends any non-vested provisions, it must first comply with procedural requirements, including collective bargaining under the Meyers-Milias-Brown Act.

The City and employees contributed \$574 and \$854, respectively, during the fiscal year ended June 30, 2022. As of June 30, 2022, the plan fiduciary net position totaled \$10,983.

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

The employees' 401(k) contributions are based on IRS calendar year limits. Employees contributed \$32,062 during the fiscal year ended June 30, 2022. There is no City contribution towards the 401(k) Plan. As of June 30, 2022, the plan fiduciary net position totaled \$507,140.

*Narratives presented in the following sections (d. through e.) are taken directly from the fiscal year 2022 annual financial reports of the corresponding entity (certain terms have been modified to conform to the City's ACFR presentation).*

**d. Pension Plan - San Diego Convention Center Corporation**

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

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

SDCCC's Plan year is defined as a calendar year. The balance in the SDCCC Plan for each eligible employee is vested gradually over five years of continuing service, with an eligible employee becoming fully vested after five years. Forfeitures and SDCCC Plan expenses are allocated in accordance with SDCCC Plan provisions. For the year ended June 30, 2022, pension expense amounted to \$1,121, with no employee contributions made to the SDCCC Plan. Included in pension expense were forfeitures in the amount of \$86. SDCCC records pension expense during the fiscal year based upon employee compensation that is included in qualified gross compensation.

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

**e. Pension Plan - San Diego Housing Commission**

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

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Eligible employees participate on their date of hire. SDHC contributes 14% of defined earnings each pay period for each eligible employee. Contributions (and interest allocated to the employee's account) vest ratably over four years of service, with a year of service defined as an employee completing at least 1,000 hours of service. Any forfeited SDHC contributions and related interest are used to fund a future SDHC pay period contribution. For the fiscal year ended June 30, 2022, covered payroll was \$31,129. Pension expense related to SDHC's required contribution was \$4,328 and plan members contributed \$276 for the fiscal year ended June 30, 2022.

At June 30, 2022, there were 436 employees in the plan, including: 2 inactives receiving benefits, 98 inactives not yet receiving benefits and 336 active participants, inclusive of 1 active receiving benefits.

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

The SDHC pension plan has a third party fiduciary, Retirement Benefits Group, and a third party recordkeeper, Transamerica. SDHC has the authority to establish and amend the provisions of the SDHC Plan including the contribution requirements with the approval of the Board of Commissioners. The SDHC Plan assets have been included in the Fiduciary Funds statements. The SDHC Plan is audited by an outside firm, and a copy of the audit report can be obtained by contacting the San Diego Housing Commission at 1122 Broadway, Suite 300, San Diego, California 92101. The City does not act in a trustee or agency capacity for the SDHC pension plan; therefore, these assets are not reported within the City's basic financial statements.

**13. OTHER POSTEMPLOYMENT BENEFITS (Dollars in Thousands)**

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

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

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

As of the June 30, 2021 actuarial valuation, the following table shows the active and retired employee composition of the defined benefit OPEB Plan:

Inactive Employees or Beneficiaries Currently Receiving Benefits <sup>1</sup>	6,042
Inactive (Terminated) Employees Entitled to but not yet Receiving Benefits	198
Active Employees	<u>248</u>
Total	<u><u>6,488</u></u>

<sup>1</sup> Inactive employees include Disabled, Retired, and DROP participants.

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

## DEFINED BENEFIT PLANS

a. Plan Description

Pursuant to the SDMC, SDCERS processes health insurance premium payments and healthcare reimbursement requests pertaining to the City's retiree healthcare defined benefit plans for eligible retirees. This activity and related balances are reported in the SDCERS basic financial statements as a custodial 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 \$1,200<sup>1</sup> 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 \$8,400<sup>1</sup> to \$15,935<sup>1</sup> per year. Retirees who are not eligible for Medicare are entitled to receive reimbursement of healthcare premiums, ranging from approximately \$8,900<sup>1</sup> to \$16,900<sup>1</sup> per year. Retirees under this plan can obtain health insurance coverage with the plan of their choice, including any City sponsored, REO sponsored, or privately secured health plan. Reimbursements for certain retirees under this plan are adjusted annually based upon the projected increase for National Health Expenditures by the Centers for Medicare and Medicaid Services (Annual Inflation). Annual adjustments may not exceed 10% for any plan year. In addition, 100% of Medicare Part B premiums are reimbursed, including income related increases to the standard Part B premium amount. Disabled retirees are eligible for the maximum allowance regardless of years of eligible service credit.
- III. Option A Plan - Members not retired by April 1, 2012 who elected Option A under the Healthcare MOU are paid or reimbursed for health insurance premiums by the City up to \$10,408<sup>1</sup> annually. Option A was available only to those members who had 25 years of service or were eligible to retire as of April 1, 2012. This benefit amount increases 2% per year. Employees under the Option A Plan are required to pay bi-weekly contributions annually totaling \$835<sup>1</sup> for General Members and \$877<sup>1</sup> 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 \$5,500<sup>1</sup> annually. The benefit amount for Option B does not change. Option B retirees with 10 years of service receive 50% of the retiree health reimbursement allowance and receive an additional 5% per year of service in excess of 10 years, resulting in a maximum benefit of 100% at 20 years of service. Employees under the Option B Plan are required to pay bi-weekly contributions annually totaling \$417<sup>1</sup> for General Members and \$443<sup>1</sup> 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.

<sup>1</sup> Reported as whole dollars.

b. Contributions and Reserves

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

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

In fiscal year 2022, the City's Annual Employer Contribution was \$65,376. The following table provides the fiscal year 2022 contribution breakdown by fund:

General Fund	\$ 49,031
Nonmajor Governmental Funds	562
Internal Service Funds	1,886
Sewer Utility	4,766
Water Utility	4,185
Nonmajor Enterprise Funds	<u>4,946</u>
Total Healthcare MOU Contributions	<u>\$ 65,376</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 General Fund to pay for Option C plan costs (Retiree Medical Trust Plan contributions are funded separately). In fiscal year 2022, employees contributed \$228 for Options A and B.

As of June 30, 2022, the fair value of the City's investments in the CERBT was approximately \$121,853. This balance is net of all plan activity during fiscal year 2022, including net annual investment earnings and administrative expenses amounting to approximately \$17,656 and \$119, respectively.

The following table summarizes the sources used to satisfy fiscal year 2022 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 <sup>1</sup>	\$ 37,000
Employee Contributions - Options A&B	228
CERBT Withdrawal	<u>1,863</u>
Total Defined Benefit Pay-as-you-go Costs <sup>2</sup>	<u>\$ 39,091</u>

<sup>1</sup> The remaining \$28,376 of the total \$65,376 Annual Employer Contribution is used for Option C Plan costs, which is a defined contribution plan.

<sup>2</sup> Includes administrative costs of \$895.

c. Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2021, based on the following actuarial methods and assumptions:

Description	June 30, 2021 Valuation Date
Actuarial Cost Method	Entry Age Normal, Level Percent of Pay
Discount Rate	6.37%
Consumer Price Index	2.50%
Salary Increases	3.05%, and additional merit scale that varies by service.
Healthcare Cost Trend Rates	7.0% pre-65 and 7.0% post-65 initial trend rates for fiscal year 2022. Decreasing until ultimate rate of 4.5% is reached in fiscal year 2032 for pre-65 and post-65.
Mortality	The base mortality rates are based on the Society of Actuaries Pub-2010 Mortality Rates Table, except for General Disabled Retirees, which is based on CalPERS Mortality Tables from a 2017 experience study.

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, 2021. Additionally, actuarial calculations reflect a long-term perspective and include methods and assumptions that are designed to reduce short-term volatility of actuarial accrued liabilities and the relative value of plan assets. The City has relied on the work of the City's actuary to determine the City's net OPEB Liability, and considers the underlying assumptions used by the actuary to be reasonable.

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

d. Long-Term Expected Rate of Return

The valuation uses a discount rate of 6.37% per year, net of investment expenses and including inflation. This is the long-term rate of return assumption on plan assets. This rate is based on the general inflation rate and expected real rate of return required for CalPERS reporting for use by employers who elect certain investment strategies as participants in CERBT. The target allocation and best estimates for long-term expected real rates of return for each major asset class, as of the June 30, 2021 measurement date, are summarized in the following table:

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

Source: CERBT

e. Changes in the Net OPEB Liability

The following table shows the changes in the Net OPEB Liability as of the measurement date of June 30, 2021, based on the actuarial information provided to the City. The OPEB Plan's Net Position (NP) as a percentage of the Total OPEB Liability is 24.78%.

	Increase/Decrease		
	Total OPEB Liability (a)	Plan Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2020	\$ 592,268	\$ 122,293	\$ 469,975
Changes for the Year:			
Service Cost	610	—	610
Interest	36,828	—	36,828
Differences between Expected and Actual Experience	(1,509)	—	(1,509)
Changes in Assumptions	(17,886)	—	(17,886)
Contributions - Employer	—	33,849	(33,849)
Contributions - Employee	—	292	(292)
Net Investment Income	—	24,204	(24,204)
Benefit Payments	(39,067)	(39,067)	—
Administrative Expense	—	(46)	46
Net Changes	(21,024)	19,232	(40,256)
Balances at June 30, 2021	<u>\$ 571,244</u>	<u>\$ 141,525</u>	<u>\$ 429,719</u>

In 2020, SDCERS completed an experience study for the period July 1, 2015 through June 30, 2019. The SDCERS Board adopted the assumptions that reflect the results of this experience study as of July 2020. The assumptions updated for this valuation based on this study are retirement rates, termination rates, disability rates, mortality rates, and salary increases. The increase to the Total OPEB Liability is mainly attributable to the update to mortality rates. In addition, the long-term expected rate of return and discount rate was lowered from 6.42% to 6.37%. This change was based on the CERBT Investment Policy effective October 1, 2018, applied to the City's expected cash flows and contributions to calculate a single equivalent rate of return.

The required schedule of changes in the net OPEB liability and related ratios immediately following the notes to the financial statements presents the beginning and ending balances of the total OPEB liability, the plan net position available for OPEB benefits, and the net OPEB liability, as well as the itemized changes in those amounts during the fiscal year. The schedule also reports a ratio of plan net position as a percentage of the total OPEB liability, the payroll amount for current employees in the plan (covered-employee payroll), and a ratio of the net OPEB liability as a percentage of the covered-employee payroll. Four years of information is presented and will build to 10 years of information on a prospective basis. The required schedule of employer contributions immediately following the notes to the financial statements presents the City's actuarially determined contribution to the OPEB Plan, the City's actual contribution, the difference between the actual and actuarially determined contributions, and a ratio of actual contributions as a percentage of covered-employee payroll. Seven years of information is presented and will build to 10 years of information on a prospective basis.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate** - Pursuant to GASB 75, the following table presents the net OPEB liability of the City, calculated using the current discount rate of 6.37% as well as what it would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.42%)	Current Discount Rate (6.37%)	1% Increase (7.37%)
Net OPEB Liability	<u>\$ 489,526</u>	<u>\$ 429,719</u>	<u>\$ 378,939</u>

**Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate** - Pursuant to GASB 75, the following table presents the net OPEB liability of the City, calculated using the current health care cost trend rate of 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	Current Healthcare Cost Trend Rate	1% Increase
	(6.0% pre-65 / 6.0% post-65 decreasing to 3.50% pre-65 / post-65)	(7.0% pre-65 / 7.0% post-65 decreasing to 4.50% pre-65 / post-65)	8.0% pre-65 / 8.0% post-65 decreasing to 5.50% pre-65 / post-65)
Net OPEB Liability	\$ 384,482	\$ 429,719	\$ 477,027

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

For the measurement period ended June 30, 2021, the City recognized OPEB expense of \$6,747. As of the measurement period June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions Subsequent to Measurement Date	\$ 37,000	\$ —
Net Difference Between Projected and Actual Investment Earnings	—	12,488
Total	\$ 37,000	\$ 12,488

Pursuant to GASB 75, \$37,000 reported as deferred outflows of resources related to OPEB contributions made subsequent to the measurement date of June 30, 2021, will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2023. Other amounts reported as deferred inflows of resources will be recognized as OPEB expense as follows:

Fiscal Year Ending June 30	Amount
2023	\$ (3,051)
2024	(3,141)
2025	(3,025)
2026	(3,271)

## DEFINED CONTRIBUTION PLAN

The City provides three 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 the General Fund, along with a liability for amounts to be remitted to plan administrators. Option C is administered by various third parties depending on employee classification and/or membership in the REOs. Total City contributions for the Option C Plan in fiscal year 2022 were \$28,376.
- 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 the General



Fund, along with a liability for amounts to be remitted to plan administrators. The Retiree Medical Trust Plan is administered by Voya Financial on behalf of the City. Elected and safety members are ineligible for this plan. The City and employees each contributed \$762 to the Retiree Medical Trust Plan in fiscal year 2022.

- c. Southern California Firefighters Benefit Trust - The City and International Association of Firefighters ("IAFF") Local 145 agreed to amend the Post-Employment Health Benefits MOU for the purpose of adding a City contribution of \$25 per pay period for each active IAFF Local 145 member (except Fire Recruits) to the Southern California Firefighters Benefit Trust ("Firefighters Benefit Trust"), effective July 1, 2016. The Firefighters Benefit Trust is not managed by the City. The City contributed \$622 to the Firefighters Benefit Trust in Fiscal Year 2022.

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

Short-term loans between funds that are expected to be repaid during the next fiscal year, as well as amounts due for services provided are reported as Receivables: From Other Funds and Due To Other Funds. The \$45,444 balance is composed of several items, including:

- Loans of \$861 and \$3,713 from the General Fund to the Commercial Paper Capital Projects Fund and the Debt Funded CIP Capital Projects Fund, respectively, to cover negative cash related to capital project expenditures prior to commercial paper reimbursement.
- A loan of \$40,856 from the Road Maintenance and Rehabilitation Fund to the Capital Grants Fund to cover negative cash resulting from deferred inflows of resources (unavailable grant revenue).

Contributing Fund (Receivable)	Benefiting Fund (Payable)
	Nonmajor Governmental
General Fund	\$ 45,444

The SANDAG TransNet Commercial Paper Program is in place in order to ensure necessary cash flows to support the West Mission Bay Drive Bridge construction project until grant reimbursements are received from the Caltrans Highway Bridge Program (HBP). The HBP grant is only reimbursable up to \$20 million per year, therefore TransNet commercial paper will be loaned on a recurring basis. The balance of the interfund loan between the TransNet Capital Projects Fund and the Capital Grants Fund as of June 30, 2022, was \$26,167.

Contributing Fund (Receivable)	Benefiting Fund (Payable)
	Nonmajor Governmental
Nonmajor Governmental	\$ 26,167

Interfund transfers result from the transfer of assets without the expectation of repayment. Transfers are most commonly used to (1) move revenues from the fund in which it is legally required to collect them into the fund which is legally required to expend them, including TOT and TransNet funds collected in said funds but legally spent within the General Fund, (2) utilize unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds, in accordance with budgetary authorizations, and (3) move tax revenues collected in the special revenue funds to capital projects and debt service funds to pay for capital projects and debt service needs during the fiscal year. Interfund transfer balances for the year ended June 30, 2022 were as follows:

Contributing Fund	Benefiting Fund						Total
	General Fund	Nonmajor Governmental	Sewer Utility	Water Utility	Nonmajor Enterprise	Internal Service	
General Fund	\$ —	\$ 68,499	\$ —	\$ —	\$ —	\$ 217	\$ 68,716
Nonmajor Governmental	37,714	33,694	—	—	10,196	—	81,604
Sewer Utility	—	—	—	—	—	665	665
Water Utility	—	—	—	—	—	2,835	2,835
Nonmajor Enterprise	—	—	—	—	1,709	—	1,709
Total	\$ 37,714	\$ 102,193	\$ —	\$ —	\$ 11,905	\$ 3,717	\$ 155,529

**15. RISK MANAGEMENT (Dollars in Thousands)**

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

The City's Self Insured Retention (SIR) amount for general liability is \$5,000 per occurrence. The City maintains excess general liability insurance policies in collaboration with a statewide joint powers authority risk pool, Public Risk Innovation, Solutions, and Management or "PRISM" (formerly known as CSAC-Excess Insurance Authority), for amounts up to \$50,000 per occurrence (inclusive of the \$5,000 self-insured retention).

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

Estimated liabilities for general liability, workers' compensation, and long-term disability as of June 30, 2022, were determined based on results of independent actuarial valuations and include amounts for claims incurred but not reported. Claims liabilities were calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. Non-incremental claims adjustment expenses have been included in the actuarial calculations for general liability. Estimated liabilities for general liability claims have been reported in the government-wide financial statements, Sewer Utility Fund, Water Utility Fund, and the Successor Agency Private-Purpose Trust Fund. Estimated liabilities for workers' compensation claims have been recorded in the government-wide financial statements, the Water Utility Fund, Sewer Utility Fund, Nonmajor Enterprise Funds, and Internal Service Funds. Estimated liabilities for long-term disability claims are recorded in the Miscellaneous Internal Service Fund.

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

	General Liability	Workers' Compensation & Long-Term Disability	Total
Balance, July 1, 2020	\$ 176,005	\$ 290,270	\$ 466,275
Claims and Changes in Estimates	105,570	45,979	151,549
Claim Payments	(47,814)	(35,035)	(82,849)
Balance, June 30, 2021	233,761	301,214	534,975
Claims and Changes in Estimates	118,880	49,353	168,233
Claim Payments	(58,842)	(40,149)	(98,991)
Balance, June 30, 2022	<u>\$ 293,799</u>	<u>\$ 310,418</u>	<u>\$ 604,217</u>

The City, in collaboration with PRISM, maintains an "All Risk" property 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 PRISM, where coverage "towers" with designated coverage limits are provided. Coverage towers are groups of properties, which are diversified based on occupancy (risk-pool members) and geographical location. The City participates in four coverage towers with dedicated coverage limits of \$600,000 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 \$600,000 for "All Risk", 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 PRISM pool, unless the City and member counties are mutually subject to losses from the same

occurrence. Limits and coverage may be adjusted periodically in response to the requirements of bond financed projects, grant requirements, acquisitions, and in response to changes in the insurance marketplace.

PRISM'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 \$465,000 for all claims made by all towers during the coverage period, including coverage for business interruption caused by earthquake at certain designated locations. Earthquake coverage is subject to a deductible of 2% of total insured values per unit per occurrence, subject to a \$100 minimum. The City's earthquake coverage is purchased jointly and limits are shared with the member counties in the PRISM pool. Due to the potential for geographically concentrated earthquake losses, the PRISM 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 PRISM pool. Coverage is provided in the amount of \$10,000 per occurrence, subject to a \$25 deductible.

The City's insurance portfolio includes premises liability (bodily injury, third party property damage) under its Airport Liability Policy which provides \$50,000 in limits. A separate Aircraft Policy provides \$50,000 in property and liability coverage for City owned and chartered aircraft.

The City relies on electronic information and security liability coverage through its purchase of a Cyber Liability Policy with limits of \$12,000 and an aggregate of \$50,000.

Lastly, property and liability insurance limits in the amount of \$5,000 are provided under the City's Watercraft policy.

With the exception of flood limits under the "All Risk" property policy, during fiscal year 2022, there were no significant reductions in insurance coverage from the prior year. For each of the past three fiscal years, settlements which were covered by insurance have not exceeded the City's insurance coverage limits. However, some losses may not be covered by insurance and would need to be funded by the City. The City can give no assurance that particular losses will be covered or that coverage providers will be able to pay recorded losses.

See Note 18 for additional information.

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

The Capital Grants Capital Projects Fund has a fund balance deficit of \$48,452, which represents deferred inflows of resources related to grant revenue which did not meet the City's availability criteria. The deficit is mainly attributable to the Mission Bay Bridge Replacement Project funded primarily from a federal transportation grant. The deficit will be corrected as reimbursements are received from the federal grant.

The implementations of GASB Statement No. 68 and GASB Statement No. 75 resulted in significant impacts to the net position of most proprietary funds. The Development Services Fund has a net position deficit of \$76,931. The Central Stores and Publishing Services Internal Service Funds have net position deficits of \$2,912 and \$2,723, respectively. The Miscellaneous Internal Service Fund has a net position deficit of \$12,925. These deficits are primarily due to the NPL and Net OPEB Liability expected to be repaid over the long-term. Generally, the NPL changes annually as the City continues to fully pay its ADC for the Pension Plan, which includes amortized payments of the unfunded portion of the accrued liability (see Note 12). Similarly, the City continues to pay the annual defined benefit OPEB allocation per the authorized agreement (see Note 13). The cost recovery rates for these funds are developed to fully fund the respective Pension ADC and OPEB obligations on a yearly basis. As the City continues to fully pay its ADC for the pension plan, the net position deficits of these funds are anticipated to be corrected over the long-term.

The Private-Purpose Trust Fund (Successor Agency) has a net position deficit of \$302,720, 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, through Recognized Obligation Payment Schedules (ROPS). Funding is then allocated to the Successor Agency from the County's RPTTF to satisfy obligations of the corresponding twelve month period. As obligations are funded twice annually and liabilities are paid, the net position deficit will continue to decrease. Once all the obligations of the Successor Agency are fully satisfied, the deficit will be corrected.

**17. COMMITMENTS (Dollars in Thousands)**Encumbrances

The City uses encumbrances to control expenditures for the year which generate contractual and regulatory commitments that will result in expenses/expenditures in future years. Encumbrances represent commitments related to contracts not fully performed and purchase orders not yet filled. It is the City's policy to pay for operating encumbrances remaining at the end of the fiscal year from the following year's appropriations, not from fund balance. Encumbrances related to capital projects are funded through the current year appropriated budget, which carries over to the following fiscal year. Operating and capital contractual commitments for which funds have been encumbered as of June 30, 2022, are reflected in the table below.

General Fund	\$ 42,915
Nonmajor Governmental Funds	226,187
Sewer Utility	277,212
Water Utility	343,685
Nonmajor Enterprise Funds	<u>117,324</u>
Total Contractual Commitments	<u>\$ 1,007,323</u>

California Regional Water Quality Control Board Administrative Proceeding - Municipal Stormwater Permit

The State Water Resources Control Board (SWRCB) is the State agency charged with implementing the federal Clean Water Act (Clean Water Act). The SWRCB delegates its authority to nine regional boards, which implement the Clean Water Act and the California Water Code in their respective regions. The Regional Water Quality Control Board San Diego Region (RWQCB) has jurisdiction over the San Diego area. The RWQCB issues the Municipal Storm Water National Pollutant Discharge Elimination System Permit (Municipal Permit) as required by the Clean Water Act. The City is currently operating under a Municipal Permit that was issued in May 2013, which expired in June 2018. The expired Municipal Permit will remain in effect until it is reissued and adopted by the RWQCB, which is anticipated in the winter of 2023.

Under the Municipal Permit, the City must comply with water quality requirements established by the RWQCB by maintaining and operating storm drain systems, eliminating dry weather flows, and reducing pollutants in stormwater runoff. Additionally, the Municipal Permit requires the City to develop Water Quality Improvement Plans (Improvement Plans) to identify and address the highest priority water quality problems, including all of the City's existing stormwater quality regulatory deadlines between fiscal year 2012 and fiscal year 2035 for each of the six watersheds within the City's jurisdiction. These Improvement Plans were reviewed and accepted by the RWQCB in March 2016. Furthermore, the Municipal Permit imposes numerous obligations and requirements on the City, including requirements to ensure that the City's various water bodies, and the storm drains discharging into them, do not contain pollutants in excess of USEPA and State-mandated numeric limits. These numeric limits, referred to as "receiving water limitations" are enforced without regard to fault, and the City can be held liable if samples collected in water bodies downstream of any City storm drain outfalls exhibit exceedances of these receiving water limitations. Additionally, the Municipal Permit contains several regulatory requirements related to Total Maximum Daily Load (TMDL). Each TMDL requirement contains both interim deadlines and final deadlines to attain certain prescribed water quality standards through fiscal year 2035. The City can be held liable for not attaining the prescribed water quality standards within the respective time frames. Both the RWQCB and citizen stakeholders can file enforcement actions and lawsuits for violations, with penalties for state lawsuits not to exceed \$10 per violation, per day, and penalties for federal lawsuits not to exceed \$54 per violation, per day.

Additionally, in June 2017, the RWQCB adopted Order No. R9-2017-0077 which directs Municipal Permit holders to control trash discharges to water bodies (State Trash Policy). The State Trash Policy will be included in the next Municipal Permit reissuance. The estimated funding needed to comply ranges from a combined total of \$6,000 to \$7,000 over 10 years and is detailed in a trash capture device work plan that began implementation in 2020 and is expected to continue through 2030. Most of these compliance activities represent pollution prevention or control obligations with respect to current stormwater operations and are not subject to accrual in the basic financial statements.

In October 2022, the City updated its estimate for compliance implementation costs for the period between fiscal years 2023-2035 as follows:

Operating Cost Estimate	\$ 2,556,165
Capital Cost Estimate	<u>2,642,675</u>
Total <sup>1</sup>	<u>\$ 5,198,840</u>

<sup>1</sup>Total includes State Trash Policy cost estimate.

The above amounts represent the City's aggregate estimate to comply with stormwater regulations through fiscal year 2035. In addition, the City has costs associated with operations and maintenance of drainage infrastructure, and capital costs for flood risk management projects. The current compliance costs estimated at \$5,198,840 over the next 13 fiscal years reflect unfunded costs from previous fiscal years, updated compliance costs to account for current regulations, and cost refinements based on 2023 dollars for CIP and 2023 dollars for operating costs including future inflation growth. The operating compliance costs budgeted in the General Fund for fiscal year 2023 are \$56,920. These operating costs are projected to gradually increase over the next five fiscal years, with operating costs estimated to reach up to \$181,500 by fiscal year 2028.

A portion of the capital costs reflected in the table above are expected to be funded by a recently awarded Water Infrastructure Finance and Innovation Act (WIFIA) loan. The loan and required match total \$733,000 to fund the Stormwater CIP Program. EPA will finance 49% of this loan, with the City providing a 51% match. The WIFIA loan and required match are expected to fund Stormwater capital costs of the next 5 years. The City's match is expected to be funded with a combination of grants and other financing proceeds from lease revenue bonds or State Resolving Loan funds. The City has not yet developed a funding plan to cover capital costs beyond those funded by the WIFIA loan and City match. These additional capital costs could potentially be financed over the expected useful life of the related assets. However, absent any other dedicated funding source, debt service for repayment of the WIFIA loan and any City issued debt would likely need to be paid by the General Fund.

The fiscal year 2023-2035 cost estimates could be higher or lower depending on 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. It should be noted that this note focuses on costs associated with regulatory compliance over the compliance period (2035). The Stormwater Department Funding Strategy presented to Council in February 2022 uses a longer timeframe (2041) to develop a total compliance cost beyond the permit regulatory comments discussed in this document.

As noted above, the Stormwater Department's estimated costs to implement the Improvement Plans are projected to increase annually and are higher compared to current spending levels. The City's storm drain fee of 95 cents per month per residence generated approximately \$5,232 in fiscal year 2022 and covers only a small portion of the City's annual stormwater expenses. This current level of funding is not sufficient to meet the estimated costs to implement the Improvement Plans necessary to comply with ongoing requirements. To address this, in 2019 the City began the development of a stormwater funding strategy to identify a sustainable long-term funding mechanism for the Stormwater Program. The final funding strategy update was presented to Council in February 2022. The recommended funding strategy implementation includes the following four principal factors:

- 1) Further reduce costs and maximize efficiencies:  
Cost reductions can be achieved in several ways, including reducing or eliminating sources of pollution, utilizing adaptive management, and optimizing operation and maintenance efforts.
- 2) Continue to invest in stormwater program innovation:  
Since 2018, Stormwater Department staff have invested in integrated engineering plans that identify and prioritize projects that provide flood management, water quality, habitat revitalization, equity, community benefits, and potential water supply benefits. By planning for and strategically assessing projects through a multi-purpose lens, the City can maximize the benefits and impact of each project and realize cost savings by achieving multiple objectives.
- 3) Maximize existing funding sources, grants and loans:  
Several funding options were analyzed including those within the division's authority, those subject to City discretion, and those outside of City control such as grants and loans at both the State and Federal level.

4) Pursue development of dedicated funding mechanism for stormwater:

Under a scenario where the Stormwater Program maintains current funding levels, realizes annual cost savings from programmatic efficiencies, and maximizes all other potential existing funding options, a significant funding gap still exists, underscoring the need for a dedicated long-term funding source. Evaluation and benchmarking of various funding mechanisms showed that most successful post-Proposition 218 funding measures were either property-related fees or special taxes that require a vote of property owners or the public.

The City is evaluating multiple potential funding and financing mechanisms as it continues to develop and refine its Long-Term Stormwater Funding Strategy. As previously mentioned, the Stormwater Department's final funding strategy update was presented to Council in February 2022. As of the writing of this report, no decision has been made on a potential tax or fee ballot measure.

Los Peñasquitos Lagoon Sedimentation TMDL

The City is listed as a responsible party for the Los Peñasquitos Lagoon Sediment TMDL which was adopted by the State of California in July 2014 and 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 City met the requirements for the most recent interim regulatory deadline related to this TMDL in 2020. There is no measurable pollution remediation that can be identified. The City has initiated Phase I of this required restoration, which involves sediment and freshwater management, as well as a pilot salt marsh restoration component that will result in at least 23 acres of restoration. Phase I is estimated to be completed in 2027. The estimated cost for Phase I ranges from approximately \$50,000 to \$80,000, which is subject to change based on updated information and actual construction bids, and will be borne by the responsible parties named in this TMDL, which are: the City; County of San Diego; City of Del Mar; City of Poway, and Caltrans. A cost sharing agreement was agreed upon and finalized at the end of fiscal year 2021 by all responsible parties except for Caltrans, which will fund its portion of costs through a separate cost sharing agreement with the City beginning at the start of project construction. Phase II of the restoration will be designed based on the results of various restoration techniques implemented during Phase I and will result in the restoration of the remaining acres required; however, any estimated costs cannot be reasonably determined at this time pending the development of the final concept design for Phase II.

California Department of Public Health Compliance Order

In 1997, the State of California Department of Public Health issued a Compliance Order requiring the City to correct operational deficiencies and begin necessary capital improvements related to the City's water system. The Compliance Order was last amended in May 2007 and included additional items that were not in the original Compliance Order. As amended, the Compliance Order will remain in effect until the projects and pipeline replacement requirements are completed.

The Public Utilities Department continues to award the remaining water system projects to fulfil the final requirements of the Compliance Order. For fiscal years 2022 through 2027, the City estimates Compliance Order project costs to total approximately \$26,474. The Public Utilities Department expects to fund these commitments through a combination of existing net position, present and future system revenues, and financing proceeds secured by system revenues.

Modified Permit for the Point Loma Wastewater Treatment and Pure Water San Diego Program

In June 2010, the City received a renewal of the Modified Permit for the Point Loma Wastewater Treatment Plant (Pt. Loma) and agreed to identify opportunities to maximize recycling wastewater for potable and non-potable uses. That permit expired in July 2015 and was administratively continued while the regulatory agencies completed work on the renewal application. In August 2017, the USEPA, in conjunction with the RWQCB, issued the final approval renewing the Modified Permit and the waiver from secondary treatment standards for another five years. The permit term took effect on October 1, 2017 and expires on September 30, 2022. The City submitted its renewal application on March 24, 2022, 180 days prior to the expiration of the current permit, which is jointly issued by the U.S. EPA and the San Diego Regional Water Quality Control Board. On September 27, 2022, the modified permit was administratively extended by the U.S. EPA. Administrative extension of National Pollutant Discharge Elimination System (NDPES) permits by the State of California are automatic prior to adoption of a subsequent permit.



The modified permit renewal was based on compliance with the Clean Water Act requirements, progress of the Pure Water San Diego Program (Program), and a reduction in permitted emissions from the previous permit level. The Program is designed to reduce discharge into the ocean from Pt. Loma while providing a new local source of potable water for the City. The renewal recognized the value of the Program in the early phases of implementation, and it is anticipated that Program continuance can be reflected in future permits. As of June 2022, the first phase of the Program is estimated to cost approximately \$1,516,861, of which approximately \$687,063 will be allocated to the Sewer Utility Fund, and approximately \$829,798 will be allocated to the Water Utility Fund. This estimate does not include the facilities relocation costs described in the section below. The City is preparing to begin work on the Phase 2 demonstration facility at the Point Loma Wastewater Treatment Plant, which is expected to cost approximately \$40,000. This facility will be used to provide regulators data on the effectiveness of the City's proposed treatment process prior to the start of the larger Phase 2 project. This is a required step due to Phase 2 utilizing a different sewer service area than the Phase 1 Pure Water facility.

On, June 15, 2020 The House of Representatives passed the Ocean Pollution Reduction Act II (H.R. 587), which proposes modifying the permitting requirements for discharge of pollutant from Pt. Loma. The Bill contains required milestones in line with projected reductions in both the treated discharges from the Pt. Loma Wastewater Treatment Plant and the production of potable water expected with Phase 1 and Phase 2 of the Pure Water Program. The legislation is now before the US Senate Committee on Environment and Public Works for further consideration. No timeline for consideration is available at this time. In the event that the Bill does not pass the Senate, the City believes that the legislation will be re-introduced in the next legislative session of Congress.

#### San Diego Gas and Electric Reservation of Rights Agreement (Agreement)

In June 2018, SDG&E informed the City that it was stopping all design work on utility relocations for the Pure Water Program, pending advance payment for such work from the City. SDG&E argued that it was not responsible for the costs of relocating any of its facilities under its electric or natural gas franchise agreements with the City, on the basis that such work was proprietary and not governmental. The City Attorney's Office responded to SDG&E, expressing the City's strong disagreement with SDG&E's position based on the plain language in those franchise agreements, which the City believes requires SDG&E to relocate its facilities located in the public right-of-way at its own expense when necessary to accommodate City water projects, including the Pure Water Program.

In January 2019, to avoid project delays, the City and SDG&E entered into an Agreement in which the Public Utilities Department made an advance payment of approximately \$35,600 to SDG&E for facilities relocation, financially recorded as a prepaid expense. SDG&E calculated an overall, preliminary cost estimate of approximately \$94,700, as of August 2018, of which the City has not performed an independent confirmation. Since 2019 the City and SDG&E have worked to minimize construction conflicts that may require relocations, in an effort to reduce relocation costs. The parties acknowledge the cost estimate may increase or decrease depending on project design changes or other factors, including a mandated Internal Revenue Code Cost in Aide of Construction Tax of approximately 24% that would increase the preliminary cost estimate. SDG&E relocation work will be billed on an actual cost basis. The City maintains its position that SDG&E should bear the costs of its facilities relocations from the public right-of-way for all City water projects and reserves the right to seek reimbursement from SDG&E through all legal means available. All payments made by the City for work performed are made under protest. The City and SDG&E entered into a second Reservation of Rights Agreement in July 2020 whereby \$1,389 was redirected from the Pure Water Agreement into the Montezuma PPL/Mid City Pipeline Phase 2 Project (Montezuma Project), which will include construction of a new pipeline from the Alvarado Water Treatment Plant to the 69th and Mohawk pump station.

The City filed a lawsuit against SDG&E on January 15, 2020 seeking a court declaration that SDG&E is responsible for the cost to relocate SDG&E facilities that conflict with pipeline alignments, and the lawsuit also seeks reimbursement of the \$35,600 that the City paid to SDG&E. SDG&E filed its answer on February 21, 2020 denying liability. The City filed a second lawsuit related to the Montezuma Project on October 27, 2020. On November 28, 2022, the court issued an order granting SDG&E's motion for summary judgment and denying the City's motion for summary judgment. The court ruled that the Manual of Administrative Practices applies to the dispute, that the City's provision of water is a proprietary activity, and that the City is responsible for the cost of relocating SDG&E infrastructure in conflict with the alignment of City pipelines. The City will appeal.

In early 2020, the City and SDG&E determined that the City will be required to pay SDG&E the cost of relocating a 10" gas line near the Pure Water Facility, which was not in the public right of way, estimated at \$18,000. This amount will reduce the \$35,700 the City is seeking to recover in its lawsuit against SDG&E.

As of May 2021, SDG&E estimates that its relocation costs for the Pure Water Program (Including the 10" gas line near the Pure Water Facility) will be \$58,588, which amount remains unchanged as of September 2022.

#### Senate Bill (SB) 1383 State Regulatory Compliance

In September 2016, Governor Brown signed into law SB 1383 (Lara, Chapter 395, Statutes of 2016), establishing methane emissions reduction targets in a statewide effort to reduce emissions of short-lived climate pollutants (SLCP) in various sectors of California's economy. The new law codifies the California Air Resources Board's Short-lived Climate Pollutant Reduction Strategy to achieve reductions in the statewide emissions of short-lived climate pollutants. As it pertains to the City, SB 1383 establishes targets to achieve a 50 percent reduction in the level of the statewide disposal of organic waste from the 2014 level by 2020 and a 75 percent reduction by 2025. The City was required to adopt an ordinance by January 1, 2022. The first and second readings of the City's ordinance were heard at City Council in April 2022, and the ordinance took effect on June 8, 2022. The City must implement the following:

- Expand organics collection citywide, including amendments to the Franchise Hauler Agreements
- Adoption of an enforcement mechanism
- Establish an edible food recovery program
- Procurement of recovered organic waste products
- Tracking and reporting of metrics to California's Department of Resources Recycling and Recovery
- Conduct education and outreach
- Development of organic waste processing capacity
- Conduct escalating mandatory enforcement

The City has a preliminary estimate for fiscal years 2023 through 2026, of \$120,000 in General Fund expenditures for regulatory compliance, as well as anticipated ongoing operational costs of approximately \$20,000 per year starting in fiscal year 2027. The Fiscal Year 2023 Adopted Budget includes a total of \$17,400 across various funds to support implementation of SB 1383. This funding will be used to implement the regulation through increasing staffing, acquiring collection vehicles, and procuring additional containers. The consequence for non-compliance is up to \$10 per violation, per day starting in 2022.

**18. CONTINGENCIES (Dollars in Thousands)**

## FEDERAL AND STATE GRANTS

The City recognizes as revenue grant monies received as reimbursement for costs incurred related to certain Federal and State programs it administers. Although the City's Federal grant programs are audited in accordance with the requirements of the Federal Single Audit Act of 1984, the Single Audit Act Amendments of 1996, and the related U.S. Office of Management and Budget 2 CFR 200 Uniform Guidance as applicable based on the date of the award, these programs may be subject to financial and compliance audits by the granting agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The Single Audit for fiscal year 2022 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 1,553 notices of claims in fiscal year 2022.

As of June 30, 2022, the City estimates the amount of tort and non-tort liabilities to be \$293,799, 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 \$223,652. 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, 2022.

Additional information on litigation regarding the Pension Plan can be found in the introductory section of Note 12.

## POLLUTION REMEDIATION OBLIGATIONS

A pollution remediation obligation is an obligation to address the current or potential detrimental effects of existing pollution by participating in remediation activities. The following items are contingent matters concerning the City.

Boat Channel at Naval Training Center (NTC)

The old Naval Training Center (NTC) was closed and, with the exception of the Boat Channel, the property was conveyed to the City under the Base Realignment and Closure (BRAC) process that culminated in a Memorandum of Agreement (MOA) between the City and the U.S. government (Navy) in 2000. NTC was redeveloped as Liberty Station by the Corky McMillin Companies. The transfer of the NTC Boat Channel was excluded from the conveyance because the City and Navy agreed it was contaminated. The MOA requires the Navy to remediate the Boat Channel and obtain appropriate regulatory site closure prior to conveyance. In 2018, the Navy completed a limited clean-up of the Boat Channel and obtained a No Further Comment letter from the RWQCB for the limited clean-up. The City has been identified as a potentially responsible party for the contamination in the Boat Channel (and therefore potentially responsible for a portion of the remediation costs), which the City disputes. The City cannot estimate its apportioned responsibility for remediation costs, if any, at this time.

In addition, the City believes that the Navy's clean-up of the Boat Channel is deficient for a number of reasons including, but not limited to, (i) the original site investigation and characterization were inadequate, (ii) the remediation did not address the entirety of the Boat Channel property, and (iii) the remediation did not clean up the Boat Channel to current regulatory standards. Despite the City's repeated objections to the Navy and the RWQCB regarding the deficient clean-up, the Navy has proceeded with the final Finding of Suitability to Transfer (FOST) letter. The City continues to object to accepting the Boat Channel in its current condition. The City cannot estimate costs related to any potential property transfer, if any, at this time.

#### San Diego Bay's Laurel Hawthorn Central and East Embayment Sediment Investigative Order R9-2019-040

On July 25, 2018, the RWQCB released three draft Investigative Orders (IOs) for the assessment of the Laurel Hawthorne Embayment (LHE). The City was named on one of the three IOs as a responsible party to determine the extent and magnitude of sediment contamination in LHE at the terminus of the City's 84-inch outfall. On October 2, 2019, the RWQCB issued the final IO requiring the City to submit a Sediment Assessment Work Plan (SAWP) to assess the extent and magnitude of pollutants in sediments caused by discharges from the City's 84-inch storm drain outfall. Additionally, the RWQCB issued two separate, and complimentary IOs to adjacent San Diego Unified Port District tenants, Solar Turbines and General Dynamics. The City's revised SAWP was submitted on February 3, 2021 and approved on February 18, 2021. The waterside monitoring occurred in August 2021. The City is now working to complete the Sediment Chemistry Assessment Report which will be submitted to the RWQCB by October 28, 2022. It is anticipated that clean up and abatement orders will be received for this site within a couple of years of the submission of the Sediment Assessment Report. Remediation costs cannot be estimated until the investigation is completed and the RWQCB compares the results from the three investigations to determine responsibility and cleanup levels are negotiated with and ultimately ordered by the RWQCB. In addition, the responsible parties will then need to negotiate the allocation of cleanup responsibilities.

#### San Diego Bay Adjacent to Tenth Avenue Marine Terminal Draft Sediment Investigative Order R9-2022-0040 and San Diego Bay Adjacent to Continental Maritime Draft Sediment Investigative Order R9-2022-0041

On August 4, 2017, the RWQCB issued the final IO requiring the responsible parties to submit a Sediment Chemistry Assessment Work Plan in 180 days evaluating the current nature and extent of impairment. On January 31, 2018, the responsible parties submitted the work plans for both land and water that were accepted by the RWQCB. The waterside monitoring occurred in July 2018, and the landside monitoring occurred in the fall of 2018 and spring of 2019. Progress reports were submitted to the RWQCB in October 2019, which reviewed activities completed and analytical data. The Sediment Chemistry Assessment Reports were submitted to the Regional Board on February 25, 2020 for Continental Maritime San Diego, and February 28, 2020 for Tenth Avenue Marine Terminal. Based on these reports, on March 17, 2022 the RWQCB issued new Investigative Orders for Continental Maritime San Diego and Tenth Avenue Marine Terminal that are supplemental to the original Investigative Orders and designed to gather the Sediment Quality Objectives information that was adopted by the State Water Resources Control Board in 2018. The Investigative Orders require a full sediment quality assessment for aquatic life, tier 2 human health assessment, and wildlife-resident finfish beneficial uses. The IOs require the submission of SQO Assessment Work Plans which were submitted on to the RWQCB on September 12, 2022. Revisions will be made based on the RWQCB's review and approval. It is anticipated that clean up and abatement orders will be received for these sites within a couple years of the submission of the SQO Assessment Reports. Extent and costs of remediation cannot be estimated until the investigations are completed to determine if there are problems, and if so, the cleanup levels will be negotiated with and ultimately imposed by the RWQCB. In addition, the responsible parties will then need to negotiate the allocation of clean up responsibilities.

#### San Diego River Investigative Order R9-2019-0014

On June 12, 2019, the San Diego Regional Water Quality Control Board (Regional Board) issued a five year Investigative Order R9-2019-0014 "To Submit Technical and Monitoring Reports to Identify and Quantify the Sources and Transport Pathways of Human Fecal Material to the Lower San Diego River Watershed." The Order alleged that there are suspected sources of bacteria being transported through various pathways to the San Diego River. The Order named several agencies as responsible parties including the City. The responsible agencies have retained the services of the Southern California Coastal Water Research Project (SCCWRP) to serve as technical lead. SCCWRP will assist with the implementation of the approved work plan and preparation of the required technical and monitoring reports to identify and investigate potential sources of human fecal material, evaluate transport pathways, and quantify the amount that each source contributes, if any, to the Lower San Diego River. During the course of this five year IO, the City expects the Stormwater Department's share of the costs to complete the studies and monitoring in accordance with the IO not to exceed \$777, and the Public Utilities Department amount not to exceed \$1,720. Based on the results of the IO, the RWQCB may require the responsible parties to take additional actions to address human sources of bacteria. The cost associated with these potential additional actions cannot be estimated at this time.

### Bacteria TMDL

The City is listed as a responsible party in the Bacteria TMDL, which was adopted by the RWQCB through the Municipal Permit for numerous impaired water bodies in order to attain and maintain currently applicable fecal indicator bacteria water quality standards. All responsible parties are required to reduce the levels of bacteria in their discharges to all listed water bodies. The City has not met its interim or final dry weather regulatory discharge requirements by the compliance deadline (April 2019 and April 2021, respectively) related to the Bacteria TMDL in some watersheds based on updated water quality monitoring data due to insufficient funding and the time requirements to implement essential capital projects. During the timeframe that the City is not in compliance with the final discharge requirements (April 2021), the City is subject to Mandatory Minimum Penalties (MMPs) of at least \$3 per violation per location, for each constituent sampled that exceeds a numeric discharge requirement. The SWRCB's Enforcement Policy encourages Regional Water Boards to administratively issue MMPs within eighteen (18) months of the exceedance that incurs the MMP. MMPs began accruing on April 4, 2021 and will continue to accrue until the City achieves compliance. However, the City is currently engaged in multiple efforts to comply with these requirements. First, the City is enhancing efforts to identify and eliminate human sources of bacteria, which are most harmful to human health. The City's efforts are documented in a Bacteria Tactical Plan that describes the collaboration among several City departments to capture current and potential new activities that can be initiated to address bacteria sources. Efforts include addressing homeless encampments, continued administration of an interdepartmental abatement team, and increased trash removal. Using the implementation activities in the Bacteria Tactical Plan as a basis, the City is in discussions with the RWQCB for the issuance of a Time Schedule Order (TSO). A TSO would provide additional time for the City to come into compliance with the final dry weather requirements as long as specific agreed upon actions are taken to correct the alleged violations. A TSO would also ensure that MMPs are avoided during implementation of the prescribed time schedule of actions. In order to ensure future compliance with dry and wet weather bacteria compliance deadlines, the City is also developing a strategy to implement the San Diego River Investigative Order (listed earlier) and to use those results to consider whether amendments to the Bacteria TMDL and/or Municipal Permit, contingent on RWQCB approval, are warranted that may reduce the City's estimates of funding needs.

### Dams Licensing and Safety

The City's Water system operates nine dams that are subject to the jurisdiction of the California Department of Water Resources' Division of Safety of Dams (DSOD), which has various inspection and approval authority relative to operations of and improvements to dams. Most of the nine dams were constructed 61 to 109 years ago. In sequence of age and starting with the oldest, these dams are Morena, Hodges, Murray, Lower Otay, Barret, El Capitan, San Vicente, Sutherland, and Miramar. Among the authority granted to DSOD is the power to impose Water level restrictions on dams for safety reasons, which may restrict reservoir capacity. These water level restrictions apply to Hodges Dam and El Capitan.

Hodges Dam was downgraded from "fair" to "poor" condition in September 2019 by DSOD due to dam safety deficiencies and the maximum water level was restricted from an elevation of 315 feet down to an elevation of 295 feet. Based on preventative underwater examination of the dam, the water level in Lake Hodges was reduced to an elevation of 275 feet in order to allow for repairs to the dam. Based on additional information about the dam's condition obtained during recent inspections, DSOD issued a letter on August 16, 2022, which required the City to restrict the water level to an elevation of 275 feet by November 30, 2022. This water level must remain in effect until the City completes an analysis that will be used by DSOD to determine whether the City may operate the water level above an elevation of 275 feet. In addition, DSOD issued a letter on August 18, 2022, which requires that the City conduct daily inspections of the dam during the repairs. The water level restriction is a requirement from DSOD, providing a mitigation measure to ensure dam safety of Hodges Dam. The DSOD can potentially downgrade and impose water level restrictions on other City dams due to their condition.

The City has completed one detailed condition assessment of Hodges Dam and three partial assessments for El Capitan, Lower Otay and Morena. Over the next five years the City plans to complete comprehensive condition assessments for all nine dams. Based on the initial assessment of the City's dams' condition to date, the City has estimated that approximately \$1,000,000 of improvements could be needed over the next several decades to ensure dam safety and performance at all nine dams. This estimated dollar amount is limited by the amount of detail provided in these initial assessments and will be refined as more comprehensive condition assessments are completed.

**19. DEBT WITHOUT GOVERNMENT COMMITMENT (Dollars in Thousands)**

The City and/or the former RDA of the City have authorized the issuance of certain Special Assessment/Special Tax Bonds, Parking Revenue Bonds, Tax Allocation Bonds, and Loans. The City has no legal obligation to make payment on these bonds or loans and has not pledged any City assets as a guarantee to the bondholders/lenders. These bonds and loans do not constitute indebtedness of the City. The bonds are payable solely from payments made on and secured by a pledge of the acquired funds, other monies held for the benefit of the bondholders pursuant to the bond indentures, property liens and other loans. Accordingly, no liability has been recorded in the City's government-wide statement of net position. Long-term liabilities of the former RDA are reported in the Successor Agency Private-Purpose Trust Fund. The following sections describe the outstanding debt without government commitment.

**a. Special Assessment/Special Tax Bonds**

The City, on behalf of the Special Assessment Districts (AD) and the Community Facilities Districts (CFD), have issued debt to finance infrastructure improvements and facilities necessary to facilitate development of the properties within the respective districts located in the City. The special assessment and special tax bonds are secured by special assessment and special tax liens, respectively, on the real property within the districts and are not direct liabilities of the City. The City has no fiscal obligation beyond the balances in designated AD and CFD funds for any related bond payments. If delinquencies occur beyond the amounts held in the reserve funds created from bond proceeds, the City has no duty to pay the delinquency out of any available funds of the City. The City acts solely as the agent in the collection and remittance of the assessments and special taxes for these ADs and CFDs and initiates foreclosure proceedings as required under the bond covenants.

On August 18, 2021, Community Facilities District No. 2 (Santaluz), Special Tax Bonds Series 2021 (the 2021 Bonds) were issued in the amount of \$22,470, to fully refund the outstanding Community Facilities District No. 2 (Santaluz), Special Tax Bonds Series 2011 and to provide for public facilities authorized to be funded through the district. The final maturity date for the 2021 Bonds is September 1, 2030. As of June 30, 2022, the status of each of the special assessment/special tax bonds issued is as follows:

	Original Amount	Balance Outstanding June 30, 2022
Community Facilities District No.3 (Liberty Station), Series 2013	\$ 15,770	\$ 11,810
Assessment District No.4096 (Piper Ranch), Issued July 2013	3,830	2,685
Community Facilities District No.2 (Santaluz), Improvement Area No. 3, Series 2015	3,380	2,195
Community Facilities District No.2 (Santaluz), Improvement Area No. 4, Series 2015	6,215	4,620
Community Facilities District No.4 (Black Mountain Ranch Villages), Series 2016	16,435	13,515
Community Facilities District No.2 (Santaluz), Improvement Area No.1, Series 2021	22,470	22,470
Total Special Assessment / Special Tax Bonds	<u>\$ 68,100</u>	<u>\$ 57,295</u>

**b. Parking Revenue and Tax Allocation Bonds**

The former RDA issued parking revenue bonds for the purpose of financing certain public parking facilities and issued 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 from the sale of the bonds, held in any fund or account established pursuant to the related bond indentures.

As of June 30, 2022, the status of each of the parking revenue and tax allocation bonds issued is as follows:

	Original Amount	Balance Outstanding June 30, 2022
Revenue Bonds:		
Centre City Parking, Series 1999 A	\$ 12,105	\$ 2,870
Centre City Parking, Series 2003 B	20,515	1,955
Total Revenue Bonds	<u>32,620</u>	<u>4,825</u>
Tax Allocation Bonds:		
Centre City Redevelopment Project, Series 2001 A	58,425	6,539
Successor Agency Redevelopment Refunding, Series 2016 A	145,080	84,910
Successor Agency Redevelopment Refunding, Series 2016 B	30,105	16,299
Successor Agency Redevelopment Refunding, Series 2017 A	64,565	52,545
Successor Agency Redevelopment Refunding, Series 2017 B	155,400	121,807
Total Tax Allocation Bonds	<u>453,575</u>	<u>282,100</u>
Total Bonds	<u>\$ 486,195</u>	<u>\$ 286,925</u>
Accreted Interest Payable on Tax Allocation Bonds:		
Centre City Redevelopment Project, Series 2001 A		<u>\$ 13,553</u>

c. Loans Payable

The former RDA issued loans for the purpose of financing redevelopment activities. The loans are secured by certain pledged revenues of the former RDA. Senate Bill 107 Local Government Section 34173 (h)(1) states "Repayment of loans created under this subdivision shall be applied first to principal, and second interest, and shall be subordinate to other approved enforceable obligations. As of June 30, 2022, principal of \$100 and interest of \$400 were paid towards the Naval Training Center Section 108 Loan. Interest of \$15,000 was paid towards miscellaneous loans.

	Original Amount	Balance Outstanding June 30, 2022
Loans Payable:		
City of San Diego - Naval Training Center Section 108, Dated June 2004	\$ 5,910	\$ —
Accrued Interest Payable:		
City San Diego - Naval Training Center Section 108	\$ 1,899	\$ 1,499
City of San Diego - Miscellaneous	105,733	77,995
Total Accrued Interest Payable	<u>\$ 107,632</u>	<u>\$ 79,494</u>

d. Amortization Requirements

The annual requirements to amortize the private-purpose trust fund long-term debt outstanding as of June 30, 2022, including interest payments to maturity, are as follows:

Year Ending June 30	Loans Payable		Revenue Bonds		Tax Allocation Bonds		
	Principal	Interest	Principal	Interest	Principal	Unaccrued Appreciation <sup>2</sup>	Interest
2023	\$ —	\$ 15,499	\$ 1,005	\$ 256	\$ 22,084	\$ 2,576	\$ 11,386
2024	—	—	1,065	194	22,857	2,713	10,478
2025	—	—	1,130	128	23,650	2,845	9,517
2026	—	—	1,195	58	24,686	3,989	8,510
2027	—	—	430	11	25,441	4,169	7,460
2028-2032	—	—	—	—	76,900	—	26,136
2033-2037	—	—	—	—	47,580	—	12,632
2038-2042	—	—	—	—	38,902	—	3,336
Unscheduled <sup>1</sup>	—	63,995	—	—	—	—	—
Total	<u>\$ —</u>	<u>\$ 79,494</u>	<u>\$ 4,825</u>	<u>\$ 647</u>	<u>282,100</u>	<u>16,292</u>	<u>89,455</u>
Add: Accrued Appreciation through June 30, 2022					13,553	—	—
Total					<u>\$ 295,653</u>	<u>\$ 16,292</u>	<u>\$ 89,455</u>

<sup>1</sup> The accrued interest of \$79,494 associated with loans payable is payable dependent on each annual approved Recognized Obligation Payment Schedule.

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

e. Change in Long-Term Liabilities

The following is a summary of changes in long-term liabilities reported in the private-purpose trust fund for the year ended June 30, 2022. The effects of bond accretion, bond premiums and discounts are reflected as adjustments to long-term liabilities.

	Beginning Balance	Additions	Reductions	Ending Balance
Liability Claims	\$ 65,187	\$ —	\$ (779)	\$ 64,408
Loans Payable	100	—	(100)	—
Revenue Bonds	6,555	—	(1,730)	4,825
Unamortized Bond Premiums and Discounts	(27)	—	5	(22)
Net Revenue Bonds	6,528	—	(1,725)	4,803
Tax Allocation Bonds	306,115	—	(24,015)	282,100
Interest Accretion	14,896	1,100	(2,443)	13,553
Balance with Accretion	321,011	1,100	(26,458)	295,653
Unamortized Bond Premiums and Discounts	22,090	174	(2,011)	20,253
Net Tax Allocation Bonds	343,101	1,274	(28,469)	315,906
Interest Accrued on City Loans	94,894	—	(15,400)	79,494
Total	<u>\$ 509,810</u>	<u>\$ 1,274</u>	<u>\$ (46,473)</u>	<u>\$ 464,611</u>



**20. CLOSURE AND POSTCLOSURE CARE COST (Dollars in Thousands)**

State and federal laws and regulations require that the City place a final cover on its Miramar Landfill site when it stops accepting waste and 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

Per the Solid Waste Facility Permit issued by the Local Enforcement Agency with concurrence from the State, the estimated closure year of the landfill is 2031. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each financial statement date.

The \$54,865 reported as landfill closure and postclosure care liability as of June 30, 2022, represents the cumulative amount reported to date based on the use of 82% of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$12,168 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, 2022. These cost estimates are subject to changes resulting from inflation, deflation, technology, or changes in applicable laws or regulations.

Funding Requirements

As of June 30, 2022, 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 2022, cash or equity in pooled cash and investments of \$32,453 was held for this purpose. The closure/postclosure care liability amount of \$54,865 reported in the Environmental Services Enterprise Fund includes \$31,682 for closure costs. The amount by which the restricted cash exceeds the closure liability, or \$771, is reported as restricted net position in the Environmental Services Enterprise Fund. The City has pledged its greenery recycling revenues as financial assurance for postclosure maintenance costs and is not required to advance fund postclosure care costs.

As of June 30, 2022, 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 2022, cash or equity in pooled cash and investments of \$1,700 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 2022, accrued interest of \$37 is included as a component of restricted net position in the Environmental Services Fund.

**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>
<b>NONSPENDABLE</b>			
Legally/Contractually Required to be Maintained Intact	\$ —	\$ 18,058	\$ 18,058
<b>RESTRICTED</b>			
Low and Moderate Income Housing	—	364,219	364,219
Facilities Benefit Assessments	—	287,126	287,126
Underground Surcharge	—	221,472	221,472
Impact Fees	—	195,139	195,139
Capital Outlay - Unbudgeted <sup>1</sup>	—	110,400	110,400
Emergency Reserve	106,100	—	106,100
Grants <sup>1</sup>	691	82,115	82,806
Capital Outlay - Budgeted	—	76,950	76,950
Road Maintenance & Rehabilitation	55,185	—	55,185
TransNet	—	37,358	37,358
Developer Contributions	—	36,920	36,920
Tourism Marketing Districts	—	29,953	29,953
Parking Meter Districts	—	28,991	28,991
TransNet Commercial Paper	—	26,167	26,167
Maintenance Assessment Districts	—	24,601	24,601
Infrastructure Fund (Prop H)	22,766	—	22,766
UCSD Fire Station	—	17,964	17,964
Park Boulevard State Appropriation	—	15,571	15,571
PFFA Lease Revenue Bonds	—	15,224	15,224
Tobacco Settlement Revenue Funding Corporation	—	11,784	11,784
Environmental Growth	7,207	—	7,207
Jane Cameron Estate	—	7,060	7,060
Fiesta Island Sludge Mitigation	—	7,012	7,012
Special Gas Tax Street Improvement	5,649	—	5,649
SD Residential Lead Abatement Settlement	—	5,493	5,493
General Fund Commercial Paper Notes	—	5,094	5,094
Seized Assets	—	5,038	5,038
Successor Agency Property Management	—	4,620	4,620
Library Donations	—	3,950	3,950
Otay Mesa EIFD	—	3,643	3,643
San Diego Regional Consolidated RLF	—	3,486	3,486
Disability Surcharge (SB1186)	—	3,415	3,415
Library Donations Matching Fund	—	3,364	3,364
Miscellaneous Donations	—	3,289	3,289
Citizens Option for Public Safety (COPS)	—	2,914	2,914
Public Safety Training	—	2,444	2,444
Los Penasquitos Trust	—	2,188	2,188
Downtown PBID	—	2,163	2,163
Parks & Recreation Districts	—	1,966	1,966
Library Improvement	1,540	—	1,540
Section 108	—	1,505	1,505
Tierrasanta Ordinance	—	1,411	1,411
Other <sup>2</sup>	1,723	20,094	21,817
<b>Total Restricted</b>	<u>200,861</u>	<u>1,672,103</u>	<u>1,872,964</u>

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>COMMITTED</b>			
Public Liability	\$ 42,426	\$ —	\$ 42,426
Workers' Compensation	32,521	—	32,521
Capital Outlay - Unbudgeted	—	18,609	18,609
Transient Occupancy Tax	—	17,139	17,139
City TV	—	9,777	9,777
Trench Cut Fees	—	7,472	7,472
Climate Equity Fund	6,941	—	6,941
SAP Support	5,918	—	5,918
Public Arts	—	5,760	5,760
Civil Penalty Enforcement	—	5,428	5,428
Information Technology	4,813	—	4,813
Community Equity Fund (CEF)	2,975	—	2,975
Automated Refuse Containers	—	2,162	2,162
General Plan Maintenance Fund	—	1,952	1,952
Retirement UAAL SDCERS Reserve	1,442	—	1,442
Concourse/Park Garage Operating Fund	1,359	—	1,359
Economic & Workforce Development	—	1,285	1,285
Antenna Lease Revenue	1,221	—	1,221
Junior Lifeguard Program	—	1,107	1,107
Other <sup>2</sup>	1,250	5,995	7,245
<b>Total Committed</b>	<u>100,866</u>	<u>76,686</u>	<u>177,552</u>
<b>ASSIGNED</b>	<u>20,036</u>	<u>—</u>	<u>20,036</u>
<b>UNASSIGNED</b>	<u>158,897</u>	<u>(79,045)</u>	<u>79,852</u>
<b>TOTAL FUND BALANCE</b>	<u>\$ 480,660</u>	<u>\$ 1,687,802</u>	<u>\$ 2,168,462</u>

<sup>1</sup> Restricted Fund Balance for Grants and Capital Outlay includes \$77,994 and \$28,626, respectively, for long-term receivables due from the Successor Agency. These amounts are not available to satisfy liabilities of the current period.

<sup>2</sup> The amounts reported as "Other" are composed of a variety of restrictions and commitments less than \$1,000.

**22. EXTRAORDINARY LOSS (Dollars in Thousands)**Unwinding of Proposition B

On June 5, 2012, City of San Diego voters approved Proposition B, a pension reform initiative amending the Charter. While in effect, Proposition B prevented all employees hired on or after July 20, 2012, other than sworn police officers, from participating in the City's defined benefit plan. Instead, those employees were only eligible to participate in a defined contribution plan, Supplemental Pension Savings Plan-H (SPSP-H Plan). In early 2021, the California Superior Court invalidated Proposition B in a quo warranto proceeding. Since then, the City has struck the Proposition B provisions from the Charter and has conformed the San Diego Municipal Code ("Municipal Code") and any related enactments accordingly.

The Court ruling required that the City meet and confer with the Recognized Employee Organizations (REOs) over the effects of Proposition B and that the City pay the affected current and former employees represented by the REOs the difference, plus seven percent annual interest, between the compensation (including retirement benefits) those employees would have received prior to when Proposition B took effect and the compensation they actually received after Proposition B took effect (the "Make-Whole Provision").

As a result of the Proposition B Make-Whole Provision, the recording of the following accruals resulted in extraordinary losses for the City:

- \$22,808 for court-ordered penalties to be paid to affected employees in fiscal year 2023.
- \$119,212 for current employees, representing a pension liability payable to SDCERS as of June 30, 2022. SDCERS staff has recommended, and therefore the SDCERS Board is expected to, include this amount as part of the Unfunded Actuarial Liability (UAL) and amortize it over 20 years.
- \$2,730 for outstanding fiscal year 2022-related normal costs associated with employees hired after July 10, 2021. The City expects to receive a supplemental bill from SDCERS during fiscal year 2023.

See Note 12 for more information on Proposition B.

**23. SUBSEQUENT EVENTS (Dollars in Thousands)**

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

Settlement Agreement Involving Acquisition of the 101 Ash Street and Civic Center Plaza Properties

On July 26, 2022 the City Council approved a settlement agreement for the City's acquisition of real properties commonly known as Civic Center Plaza (CCP) and 101 Ash Street. Escrow closed on the properties on August 4, 2022 and the properties were acquired for \$45,882 and \$85,999, respectively. The settlement and resulting property acquisitions will eliminate the governmental long-term debt associated with the financed purchase obligations of the properties reported in Note 5.

Loan Agreements

On August 9, 2022, PFFA and the City entered into a master agreement with USEPA for a WIFIA loan in an amount up to \$359,200 to fund stormwater capital improvement projects. Under the master agreement, a credit agreement was executed to draw up to \$225,110 at a rate of 3.11%. The WIFIA loan may fund up to 49% of eligible project costs and requires a City match for the remaining 51%.

On July 14, August 12, September 14, October 14, and November 14, 2022, the City received loan proceeds from the First WIFIA Loan in the amounts of \$4,395, \$11,306, \$9,265, \$8,869, and \$6,086, respectively. The First WIFIA Loan will fund a portion of the Water Utility Fund's cost of the Pure Water Program Phase I. The interest rate on the loan is 1.29%.

On November 28, 2022, the City's Sewer Utility Fund received loan proceeds of \$9,266 from a \$155,106 SRF loan agreement with the SWRCB for the Pure Water North City Morena Blvd Pump Station Project. The interest rate on the loan is 0.80% and the repayment period for the loan is 30 years from the completion of the construction, which is estimated to be October 31, 2025.

Financed Purchase Obligations

On July 21, 2022, the City lease-purchased various public safety and support vehicles in the amount of \$3,715. Under the agreement with Banc of America Public Capital Corp., the vehicles will be financed for five and seven years at the rates of 2.87% and 2.88%, respectively.

On August 30, 2022, the City lease-purchased various public safety and support vehicles in the amount of \$2,897. Under the agreement with Bank of America Public Capital Corp., the vehicles will be financed for seven years at a rate of 2.9474%.

General Fund and Water Commercial Paper

On September 1, 2022, PFFA issued a tax-exempt Lease Revenue Commercial Paper Note in the amount of \$32,000 to partially finance the construction and acquisition cost of Civic Center Plaza. The interest rate on the issued Lease Revenue CP Note was 1.60%.

On September 2 and November 15, 2022, PFFA issued tax-exempt Water Commercial Paper Notes in the amount of \$7,643 and \$32,090 to finance the design, acquisition, construction, installation, and improvements of components of the City's water system. The interest rates on the issued Water CP Notes were 1.77% and 2.73%, respectively.

Unwinding of Proposition B

On July 9, 2022, approximately 3,200 employees joined SDCERS and about 300 employees elected to remain in the SPSP-H Defined Contribution Plan. The fiscal year 2023 annual pension payment required per the June 30, 2021 actuarial valuation did not include the pension "normal cost" of approximately \$35.2 million for the employees entering SDCERS as part of the Proposition B negotiations. There is uncertainty on what action the SDCERS Board will take regarding the fiscal year 2023 unfunded normal costs. However, the SDCERS Board is expected to issue a supplemental bill to the City to be included as part of the Actuarially Determined Contribution (ADC) for fiscal year 2024, payable on July 1, 2023.

The City has budgeted \$30.2 million in fiscal year 2023 (\$18.2 million for the General Fund) for SPSP-H employer contributions that will largely go unused since most Proposition B employees transferred to SDCERS in early fiscal year 2023. These funds could be used to pay a normal cost supplemental bill should one be issued. To date, the City has made penalty payments totaling approximately \$18,500 to existing employees affected by Proposition B as part of the City's Make-Whole Provision, of which the General Fund share was approximately \$9,800.

City of San Diego v. SDG&E

On November 28, 2022, in the matter of City of San Diego v. SDG&E, the court issued an order granting SDG&E's motion for summary judgment and denying the City's motion for summary judgment. The court ruled that the Manual of Administrative Practices applies to the dispute, that the City's provision of water is a proprietary activity, and that the City is responsible for the cost of relocating SDG&E infrastructure in conflict with the alignment of City pipelines. The City will appeal. See Note 17 for additional information regarding the SDG&E Reservation of Rights Agreement.



**Required Supplementary  
Information (Unaudited) -  
Defined Benefit Pension Plans and OPEB Plan**





## REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

June 30, 2022

(Dollars in Thousands)

## GASB 67 and 68 Reporting

## Schedule of Changes in Net Pension Liability and Related Ratios

Total Pension Liability	FYE 2021	FYE 2020	FYE 2019	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2014
Service Cost (Middle of Year)	\$ 147,459	\$ 127,076	\$ 118,597	\$ 108,871	\$ 106,877	\$ 93,804	\$ 102,688	\$ 107,003
Interest (Includes Interest on Service Cost)	709,283	663,823	640,508	628,500	613,529	573,760	554,988	537,875
Differences Between Expected and Actual Experience	77,579	186,951	143,136	58,618	71,123	21,285	46,416	—
Changes in Assumptions	—	290,843	—	266,606	249,740	620,314	—	—
Benefit Payments, Including Refunds of Member Contributions	(597,413)	(561,837)	(534,023)	(515,078)	(477,039)	(452,781)	(429,238)	(384,980)
Net Change in Total Pension Liability	336,908	706,856	368,218	547,517	564,230	856,382	274,854	259,898
Total Pension Liability, Beginning	11,133,482	10,426,626	10,058,408	9,510,891	8,946,661	8,090,279	7,815,425	7,555,527
Total Pension Liability, Ending	11,470,390	11,133,482	10,426,626	10,058,408	9,510,891	8,946,661	8,090,279	7,815,425
<b>Plan Fiduciary Net Position</b>								
Contributions-Employer	369,678	354,349	326,982	328,922	265,572	259,543	268,061	279,659
Contributions-Member	67,026	68,652	62,709	57,937	57,050	59,377	59,042	65,467
Net Investment Income	1,980,288	19,006	477,484	594,843	857,923	64,155	207,653	935,051
Benefit Payments, Including Refunds of Member Contributions	(597,413)	(561,837)	(534,023)	(515,078)	(477,039)	(452,781)	(429,238)	(384,980)
Administrative Expense	(11,160)	(10,688)	(10,238)	(10,570)	(10,778)	(10,900)	(8,693)	(10,467)
Net Change in Plan Fiduciary Net Position	1,808,419	(130,518)	322,914	456,054	692,728	(80,606)	96,825	884,730
Plan Fiduciary Net Position, Beginning	7,637,285	7,767,803	7,444,889	6,988,835	6,296,107	6,376,713	6,279,888	5,395,158
Plan Fiduciary Net Position, Ending	9,445,704	7,637,285	7,767,803	7,444,889	6,988,835	6,296,107	6,376,713	6,279,888
Net Pension Liability, Ending	\$ 2,024,686	\$ 3,496,197	\$ 2,658,823	\$ 2,613,519	\$ 2,522,056	\$ 2,650,554	\$ 1,713,566	\$ 1,535,537
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>								
Covered Pensionable Payroll	\$ 501,204	\$ 484,764	\$ 455,753	\$ 448,890	\$ 465,100	\$ 480,662	\$ 480,536	\$ 499,463
Net Pension Liability as a Percentage of Covered Payroll	403.96 %	721.22 %	583.39 %	582.22 %	542.26 %	551.44 %	356.59 %	307.44 %

Pension Schedules are intended to show information for ten years. Data will be displayed as it becomes available.

**GASB 73 Reporting****Preservation of Benefits Plan Schedule of Changes in Total Pension Liability**

Total Pension Liability	FYE 2021	FYE 2020	FYE 2019	FYE 2018	FYE 2017	FYE 2016
Service Cost (Middle of Year)	\$ 251	\$ 119	\$ 87	\$ 54	\$ 60	\$ 36
Interest (Includes Interest on Service Cost)	372	402	425	353	313	406
Differences Between Expected and Actual Experience	876	2,707	999	2,352	635	—
Changes in Assumptions	130	3,553	424	(216)	(589)	1,588
Benefit Payments	(1,562)	(1,481)	(1,403)	(1,430)	(1,634)	(1,596)
Net Change in Total Pension Liability	67	5,300	532	1,113	(1,215)	434
Total Pension Liability, Beginning	17,477	12,177	11,645	10,532	11,747	11,313
Total Pension Liability, Ending	\$ 17,544	\$ 17,477	\$ 12,177	\$ 11,645	\$ 10,532	\$ 11,747
Covered Pensionable Payroll	\$501,204	\$484,764	\$455,753	\$448,890	\$465,100	\$480,662
Total Pension Liability as a Percentage of Covered Payroll	3.50 %	3.61 %	2.67 %	2.59 %	2.26 %	2.44 %

Pension Schedules are intended to show information for ten years. Data will be displayed as it becomes available.

There are no assets in a trust compliant with GASB codification P22.101. The City funds benefits on a pay-as-you-go basis and elected not to pre-fund its pension obligation. As a result, there are no plan assets and the total pension liability is equal to the NPL.

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

	2022	2021	2020	2019	2018
Actuarially Determined Contribution Contributions <sup>1</sup>	\$ 414,900	\$ 365,600	\$ 350,500	\$ 322,900	\$ 324,500
Contribution Deficiency/(Excess)	\$ —	\$ —	\$ —	\$ —	\$ —
Covered Payroll <sup>2</sup>	\$ 466,864	\$ 501,204	\$ 484,764	\$ 455,753	\$ 448,890
Contributions as a Percentage of Covered Payroll	88.87 %	72.94 %	72.30 %	70.85 %	72.29 %
	2017	2016	2015	2014	2013
Actuarially Determined Contribution Contributions <sup>1</sup>	\$ 261,100	\$ 254,900	\$ 263,600	\$ 275,400	\$ 231,100
Contribution Deficiency/(Excess)	\$ —	\$ —	\$ —	\$ —	\$ (43)
Covered Payroll <sup>2</sup>	\$ 465,100	\$ 480,662	\$ 480,536	\$ 499,463	\$ 511,091
Contributions as a Percentage of Covered Payroll	56.14 %	53.03 %	54.86 %	55.14 %	45.23 %

Valuation Date: 6/30/2020

**Key Methods and Assumptions Used to Determine Contributions:**

Actuarial Cost Method	Entry Age Normal.
Asset Valuation Method	Expected Value Method.
Amortization Method	Closed periods. Payments are a level percentage of payroll (Police) or level dollar (non-Police). In the 2007 valuation, the amortization period was reduced from 27 to 20 years, with subsequent gains or losses amortized over different periods depending on the source. In the 2012 valuation, as a result of Proposition B, the UAL for the non-Police portion of the plan was re-amortized over a closed 15-year period with level dollar amounts. In the 2017 valuation, a five-year layering method was adopted for certain components of the UAL in order to improve the projected stability of future employer contributions.
Discount Rate	6.50%. The discount rate was reduced from 8.00% to 7.75% in the 2008 valuation, from 7.75% to 7.50% in the 2011 valuation, from 7.50% to 7.25% in the 2013 valuation, from 7.25% to 7.125% in the 2015 valuation, from 7.125% to 7.00% in the 2016 valuation, from 7.00% to 6.75% in the 2017 valuation, and from 6.75% to 6.50% in the 2018 valuation.
Amortization Growth Rate	3.05%. Same pattern of changes described below for salary increase assumption (excluding freezes).
Wage Inflation	3.05%. Same pattern of changes described below for salary increase assumption.
Salary Increases	3.05% (following assumed freezes in fiscal years 2013-2018) plus merit component based on employee classification and years of service. The across-the-board salary increase assumption was reduced from 4.25% to 4.00% in the 2008 valuation, from 4.00% to 3.75% in the 2011 valuation, from 3.75% to 3.30% in the 2013 valuation, from 3.30% to 3.175% in the 2015 valuation, and from 3.175% to 3.05% in the 2016 valuation. In the 2011 valuation, a two-year salary freeze assumption (for fiscal years 2013-2014) was added and in the 2013 valuation an additional four-year freeze was assumed (fiscal years 2015-2018).
Cost-Of-Living Adjustments	1.9%, combined annually. The COLA assumption was reduced from 2.0% to 1.9% in the 2016 valuation.
Mortality	Retired healthy members use the CalPERS Post-Retirement Healthy Mortality Table base rates from the CalPERS January 2014 Experience Study, with a 10% increase to female rates, with projection for improvement. From 2005-2007 (valuation years), the UP-1994 table was used, with a two-year setback for males and females. From 2008-2010, the RP-2000 Combined Mortality Table was used, with a two-year set forward for males and females. From 2011-2015, healthy retired members used the RP-2000 Combined Mortality Table (male and female), with rates set forward one year for Safety female members.

A complete description of the methods and assumptions used to determine contribution rates for the year ended June 30, 2022 can be found in the June 30, 2020 Actuarial Valuation Report.

The annual money-weighted rate of return on pension plan investments can be found in the separately issued SDCERS financial report available at [www.sdcers.org](http://www.sdcers.org).

<sup>1</sup> Contribution is only for ADC, not including COLA and DROP.

<sup>2</sup> Covered Payroll is pensionable payroll for SDCERS members as of the beginning of the measurement year.

**OPEB TRUST FUND****GASB 75 Reporting****Schedule of Changes in the Net OPEB Liability and Related Ratios (Dollars in Thousands)**

<b>Total OPEB Liability</b>	<b>FYE 2021</b>	<b>FYE 2020</b>	<b>FYE 2019</b>	<b>FYE 2018</b>	<b>FYE 2017</b>
Service Cost	\$ 610	\$ 709	\$ 815	\$ 1,010	\$ 1,237
Interest on the Total OPEB Liability	36,828	36,287	36,549	43,543	43,617
Differences Between Expected and Actual Experience	(1,509)	4,019	1,293	(3,432)	(4,915)
Changes in Assumptions	(17,886)	9,553	7,459	(91,058)	—
Benefit Payments	(39,067)	(39,744)	(39,705)	(41,360)	(40,280)
Net Change in Total OPEB Liability	(21,024)	10,824	6,411	(91,297)	(341)
Total OPEB Liability, Beginning	592,268	581,444	575,033	666,330	666,671
Total OPEB Liability, Ending	<u>\$ 571,244</u>	<u>\$ 592,268</u>	<u>\$ 581,444</u>	<u>\$ 575,033</u>	<u>\$ 666,330</u>
<b>Plan Fiduciary Net Position</b>					
Contributions-Employer	\$ 33,849	\$ 36,352	\$ 37,436	\$ 30,379	\$ 30,326
Contributions-Member	292	378	463	577	719
Net Investment Income	24,204	6,438	7,990	7,348	8,590
Benefit Payments	(39,067)	(39,744)	(39,705)	(41,360)	(40,280)
Administrative Expense	(46)	(59)	(25)	(61)	(59)
Net Change in Plan Fiduciary Net Position	19,232	3,365	6,159	(3,117)	(704)
Plan Fiduciary Net Position, Beginning	122,293	118,928	112,769	115,886	116,590
Plan Fiduciary Net Position, Ending	141,525	122,293	118,928	112,769	115,886
Net OPEB Liability, Ending	<u>\$ 429,719</u>	<u>\$ 469,975</u>	<u>\$ 462,516</u>	<u>\$ 462,264</u>	<u>\$ 550,444</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24.77 %	20.65 %	20.45 %	19.61 %	17.39 %
Covered-Employee Payroll	\$ 31,957	\$ 38,667	\$ 46,073	\$ 51,372	\$ 61,397
Net OPEB Liability as a Percentage of Covered-Employee Payroll	1344.68 %	1215.44 %	1003.88 %	899.84 %	896.53 %

OPEB Schedules are intended to show information for ten years. Data will be displayed as it becomes available.

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

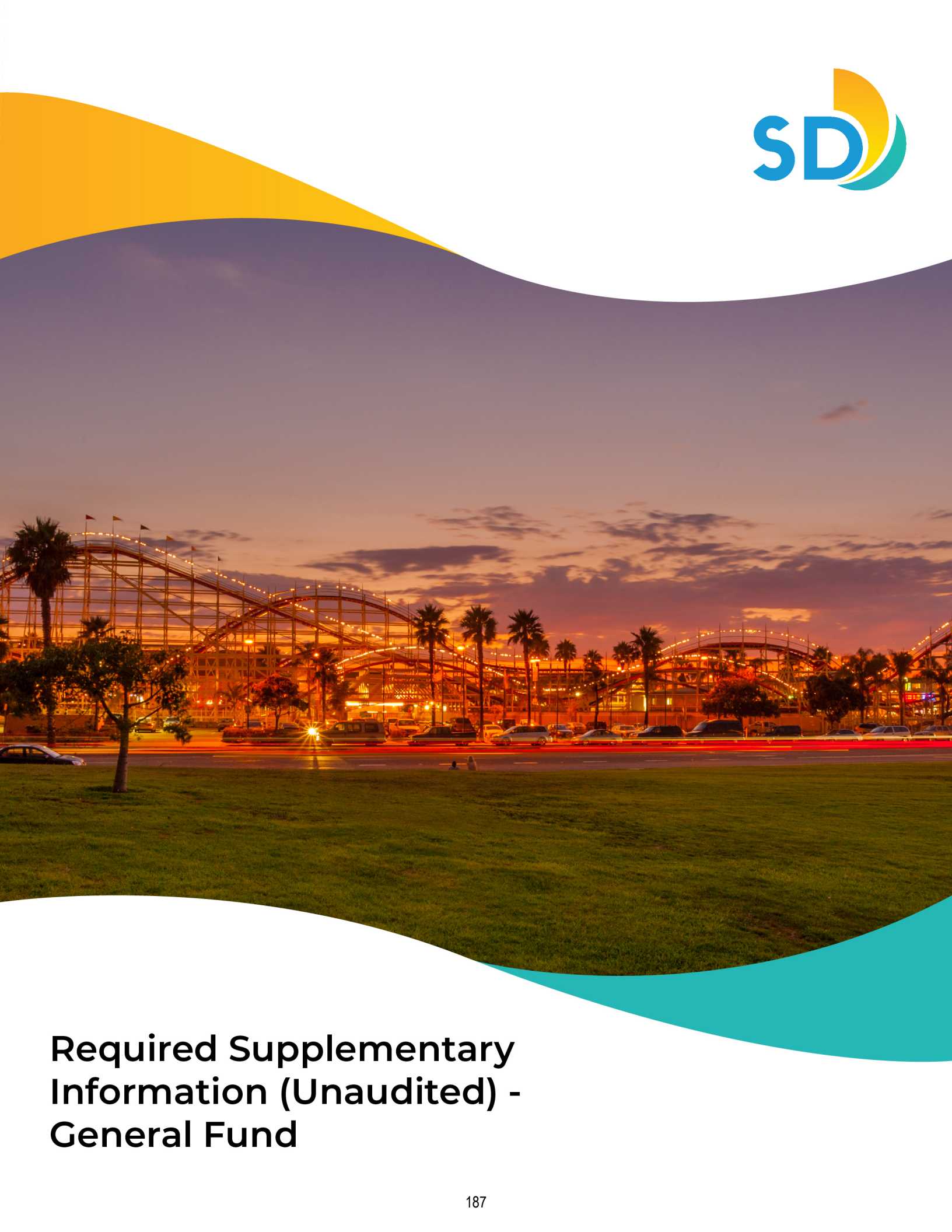
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually Required Contribution	\$ 65,376	\$ 65,376	\$ 65,376	\$ 63,781
Contributions in Relation to the Contractually Required Contributions	<u>65,376</u>	<u>65,376</u>	<u>65,376</u>	<u>63,781</u>
Contribution Deficiency/(Excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered-Employee Payroll <sup>1</sup>	\$ 32,116	\$ 38,707	\$ 46,073	\$ 51,483
Contributions as a Percentage of Covered-Employee Payroll	203.56 %	168.90 %	141.90 %	123.89 %
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 62,225	\$ 60,707	\$ 59,227	\$ 57,782
Contributions in Relation to the Contractually Required Contributions	<u>62,225</u>	<u>60,707</u>	<u>59,227</u>	<u>57,782</u>
Contribution Deficiency/(Excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered-Employee Payroll <sup>1</sup>	\$ 62,437	\$ 61,397	\$ 74,002	\$ 87,252
Contributions as a Percentage of Covered-Employee Payroll	99.66 %	98.88 %	80.03 %	66.22 %

OPEB Contributions are intended to show information for ten years. Data will be displayed as it becomes available.

<sup>1</sup> Covered-Employee Payroll includes payroll for active employees in Options A and B only.



**Page Intentionally Left Blank**



# Required Supplementary Information (Unaudited) - General Fund





## General Fund

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

General Fund revenues are derived from such sources as: Taxes; Franchise Fees, Licenses and Permits; Fines, Forfeitures, and Penalties; Revenue from the Use of Money and Property; Revenue from Federal and Other Agencies; Revenue from Private Sources; Charges for Current Services; and Other Revenue.

Current expenditures are classified by the following functions: General Government and Support; Public Safety - Police; Public Safety - Fire and Life Safety and Homeland Security; Parks, Recreation, Culture and Leisure; Transportation; Sanitation and Health; Neighborhood Services; Capital Outlay; and Debt Service Principal and Interest. This fund is appropriated annually.

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Fiscal Year Ended June 30, 2022**  
**(Dollars in Thousands)**

	Original Budget	Final Budget	Actual Amounts <sup>1</sup>	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property Taxes .....	\$ 672,247	\$ 672,247	\$ 663,141	\$ (9,106)
Sales Taxes .....	320,823	323,018	375,602	52,584
Transient Occupancy Taxes .....	95,456	95,456	136,468	41,012
Franchise Fees .....	79,999	87,874	91,403	3,529
Other Local Taxes .....	11,242	11,242	17,404	6,162
Licenses and Permits .....	43,549	43,789	43,841	52
Fines, Forfeitures and Penalties .....	27,509	27,509	30,279	2,770
Revenue from Use of Money and Property .....	62,262	68,499	71,297	2,798
Revenue from Federal Agencies .....	1,359	1,359	134	(1,225)
Revenue from Other Agencies .....	6,459	6,459	7,871	1,412
Revenue from Private Sources .....	167	167	220	53
Charges for Current Services .....	156,771	168,619	174,506	5,887
Other Revenue .....	2,635	2,635	7,316	4,681
<b>TOTAL REVENUES</b> .....	<b>1,480,478</b>	<b>1,508,873</b>	<b>1,619,482</b>	<b>110,609</b>
<b>EXPENDITURES</b>				
Current:				
General Government and Support .....	308,102	306,717	305,455	1,262
Public Safety - Police .....	591,092	600,764	600,763	1
Public Safety - Fire and Life Safety and Homeland Security .....	306,497	327,701	327,701	—
Parks, Recreation, Culture and Leisure .....	193,477	190,469	190,469	—
Transportation .....	81,521	79,224	79,219	5
Sanitation and Health .....	103,795	102,872	102,697	175
Neighborhood Services .....	49,288	47,111	47,111	—
Capital Outlay .....	1,715	1,953	1,701	252
Debt Service:				
Principal Retirement .....	15,331	13,197	11,089	2,108
Interest .....	1,630	3,215	3,078	137
<b>TOTAL EXPENDITURES</b> .....	<b>1,652,448</b>	<b>1,673,223</b>	<b>1,669,283</b>	<b>3,940</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b> ...	<b>(171,970)</b>	<b>(164,350)</b>	<b>(49,801)</b>	<b>114,549</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from Other Funds .....	263,070	255,195	189,455	(65,740)
Transfers to Proprietary Funds .....	—	(217)	(217)	—
Transfers to Other Funds .....	(91,102)	(91,111)	(90,730)	381
Proceeds from the Sale of Capital Assets .....	—	—	3	3
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>171,968</b>	<b>163,867</b>	<b>98,511</b>	<b>(65,356)</b>
<b>NET CHANGE IN FUND BALANCE</b> .....	<b>(2)</b>	<b>(483)</b>	<b>48,710</b>	<b>49,193</b>
FUND BALANCE AT BEGINNING OF YEAR .....	235,239	235,239	235,239	—
<b>FUND BALANCE AT END OF YEAR</b> .....	<b>\$ 235,237</b>	<b>\$ 234,756</b>	<b>\$ 283,949</b>	<b>\$ 49,193</b>

See accompanying note to required supplementary information.

<sup>1</sup> Amounts include funds associated with General Fund operations as reported in the City's budget. Financial statements prepared on a GAAP basis include additional funds that do not meet the criteria to be classified as special revenue funds, pursuant to GASB Statement No. 54.

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**Fiscal Year Ended June 30, 2022**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Budgetary Data**

Each year, the Mayor submits to the City Council and the public a proposed operating and capital improvements budget by April 15 for the fiscal year commencing July 1. This budget includes annual budgets for the following governmental funds:

- **General Fund**
- **Special Revenue Funds**
  - City of San Diego:
    - Acquisition, Improvement and Operations
    - SDCCU Stadium Operations
    - Transient Occupancy Tax
    - Underground Surcharge
    - Zoological Exhibits
    - Storm Drain Revenue
    - Other Special Revenue
- **Capital Projects Funds**
  - City of San Diego:
    - TransNet
    - Capital Outlay

Included in the budget are funds that include appropriations for personnel expenses and capital projects and certain funds that collect restricted or committed revenue sources. For those funds not specifically included in the budget, the Appropriation Ordinance includes authorization to appropriate funds for the purpose established by applicable laws and/or in accordance with provisions of agreements authorized by the City Council.

Public hearings are conducted to obtain residents' comments on the proposed budget. A budget resolution legally adopting the budget for the next fiscal year is passed prior to June 15. During the month of July, the Appropriation Ordinance is passed by the City Council, appropriating funds according to the budget resolution. Budgets are prepared on the modified accrual basis of accounting, with the exception that any increase/decrease in advances to other funds and agencies are considered as additions/deductions of expenditures. The City budget is prepared excluding unrealized gains or losses resulting from the change in fair value of investments.

Budgetary control is established at the highest level by the Charter and further defined by the City Council in the Annual 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.

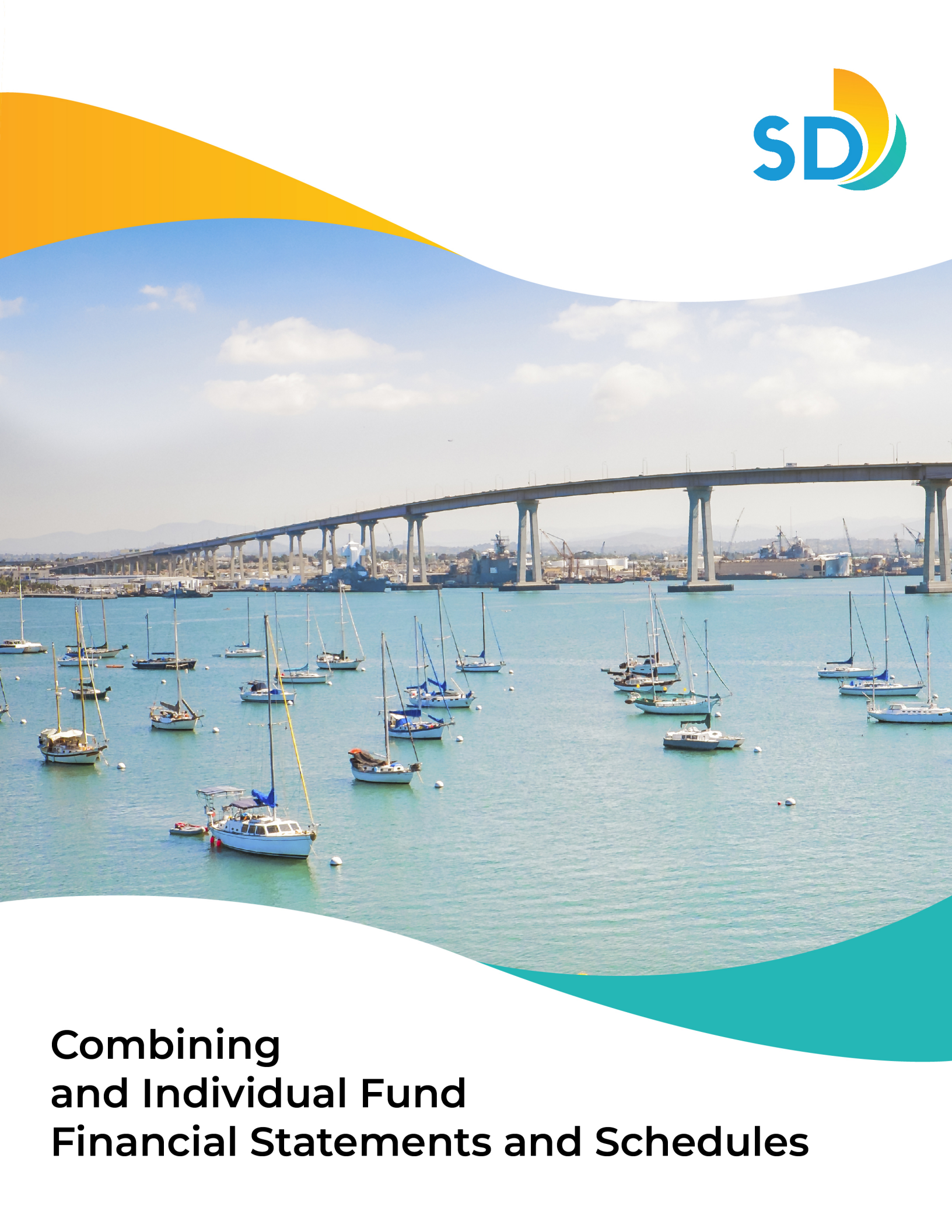
Reported budget figures are as originally adopted or subsequently amended. Appropriations lapse at year-end to the extent that they have not been expended except for those of a capital nature, which continue to subsequent years.

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, 2022 (dollars in thousands):

	General Fund
Net Change in Fund Balance - GAAP Basis	\$ 51,218
Add (Deduct):	
Unrealized Loss, June 30, 2022	9,605
Unrealized Gain, June 30, 2021	901
Advances to Other Funds, June 30, 2022	(674)
Advances to Other Funds, June 30, 2021	733
Other Perspective Differences <sup>1</sup>	(1,723)
Other Fund Activity <sup>2</sup>	(11,350)
Net Change in Fund Balance - Budgetary Basis	<u>\$ 48,710</u>

<sup>1</sup> The City budgets and expends property management fees annually at a set monthly amount. This amount is then reconciled to monthly expenses for the property on a GAAP basis. Includes budgetary adjustments related to GASB Statement No. 87, *Leases*.

<sup>2</sup> The General Fund budgetary schedule includes funds associated with General Fund operations as reported in the City's budget. General Fund financial statements prepared on a GAAP basis include additional funds that do not meet the criteria to be classified as a special revenue fund, pursuant to GASB Statement No. 54. The City administers a number of these funds as separate budgetary entities.



# **Combining and Individual Fund Financial Statements and Schedules**





# General Fund





**GENERAL FUND**  
**SCHEDULE OF REVENUES AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Fiscal Year Ended June 30, 2022**  
**(Dollars in Thousands)**

	Actual on Budgetary Basis <sup>1</sup>	Final Budget	Variance with Final Budget Positive (Negative)
<b>PROPERTY TAXES</b>			
Current Year - Secured (One Percent Allocation)	\$ 415,500	\$ 460,361	\$ (44,861)
Current Year Supplemental - Secured	7,640	—	7,640
Current Year - Unsecured	11,003	—	11,003
Current Unsecured Supplemental Roll	118	—	118
Homeowners' Exemptions - Secured	2,415	—	2,415
Homeowners' Exemptions - Unsecured	1	—	1
Prior years' - Secured	1,289	—	1,289
Prior years' - Unsecured	47	—	47
In-Lieu Vehicle License Fees	167,836	170,579	(2,743)
Interest and Penalties on Delinquent Taxes	1,055	—	1,055
Escapes - Secured	6,565	—	6,565
Escapes - Unsecured	620	—	620
Other Property Taxes	41,280	41,307	(27)
State Secured Unitary	7,772	—	7,772
<b>TOTAL PROPERTY TAXES</b>	<b>663,141</b>	<b>672,247</b>	<b>(9,106)</b>
<b>SALES TAXES</b>	<b>375,602</b>	<b>323,018</b>	<b>52,584</b>
<b>TRANSIENT OCCUPANCY TAXES</b>	<b>136,468</b>	<b>95,456</b>	<b>41,012</b>
<b>FRANCHISE FEES</b>	<b>91,403</b>	<b>87,874</b>	<b>3,529</b>
<b>OTHER LOCAL TAXES</b>			
Property Transfer Tax	17,404	11,242	6,162
<b>LICENSES AND PERMITS</b>			
General Business Licenses	6,954	7,776	(822)
Refuse Collection Business Licenses	1,514	972	542
Other Regulatory Business Licenses	4	—	4
Rental Unit Tax	7,149	7,285	(136)
Other Licenses and Permits	28,220	27,756	464
<b>TOTAL LICENSES AND PERMITS</b>	<b>43,841</b>	<b>43,789</b>	<b>52</b>
<b>FINES, FORFEITURES AND PENALTIES</b>			
California Vehicle Code Violations	26,702	23,737	2,965
Other City Ordinance Code Violations	3,577	3,772	(195)
<b>TOTAL FINES, FORFEITURES AND PENALTIES</b>	<b>30,279</b>	<b>27,509</b>	<b>2,770</b>
<b>REVENUE FROM USE OF MONEY AND PROPERTY</b>			
Interest on Investments	995	3,409	(2,414)
Balboa Park Rents and Concessions	281	208	73
Mission Bay Park Rents and Concessions	36,228	31,641	4,587
Other Rents and Concessions	33,793	33,241	552
<b>TOTAL REVENUE FROM USE OF MONEY AND PROPERTY</b>	<b>71,297</b>	<b>68,499</b>	<b>2,798</b>
<b>REVENUE FROM FEDERAL AGENCIES</b>	<b>134</b>	<b>1,359</b>	<b>(1,225)</b>
<b>REVENUE FROM OTHER AGENCIES</b>			
State Motor Vehicle License Fees	1,632	—	1,632
Local Relief	55	82	(27)
Other	6,184	6,377	(193)
<b>TOTAL REVENUE FROM OTHER AGENCIES</b>	<b>7,871</b>	<b>6,459</b>	<b>1,412</b>

(Continued on Next Page)

**GENERAL FUND**  
**SCHEDULE OF REVENUES AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Fiscal Year Ended June 30, 2022**  
**(Dollars in Thousands)**

	Actual on Budgetary Basis <sup>1</sup>	Final Budget	Variance with Final Budget Positive (Negative)
<b>REVENUE FROM PRIVATE SOURCES</b> .....	\$ 220	\$ 167	\$ 53
<b>CHARGES FOR CURRENT SERVICES</b>			
Cemetery Revenue .....	1,165	693	472
Fire Services .....	17,413	15,215	2,198
Library Revenue .....	523	441	82
Police Services .....	6,424	7,278	(854)
Swimming Pools Revenue .....	515	1,165	(650)
Miscellaneous Recreation Revenue .....	4,292	4,460	(168)
Other Services .....	1,543	2,068	(525)
Services Rendered to Other Funds for:			
General Government and Financial .....	142,514	136,974	5,540
Miscellaneous Services .....	117	325	(208)
<b>TOTAL CHARGES FOR CURRENT SERVICES</b> .....	174,506	168,619	5,887
<b>OTHER REVENUE</b>			
Other Refunds of Prior Years' Expenditures .....	4,625	69	4,556
Repairs and Damage Recoveries .....	312	471	(159)
Sale of Personal Property .....	19	44	(25)
Miscellaneous Revenue .....	2,360	2,051	309
<b>TOTAL OTHER REVENUE</b> .....	7,316	2,635	4,681
<b>TOTAL REVENUES</b> .....	1,619,482	1,508,873	110,609
<b>TRANSFERS FROM OTHER FUNDS</b>			
Special Revenue Funds:			
City of San Diego:			
Interfund Transfers .....	151,743	255,195	(103,452)
SDCCU Stadium Operations .....	1,920	—	1,920
Transient Occupancy Tax .....	24,541	—	24,541
Capital Projects Funds:			
TransNet - Budgeted .....	10,852	—	10,852
Permanent Funds:			
Cemetery Perpetuity .....	399	—	399
<b>TOTAL TRANSFERS FROM OTHER FUNDS</b> .....	189,455	255,195	(65,740)
<b>PROCEEDS FROM THE SALE OF CAPITAL ASSETS</b> .....	3	—	3
<b>TOTAL REVENUE AND TRANSFERS</b> .....	\$ 1,808,940	\$ 1,764,068	\$ 44,872

<sup>1</sup> Amounts include funds associated with General Fund operations as reported in the City's budget. Financial statements prepared on a GAAP basis include additional funds that do not meet the criteria to be classified as special revenue funds, pursuant to GASB Statement No. 54. Transfers between the General Fund and these additional funds are titled "Interfund Transfers."

**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Fiscal Year Ended June 30, 2022**  
**(Dollars in Thousands)**

	Actual on Budgetary Basis <sup>1</sup>	Final Budget	Variance with Final Budget (Negative)
<b>GENERAL GOVERNMENT AND SUPPORT</b>			
Office of the Mayor			
Salaries and Wages .....	\$ 2,019	\$ 2,019	\$ —
Non-Personnel .....	1,290	1,290	—
Total Office of the Mayor .....	<u>3,309</u>	<u>3,309</u>	<u>—</u>
City Council District 1			
Salaries and Wages .....	763	769	6
Non-Personnel .....	633	764	131
Total City Council District 1 .....	<u>1,396</u>	<u>1,533</u>	<u>137</u>
City Council District 2			
Salaries and Wages .....	842	842	—
Non-Personnel .....	685	761	76
Total City Council District 2 .....	<u>1,527</u>	<u>1,603</u>	<u>76</u>
City Council District 3			
Salaries and Wages .....	782	782	—
Non-Personnel .....	650	651	1
Total City Council District 3 .....	<u>1,432</u>	<u>1,433</u>	<u>1</u>
City Council District 4			
Salaries and Wages .....	711	711	—
Non-Personnel .....	836	975	139
Total City Council District 4 .....	<u>1,547</u>	<u>1,686</u>	<u>139</u>
City Council District 5			
Salaries and Wages .....	685	694	9
Non-Personnel .....	529	580	51
Total City Council District 5 .....	<u>1,214</u>	<u>1,274</u>	<u>60</u>
City Council District 6			
Salaries and Wages .....	730	750	20
Non-Personnel .....	371	383	12
Total City Council District 6 .....	<u>1,101</u>	<u>1,133</u>	<u>32</u>
City Council District 7			
Salaries and Wages .....	796	796	—
Non-Personnel .....	621	627	6
Total City Council District 7 .....	<u>1,417</u>	<u>1,423</u>	<u>6</u>
City Council District 8			
Salaries and Wages .....	752	755	3
Non-Personnel .....	888	1,139	251
Total City Council District 8 .....	<u>1,640</u>	<u>1,894</u>	<u>254</u>
City Council District 9			
Salaries and Wages .....	801	801	—
Non-Personnel .....	459	579	120
Total City Council District 9 .....	<u>1,260</u>	<u>1,380</u>	<u>120</u>
Council Administration			
Salaries and Wages .....	1,577	1,577	—
Non-Personnel .....	1,339	1,431	92
Total Council Administration .....	<u>2,916</u>	<u>3,008</u>	<u>92</u>

(Continued on Next Page)

**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Fiscal Year Ended June 30, 2022**  
**(Dollars in Thousands)**

	Actual on Budgetary Basis <sup>1</sup>	Final Budget	Variance with Final Budget (Negative)
City Clerk			
Salaries and Wages .....	\$ 2,470	\$ 2,470	\$ —
Non-Personnel .....	3,432	3,534	102
Total City Clerk .....	<u>5,902</u>	<u>6,004</u>	<u>102</u>
Independent Budget Analyst			
Salaries and Wages .....	1,281	1,292	11
Non-Personnel .....	932	1,086	154
Total Independent Budget Analyst .....	<u>2,213</u>	<u>2,378</u>	<u>165</u>
City Attorney			
Salaries and Wages .....	38,801	38,801	—
Non-Personnel .....	30,900	30,900	—
Total City Attorney .....	<u>69,701</u>	<u>69,701</u>	<u>—</u>
Personnel			
Salaries and Wages .....	5,529	5,529	—
Non-Personnel .....	5,386	5,386	—
Total Personnel .....	<u>10,915</u>	<u>10,915</u>	<u>—</u>
Ethics Commission			
Salaries and Wages .....	611	611	—
Non-Personnel .....	565	565	—
Total Ethics Commission .....	<u>1,176</u>	<u>1,176</u>	<u>—</u>
Office of the City Auditor			
Salaries and Wages .....	2,379	2,379	—
Non-Personnel .....	1,862	1,865	3
Total Office of the City Auditor .....	<u>4,241</u>	<u>4,244</u>	<u>3</u>
Commission on Police Practices			
Salaries and Wages .....	277	277	—
Non-Personnel .....	214	214	—
Total Commission on Police Practices .....	<u>491</u>	<u>491</u>	<u>—</u>
Performance and Analytics			
Salaries and Wages .....	1,714	1,714	—
Non-Personnel .....	2,432	2,432	—
Total Performance and Analytics .....	<u>4,146</u>	<u>4,146</u>	<u>—</u>
Human Resources			
Salaries and Wages .....	3,503	3,503	—
Non-Personnel .....	3,175	3,175	—
Total Human Resources .....	<u>6,678</u>	<u>6,678</u>	<u>—</u>
Department of Information Technology			
Non-Personnel .....	840	840	—
Office of the Chief Operating Officer			
Salaries and Wages .....	1,751	1,754	3
Non-Personnel .....	1,433	1,433	—
Total Office of the Chief Operating Officer .....	<u>3,184</u>	<u>3,187</u>	<u>3</u>

**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Fiscal Year Ended June 30, 2022**  
**(Dollars in Thousands)**

	Actual on Budgetary Basis <sup>1</sup>	Final Budget	Variance with Final Budget (Negative)
Communications			
Salaries and Wages .....	\$ 2,610	\$ 2,610	\$ —
Non-Personnel .....	2,530	2,531	1
Total Communications .....	<u>5,140</u>	<u>5,141</u>	<u>1</u>
Office of Boards and Commissions			
Salaries and Wages .....	486	499	13
Non-Personnel .....	290	290	—
Total Office of Boards and Commissions .....	<u>776</u>	<u>789</u>	<u>13</u>
Government Affairs			
Salaries and Wages .....	721	721	—
Non-Personnel .....	450	469	19
Total Government Affairs .....	<u>1,171</u>	<u>1,190</u>	<u>19</u>
Debt Management			
Salaries and Wages .....	1,358	1,358	—
Non-Personnel .....	898	899	1
Total Debt Management .....	<u>2,256</u>	<u>2,257</u>	<u>1</u>
Purchasing and Contracting			
Salaries and Wages .....	2,897	2,927	30
Non-Personnel .....	15,472	15,472	—
Total Purchasing and Contracting .....	<u>18,369</u>	<u>18,399</u>	<u>30</u>
City Treasurer			
Salaries and Wages .....	7,220	7,220	—
Non-Personnel .....	9,583	9,583	—
Total City Treasurer .....	<u>16,803</u>	<u>16,803</u>	<u>—</u>
Department of Finance			
Salaries and Wages .....	10,411	10,411	—
Non-Personnel .....	9,496	9,503	7
Total Department of Finance .....	<u>19,907</u>	<u>19,914</u>	<u>7</u>
Real Estate Assets			
Salaries and Wages .....	2,491	2,491	—
Non-Personnel .....	2,813	2,813	—
Total Real Estate Assets .....	<u>5,304</u>	<u>5,304</u>	<u>—</u>
Office of Sustainability			
Salaries and Wages .....	457	457	—
Non-Personnel .....	349	349	—
Total Office of Sustainability .....	<u>806</u>	<u>806</u>	<u>—</u>
Compliance			
Salaries and Wages .....	1,235	1,235	—
Non-Personnel .....	869	869	—
Total Compliance .....	<u>2,104</u>	<u>2,104</u>	<u>—</u>
General Services			
Salaries and Wages .....	8,980	8,980	—
Non-Personnel .....	12,835	12,835	—
Total General Services .....	<u>21,815</u>	<u>21,815</u>	<u>—</u>

(Continued on Next Page)

**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Fiscal Year Ended June 30, 2022**  
**(Dollars in Thousands)**

	Actual on Budgetary Basis <sup>1</sup>	Final Budget	Variance with Final Budget (Negative)
Citywide Expenses			
Salaries and Wages .....	\$ 81	\$ 81	\$ —
Non-Personnel .....	82,677	82,678	1
Total Citywide Expenses .....	82,758	82,759	1
<b>TOTAL GENERAL GOVERNMENT AND SUPPORT .....</b>	<b>305,455</b>	<b>306,717</b>	<b>1,262</b>
<b>PUBLIC SAFETY - POLICE</b>			
Salaries and Wages .....	295,359	295,359	—
Non-Personnel .....	305,404	305,405	1
<b>TOTAL PUBLIC SAFETY - POLICE .....</b>	<b>600,763</b>	<b>600,764</b>	<b>1</b>
<b>PUBLIC SAFETY - FIRE AND LIFE SAFETY AND HOMELAND SECURITY</b>			
Fire - Rescue			
Salaries and Wages .....	153,860	153,860	—
Non-Personnel .....	170,704	170,704	—
Total Fire - Rescue .....	324,564	324,564	—
Office of Homeland Security			
Salaries and Wages .....	1,274	1,274	—
Non-Personnel .....	1,863	1,863	—
Total Office of Homeland Security .....	3,137	3,137	—
<b>TOTAL PUBLIC SAFETY - FIRE AND LIFE SAFETY AND HOMELAND SECURITY .....</b>	<b>327,701</b>	<b>327,701</b>	<b>—</b>
<b>PARKS, RECREATION, CULTURE AND LEISURE</b>			
Library			
Salaries and Wages .....	21,376	21,376	—
Non-Personnel .....	38,234	38,234	—
Total Library .....	59,610	59,610	—
Parks and Recreation			
Salaries and Wages .....	40,538	40,538	—
Non-Personnel .....	87,560	87,560	—
Total Parks and Recreation .....	128,098	128,098	—
Reservoir Concessions			
Non-Personnel .....	2,761	2,761	—
<b>TOTAL PARKS, RECREATION, CULTURE AND LEISURE .....</b>	<b>190,469</b>	<b>190,469</b>	<b>—</b>
<b>TRANSPORTATION</b>			
Transportation			
Salaries and Wages .....	25,970	25,970	—
Non-Personnel .....	50,191	50,191	—
Total Transportation .....	76,161	76,161	—
Mobility			
Salaries and Wages .....	1,429	1,429	—
Non-Personnel .....	1,629	1,634	5
Total Mobility .....	3,058	3,063	5
<b>TOTAL TRANSPORTATION .....</b>	<b>79,219</b>	<b>79,224</b>	<b>5</b>

**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Fiscal Year Ended June 30, 2022**  
**(Dollars in Thousands)**

	Actual on Budgetary Basis <sup>1</sup>	Final Budget	Variance with Final Budget (Negative)
<b>SANITATION AND HEALTH</b>			
Environmental Services			
Salaries and Wages .....	\$ 10,919	\$ 10,919	\$ —
Non-Personnel .....	41,028	41,028	—
Total Environmental Services .....	51,947	51,947	—
Stormwater			
Salaries and Wages .....	15,976	15,976	—
Non-Personnel .....	34,774	34,949	175
Total Stormwater .....	50,750	50,925	175
<b>TOTAL SANITATION AND HEALTH .....</b>	<b>102,697</b>	<b>102,872</b>	<b>175</b>
<b>NEIGHBORHOOD SERVICES</b>			
Development Services			
Salaries and Wages .....	4,300	4,300	—
Non-Personnel .....	4,124	4,124	—
Total Development Services .....	8,424	8,424	—
Economic Development			
Salaries and Wages .....	4,297	4,297	—
Non-Personnel .....	16,148	16,148	—
Total Economic Development .....	20,445	20,445	—
Planning			
Salaries and Wages .....	4,220	4,220	—
Non-Personnel .....	3,977	3,977	—
Total Planning .....	8,197	8,197	—
Office of Race and Equity			
Salaries and Wages .....	161	161	—
Non-Personnel .....	68	68	—
Total Office of Race and Equity .....	229	229	—
Homelessness Strategies			
Salaries and Wages .....	925	925	—
Non-Personnel .....	8,891	8,891	—
Total Homelessness Strategies .....	9,816	9,816	—
<b>TOTAL NEIGHBORHOOD SERVICES .....</b>	<b>47,111</b>	<b>47,111</b>	<b>—</b>
<b>CAPITAL OUTLAY .....</b>	<b>1,701</b>	<b>1,953</b>	<b>252</b>
<b>DEBT SERVICE</b>			
Principal Retirement .....	11,089	13,197	2,108
Interest .....	3,078	3,215	137
<b>TOTAL DEBT SERVICE .....</b>	<b>14,167</b>	<b>16,412</b>	<b>2,245</b>
<b>TOTAL EXPENDITURES .....</b>	<b>1,669,283</b>	<b>1,673,223</b>	<b>3,940</b>

(Continued on Next Page)

**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Fiscal Year Ended June 30, 2022**  
**(Dollars in Thousands)**

	Actual on Budgetary Basis <sup>1</sup>	Final Budget	Variance with Final Budget (Negative)
<b>TRANSFERS TO PROPRIETARY FUNDS</b>			
Internal Service Funds:			
Publishing Services .....	\$ 188	\$ 188	\$ —
Central Stores .....	29	29	—
<b>TOTAL TRANSFERS TO PROPRIETARY FUNDS</b>	<u>217</u>	<u>217</u>	<u>—</u>
<b>TRANSFERS TO OTHER FUNDS</b>			
Special Revenue Funds:			
City of San Diego:			
Interfund Transfers .....	23,569	23,950	381
Transient Occupancy Tax .....	12,196	12,196	—
Other Special Revenue - Unbudgeted .....	2,356	2,356	—
Total Special Revenue Funds .....	<u>38,121</u>	<u>38,502</u>	<u>381</u>
Debt Service Funds:			
Public Facilities Financing Authority .....	25,285	25,285	—
Capital Projects Funds:			
City of San Diego:			
Capital Outlay - Budgeted .....	16,307	16,307	—
Capital Outlay - Unbudgeted .....	11,017	11,017	—
Total Capital Projects Funds .....	<u>27,324</u>	<u>27,324</u>	<u>—</u>
<b>TOTAL TRANSFERS TO OTHER FUNDS</b> .....	<u>90,730</u>	<u>91,111</u>	<u>381</u>
<b>TOTAL EXPENDITURES AND TRANSFERS</b> .....	<u>\$ 1,760,230</u>	<u>\$ 1,764,551</u>	<u>\$ 4,321</u>

<sup>1</sup> 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, 2022  
(Dollars in Thousands)**

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
<b>ASSETS</b>					
Cash and Investments .....	\$ 546,865	\$ 5	\$ 738,605	\$ —	\$ 1,285,475
Receivables:					
Taxes - Net of Allowance for Uncollectibles .....	33,056	—	39,247	—	72,303
Accounts - Net of Allowance for Uncollectibles .....	5,848	5,504	285	—	11,637
Claims .....	—	—	28,626	—	28,626
Special Assessments .....	4,707	—	—	—	4,707
Notes .....	301,030	—	—	—	301,030
Loans .....	79,493	—	—	—	79,493
Accrued Interest .....	585	1	670	6	1,262
Grants .....	24,689	—	68,525	—	93,214
Interfund Loan Receivable .....	—	—	26,167	—	26,167
Leases .....	4,138	—	1,727	—	5,865
Advances to Other Agencies .....	7,097	—	7,421	—	14,518
Land Held for Resale .....	17,769	—	—	—	17,769
Restricted Cash and Investments .....	1,291	11,647	54,029	21,117	88,084
<b>TOTAL ASSETS</b> .....	<u>\$ 1,026,568</u>	<u>\$ 17,157</u>	<u>\$ 965,302</u>	<u>\$ 21,123</u>	<u>\$ 2,030,150</u>
<b>LIABILITIES</b>					
Accounts Payable .....	\$ 51,439	\$ —	\$ 20,837	\$ 6	\$ 72,282
Accrued Wages and Benefits .....	514	—	—	—	514
Other Accrued Liabilities .....	7	—	20,949	—	20,956
Due to Other Funds .....	15	—	45,429	—	45,444
Due to Other Agencies .....	7	—	—	—	7
Unearned Revenue .....	43,668	—	17,002	—	60,670
Interfund Loan Payable .....	—	—	26,167	—	26,167
<b>TOTAL LIABILITIES</b> .....	<u>95,650</u>	<u>—</u>	<u>130,384</u>	<u>6</u>	<u>226,040</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue - Taxes .....	1,102	—	36,622	—	37,724
Unavailable Revenue - Grants .....	14,031	—	48,452	—	62,483
Unavailable Revenue - Other .....	4,558	5,504	285	—	10,347
Lease Related .....	4,076	—	1,678	—	5,754
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b> .....	<u>23,767</u>	<u>5,504</u>	<u>87,037</u>	<u>—</u>	<u>116,308</u>
<b>FUND BALANCES</b>					
Nonspendable .....	—	—	—	18,058	18,058
Restricted .....	863,130	11,653	794,261	3,059	1,672,103
Committed .....	58,077	—	18,609	—	76,686
Unassigned (Deficit) .....	(14,056)	—	(64,989)	—	(79,045)
<b>TOTAL FUND BALANCES</b> .....	<u>907,151</u>	<u>11,653</u>	<u>747,881</u>	<u>21,117</u>	<u>1,687,802</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b> .....	<u>\$ 1,026,568</u>	<u>\$ 17,157</u>	<u>\$ 965,302</u>	<u>\$ 21,123</u>	<u>\$ 2,030,150</u>

**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Fiscal Year Ended June 30, 2022**  
**(Dollars in Thousands)**

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
<b>REVENUES</b>					
Property Taxes .....	\$ 18,750	\$ —	\$ —	\$ —	\$ 18,750
Special Assessments .....	69,193	—	—	—	69,193
Sales Taxes .....	—	—	37,654	—	37,654
Transient Occupancy Taxes .....	122,642	—	—	—	122,642
Franchises .....	71,580	—	—	—	71,580
Licenses and Permits .....	13,104	—	79,710	—	92,814
Fines, Forfeitures and Penalties .....	2,954	—	—	—	2,954
Revenue (Loss) from Use of Money and Property .....	6,830	493	(8,543)	(2,145)	(3,365)
Revenue from Federal Agencies .....	212,166	—	24,456	—	236,622
Revenue from Other Agencies .....	15,153	11,810	8,767	—	35,730
Revenue from Private Sources .....	2,669	—	95	—	2,764
Charges for Current Services .....	25,171	—	240	180	25,591
Other Revenue .....	3,454	—	150	—	3,604
<b>TOTAL REVENUES .....</b>	<b>563,666</b>	<b>12,303</b>	<b>142,529</b>	<b>(1,965)</b>	<b>716,533</b>
<b>EXPENDITURES</b>					
Current:					
General Government and Support .....	14,803	—	3,063	—	17,866
Public Safety - Police .....	9,631	—	1,090	—	10,721
Public Safety - Fire and Life Safety and Homeland Security .....	13,579	—	788	—	14,367
Parks, Recreation, Culture and Leisure .....	131,840	—	907	37	132,784
Transportation .....	14,957	—	7,799	—	22,756
Sanitation and Health .....	7,953	—	120	57	8,130
Neighborhood Services .....	240,844	—	663	—	241,507
Capital Outlay .....	19,070	—	168,210	—	187,280
Debt Service:					
Principal Retirement .....	738	41,115	475	—	42,328
Cost of Issuance .....	—	105	—	—	105
Interest .....	101	26,013	126	—	26,240
<b>TOTAL EXPENDITURES .....</b>	<b>453,516</b>	<b>67,233</b>	<b>183,241</b>	<b>94</b>	<b>704,084</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES .....</b>	<b>110,150</b>	<b>(54,930)</b>	<b>(40,712)</b>	<b>(2,059)</b>	<b>12,449</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from Other Funds .....	18,852	54,582	28,759	—	102,193
Transfers to Proprietary Funds .....	(10,196)	—	—	—	(10,196)
Transfers to Other Funds .....	(55,677)	—	(15,182)	(549)	(71,408)
Proceeds from the Sale of Capital Assets .....	2,201	—	358	—	2,559
Leases .....	596	—	—	—	596
<b>TOTAL OTHER FINANCING SOURCES (USES) .....</b>	<b>(44,224)</b>	<b>54,582</b>	<b>13,935</b>	<b>(549)</b>	<b>23,744</b>
<b>NET CHANGE IN FUND BALANCES .....</b>	<b>65,926</b>	<b>(348)</b>	<b>(26,777)</b>	<b>(2,608)</b>	<b>36,193</b>
Fund Balances at Beginning of Year .....	841,225	12,001	774,658	23,725	1,651,609
<b>FUND BALANCES AT END OF YEAR .....</b>	<b>\$ 907,151</b>	<b>\$ 11,653</b>	<b>\$ 747,881</b>	<b>\$ 21,117</b>	<b>\$ 1,687,802</b>



# Nonmajor Governmental Funds - Special Revenue



## SPECIAL REVENUE FUNDS

Special revenue funds are used to account for the proceeds of specific revenue sources (other than those for debt service or major capital projects) that are restricted or committed to expenditures for specified purposes.

### **CITY OF SAN DIEGO**

#### ACQUISITION, IMPROVEMENT AND OPERATIONS - BUDGETED

This fund accounts for various operating activities including business improvement areas, lighting and landscape maintenance areas, facilities financing, and the City's public art program. Revenues are derived from business tax surcharges, special assessments on property, various rents, concessions and fees.

#### SDCCU STADIUM OPERATIONS - BUDGETED

This fund accounts for the operations of the Stadium. The Stadium was host to San Diego State University Aztecs football, the San Diego County Credit Union Holiday Bowl, and other special events. Revenues were derived from rents, concessions, parking, and advertising. On July 6th, 2020; Ordinance Number 21204 authorized the sale of the real property where the Stadium was located.

#### 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. 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 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.

#### STORM DRAIN REVENUE - BUDGETED

This fund was established to collect Storm Drain fees for general purposes, operations, maintenance, capital projects, and management of the storm drain system. Proposition 218 places restrictions on the fee collection and uses of Storm Drain fees.

#### OTHER SPECIAL REVENUE - BUDGETED

This fund was established to account for revenues derived specifically for a variety of budgeted special programs administered by City departments such as Development Services, Planning and Police. Revenues in this fund are derived from service charges, revenues from other agencies, and fines.

#### GRANTS - UNBUDGETED

This fund was established to account for revenue received from federal, state and other governmental agencies. Expenditures are made and accounted for as prescribed by appropriate grant provisions/agreements.

#### LOW-MODERATE INCOME HOUSING - UNBUDGETED

This fund was established to account for affordable housing assets transferred from the Successor Agency to the Successor Housing Entity, which is the City, as required by California Health and Safety Code Section 34176(d), due to the dissolution of the Redevelopment Agency. This fund will also account for any future revenues generated from the housing assets.

#### OTHER SPECIAL REVENUE - UNBUDGETED

This fund was established to account for revenues earmarked for a variety of special programs administered by such City departments as Economic Development, Libraries, Parks and Recreation, and Police. Revenues in this fund are derived from such sources as parking fees, service charges, special assessments, contributions from other agencies and private sources, and interest earnings.

**BLENDED COMPONENT UNITS****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.

**ENHANCED INFRASTRUCTURE FINANCING DISTRICT PUBLIC FINANCING AUTHORITY (EIFDPFA)**

This fund was established to finance certain public infrastructure and community benefit projects authorized under the EIFD Law Government Code sections 53398.50 through 53398.88.



**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE**  
**COMBINING BALANCE SHEET**  
**June 30, 2022**  
(Dollars in Thousands)

	City of San Diego	TSRFC	EIFDPFA	Total
<b>ASSETS</b>				
Cash and Investments .....	\$ 546,684	\$ —	\$ 181	\$ 546,865
Receivables:				
Taxes - Net of Allowance for Uncollectibles .....	33,019	—	37	33,056
Accounts - Net of Allowance for Uncollectibles .....	5,848	—	—	5,848
Special Assessments .....	4,707	—	—	4,707
Notes .....	301,030	—	—	301,030
Loans .....	79,493	—	—	79,493
Accrued Interest .....	583	—	2	585
Grants .....	24,689	—	—	24,689
Leases .....	4,138	—	—	4,138
Advances to Other Agencies .....	7,097	—	—	7,097
Land Held for Resale .....	17,769	—	—	17,769
Restricted Cash and Investments .....	1,163	128	—	1,291
<b>TOTAL ASSETS</b> .....	<u>\$ 1,026,220</u>	<u>\$ 128</u>	<u>\$ 220</u>	<u>\$ 1,026,568</u>
<b>LIABILITIES</b>				
Accounts Payable .....	\$ 51,427	\$ —	\$ 12	\$ 51,439
Accrued Wages and Benefits .....	514	—	—	514
Other Accrued Liabilities .....	7	—	—	7
Due to Other Funds .....	15	—	—	15
Due to Other Agencies .....	7	—	—	7
Unearned Revenue .....	43,668	—	—	43,668
<b>TOTAL LIABILITIES</b> .....	<u>95,638</u>	<u>—</u>	<u>12</u>	<u>95,650</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Taxes .....	1,102	—	—	1,102
Unavailable Revenue - Grants .....	14,031	—	—	14,031
Unavailable Revenue - Other .....	4,558	—	—	4,558
Lease Related .....	4,076	—	—	4,076
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b> .....	<u>23,767</u>	<u>—</u>	<u>—</u>	<u>23,767</u>
<b>FUND BALANCES</b>				
Restricted .....	862,794	128	208	863,130
Committed .....	58,077	—	—	58,077
Unassigned (Deficit) .....	(14,056)	—	—	(14,056)
<b>TOTAL FUND BALANCES</b> .....	<u>906,815</u>	<u>128</u>	<u>208</u>	<u>907,151</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b> .....	<u>\$ 1,026,220</u>	<u>\$ 128</u>	<u>\$ 220</u>	<u>\$ 1,026,568</u>

**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Fiscal Year Ended June 30, 2022**  
**(Dollars in Thousands)**

	City of San Diego	TSRFC	EIFDPFA	Total
<b>REVENUES</b>				
Property Taxes .....	\$ 17,218	\$ —	\$ 1,532	\$ 18,750
Special Assessments .....	69,193	—	—	69,193
Transient Occupancy Taxes .....	122,642	—	—	122,642
Franchises .....	71,580	—	—	71,580
Licenses and Permits .....	13,104	—	—	13,104
Fines, Forfeitures and Penalties .....	2,954	—	—	2,954
Revenue (Loss) from Use of Money and Property .....	6,832	—	(2)	6,830
Revenue from Federal Agencies .....	212,166	—	—	212,166
Revenue from Other Agencies .....	15,153	—	—	15,153
Revenue from Private Sources .....	2,669	—	—	2,669
Charges for Current Services .....	25,171	—	—	25,171
Other Revenue .....	3,454	—	—	3,454
<b>TOTAL REVENUES</b> .....	<b>562,136</b>	<b>—</b>	<b>1,530</b>	<b>563,666</b>
<b>EXPENDITURES</b>				
Current:				
General Government and Support .....	14,660	50	93	14,803
Public Safety - Police .....	9,631	—	—	9,631
Public Safety - Fire and Life Safety and Homeland Security .....	13,579	—	—	13,579
Parks, Recreation, Culture and Leisure .....	131,840	—	—	131,840
Transportation .....	14,957	—	—	14,957
Sanitation and Health .....	7,953	—	—	7,953
Neighborhood Services .....	240,844	—	—	240,844
Capital Outlay .....	19,070	—	—	19,070
Debt Service:				
Principal Retirement .....	738	—	—	738
Interest .....	101	—	—	101
<b>TOTAL EXPENDITURES</b> .....	<b>453,373</b>	<b>50</b>	<b>93</b>	<b>453,516</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b> .....	<b>108,763</b>	<b>(50)</b>	<b>1,437</b>	<b>110,150</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from Other Funds .....	18,852	—	—	18,852
Transfers to Proprietary Funds .....	(10,196)	—	—	(10,196)
Transfers to Other Funds .....	(54,242)	—	(1,435)	(55,677)
Proceeds from the Sale of Capital Assets .....	2,201	—	—	2,201
Leases .....	596	—	—	596
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>(42,789)</b>	<b>—</b>	<b>(1,435)</b>	<b>(44,224)</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>65,974</b>	<b>(50)</b>	<b>2</b>	<b>65,926</b>
Fund Balances at Beginning of Year .....	840,841	178	206	841,225
<b>FUND BALANCES AT END OF YEAR</b> .....	<b>\$ 906,815</b>	<b>\$ 128</b>	<b>\$ 208</b>	<b>\$ 907,151</b>



CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
COMBINING BALANCE SHEET  
June 30, 2022  
(Dollars in Thousands)

	Budgeted			
	Acquisition, Improvement and Operations	SDCCU Stadium Operations	Transient Occupancy Tax	Underground Surcharge
<b>ASSETS</b>				
Cash and Investments .....	\$ 33,014	\$ 6	\$ 18,580	\$ 212,155
Receivables:				
Taxes - Net of Allowance for Uncollectibles .....	—	—	15,329	17,212
Accounts - Net of Allowance for Uncollectibles .....	854	420	868	129
Special Assessments .....	94	—	—	—
Notes .....	—	—	—	—
Loans .....	—	—	—	—
Accrued Interest .....	30	—	4	228
Grants .....	—	—	—	—
Leases .....	—	—	—	—
Advances to Other Agencies .....	508	—	—	—
Land Held for Resale .....	—	—	—	—
Restricted Cash and Investments .....	—	—	—	—
<b>TOTAL ASSETS</b> .....	<b>\$ 34,500</b>	<b>\$ 426</b>	<b>\$ 34,781</b>	<b>\$ 229,724</b>
<b>LIABILITIES</b>				
Accounts Payable .....	\$ 2,192	\$ 1	\$ 16,304	\$ 8,132
Accrued Wages and Benefits .....	195	—	90	120
Other Accrued Liabilities .....	—	3	—	—
Due to Other Funds .....	—	—	—	—
Due to Other Agencies .....	—	—	—	—
Advances from Other Funds .....	—	—	—	—
<b>TOTAL LIABILITIES</b> .....	<b>2,387</b>	<b>4</b>	<b>16,394</b>	<b>8,252</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Taxes .....	—	—	732	—
Unavailable Revenue - Grants .....	—	—	—	—
Unavailable Revenue - Other .....	854	420	516	—
Lease Related .....	—	—	—	—
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b> .....	<b>854</b>	<b>420</b>	<b>1,248</b>	<b>—</b>
<b>FUND BALANCES</b>				
Restricted .....	24,846	—	—	221,472
Committed .....	6,413	2	17,139	—
Unassigned (Deficit) .....	—	—	—	—
<b>TOTAL FUND BALANCES</b> .....	<b>31,259</b>	<b>2</b>	<b>17,139</b>	<b>221,472</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b> .....	<b>\$ 34,500</b>	<b>\$ 426</b>	<b>\$ 34,781</b>	<b>\$ 229,724</b>

			Unbudgeted				
Zoological Exhibits	Storm Drain Revenue	Other Special Revenue	Grants	Low-Moderate Income Housing	Other Special Revenue	Total	
\$ 10,895	\$ 578	\$ 16,405	\$ 28,374	\$ 48,414	\$ 178,263	\$ 546,684	
478	—	—	—	—	—	33,019	
—	1,272	33	2	—	2,270	5,848	
—	—	—	—	—	4,613	4,707	
—	—	—	—	297,026	4,004	301,030	
—	—	—	77,994	—	1,499	79,493	
—	—	20	67	52	182	583	
—	—	—	24,689	—	—	24,689	
—	—	—	—	271	3,867	4,138	
—	—	—	—	—	6,589	7,097	
—	—	—	—	17,769	—	17,769	
—	—	—	—	1,163	—	1,163	
<u>\$ 11,373</u>	<u>\$ 1,850</u>	<u>\$ 16,458</u>	<u>\$ 131,126</u>	<u>\$ 364,695</u>	<u>\$ 201,287</u>	<u>\$ 1,026,220</u>	
\$ 10,647	\$ 574	\$ 2,396	\$ 7,454	\$ 205	\$ 3,522	\$ 51,427	
—	—	109	—	—	—	514	
—	—	—	—	—	4	7	
—	—	—	—	—	15	15	
—	—	—	7	—	—	7	
—	—	—	41,559	—	2,109	43,668	
<u>10,647</u>	<u>574</u>	<u>2,505</u>	<u>49,020</u>	<u>205</u>	<u>5,650</u>	<u>95,638</u>	
370	—	—	—	—	—	1,102	
—	—	—	14,031	—	—	14,031	
—	574	33	—	—	2,161	4,558	
—	—	—	—	271	3,805	4,076	
<u>370</u>	<u>574</u>	<u>33</u>	<u>14,031</u>	<u>271</u>	<u>5,966</u>	<u>23,767</u>	
356	702	8,699	82,116	364,219	160,384	862,794	
—	—	5,221	—	—	29,302	58,077	
—	—	—	(14,041)	—	(15)	(14,056)	
<u>356</u>	<u>702</u>	<u>13,920</u>	<u>68,075</u>	<u>364,219</u>	<u>189,671</u>	<u>906,815</u>	
<u>\$ 11,373</u>	<u>\$ 1,850</u>	<u>\$ 16,458</u>	<u>\$ 131,126</u>	<u>\$ 364,695</u>	<u>\$ 201,287</u>	<u>\$ 1,026,220</u>	

**CITY OF SAN DIEGO**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Fiscal Year Ended June 30, 2022**  
**(Dollars in Thousands)**

	Budgeted			
	Acquisition, Improvement and Operations	SDCCU Stadium Operations	Transient Occupancy Tax	Underground Surcharge
<b>REVENUES</b>				
Property Taxes .....	\$ —	\$ —	\$ —	\$ —
Special Assessments .....	19,528	—	—	—
Transient Occupancy Taxes .....	—	—	122,642	—
Franchises .....	—	—	—	71,479
Licenses and Permits .....	36	—	21	—
Fines, Forfeitures and Penalties .....	—	—	3	23
Revenue (Loss) from Use of Money and Property .....	(417)	4	2,188	(3,151)
Revenue from Federal Agencies .....	—	—	—	—
Revenue from Other Agencies .....	—	—	—	—
Revenue from Private Sources .....	9	—	1,079	—
Charges for Current Services .....	7,525	—	9	—
Other Revenue .....	858	143	1	2
<b>TOTAL REVENUES</b> .....	<b>27,539</b>	<b>147</b>	<b>125,943</b>	<b>68,353</b>
<b>EXPENDITURES</b>				
Current:				
General Government and Support .....	3,835	—	—	—
Public Safety - Police .....	—	—	—	—
Public Safety - Fire and Life Safety and Homeland Security .....	—	—	—	—
Parks, Recreation, Culture and Leisure .....	19,662	—	63,438	—
Transportation .....	—	—	1	14,732
Sanitation and Health .....	—	—	—	—
Neighborhood Services .....	2,944	—	—	—
Capital Outlay .....	391	—	—	3,029
Debt Service:				
Principal Retirement .....	—	—	—	138
Interest .....	—	—	—	5
<b>TOTAL EXPENDITURES</b> .....	<b>26,832</b>	<b>—</b>	<b>63,439</b>	<b>17,904</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b> .....	<b>707</b>	<b>147</b>	<b>62,504</b>	<b>50,449</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from Other Funds .....	162	—	12,196	—
Transfers to Proprietary Funds .....	—	—	(10,196)	—
Transfers to Other Funds .....	—	(1,920)	(48,399)	—
Proceeds from the Sale of Capital Assets .....	—	—	—	—
Leases .....	—	—	—	—
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>162</b>	<b>(1,920)</b>	<b>(46,399)</b>	<b>—</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>869</b>	<b>(1,773)</b>	<b>16,105</b>	<b>50,449</b>
Fund Balances at Beginning of Year .....	30,390	1,775	1,034	171,023
<b>FUND BALANCES AT END OF YEAR</b> .....	<b>\$ 31,259</b>	<b>\$ 2</b>	<b>\$ 17,139</b>	<b>\$ 221,472</b>

			Unbudgeted				
Zoological Exhibits	Storm Drain Revenue	Other Special Revenue	Grants	Low-Moderate Income Housing	Other Special Revenue	Total	
\$ 16,822	\$ —	\$ —	\$ —	\$ —	\$ 396	\$ 17,218	
—	—	—	—	—	49,665	69,193	
—	—	—	—	—	—	122,642	
—	—	—	—	—	101	71,580	
—	—	13,037	—	—	10	13,104	
—	—	—	—	—	2,928	2,954	
—	—	(241)	142	3,038	5,269	6,832	
—	—	522	210,458	—	1,186	212,166	
—	—	3,666	11,187	—	300	15,153	
—	—	—	—	117	1,464	2,669	
—	4,924	2,702	—	—	10,011	25,171	
—	—	10	1,244	1,014	182	3,454	
<u>16,822</u>	<u>4,924</u>	<u>19,696</u>	<u>223,031</u>	<u>4,169</u>	<u>71,512</u>	<u>562,136</u>	
—	—	5,091	4,542	—	1,192	14,660	
—	—	6,401	2,772	—	458	9,631	
—	—	972	12,176	—	431	13,579	
16,548	—	290	1,132	—	30,770	131,840	
—	—	143	32	—	49	14,957	
—	5,199	2,241	479	—	34	7,953	
—	—	3,955	204,412	2,776	26,757	240,844	
—	286	1,320	10,337	—	3,707	19,070	
—	—	—	194	—	406	738	
—	—	—	2	—	94	101	
<u>16,548</u>	<u>5,485</u>	<u>20,413</u>	<u>236,078</u>	<u>2,776</u>	<u>63,898</u>	<u>453,373</u>	
<u>274</u>	<u>(561)</u>	<u>(717)</u>	<u>(13,047)</u>	<u>1,393</u>	<u>7,614</u>	<u>108,763</u>	
—	—	225	(131)	284	6,116	18,852	
—	—	—	—	—	—	(10,196)	
—	—	(3,761)	—	—	(162)	(54,242)	
—	—	—	—	2,201	—	2,201	
—	—	—	596	—	—	596	
—	—	(3,536)	465	2,485	5,954	(42,789)	
274	(561)	(4,253)	(12,582)	3,878	13,568	65,974	
82	1,263	18,173	80,657	360,341	176,103	840,841	
<u>\$ 356</u>	<u>\$ 702</u>	<u>\$ 13,920</u>	<u>\$ 68,075</u>	<u>\$ 364,219</u>	<u>\$ 189,671</u>	<u>\$ 906,815</u>	

CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
Fiscal Year Ended June 30, 2022  
(Dollars in Thousands)

	Acquisition, Improvement and Operations			SDCCU Stadium Operations		
	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>						
Property Taxes .....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Special Assessments .....	19,528	19,709	(181)	—	—	—
Sales Taxes .....	—	—	—	—	—	—
Transient Occupancy Taxes .....	—	—	—	—	—	—
Franchises .....	—	—	—	—	—	—
Other Local Taxes .....	—	—	—	—	—	—
Licenses and Permits .....	36	30	6	—	—	—
Fines, Forfeitures and Penalties .....	—	—	—	—	—	—
Revenue from Use of Money and Property .....	191	150	41	6	—	6
Revenue from Federal Agencies .....	—	—	—	—	—	—
Revenue from Other Agencies .....	—	—	—	—	—	—
Revenue from Private Sources .....	9	—	9	—	—	—
Charges for Current Services .....	7,525	7,076	449	—	—	—
Other Revenue .....	858	—	858	143	—	143
<b>TOTAL REVENUES</b> .....	<b>28,147</b>	<b>26,965</b>	<b>1,182</b>	<b>149</b>	<b>—</b>	<b>149</b>
<b>EXPENDITURES</b>						
Current:						
General Government and Support .....	3,835	4,087	252	—	—	—
Public Safety - Police .....	—	—	—	—	—	—
Public Safety - Fire and Life Safety and Homeland Security .....	—	—	—	—	—	—
Parks, Recreation, Culture and Leisure .....	20,042	32,916	12,874	—	—	—
Transportation .....	—	—	—	—	—	—
Sanitation and Health .....	—	—	—	—	—	—
Neighborhood Services .....	2,944	3,387	443	—	—	—
Capital Outlay .....	612	—	(612)	—	—	—
Debt Service:						
Principal Retirement .....	—	—	—	—	—	—
Interest .....	—	—	—	—	—	—
<b>TOTAL EXPENDITURES</b> .....	<b>27,433</b>	<b>40,390</b>	<b>12,957</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b> .....	<b>714</b>	<b>(13,425)</b>	<b>14,139</b>	<b>149</b>	<b>—</b>	<b>149</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers from Other Funds .....	162	157	5	—	—	—
Transfers to Proprietary Funds .....	—	—	—	—	—	—
Transfers to Other Funds .....	—	(2)	2	(1,920)	(1,920)	—
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>162</b>	<b>155</b>	<b>7</b>	<b>(1,920)</b>	<b>(1,920)</b>	<b>—</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>876</b>	<b>(13,270)</b>	<b>14,146</b>	<b>(1,771)</b>	<b>(1,920)</b>	<b>149</b>
Prior Year Encumbrances .....	742	—	—	—	—	—
Fund Balances at Beginning of Year .....	28,880	28,880	—	1,773	1,773	—
<b>FUND BALANCES AT END OF YEAR</b> .....	<b>\$ 30,498</b>	<b>\$ 15,610</b>	<b>\$ 14,146</b>	<b>\$ 2</b>	<b>\$ (147)</b>	<b>\$ 149</b>



CITY OF SAN DIEGO  
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL (BUDGETARY BASIS)  
 Fiscal Year Ended June 30, 2022  
 (Dollars in Thousands)

	Transient Occupancy Tax			Underground Surcharge		
	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>						
Property Taxes .....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Special Assessments .....	—	—	—	—	—	—
Sales Taxes .....	—	—	—	—	—	—
Transient Occupancy Taxes .....	122,642	106,188	16,454	—	—	—
Franchises .....	—	—	—	71,479	65,792	5,687
Other Local Taxes .....	—	—	—	—	—	—
Licenses and Permits .....	21	40	(19)	—	—	—
Fines, Forfeitures and Penalties .....	4	—	4	23	—	23
Revenue from Use of Money and Property .....	2,435	2,431	4	1,468	3,000	(1,532)
Revenue from Federal Agencies .....	—	—	—	—	—	—
Revenue from Other Agencies .....	—	—	—	—	—	—
Revenue from Private Sources .....	1,079	1,073	6	—	—	—
Charges for Current Services .....	9	—	9	—	—	—
Other Revenue .....	1	—	1	2	—	2
<b>TOTAL REVENUES</b> .....	<b>126,191</b>	<b>109,732</b>	<b>16,459</b>	<b>72,972</b>	<b>68,792</b>	<b>4,180</b>
<b>EXPENDITURES</b>						
Current:						
General Government and Support .....	—	—	—	—	—	—
Public Safety - Police .....	—	—	—	—	—	—
Public Safety - Fire and Life Safety and Homeland Security .....	—	—	—	—	—	—
Parks, Recreation, Culture and Leisure .....	63,438	63,731	293	—	—	—
Transportation .....	1	3	2	14,732	120,349	105,617
Sanitation and Health .....	—	—	—	—	—	—
Neighborhood Services .....	—	—	—	—	—	—
Capital Outlay .....	—	—	—	4,166	—	(4,166)
Debt Service:						
Principal Retirement .....	—	—	—	138	—	(138)
Interest .....	—	—	—	5	—	(5)
<b>TOTAL EXPENDITURES</b> .....	<b>63,439</b>	<b>63,734</b>	<b>295</b>	<b>19,041</b>	<b>120,349</b>	<b>101,308</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b> .....	<b>62,752</b>	<b>45,998</b>	<b>16,754</b>	<b>53,931</b>	<b>(51,557)</b>	<b>105,488</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers from Other Funds .....	12,196	12,502	(306)	—	—	—
Transfers to Proprietary Funds .....	(10,196)	—	(10,196)	—	—	—
Transfers to Other Funds .....	(48,399)	(58,595)	10,196	—	—	—
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>(46,399)</b>	<b>(46,093)</b>	<b>(306)</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>16,353</b>	<b>(95)</b>	<b>16,448</b>	<b>53,931</b>	<b>(51,557)</b>	<b>105,488</b>
Prior Year Encumbrances .....	—	—	—	2,211	—	—
Fund Balances at Beginning of Year .....	1,034	1,034	—	168,418	168,418	—
<b>FUND BALANCES AT END OF YEAR</b> .....	<b>\$ 17,387</b>	<b>\$ 939</b>	<b>\$ 16,448</b>	<b>\$ 224,560</b>	<b>\$ 116,861</b>	<b>\$ 105,488</b>

(Continued on Next Page)

CITY OF SAN DIEGO  
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL (BUDGETARY BASIS)  
 Fiscal Year Ended June 30, 2022  
 (Dollars in Thousands)

	Zoological Exhibits			Storm Drain Revenue		
	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>						
Property Taxes .....	\$ 16,822	\$ 16,943	\$ (121)	\$ —	\$ —	\$ —
Special Assessments .....	—	—	—	—	—	—
Sales Taxes .....	—	—	—	—	—	—
Transient Occupancy Taxes .....	—	—	—	—	—	—
Franchises .....	—	—	—	—	—	—
Other Local Taxes .....	—	—	—	—	—	—
Licenses and Permits .....	—	—	—	—	—	—
Fines, Forfeitures and Penalties .....	—	—	—	—	—	—
Revenue from Use of Money and Property .....	—	—	—	—	—	—
Revenue from Federal Agencies .....	—	—	—	—	—	—
Revenue from Other Agencies .....	—	—	—	—	—	—
Revenue from Private Sources .....	—	—	—	—	—	—
Charges for Current Services .....	—	—	—	4,924	5,700	(776)
Other Revenue .....	—	—	—	—	—	—
<b>TOTAL REVENUES</b> .....	<b>16,822</b>	<b>16,943</b>	<b>(121)</b>	<b>4,924</b>	<b>5,700</b>	<b>(776)</b>
<b>EXPENDITURES</b>						
Current:						
General Government and Support .....	—	—	—	—	—	—
Public Safety - Police .....	—	—	—	—	—	—
Public Safety - Fire and Life Safety and Homeland Security .....	—	—	—	—	—	—
Parks, Recreation, Culture and Leisure .....	16,548	16,943	395	—	—	—
Transportation .....	—	—	—	—	—	—
Sanitation and Health .....	—	—	—	5,199	5,700	501
Neighborhood Services .....	—	—	—	—	—	—
Capital Outlay .....	—	—	—	286	—	(286)
Debt Service:						
Principal Retirement .....	—	—	—	—	—	—
Interest .....	—	—	—	—	—	—
<b>TOTAL EXPENDITURES</b> .....	<b>16,548</b>	<b>16,943</b>	<b>395</b>	<b>5,485</b>	<b>5,700</b>	<b>215</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b> .....	<b>274</b>	<b>—</b>	<b>274</b>	<b>(561)</b>	<b>—</b>	<b>(561)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers from Other Funds .....	—	—	—	—	—	—
Transfers to Proprietary Funds .....	—	—	—	—	—	—
Transfers to Other Funds .....	—	—	—	—	—	—
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>274</b>	<b>—</b>	<b>274</b>	<b>(561)</b>	<b>—</b>	<b>(561)</b>
Prior Year Encumbrances .....	—	—	—	—	—	—
Fund Balances at Beginning of Year .....	82	82	—	1,263	1,263	—
<b>FUND BALANCES AT END OF YEAR</b> .....	<b>\$ 356</b>	<b>\$ 82</b>	<b>\$ 274</b>	<b>\$ 702</b>	<b>\$ 1,263</b>	<b>\$ (561)</b>

CITY OF SAN DIEGO  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Fiscal Year Ended June 30, 2022**  
**(Dollars in Thousands)**

	<u>Other Special Revenue <sup>1</sup></u>		
	<u>Actual on Budgetary Basis</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Property Taxes .....	\$ —	\$ —	\$ —
Special Assessments .....	—	—	—
Sales Taxes .....	12,270	11,589	681
Transient Occupancy Taxes .....	—	—	—
Franchises .....	21,718	16,551	5,167
Other Local Taxes .....	58,323	63,252	(4,929)
Licenses and Permits .....	13,037	15,200	(2,163)
Fines, Forfeitures and Penalties .....	17	—	17
Revenue from Use of Money and Property .....	3,150	3,639	(489)
Revenue from Federal Agencies .....	522	1,188	(666)
Revenue from Other Agencies .....	5,477	5,142	335
Revenue from Private Sources .....	—	—	—
Charges for Current Services .....	251,185	266,461	(15,276)
Other Revenue .....	419	409	10
<b>TOTAL REVENUES</b> .....	<b>366,118</b>	<b>383,431</b>	<b>(17,313)</b>
<b>EXPENDITURES</b>			
Current:			
General Government and Support .....	218,018	233,117	15,099
Public Safety - Police .....	6,401	7,876	1,475
Public Safety - Fire and Life Safety and Homeland Security .....	6,391	7,174	783
Parks, Recreation, Culture and Leisure .....	18,980	6,921	(12,059)
Transportation .....	71,464	136,999	65,535
Sanitation and Health .....	2,244	7,246	5,002
Neighborhood Services .....	5,282	6,100	818
Capital Outlay .....	14,609	—	(14,609)
Debt Service:			
Principal Retirement .....	4,430	—	(4,430)
Interest .....	200	—	(200)
<b>TOTAL EXPENDITURES</b> .....	<b>348,019</b>	<b>405,433</b>	<b>57,414</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b> .....	<b>18,099</b>	<b>(22,002)</b>	<b>40,101</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from Other Funds .....	10,225	10,519	(294)
Transfers to Proprietary Funds .....	—	—	—
Transfers to Other Funds .....	(49,502)	(65,618)	16,116
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>(39,277)</b>	<b>(55,099)</b>	<b>15,822</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>(21,178)</b>	<b>(77,101)</b>	<b>55,923</b>
Prior Year Encumbrances .....	11,763	—	—
Fund Balances at Beginning of Year .....	101,186	101,186	—
<b>FUND BALANCES AT END OF YEAR</b> .....	<b>\$ 91,771</b>	<b>\$ 24,085</b>	<b>\$ 55,923</b>

<sup>1</sup> Amounts include funds that do not meet the criteria to be classified as special revenue funds pursuant to GASB Statement No. 54, which are included with the General Fund in the Governmental Funds financial statements prepared on a GAAP basis.





# **Nonmajor Governmental Funds - Debt Service**



## DEBT SERVICE FUNDS

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for general long-term debt principal, interest, and related costs.

### **BLENDED COMPONENT UNITS**

#### CONVENTION CENTER EXPANSION FINANCING AUTHORITY (CCEFA)

This fund was established to account for the debt service activities of the CCEFA. CCEFA, created by the City and the Port of San Diego, facilitates the financing, acquisition and construction of an expansion to the San Diego Convention Center. CCEFA's debt service fund is used to account for the payment of long-term debt principal and interest.

#### PUBLIC FACILITIES FINANCING AUTHORITY (PFFA)

This fund was established to account for the debt service activities of the PFFA. PFFA, a joint powers authority consisting of the City, the Successor Agency and the Housing Authority of the City of San Diego, facilitates the financing, acquisition and construction of public capital facility improvements. PFFA's debt service fund is used to account for the payment of long-term debt principal and interest.

#### TOBACCO SETTLEMENT REVENUE FUNDING CORPORATION (TSRFC)

This fund was established to account for the debt service activities of the TSRFC. TSRFC was established for the purpose of acquiring the tobacco settlement revenues allocated to the City from the State of California, pursuant to the Master Settlement Agreement. The TSRFC's debt service fund is used to account for the payment of long-term debt principal and interest.

**NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE**  
**COMBINING BALANCE SHEET**  
 June 30, 2022  
 (Dollars in Thousands)

	CCEFA	PFFA	TSRFC	Total
<b>ASSETS</b>				
Cash and Investments .....	\$ —	\$ 5	\$ —	\$ 5
Receivables:				
Accounts .....	—	—	5,504	5,504
Accrued Interest .....	—	—	1	1
Restricted Cash and Investments .....	—	—	11,647	11,647
<b>TOTAL ASSETS</b> .....	<u>\$ —</u>	<u>\$ 5</u>	<u>\$ 17,152</u>	<u>\$ 17,157</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Other .....	\$ —	\$ —	\$ 5,504	\$ 5,504
<b>FUND BALANCES</b>				
Restricted .....	—	5	11,648	11,653
<b>TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b> .....	<u>\$ —</u>	<u>\$ 5</u>	<u>\$ 17,152</u>	<u>\$ 17,157</u>

**NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
 Fiscal Year Ended June 30, 2022  
 (Dollars in Thousands)

	CCEFA	PFFA	TSRFC	Total
<b>REVENUES</b>				
Revenue from Use of Money and Property .....	\$ —	\$ —	\$ 493	\$ 493
Revenue from Other Agencies .....	—	—	11,810	11,810
<b>TOTAL REVENUES</b> .....	—	—	12,303	12,303
<b>EXPENDITURES</b>				
Debt Service:				
Principal Retirement .....	10,375	20,700	10,040	41,115
Cost of Issuance .....	—	105	—	105
Interest .....	1,717	21,874	2,422	26,013
<b>TOTAL EXPENDITURES</b> .....	12,092	42,679	12,462	67,233
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b> .....	(12,092)	(42,679)	(159)	(54,930)
<b>OTHER FINANCING SOURCES</b>				
Transfers from Other Funds .....	12,092	42,490	—	54,582
<b>NET CHANGE IN FUND BALANCES</b> .....	—	(189)	(159)	(348)
Fund Balances at Beginning of Year .....	—	194	11,807	12,001
<b>FUND BALANCES AT END OF YEAR</b> .....	<u>\$ —</u>	<u>\$ 5</u>	<u>\$ 11,648</u>	<u>\$ 11,653</u>





# **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. Funds are used to relieve traffic congestion, increase safety, and improve air quality by performing repairs, restorations, and construction of needed facilities within the public rights-of-way.

#### CAPITAL OUTLAY - BUDGETED

This fund was established to account for capital improvements per Sections 55.2 and 77 of the Charter. This fund includes a variety of capital projects including, but not limited to, building improvements to city facilities, park improvements, and street improvements. Revenues in this fund are derived from the sale of City-owned real property and Mission Bay Park lease revenues.

#### CAPITAL GRANTS - UNBUDGETED

This fund was established to account for capital grants from Federal, State and other governmental agencies.

#### PARKS & RECREATION DISTRICTS - UNBUDGETED

This fund was established to account for park fees collected at the time of subdivision or permit issuance and is mandated per the City 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 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, as well as Commercial Paper and developer impact fees under the SANDAG administered TransNet Program. Funds are used to relieve traffic congestion, increase safety, and improve air quality by performing repairs, restorations, and construction of needed facilities within the public rights-of-way.

#### CAPITAL OUTLAY - UNBUDGETED

This fund was established to account for the acquisition, construction and completion of permanent public improvements and real property. This fund also accounts for a variety of capital projects including, but not limited to, park and street improvements, and the construction of public facilities in new development areas. Revenues in this fund are derived from developer contributions, private donations, special assessments, special taxes, fees, leases, and interest derived there from.

**BLENDED COMPONENT UNITS****PUBLIC FACILITIES FINANCING AUTHORITY (PFFA)**

This fund was established to account for the capital improvement acquisition and construction activities of the PFFA. PFFA, which was created by the City and the former Redevelopment Agency, facilitates the financing and construction of public capital improvements. PFFA's current members are the City, the Successor Agency and the Housing Authority of the City of San Diego. Revenues are derived from the issuance of bonds and interest earnings on investments.

**TOBACCO SETTLEMENT REVENUE FUNDING CORPORATION (TSRFC)**

This fund was established to account for the capital improvement activities of the TSRFC. TSRFC was established for the purpose of acquiring the tobacco settlement revenues allocated to the City from the State of California, pursuant to the Master Settlement Agreement.

**ENHANCED INFRASTRUCTURE FINANCING DISTRICT PUBLIC FINANCING AUTHORITY (EIFDPFA)**

This fund was established to finance certain public infrastructure and community benefit projects authorized under the EIFD Law Government Code sections 53398.50 through 53398.88.

**NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS**  
**COMBINING BALANCE SHEET**  
**June 30, 2022**  
(Dollars in Thousands)

	City of San Diego	PFFA	TSRFC	EIFDPFA	Total
<b>ASSETS</b>					
Cash and Investments .....	\$ 734,957	\$ —	\$ 8	\$ 3,640	\$ 738,605
Receivables:					
Taxes - Net of Allowance for Uncollectibles .....	39,247	—	—	—	39,247
Accounts - Net of Allowance for Uncollectibles .....	285	—	—	—	285
Claims .....	28,626	—	—	—	28,626
Accrued Interest .....	667	—	—	3	670
Grants .....	68,525	—	—	—	68,525
Interfund Loan Receivable .....	26,167	—	—	—	26,167
Leases .....	1,727	—	—	—	1,727
Advances to Other Agencies .....	7,421	—	—	—	7,421
Restricted Cash and Investments .....	26,240	27,789	—	—	54,029
<b>TOTAL ASSETS</b> .....	<b>\$ 933,862</b>	<b>\$ 27,789</b>	<b>\$ 8</b>	<b>\$ 3,643</b>	<b>\$ 965,302</b>
<b>LIABILITIES</b>					
Accounts Payable .....	\$ 18,418	\$ 2,419	\$ —	\$ —	\$ 20,837
Other Accrued Liabilities .....	20,949	—	—	—	20,949
Due to Other Funds .....	40,856	4,573	—	—	45,429
Unearned Revenue .....	17,002	—	—	—	17,002
Interfund Loan Payable .....	26,167	—	—	—	26,167
<b>TOTAL LIABILITIES</b> .....	<b>123,392</b>	<b>6,992</b>	<b>—</b>	<b>—</b>	<b>130,384</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue - Taxes .....	36,622	—	—	—	36,622
Unavailable Revenue - Grants .....	48,452	—	—	—	48,452
Unavailable Revenue - Other .....	285	—	—	—	285
Lease Related .....	1,678	—	—	—	1,678
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b> .....	<b>87,037</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>87,037</b>
<b>FUND BALANCES</b>					
Restricted .....	769,813	20,797	8	3,643	794,261
Committed .....	18,609	—	—	—	18,609
Unassigned (Deficit) .....	(64,989)	—	—	—	(64,989)
<b>TOTAL FUND BALANCES</b> .....	<b>723,433</b>	<b>20,797</b>	<b>8</b>	<b>3,643</b>	<b>747,881</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b> .....	<b>\$ 933,862</b>	<b>\$ 27,789</b>	<b>\$ 8</b>	<b>\$ 3,643</b>	<b>\$ 965,302</b>

**NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Fiscal Year Ended June 30, 2022**  
**(Dollars in Thousands)**

	City of San Diego	PFFA	TSRFC	EIFDPFA	Total
<b>REVENUES</b>					
Sales Taxes .....	\$ 37,654	\$ —	\$ —	\$ —	\$ 37,654
Licenses and Permits .....	79,710	—	—	—	79,710
Revenue (Loss) from Use of Money and Property .....	(8,502)	16	—	(57)	(8,543)
Revenue from Federal Agencies .....	24,456	—	—	—	24,456
Revenue from Other Agencies .....	8,767	—	—	—	8,767
Revenue from Private Sources .....	95	—	—	—	95
Charges for Current Services .....	240	—	—	—	240
Other Revenue .....	150	—	—	—	150
<b>TOTAL REVENUES</b> .....	<b>142,570</b>	<b>16</b>	<b>—</b>	<b>(57)</b>	<b>142,529</b>
<b>EXPENDITURES</b>					
Current:					
General Government and Support .....	3,063	—	—	—	3,063
Public Safety - Police .....	375	715	—	—	1,090
Public Safety - Fire and Life Safety and Homeland Security .....	393	395	—	—	788
Parks, Recreation, Culture and Leisure .....	895	12	—	—	907
Transportation .....	7,799	—	—	—	7,799
Sanitation and Health .....	113	7	—	—	120
Neighborhood Services .....	663	—	—	—	663
Capital Outlay .....	118,101	50,109	—	—	168,210
Debt Service:					
Principal Retirement .....	475	—	—	—	475
Interest .....	126	—	—	—	126
<b>TOTAL EXPENDITURES</b> .....	<b>132,003</b>	<b>51,238</b>	<b>—</b>	<b>—</b>	<b>183,241</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b> .....	<b>10,567</b>	<b>(51,222)</b>	<b>—</b>	<b>(57)</b>	<b>(40,712)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from Other Funds .....	27,324	—	—	1,435	28,759
Transfers to Other Funds .....	(15,182)	—	—	—	(15,182)
Proceeds from the Sale of Capital Assets .....	358	—	—	—	358
<b>TOTAL OTHER FINANCING SOURCES</b> .....	<b>12,500</b>	<b>—</b>	<b>—</b>	<b>1,435</b>	<b>13,935</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>23,067</b>	<b>(51,222)</b>	<b>—</b>	<b>1,378</b>	<b>(26,777)</b>
Fund Balances at Beginning of Year .....	700,366	72,019	8	2,265	774,658
<b>FUND BALANCES AT END OF YEAR</b> .....	<b>\$ 723,433</b>	<b>\$ 20,797</b>	<b>\$ 8</b>	<b>\$ 3,643</b>	<b>\$ 747,881</b>



**Page Intentionally Left Blank**

CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS  
COMBINING BALANCE SHEET  
June 30, 2022  
(Dollars in Thousands)

	Budgeted	
	TransNet	Capital Outlay
<b>ASSETS</b>		
Cash and Investments .....	\$ 7,569	\$ 78,290
Receivables:		
Taxes - Net of Allowance for Uncollectibles .....	39,247	—
Accounts - Net of Allowance for Uncollectibles .....	—	—
Claims .....	—	—
Accrued Interest .....	8	35
Grants .....	—	—
Interfund Loan Receivable .....	—	—
Leases .....	—	—
Advances to Other Agencies .....	—	—
Restricted Cash and Investments .....	—	—
<b>TOTAL ASSETS</b> .....	<b>\$ 46,824</b>	<b>\$ 78,325</b>
<b>LIABILITIES</b>		
Accounts Payable .....	\$ 1,738	\$ 1,375
Other Accrued Liabilities .....	—	—
Due to Other Funds .....	—	—
Unearned Revenue .....	—	—
Interfund Loan Payable .....	—	—
<b>TOTAL LIABILITIES</b> .....	<b>1,738</b>	<b>1,375</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable Revenue - Taxes .....	36,622	—
Unavailable Revenue - Grants .....	—	—
Unavailable Revenue - Other .....	—	—
Lease Related .....	—	—
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b> .....	<b>36,622</b>	<b>—</b>
<b>FUND BALANCES</b>		
Restricted .....	8,464	76,950
Committed .....	—	—
Unassigned (Deficit) .....	—	—
<b>TOTAL FUND BALANCES (DEFICIT)</b> .....	<b>8,464</b>	<b>76,950</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b> .....	<b>\$ 46,824</b>	<b>\$ 78,325</b>



Unbudgeted							
Capital Grants	Parks & Recreation Districts	Facilities Benefit Assessments	Impact Fees	Special Assessment/ Special Tax Bonds	TransNet	Capital Outlay	Total
\$ 8,526	\$ 1,967	\$ 289,398	\$ 189,744	\$ 451	\$ 30,025	\$ 128,987	\$ 734,957
—	—	—	—	—	—	—	39,247
—	—	182	60	—	14	29	285
—	—	—	—	—	—	28,626	28,626
—	1	308	193	1	29	92	667
68,525	—	—	—	—	—	—	68,525
—	—	—	—	—	26,167	—	26,167
—	—	—	—	—	—	1,727	1,727
—	—	—	7,000	—	—	421	7,421
—	—	—	—	—	—	26,240	26,240
<u>\$ 77,051</u>	<u>\$ 1,968</u>	<u>\$ 289,888</u>	<u>\$ 196,997</u>	<u>\$ 452</u>	<u>\$ 56,235</u>	<u>\$ 186,122</u>	<u>\$ 933,862</u>
\$ 8,526	\$ 2	\$ 2,580	\$ 1,798	\$ —	\$ 1,160	\$ 1,239	\$ 18,418
—	—	—	—	—	—	20,949	20,949
40,856	—	—	—	—	—	—	40,856
1,502	—	—	—	—	—	15,500	17,002
26,167	—	—	—	—	—	—	26,167
<u>77,051</u>	<u>2</u>	<u>2,580</u>	<u>1,798</u>	<u>—</u>	<u>1,160</u>	<u>37,688</u>	<u>123,392</u>
—	—	—	—	—	—	—	36,622
48,452	—	—	—	—	—	—	48,452
—	—	182	60	—	14	29	285
—	—	—	—	—	—	1,678	1,678
<u>48,452</u>	<u>—</u>	<u>182</u>	<u>60</u>	<u>—</u>	<u>14</u>	<u>1,707</u>	<u>87,037</u>
—	1,966	287,126	195,139	452	55,061	144,655	769,813
—	—	—	—	—	—	18,609	18,609
(48,452)	—	—	—	—	—	(16,537)	(64,989)
<u>(48,452)</u>	<u>1,966</u>	<u>287,126</u>	<u>195,139</u>	<u>452</u>	<u>55,061</u>	<u>146,727</u>	<u>723,433</u>
<u>\$ 77,051</u>	<u>\$ 1,968</u>	<u>\$ 289,888</u>	<u>\$ 196,997</u>	<u>\$ 452</u>	<u>\$ 56,235</u>	<u>\$ 186,122</u>	<u>\$ 933,862</u>

**CITY OF SAN DIEGO**  
**NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Fiscal Year Ended June 30, 2022**  
**(Dollars in Thousands)**

	<u>Budgeted</u>	
	<u>TransNet</u>	<u>Capital Outlay</u>
<b>REVENUES</b>		
Sales Taxes .....	\$ 37,654	\$ —
Licenses and Permits .....	—	—
Revenue (Loss) from Use of Money and Property .....	(158)	(455)
Revenue from Federal Agencies .....	—	—
Revenue from Other Agencies .....	—	—
Revenue from Private Sources .....	—	—
Charges for Current Services .....	—	—
Other Revenue .....	—	—
<b>TOTAL REVENUES</b> .....	<u>37,496</u>	<u>(455)</u>
<b>EXPENDITURES</b>		
Current:		
General Government and Support .....	435	—
Public Safety - Police .....	—	375
Public Safety - Fire and Life Safety and Homeland Security .....	—	—
Parks, Recreation, Culture and Leisure .....	—	281
Transportation .....	6,963	19
Sanitation and Health .....	4	—
Neighborhood Services .....	—	—
Capital Outlay .....	19,903	14,663
Debt Service:		
Principal Retirement .....	—	—
Interest .....	93	—
<b>TOTAL EXPENDITURES</b> .....	<u>27,398</u>	<u>15,338</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b> .....	<u>10,098</u>	<u>(15,793)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers from Other Funds .....	—	16,307
Transfers to Other Funds .....	(10,852)	(4,046)
Proceeds from the Sale of Capital Assets .....	—	358
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<u>(10,852)</u>	<u>12,619</u>
<b>NET CHANGE IN FUND BALANCES</b> .....	(754)	(3,174)
Fund Balances (Deficit) at Beginning of Year .....	9,218	80,124
<b>FUND BALANCES (DEFICIT) AT END OF YEAR</b> .....	<u>\$ 8,464</u>	<u>\$ 76,950</u>

Unbudgeted							
Capital Grants	Parks & Recreation Districts	Facilities Benefit Assessments	Impact Fees	Special Assessment/ Special Tax Bonds	TransNet	Capital Outlay	Total
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 37,654
—	—	38,682	30,774	—	9,475	779	79,710
—	(28)	(4,278)	(2,731)	(6)	(452)	(394)	(8,502)
24,456	—	—	—	—	—	—	24,456
3,618	—	—	—	—	—	5,149	8,767
—	—	—	—	—	—	95	95
—	—	—	—	—	—	240	240
—	—	—	—	—	—	150	150
<u>28,074</u>	<u>(28)</u>	<u>34,404</u>	<u>28,043</u>	<u>(6)</u>	<u>9,023</u>	<u>6,019</u>	<u>142,570</u>
—	—	1,627	746	—	117	138	3,063
—	—	—	—	—	—	—	375
—	—	23	—	—	—	370	393
—	—	—	334	—	—	280	895
—	—	352	307	—	3	155	7,799
—	—	—	24	—	—	85	113
—	—	483	129	—	—	51	663
28,746	105	24,700	17,516	—	3,743	8,725	118,101
—	—	—	—	—	—	475	475
—	—	—	—	—	—	33	126
<u>28,746</u>	<u>105</u>	<u>27,185</u>	<u>19,056</u>	<u>—</u>	<u>3,863</u>	<u>10,312</u>	<u>132,003</u>
<u>(672)</u>	<u>(133)</u>	<u>7,219</u>	<u>8,987</u>	<u>(6)</u>	<u>5,160</u>	<u>(4,293)</u>	<u>10,567</u>
—	—	—	—	—	—	11,017	27,324
—	—	—	—	—	—	(284)	(15,182)
—	—	—	—	—	—	—	358
—	—	—	—	—	—	10,733	12,500
(672)	(133)	7,219	8,987	(6)	5,160	6,440	23,067
<u>(47,780)</u>	<u>2,099</u>	<u>279,907</u>	<u>186,152</u>	<u>458</u>	<u>49,901</u>	<u>140,287</u>	<u>700,366</u>
<u>\$ (48,452)</u>	<u>\$ 1,966</u>	<u>\$ 287,126</u>	<u>\$ 195,139</u>	<u>\$ 452</u>	<u>\$ 55,061</u>	<u>\$ 146,727</u>	<u>\$ 723,433</u>

CITY OF SAN DIEGO  
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
Fiscal Year Ended June 30, 2022  
(Dollars in Thousands)

	TransNet			Capital Outlay		
	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)	Actual on Budgetary Basis	Final Budget	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>						
Sales Taxes .....	\$ 37,654	\$ 45,375	\$ (7,721)	\$ —	\$ —	\$ —
Revenue from Use of Money and Property .....	68	—	68	311	—	311
<b>TOTAL REVENUES</b> .....	<u>37,722</u>	<u>45,375</u>	<u>(7,653)</u>	<u>311</u>	<u>—</u>	<u>311</u>
<b>EXPENDITURES</b>						
Current:						
General Government and Support .....	435	345	(90)	—	685	685
Public Safety - Police .....	—	—	—	375	1,515	1,140
Public Safety - Fire and Life Safety and Homeland Security .....	—	—	—	—	1,892	1,892
Parks, Recreation, Culture and Leisure .....	—	—	—	281	62,911	62,630
Transportation .....	7,022	59,026	52,004	19	2,673	2,654
Sanitation and Health .....	4	6,341	6,337	—	2,614	2,614
Capital Outlay .....	25,548	—	(25,548)	27,971	—	(27,971)
Debt Service-Interest .....	93	(33)	(126)	—	—	—
<b>TOTAL EXPENDITURES</b> .....	<u>33,102</u>	<u>65,679</u>	<u>32,577</u>	<u>28,646</u>	<u>72,290</u>	<u>43,644</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b> .....	<u>4,620</u>	<u>(20,304)</u>	<u>24,924</u>	<u>(28,335)</u>	<u>(72,290)</u>	<u>43,955</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers from Other Funds .....	—	—	—	16,307	12,163	4,144
Transfers to Other Funds .....	(10,852)	(10,852)	—	(4,046)	(4,046)	—
Proceeds from the Sale of Capital Assets .....	—	—	—	358	—	358
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<u>(10,852)</u>	<u>(10,852)</u>	<u>—</u>	<u>12,619</u>	<u>8,117</u>	<u>4,502</u>
<b>NET CHANGE IN FUND BALANCES</b> .....	(6,232)	(31,156)	24,924	(15,716)	(64,173)	48,457
Prior Year Encumbrances .....	9,475	—	—	19,293	—	—
Fund Balances (Deficit) at Beginning of Year .....	(282)	(282)	—	60,726	60,726	—
<b>FUND BALANCES (DEFICIT) AT END OF YEAR</b> .....	<u>\$ 2,961</u>	<u>\$ (31,438)</u>	<u>\$ 24,924</u>	<u>\$ 64,303</u>	<u>\$ (3,447)</u>	<u>\$ 48,457</u>



# **Nonmajor Governmental Funds - Permanent**



## PERMANENT FUNDS

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs (i.e., for the benefit of the City or its citizens).

### CARROLL CANYON VERNAL POOL MITIGATION

This fund was established to account for an endowment from the San Diego Unified School District (The District). The endowment is to be used to implement a Memorandum of Understanding between the City and the District for biological mitigation, park land and joint use facilities involving Salk Elementary School, McAuliffe Community Park, and the Carroll Canyon Vernal Pool Preserve.

### CEMETERY PERPETUITY

This fund was established to account for the Mt. Hope Cemetery endowment. Investment earnings derived from the endowment supplement grave sales revenues in order to finance cemetery operations.

### LIBRARY ENDOWMENTS

This fund includes the Effie Sergeant endowment, which was established to account for donations to benefit the North Park Library, and the Scripps Ranch Library endowment. Investment earnings are used to finance library services and programs.

### LOS PENASQUITOS CANYON

This fund was established to account for the Los Penasquitos Canyon Preserve Trust Fund. Investment earnings are used to finance operations, land acquisitions, historical restoration, and maintenance of the Penasquitos Preserve Park.

### OTHER ENDOWMENTS

This fund includes several miscellaneous endowments, including, Carmel Valley Sewer Maintenance, Crescent Heights Habitat Management, Environmental Trust Bankruptcy Endowment, Figg Estate, Phillip Green Memorial Trust, Sycamore Estates, and the Zoological Society-Mission Trails.

**CITY OF SAN DIEGO**  
**NONMAJOR GOVERNMENTAL FUNDS - PERMANENT**  
**COMBINING BALANCE SHEET**  
**June 30, 2022**  
**(Dollars in Thousands)**

	Carroll Canyon Vernal Pool Mitigation	Cemetery Perpetuity	Library Endowments	Los Penasquitos Canyon	Other Endowments	Total
<b>ASSETS</b>						
Receivables:						
Accrued Interest .....	\$ 3	\$ 2	\$ —	\$ —	\$ 1	\$ 6
Restricted Cash and Investments .....	2,713	12,369	846	3,188	2,001	21,117
<b>TOTAL ASSETS .....</b>	<b>\$ 2,716</b>	<b>\$ 12,371</b>	<b>\$ 846</b>	<b>\$ 3,188</b>	<b>\$ 2,002</b>	<b>\$ 21,123</b>
<b>LIABILITIES</b>						
Accounts Payable .....	\$ —	\$ —	\$ 5	\$ —	\$ 1	\$ 6
<b>FUND BALANCES</b>						
Nonspendable .....	2,482	12,371	388	1,000	1,817	18,058
Restricted .....	234	—	453	2,188	184	3,059
<b>TOTAL FUND BALANCES .....</b>	<b>2,716</b>	<b>12,371</b>	<b>841</b>	<b>3,188</b>	<b>2,001</b>	<b>21,117</b>
<b>TOTAL LIABILITIES AND FUND BALANCES .....</b>	<b>\$ 2,716</b>	<b>\$ 12,371</b>	<b>\$ 846</b>	<b>\$ 3,188</b>	<b>\$ 2,002</b>	<b>\$ 21,123</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Fiscal Year Ended June 30, 2022**  
**(Dollars in Thousands)**

	Carroll Canyon Vernal Pool Mitigation	Cemetery Perpetuity	Library Endowments	Los Penasquitos Canyon	Other Endowments	Total
<b>REVENUES</b>						
Revenue (Loss) from Use of Money and Property .....	\$ (39)	\$ (1,381)	\$ (92)	\$ (501)	\$ (132)	\$ (2,145)
Charges for Current Services .....	—	180	—	—	—	180
<b>TOTAL REVENUES .....</b>	<b>(39)</b>	<b>(1,201)</b>	<b>(92)</b>	<b>(501)</b>	<b>(132)</b>	<b>(1,965)</b>
<b>EXPENDITURES</b>						
Current:						
Parks, Recreation, Culture and Leisure .....	—	—	32	2	3	37
Sanitation and Health .....	—	57	—	—	—	57
<b>TOTAL EXPENDITURES .....</b>	<b>—</b>	<b>57</b>	<b>32</b>	<b>2</b>	<b>3</b>	<b>94</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES .....</b>	<b>(39)</b>	<b>(1,258)</b>	<b>(124)</b>	<b>(503)</b>	<b>(135)</b>	<b>(2,059)</b>
<b>OTHER FINANCING USES</b>						
Transfers to Other Funds .....	—	(399)	—	(150)	—	(549)
<b>NET CHANGE IN FUND BALANCES .....</b>	<b>(39)</b>	<b>(1,657)</b>	<b>(124)</b>	<b>(653)</b>	<b>(135)</b>	<b>(2,608)</b>
Fund Balances at Beginning of Year .....	2,755	14,028	965	3,841	2,136	23,725
<b>FUND BALANCES AT END OF YEAR .....</b>	<b>\$ 2,716</b>	<b>\$ 12,371</b>	<b>\$ 841</b>	<b>\$ 3,188</b>	<b>\$ 2,001</b>	<b>\$ 21,117</b>





# Nonmajor Enterprise Funds



## ENTERPRISE FUNDS

Enterprise funds are used to account for any activity for which a fee is charged to external users for goods or services. These funds use full accrual accounting.

### **CITY OF SAN DIEGO**

#### AIRPORTS

This fund was established to account for the operation, maintenance and development of both City-owned airports: Montgomery-Gibbs Executive Airport and Brown Field Municipal Airport. Airports Fund revenues are derived from such sources as rent/lease revenue, usage fees, earnings on investments, and aid from other governmental agencies.

#### DEVELOPMENT SERVICES

This fund was established to account for construction management, development project review, permitting, and inspection services for the City.

#### ENVIRONMENTAL SERVICES

This fund was established to account for refuse disposal, resource management, and other environmental programs.

#### GOLF COURSE

This fund was established to operate, maintain, and improve physical conditions and initiate capital improvement programs for Torrey Pines, Mission Bay, and Balboa golf courses. Revenues are derived from green fees and leases.

#### RECYCLING

This fund was established to account for the planning, implementation, operation and management of City recycling and waste diversion programs. Revenues are derived from the recycling fee on all waste generated in the City or disposed of at the City landfill.

### **BLENDED COMPONENT UNIT**

#### SAN DIEGO CONVENTION CENTER CORPORATION (SDCCC)

SDCCC is a not-for-profit public benefit corporation, originally organized to market, operate, and maintain the San Diego Convention Center. Revenues are derived mainly from building rents, food and beverage concessions, ancillary services, and contributions from the City. Expenses include maintenance, operations, and capital projects for the Convention Center.

**NONMAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF FUND NET POSITION**  
**June 30, 2022**  
(Dollars in Thousands)

	Airports	Development Services	Environmental Services	Golf Course	Recycling	SDCCC	Total
<b>ASSETS</b>							
Current Assets:							
Cash and Investments .....	\$ 15,605	\$ 42,742	\$ 34,131	\$ 34,910	\$ 40,378	\$ 24,397	\$ 192,163
Receivables:							
Accounts - Net of Allowance for Uncollectibles .....	284	1,442	1,126	539	2,391	17,291	23,073
Accrued Interest .....	20	44	81	38	70	—	253
Grants .....	96	1	969	—	183	—	1,249
Leases .....	662	—	—	—	—	—	662
Inventories .....	—	—	—	—	—	55	55
<b>Total Current Assets .....</b>	<b>16,667</b>	<b>44,229</b>	<b>36,307</b>	<b>35,487</b>	<b>43,022</b>	<b>41,743</b>	<b>217,455</b>
Non-Current Assets:							
Restricted Cash and Investments .....	74	7,722	34,153	—	13,250	—	55,199
Prepaid Expenses .....	—	—	—	—	—	943	943
Leases Receivable .....	7,919	—	—	—	—	—	7,919
Other Assets .....	—	—	—	—	—	194	194
Capital Assets - Non-Depreciable .....	2,529	3,629	13,343	9,047	—	611	29,159
Capital Assets - Depreciable .....	47,061	4,895	41,441	42,582	1,664	32,621	170,264
<b>Total Non-Current Assets .....</b>	<b>57,583</b>	<b>16,246</b>	<b>88,937</b>	<b>51,629</b>	<b>14,914</b>	<b>34,369</b>	<b>263,678</b>
<b>TOTAL ASSETS .....</b>	<b>74,250</b>	<b>60,475</b>	<b>125,244</b>	<b>87,116</b>	<b>57,936</b>	<b>76,112</b>	<b>481,133</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
OPEB Related .....	67	1,665	438	306	337	—	2,813
Pension Related .....	622	18,823	6,119	2,764	3,533	—	31,861
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES ..</b>	<b>689</b>	<b>20,488</b>	<b>6,557</b>	<b>3,070</b>	<b>3,870</b>	<b>—</b>	<b>34,674</b>
<b>LIABILITIES</b>							
Current Liabilities:							
Accounts Payable .....	225	5,816	2,417	2,420	984	1,168	13,030
Accrued Wages and Benefits .....	98	3,051	648	360	451	—	4,608
Interest Accrued on Long-Term Debt .....	—	—	3	8	—	—	11
Other Accrued Liabilities .....	—	—	—	—	—	1,747	1,747
Long-Term Liabilities Due Within One Year .....	147	4,461	4,026	1,589	747	1,979	12,949
Unearned Revenue .....	—	22,244	—	207	905	7,969	31,325
Current Liabilities Payable from Restricted Assets:							
Customer Deposits Payable .....	—	—	—	—	13,250	—	13,250
<b>Total Current Liabilities .....</b>	<b>470</b>	<b>35,572</b>	<b>7,094</b>	<b>4,584</b>	<b>16,337</b>	<b>12,863</b>	<b>76,920</b>

**NONMAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF FUND NET POSITION**  
**June 30, 2022**  
(Dollars in Thousands)

	Airports	Development Services	Environmental Services	Golf Course	Recycling	SDCCC	Total
<b>Non-Current Liabilities:</b>							
Non-Current Liabilities Payable from Restricted Assets:							
Deposits/Advances from Others .....	\$ 74	\$ 7,722	\$ —	\$ —	\$ —	\$ —	\$ 7,796
Compensated Absences .....	70	2,408	451	228	167	—	3,324
Liability Claims .....	156	2,627	2,530	990	1,882	—	8,185
Leases Payable .....	—	—	5,333	1,609	—	—	6,942
Loans Payable .....	—	—	—	—	—	22,411	22,411
Estimated Landfill Closure and Postclosure Care .....	—	—	54,865	—	—	—	54,865
Net Other Postemployment Benefits Liability .....	676	11,567	7,245	4,128	4,314	—	27,930
Pension Liabilities .....	2,346	69,887	31,548	13,585	18,954	—	136,320
Total Non-Current Liabilities .....	3,322	94,211	101,972	20,540	25,317	22,411	267,773
<b>TOTAL LIABILITIES .....</b>	<b>3,792</b>	<b>129,783</b>	<b>109,066</b>	<b>25,124</b>	<b>41,654</b>	<b>35,274</b>	<b>344,693</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
OPEB Related .....	27	557	144	110	124	—	962
Pension Related .....	1,056	27,554	6,552	3,331	4,611	—	43,104
Lease Related .....	8,526	—	—	—	—	—	8,526
<b>TOTAL DEFERRED INFLOWS OF RESOURCES .....</b>	<b>9,609</b>	<b>28,111</b>	<b>6,696</b>	<b>3,441</b>	<b>4,735</b>	<b>—</b>	<b>52,592</b>
<b>NET POSITION (DEFICIT)</b>							
Net Investment in Capital Assets .....	49,590	8,524	46,654	48,985	1,664	11,503	166,920
Restricted for Closure/Postclosure Maintenance .....	—	—	2,508	—	—	—	2,508
Unrestricted (Deficit) .....	11,948	(85,455)	(33,123)	12,636	13,753	29,335	(50,906)
<b>TOTAL NET POSITION (DEFICIT) .....</b>	<b>\$ 61,538</b>	<b>\$ (76,931)</b>	<b>\$ 16,039</b>	<b>\$ 61,621</b>	<b>\$ 15,417</b>	<b>\$ 40,838</b>	<b>\$ 118,522</b>

**NONMAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**Fiscal Year Ended June 30, 2022**  
**(Dollars in Thousands)**

	Airports	Development Services	Environmental Services	Golf Course	Recycling	SDCCC	Total
<b>OPERATING REVENUES</b>							
Charges for Services .....	\$ 415	\$ 109,615	\$ 34,858	\$ 30,144	\$ 19,592	\$ 25,402	\$ 220,026
Revenue from Use of Property .....	6,175	—	—	—	—	—	6,175
Other .....	24	1,018	2,310	406	7,738	2,961	14,457
<b>TOTAL OPERATING REVENUES</b> .....	<b>6,614</b>	<b>110,633</b>	<b>37,168</b>	<b>30,550</b>	<b>27,330</b>	<b>28,363</b>	<b>240,658</b>
<b>OPERATING EXPENSES</b>							
Salaries and Employee Benefits .....	2,198	63,804	15,214	7,953	10,857	19,894	119,920
Materials and Supplies .....	116	247	1,386	1,365	1,727	415	5,256
Contractual Services .....	2,994	17,890	18,097	6,224	12,195	6,676	64,076
Information Technology .....	178	6,063	922	371	489	36	8,059
Energy and Utilities .....	574	724	2,153	2,919	851	4,394	11,615
Depreciation and Amortization .....	3,547	456	6,400	3,446	170	2,801	16,820
Other Expenses .....	3	419	2,889	(82)	63	1,182	4,474
<b>TOTAL OPERATING EXPENSES</b> .....	<b>9,610</b>	<b>89,603</b>	<b>47,061</b>	<b>22,196</b>	<b>26,352</b>	<b>35,398</b>	<b>230,220</b>
<b>OPERATING INCOME (LOSS)</b> .....	<b>(2,996)</b>	<b>21,030</b>	<b>(9,893)</b>	<b>8,354</b>	<b>978</b>	<b>(7,035)</b>	<b>10,438</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Earnings on Investments .....	(239)	(806)	(1,096)	(540)	(1,009)	(774)	(4,464)
Federal Grant Assistance .....	245	—	1,284	—	—	—	1,529
Other Agency Grant Assistance .....	—	82	—	—	518	—	600
Gain (Loss) on Sale/Retirement of Capital Assets .....	(127)	—	(1,757)	—	—	—	(1,884)
Leases .....	—	—	394	2,110	197	—	2,701
Debt Service Interest Expense .....	—	—	(57)	(13)	—	(906)	(976)
Other .....	156	52	32	20	24	6,614	6,898
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET</b> .....	<b>35</b>	<b>(672)</b>	<b>(1,200)</b>	<b>1,577</b>	<b>(270)</b>	<b>4,934</b>	<b>4,404</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b> .....	<b>(2,961)</b>	<b>20,358</b>	<b>(11,093)</b>	<b>9,931</b>	<b>708</b>	<b>(2,101)</b>	<b>14,842</b>
Capital Contributions .....	—	—	508	—	—	—	508
Transfers from Other Funds .....	—	—	—	—	1,709	—	1,709
Transfers from Governmental Funds .....	—	—	—	—	—	10,196	10,196
Transfers to Other Funds .....	—	—	(1,709)	—	—	—	(1,709)
<b>TOTAL CONTRIBUTIONS AND TRANSFERS</b> .....	<b>—</b>	<b>—</b>	<b>(1,201)</b>	<b>—</b>	<b>1,709</b>	<b>10,196</b>	<b>10,704</b>
Extraordinary Loss .....	(454)	(13,681)	(1,630)	(603)	(1,088)	—	(17,456)
<b>CHANGE IN NET POSITION</b> .....	<b>(3,415)</b>	<b>6,677</b>	<b>(13,924)</b>	<b>9,328</b>	<b>1,329</b>	<b>8,095</b>	<b>8,090</b>
Net Position (Deficit) at Beginning of Year .....	64,953	(83,608)	29,963	52,293	14,088	32,743	110,432
<b>NET POSITION (DEFICIT) AT END OF YEAR</b> .....	<b>\$ 61,538</b>	<b>\$ (76,931)</b>	<b>\$ 16,039</b>	<b>\$ 61,621</b>	<b>\$ 15,417</b>	<b>\$ 40,838</b>	<b>\$ 118,522</b>



**Page Intentionally Left Blank**

**NONMAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Fiscal Year Ended June 30, 2022**  
**(Dollars in Thousands)**

	Airports	Development Services	Environmental Services	Golf Course	Recycling	SDCCC	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Receipts from Customers and Users .....	\$ 6,898	\$ 114,309	\$ 36,192	\$ 32,120	\$ 28,270	\$ 36,200	\$ 253,989
Receipts from Interfund Services Provided .....	—	(1,811)	1,074	(10)	780	—	33
Payments to Suppliers .....	(2,936)	(8,038)	(20,019)	(9,196)	(14,357)	(13,749)	(68,295)
Payments to Employees .....	(2,830)	(79,353)	(17,047)	(9,925)	(12,140)	(19,132)	(140,427)
Payments for Interfund Services Used .....	(499)	(8,087)	(458)	(340)	(185)	—	(9,569)
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>	<b>633</b>	<b>17,020</b>	<b>(258)</b>	<b>12,649</b>	<b>2,368</b>	<b>3,319</b>	<b>35,731</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Transfers from Other Funds .....	—	—	—	—	1,709	—	1,709
Transfers from Governmental Funds .....	—	—	—	—	—	10,196	10,196
Transfers to Other Funds .....	—	—	(1,709)	—	—	—	(1,709)
Operating Grants Received .....	245	82	1,035	—	341	—	1,703
Proceeds from Advances and Deposits .....	—	—	—	—	1,758	—	1,758
Payments for Advances and Deposits .....	—	(549)	—	—	—	—	(549)
<b>NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES .....</b>	<b>245</b>	<b>(467)</b>	<b>(674)</b>	<b>—</b>	<b>3,808</b>	<b>10,196</b>	<b>13,108</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Proceeds from Capital Contributions .....	—	—	508	—	—	—	508
Proceeds from Sale of Capital Assets .....	9	—	—	—	—	—	9
Proceeds from Leasing Activity .....	—	—	394	2,110	197	—	2,701
Acquisition of Capital Assets .....	(414)	(381)	(1,249)	(5,568)	—	(645)	(8,257)
Principal Payments on Leases .....	—	—	(2,785)	(1,070)	—	—	(3,855)
Principal Payments on Notes .....	—	—	—	—	—	(2)	(2)
Principal Payments on Loans .....	—	—	—	—	—	(785)	(785)
Interest Paid on Long-Term Debt .....	—	—	(54)	(5)	—	(905)	(964)
<b>NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES .....</b>	<b>(405)</b>	<b>(381)</b>	<b>(3,186)</b>	<b>(4,533)</b>	<b>197</b>	<b>(2,337)</b>	<b>(10,645)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Purchase of Investments .....	—	—	—	—	—	(5,335)	(5,335)
Interest Received (Losses) on Investments .....	(236)	(801)	(1,060)	(535)	(990)	(774)	(4,396)
<b>NET CASH USED FOR INVESTING ACTIVITIES .....</b>	<b>(236)</b>	<b>(801)</b>	<b>(1,060)</b>	<b>(535)</b>	<b>(990)</b>	<b>(6,109)</b>	<b>(9,731)</b>
Net Increase (Decrease) in Cash and Cash Equivalents .....	237	15,371	(5,178)	7,581	5,383	5,069	28,463
Cash and Cash Equivalents at Beginning of Year .....	15,442	35,093	73,462	27,329	48,245	2,861	202,432
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR .....</b>	<b>\$ 15,679</b>	<b>\$ 50,464</b>	<b>\$ 68,284</b>	<b>\$ 34,910</b>	<b>\$ 53,628</b>	<b>\$ 7,930</b>	<b>\$ 230,895</b>



**NONMAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Fiscal Year Ended June 30, 2022**  
**(Dollars in Thousands)**

	Airports	Development Services	Environmental Services	Golf Course	Recycling	SDCCC	Total
<b>Reconciliation of Cash and Cash Equivalents at End of Year to the Statement of Fund Net Position:</b>							
Cash and Investments .....	\$ 15,605	\$ 42,742	\$ 34,131	\$ 34,910	\$ 40,378	\$ 24,397	\$ 192,163
Restricted Cash and Investments .....	74	7,722	34,153	—	13,250	—	55,199
Less Investments Not Meeting the Definition of Cash Equivalents .....	—	—	—	—	—	(16,467)	(16,467)
<b>TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR .....</b>	<b><u>\$ 15,679</u></b>	<b><u>\$ 50,464</u></b>	<b><u>\$ 68,284</u></b>	<b><u>\$ 34,910</u></b>	<b><u>\$ 53,628</u></b>	<b><u>\$ 7,930</u></b>	<b><u>\$ 230,895</u></b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</b>							
Operating Income (Loss) .....	\$ (2,996)	\$ 21,030	\$ (9,893)	\$ 8,354	\$ 978	\$ (7,035)	\$ 10,438
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities: .....							
Depreciation .....	3,547	456	6,400	3,446	170	2,801	16,820
Other Nonoperating Revenue .....	156	52	32	20	24	227	511
(Increase) Decrease in Assets: .....							
Accounts Receivable - Net .....	129	(282)	65	1,333	1,640	8,699	11,584
Prepaid Expenses .....	—	—	—	—	—	(169)	(169)
Increase (Decrease) in Liabilities and Net Deferred Outflows/Inflows of Resources: .....							
Accounts Payable .....	50	(637)	92	41	(88)	(130)	(672)
Accrued Wages and Benefits .....	11	612	96	(79)	2	—	642
Other Accrued Liabilities .....	—	—	—	—	—	370	370
Unearned Revenue .....	—	2,095	—	207	56	(1,089)	1,269
Compensated Absences .....	19	414	90	9	(21)	(355)	156
Liability Claims .....	117	3,561	1,553	611	473	—	6,315
Estimated Landfill Closure and Postclosure Care .....	—	—	3,209	—	—	—	3,209
Net Other Postemployment Benefits Liability and Related Deferred Outflows/Inflows of Resources .....	(54)	(1,364)	(360)	(246)	(270)	—	(2,294)
Pension Liabilities and Related Deferred Outflows/Inflows of Resources .....	108	4,764	88	(444)	492	—	5,008
Total Adjustments .....	4,083	9,671	11,265	4,898	2,478	10,354	42,749
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES BEFORE EXTRAORDINARY LOSS .....</b>	<b><u>1,087</u></b>	<b><u>30,701</u></b>	<b><u>1,372</u></b>	<b><u>13,252</u></b>	<b><u>3,456</u></b>	<b><u>3,319</u></b>	<b><u>53,187</u></b>
Extraordinary Loss .....	(454)	(13,681)	(1,630)	(603)	(1,088)	—	(17,456)
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>	<b><u>\$ 633</u></b>	<b><u>\$ 17,020</u></b>	<b><u>\$ (258)</u></b>	<b><u>\$ 12,649</u></b>	<b><u>\$ 2,368</u></b>	<b><u>\$ 3,319</u></b>	<b><u>\$ 35,731</u></b>
<b>Noncash Investing, Capital, and Financing Activities:</b>							
Capital Asset Acquisitions Related to Accounts Payable ...	\$ —	\$ 719	\$ (191)	\$ 1,968	\$ —	\$ —	\$ 2,496
Carrying Value of Retired Capital Assets .....	(136)	—	(1,757)	—	—	—	(1,893)
Change in Fair Value of Investments .....	(361)	(1,087)	(1,691)	(790)	(1,475)	—	(5,404)
Forgiveness of Debt .....	—	—	—	—	—	6,387	6,387





# Internal Service Funds



## INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units and/or funds.

### **CITY OF SAN DIEGO**

#### FLEET OPERATIONS

This fund was established to account for the acquisition, replacement, maintenance and fueling of the City's motive equipment.

#### CENTRAL STORES

This fund was established to provide centralized storeroom services to all City departments.

#### PUBLISHING SERVICES

This fund was established to provide printing and reproduction services to all City departments.

#### MISCELLANEOUS INTERNAL SERVICE

This fund accounts for various administrative activities including risk management administration, energy conservation, public utilities inventory, and administration and operation of various employee related programs such as unused compensatory time, unused sick leave, unemployment insurance, and long-term disability. Revenues are derived from rates or fees charged to the departments for specific services rendered. All miscellaneous funds are reported with governmental activities in the government-wide financial statements, with the exception of the public utilities inventory fund, which is reported with business-type activities.

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF FUND NET POSITION**  
**June 30, 2022**  
(Dollars in Thousands)

	Fleet Operations	Central Stores	Publishing Services	Miscellaneous Internal Service	Total
<b>ASSETS</b>					
Current Assets:					
Cash and Investments .....	\$ 110,624	\$ 661	\$ 41	\$ 13,597	\$ 124,923
Receivables:					
Accounts - Net of Allowance for Uncollectibles .....	58	—	154	40	252
Contributions .....	—	—	—	1,103	1,103
Accrued Interest .....	9	1	—	13	23
Inventories .....	—	1,708	—	8,770	10,478
Total Current Assets .....	<u>110,691</u>	<u>2,370</u>	<u>195</u>	<u>23,523</u>	<u>136,779</u>
Non-Current Assets:					
Capital Assets - Non-Depreciable .....	5,710	—	—	346	6,056
Capital Assets - Depreciable .....	211,308	59	141	160	211,668
Total Non-Current Assets .....	<u>217,018</u>	<u>59</u>	<u>141</u>	<u>506</u>	<u>217,724</u>
<b>TOTAL ASSETS</b> .....	<u>327,709</u>	<u>2,429</u>	<u>336</u>	<u>24,029</u>	<u>354,503</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
OPEB Related .....	669	58	17	331	1,075
Pension Related .....	7,210	602	195	3,944	11,951
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b> .....	<u>7,879</u>	<u>660</u>	<u>212</u>	<u>4,275</u>	<u>13,026</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable .....	4,377	627	179	1,588	6,771
Accrued Wages and Benefits .....	925	58	15	1,349	2,347
Other Accrued Liabilities .....	—	—	—	130	130
Interest Accrued on Long-Term Debt .....	278	—	—	—	278
Long-Term Liabilities Due Within One Year .....	15,033	94	88	5,774	20,989
Total Current Liabilities .....	<u>20,613</u>	<u>779</u>	<u>282</u>	<u>8,841</u>	<u>30,515</u>
Non-Current Liabilities:					
Compensated Absences .....	648	28	13	513	1,202
Liability Claims .....	5,204	172	28	4,007	9,411
Leases Payable .....	20,526	—	33	—	20,559
Financed Purchase Obligations .....	41,001	—	—	—	41,001
Net Other Postemployment Benefits Liability .....	11,046	959	817	3,839	16,661
Pension Liabilities .....	38,601	3,423	1,980	17,769	61,773
Total Non-Current Liabilities .....	<u>117,026</u>	<u>4,582</u>	<u>2,871</u>	<u>26,128</u>	<u>150,607</u>
<b>TOTAL LIABILITIES</b> .....	<u>137,639</u>	<u>5,361</u>	<u>3,153</u>	<u>34,969</u>	<u>181,122</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
OPEB Related .....	232	18	8	123	381
Pension Related .....	10,165	622	110	6,137	17,034
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b> .....	<u>10,397</u>	<u>640</u>	<u>118</u>	<u>6,260</u>	<u>17,415</u>
<b>NET POSITION (DEFICIT)</b>					
Net Investment in Capital Assets .....	142,525	59	65	506	143,155
Unrestricted (Deficit) .....	45,027	(2,971)	(2,788)	(13,431)	25,837
<b>TOTAL NET POSITION (DEFICIT)</b> .....	<u>\$ 187,552</u>	<u>\$ (2,912)</u>	<u>\$ (2,723)</u>	<u>\$ (12,925)</u>	<u>\$ 168,992</u>

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**Fiscal Year Ended June 30, 2022**  
**(Dollars in Thousands)**

	Fleet Operations	Central Stores	Publishing Services	Miscellaneous Internal Service	Total
<b>OPERATING REVENUES</b>					
Charges for Services .....	\$ 104,860	\$ 6,682	\$ 1,398	\$ 39,506	\$ 152,446
Revenue from Use of Property .....	106	—	—	—	106
Other .....	14	674	—	154	842
<b>TOTAL OPERATING REVENUES</b> .....	<b>104,980</b>	<b>7,356</b>	<b>1,398</b>	<b>39,660</b>	<b>153,394</b>
<b>OPERATING EXPENSES</b>					
Salaries and Employee Benefits .....	21,452	1,407	390	12,614	35,863
Materials and Supplies .....	14,609	5,160	211	5,700	25,680
Contractual Services .....	5,035	410	970	2,296	8,711
Information Technology .....	1,181	48	21	1,150	2,400
Energy and Utilities .....	13,325	164	59	2	13,550
Depreciation and Amortization .....	32,904	16	55	18	32,993
Benefit and Claim Expenses .....	—	—	—	17,325	17,325
Other Expenses .....	5	—	—	11	16
<b>TOTAL OPERATING EXPENSES</b> .....	<b>88,511</b>	<b>7,205</b>	<b>1,706</b>	<b>39,116</b>	<b>136,538</b>
<b>OPERATING INCOME (LOSS)</b> .....	<b>16,469</b>	<b>151</b>	<b>(308)</b>	<b>544</b>	<b>16,856</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Earnings (Losses) on Investments .....	(220)	(8)	3	(192)	(417)
Other Agency Grant Assistance .....	—	—	—	21	21
Gain (Loss) on Sale/Retirement of Capital Assets .....	2,327	—	(8)	—	2,319
Debt Service Interest Expense .....	(1,314)	—	—	—	(1,314)
Other .....	674	—	—	7	681
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET</b> .....	<b>1,467</b>	<b>(8)</b>	<b>(5)</b>	<b>(164)</b>	<b>1,290</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b> .....	<b>17,936</b>	<b>143</b>	<b>(313)</b>	<b>380</b>	<b>18,146</b>
Capital Contributions .....	33	—	—	—	33
Transfers from Other Funds .....	—	—	—	3,500	3,500
Transfers from Governmental Funds .....	—	29	188	—	217
<b>TOTAL CONTRIBUTIONS AND TRANSFERS</b> .....	<b>33</b>	<b>29</b>	<b>188</b>	<b>3,500</b>	<b>3,750</b>
Extraordinary Loss .....	(2,186)	(64)	(213)	(2,436)	(4,899)
<b>CHANGE IN NET POSITION</b> .....	<b>15,783</b>	<b>108</b>	<b>(338)</b>	<b>1,444</b>	<b>16,997</b>
Net Position (Deficit) at Beginning of Year .....	171,769	(3,020)	(2,385)	(14,369)	151,995
<b>NET POSITION (DEFICIT) AT END OF YEAR</b> .....	<b>\$ 187,552</b>	<b>\$ (2,912)</b>	<b>\$ (2,723)</b>	<b>\$ (12,925)</b>	<b>\$ 168,992</b>

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Fiscal Year Ended June 30, 2022**  
**(Dollars in Thousands)**

	Fleet Operations	Central Stores	Publishing Services	Miscellaneous Internal Service	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from Customers and Users .....	\$ —	\$ —	\$ —	\$ 29,370	\$ 29,370
Receipts from Interfund Services Provided .....	106,277	7,357	1,244	10,450	125,328
Payments to Suppliers .....	(32,324)	(5,345)	(1,057)	(10,129)	(48,855)
Payments to Employees .....	(25,272)	(1,705)	(362)	(32,459)	(59,798)
Payments for Interfund Services Used .....	(682)	(22)	(84)	(562)	(1,350)
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>	<b>47,999</b>	<b>285</b>	<b>(259)</b>	<b>(3,330)</b>	<b>44,695</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers from Other Funds .....	—	—	—	3,500	3,500
Transfers from Governmental Funds .....	—	29	188	—	217
Operating Grants Received .....	—	—	—	206	206
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES .....</b>	<b>—</b>	<b>29</b>	<b>188</b>	<b>3,706</b>	<b>3,923</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from the Sale of Capital Assets .....	3,824	—	—	—	3,824
Acquisition of Capital Assets .....	(19,968)	—	—	(39)	(20,007)
Principal Payments on Leases .....	(431)	—	(44)	—	(475)
Principal Payments on Financed Purchase Obligations .....	(12,760)	—	—	—	(12,760)
Interest Paid on Long-Term Debt .....	(1,336)	—	—	—	(1,336)
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES .....</b>	<b>(30,671)</b>	<b>—</b>	<b>(44)</b>	<b>(39)</b>	<b>(30,754)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest Received (Losses) on Investments .....	(215)	(8)	3	(191)	(411)
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES .....</b>	<b>(215)</b>	<b>(8)</b>	<b>3</b>	<b>(191)</b>	<b>(411)</b>
Net Increase (Decrease) in Cash and Cash Equivalents .....	17,113	306	(112)	146	17,453
Cash and Cash Equivalents at Beginning of Year .....	93,511	355	153	13,451	107,470
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR .....</b>	<b>\$ 110,624</b>	<b>\$ 661</b>	<b>\$ 41</b>	<b>\$ 13,597</b>	<b>\$ 124,923</b>



**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Fiscal Year Ended June 30, 2022**  
**(Dollars in Thousands)**

	Fleet Operations	Central Stores	Publishing Services	Miscellaneous Internal Service	Total
<b>Reconciliation of Operating Income (Loss) to Net Cash</b>					
<b>Provided by (Used For) Operating Activities:</b>					
Operating Income (Loss) .....	\$ 16,469	\$ 151	\$ (308)	\$ 544	\$ 16,856
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:					
Depreciation .....	32,904	16	55	18	32,993
Other Nonoperating Revenue .....	674	—	—	7	681
(Increase) Decrease in Assets:					
Accounts Receivable - Net .....	622	—	(154)	(6)	462
Contributions Receivable .....	—	—	—	159	159
Inventories .....	—	46	—	(3,128)	(3,082)
Increase (Decrease) in Liabilities and Net Deferred Outflows/Inflows of Resources:					
Accounts Payable .....	(1,491)	167	125	719	(480)
Accrued Wages and Benefits .....	103	6	(2)	(12)	95
Compensated Absences .....	40	(1)	2	(490)	(449)
Liability Claims .....	1,271	101	21	561	1,954
Net Other Postemployment Benefits Liability and Related Deferred Outflows/Inflows of Resources .....					
	(543)	(47)	(12)	(264)	(866)
Pension Liabilities and Related Deferred Outflows/Inflows of Resources .....	136	(90)	227	998	1,271
Total Adjustments .....	33,716	198	262	(1,438)	32,738
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES BEFORE EXTRAORDINARY LOSS .....</b>	<b>50,185</b>	<b>349</b>	<b>(46)</b>	<b>(894)</b>	<b>49,594</b>
Extraordinary Loss .....	(2,186)	(64)	(213)	(2,436)	(4,899)
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>	<b>\$ 47,999</b>	<b>\$ 285</b>	<b>\$ (259)</b>	<b>\$ (3,330)</b>	<b>\$ 44,695</b>
<b>Noncash Investing, Capital, and Financing Activities:</b>					
Capital Assets Acquired through Financed Purchases .....	\$ 8,109	\$ —	\$ —	\$ —	\$ 8,109
Developer Contributed and Donated Capital Assets .....	25	—	—	—	25
Capital Asset Acquisitions Related to Accounts Payable .....	(10)	—	—	158	148
Carrying Value of Retired Capital Assets .....	(1,497)	—	(8)	—	(1,505)
Change in Fair Value of Investments .....	(268)	(11)	3	(288)	(564)
Transfers of Capital Assets (To) From Governmental Activities .....	8	—	—	—	8





# 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.

### **PENSION TRUST FUNDS**

#### **FIDUCIARY COMPONENT UNIT**

##### **CITY EMPLOYEES' RETIREMENT SYSTEM**

SDCERS provides retirement, disability, and death benefits. SDCERS is a defined benefit plan, whereby funds are accumulated from City and employee contributions, plus earnings from fund investments. Currently SDCERS also administers the Port of San Diego and the San Diego County Regional Airport Authority defined benefit plans. It also performs certain administrative functions on other post-employment benefits on behalf of the City.

#### **CITY OF SAN DIEGO**

### **CUSTODIAL FUNDS**

These funds were established to account for assets held by the City as an agent for individuals, private organizations, or other governments, including special assessments and asset forfeitures.

**FIDUCIARY FUNDS  
PENSION TRUST FUNDS  
COMBINING STATEMENT OF FIDUCIARY NET POSITION  
June 30, 2022  
(Dollars in Thousands)**

	City Employees' Retirement System			
	City of San Diego	Unified Port District	Airport Authority	Total
<b>ASSETS</b>				
Cash and Investments .....	\$ 391	\$ 223	\$ 331	\$ 945
Cash and Investments with Custodian/Fiscal Agent .....	94,944	30,449	70,943	196,336
Investments at Fair Value:				
Domestic Fixed Income Securities .....	2,006,070	114,249	39,828	2,160,147
International Fixed Income Securities .....	542,175	31,202	10,901	584,278
Domestic Equity Securities (Stocks) .....	2,152,525	123,988	45,839	2,322,352
International Equity Securities (Stocks) .....	1,263,699	71,839	24,303	1,359,841
Global Equity Securities .....	579,908	33,717	12,307	625,932
Real Estate .....	1,112,549	64,533	24,353	1,201,435
Private Equity and Infrastructure .....	1,645,967	96,817	37,956	1,780,740
Receivables:				
Contributions .....	3,999	319	125	4,443
Accrued Interest .....	7,987	437	129	8,553
Securities Sold .....	231,479	13,241	4,381	249,101
Prepaid Expenses .....	332	22	12	366
Securities Lending Collateral .....	123,513	7,479	3,480	134,472
Capital Assets - Depreciable .....	3,119	173	40	3,332
<b>TOTAL ASSETS</b> .....	<b>9,768,657</b>	<b>588,688</b>	<b>274,928</b>	<b>10,632,273</b>
<b>LIABILITIES</b>				
Accounts Payable .....	3,533	243	118	3,894
Accrued Wages and Benefits .....	1,029	67	36	1,132
Supplemental Benefits Payable .....	11,627	316	81	12,024
Securities Lending Obligations .....	123,529	7,478	3,478	134,485
Securities Purchased .....	456,768	26,046	8,690	491,504
Current Lease Liability .....	1,024	69	38	1,131
Long-Term Lease Liability .....	87	6	3	96
<b>TOTAL LIABILITIES</b> .....	<b>597,597</b>	<b>34,225</b>	<b>12,444</b>	<b>644,266</b>
<b>NET POSITION</b>				
Restricted for Pension Benefits .....	<b>\$ 9,171,060</b>	<b>\$ 554,463</b>	<b>\$ 262,484</b>	<b>\$ 9,988,007</b>

**FIDUCIARY FUNDS  
PENSION TRUST FUNDS  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
Fiscal Year Ended June 30, 2022  
(Dollars in Thousands)**

	City Employees' Retirement System			
	City of San Diego	Unified Port District	Airport Authority	Total
<b>ADDITIONS</b>				
Employer Contributions .....	\$ 416,376	\$ 22,106	\$ 9,102	\$ 447,584
Plan Member Contributions:				
Employee Contributions .....	74,970	3,590	2,991	81,551
DROP Contributions .....	5,096	286	159	5,541
Earnings (Losses) on Investments:				
Investment Income .....	222,101	13,443	6,060	241,604
Investment Expense .....	(67,659)	(4,096)	(1,868)	(73,623)
Net Depreciation in Fair Value of Investments .....	(292,619)	(17,756)	(8,412)	(318,787)
Net Investment Income (Loss) .....	(138,177)	(8,409)	(4,220)	(150,806)
Securities Lending:				
Gross Earnings .....	1,742	105	48	1,895
Borrower Rebates and Bank Charges .....	(617)	(37)	(17)	(671)
Net Securities Lending Income .....	1,125	68	31	1,224
<b>TOTAL ADDITIONS</b> .....	<b>359,390</b>	<b>17,641</b>	<b>8,063</b>	<b>385,094</b>
<b>DEDUCTIONS</b> .....				
DROP Interest Expense .....	20,393	591	75	21,059
Benefit and Claim Payments .....	601,238	34,134	8,503	643,875
Administration .....	12,403	844	462	13,709
<b>TOTAL DEDUCTIONS</b> .....	<b>634,034</b>	<b>35,569</b>	<b>9,040</b>	<b>678,643</b>
<b>CHANGE IN NET POSITION</b> .....	<b>(274,644)</b>	<b>(17,928)</b>	<b>(977)</b>	<b>(293,549)</b>
Net Position at Beginning of Year .....	9,445,704	572,391	263,461	10,281,556
<b>NET POSITION AT END OF YEAR</b> .....	<b>\$ 9,171,060</b>	<b>\$ 554,463</b>	<b>\$ 262,484</b>	<b>\$ 9,988,007</b>

**FIDUCIARY FUNDS  
CUSTODIAL FUNDS  
COMBINING STATEMENT OF FIDUCIARY NET POSITION  
June 30, 2022  
(Dollars in Thousands)**

	Community Facilities Districts	Other Custodial Funds	Total
<b>ASSETS</b>			
Cash and Investments .....	\$ 3,734	\$ 206	\$ 3,940
Receivables:			
Special Assessments .....	165	—	165
Accrued Interest .....	4	—	4
Restricted Cash and Investments .....	9,205	—	9,205
<b>TOTAL ASSETS</b> .....	<b>13,108</b>	<b>206</b>	<b>13,314</b>
<b>LIABILITIES</b>			
Accounts Payable .....	3,226	—	3,226
Due to Bondholders .....	9,882	—	9,882
<b>TOTAL LIABILITIES</b> .....	<b>13,108</b>	<b>—</b>	<b>13,108</b>
<b>NET POSITION</b>			
Restricted for Others .....	\$ —	\$ 206	\$ 206

**FIDUCIARY FUNDS  
CUSTODIAL FUNDS  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
Fiscal Year Ended June 30, 2022  
(Dollars in Thousands)**

	Community Facilities Districts	Other Custodial Funds	Total
<b>ADDITIONS</b>			
Special Assessments .....	\$ 7,455	\$ —	\$ 7,455
Fines, Forfeitures and Penalties .....	—	18	18
Special Tax Bonds Issued .....	22,470	—	22,470
Premium on Bonds Issued .....	3,457	—	3,457
Investment Income (Loss) .....	(55)	(3)	(58)
<b>TOTAL ADDITIONS</b> .....	<b>33,327</b>	<b>15</b>	<b>33,342</b>
<b>DEDUCTIONS</b>			
Paid to Bondholders .....	29,542	—	29,542
Cost of Issuance .....	256	—	256
Administration .....	303	—	303
Other Expenses .....	3,226	44	3,270
<b>TOTAL DEDUCTIONS</b> .....	<b>33,327</b>	<b>44</b>	<b>33,371</b>
<b>NET CHANGE IN NET POSITION</b>	<b>—</b>	<b>(29)</b>	<b>(29)</b>
Net Position at Beginning of Year .....	—	235	235
<b>NET POSITION AT END OF YEAR</b> .....	<b>\$ —</b>	<b>\$ 206</b>	<b>\$ 206</b>





# Statistical Section (Unaudited)



## STATISTICAL SECTION

The Statistical Section presents information as required by GASB Statement No. 44. In addition to utilizing the basic financial statements, notes to the basic financial statements, and required supplementary information, the statistical data presented in this section helps users assess the City's economic condition. Ten-year trend information has been provided when available. The statistical tables are footnoted to indicate sources and when accounting data or other information is unavailable.

### **CONTENTS**

#### FINANCIAL TRENDS

Tables 1 through 4 contain information to help the reader understand how the City's financial performance and well-being have changed over time.

#### REVENUE CAPACITY

Tables 5 through 9 contain information to help the reader assess the City's ability to generate its most significant local revenue source, property tax.

#### DEBT CAPACITY

Tables 10 through 15 present information to help the reader assess the affordability of the City's current levels of certain outstanding debt categories.

#### DEMOGRAPHIC AND ECONOMIC INFORMATION

Tables 16 and 17 offer demographic and economic indicators to help the reader understand the environment in which the City's financial activities take place and to provide comparisons over time with other governments.

#### OPERATING INFORMATION

Tables 18 through 20 contain information about the City's resources and operations to help the reader understand how the City's financial report relates to the services provided and activities performed by the City.

\*Additional financial information (audited and statistical) on the Sewer and Water Utilities can be obtained in the Annual Report Disclosure filings submitted to the Municipal Securities Rulemaking Board, <http://emma.msrb.org>.

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

	Fiscal Year		
	2013	2014	2015
<b>Governmental Activities</b>			
Net Investment in Capital Assets .....	\$ 3,963,306	\$ 3,988,284	\$ 3,988,396
Restricted for:			
Capital Projects .....	456,874	459,115	575,798
Low-Moderate Income Housing .....	251,655	277,139	286,129
Nonexpendable Permanent Endowments .....	19,689	24,307	21,300
Grants .....	75,462	68,206	67,230
Other .....	202,705	277,586	358,647
Unrestricted (Deficit) .....	(341,390)	(274,916)	(1,493,831)
Total Governmental Activities Net Position .....	<u>4,628,301</u>	<u>4,819,721</u>	<u>3,803,669</u>
<b>Business-type Activities</b>			
Net Investment in Capital Assets .....	3,378,535	3,526,979	3,902,396
Restricted for:			
Debt Service .....	7,893	1,880	1,531
Other .....	24,822	25,404	26,245
Unrestricted .....	701,760	637,889	380,283
Total Business-type Activities Net Position .....	<u>4,113,010</u>	<u>4,192,152</u>	<u>4,310,455</u>
<b>Primary Government</b>			
Net Investment in Capital Assets .....	7,341,841	7,515,263	7,890,792
Restricted for:			
Capital Projects .....	456,874	459,115	575,798
Debt Service .....	7,893	1,880	1,531
Low-Moderate Income Housing .....	251,655	277,139	286,129
Nonexpendable Permanent Endowments .....	19,689	24,307	21,300
Grants .....	75,462	68,206	67,230
Other .....	227,527	302,990	384,892
Unrestricted (Deficit) .....	360,370	362,973	(1,113,548)
Total Primary Government Net Position .....	<u>\$ 8,741,311</u>	<u>\$ 9,011,873</u>	<u>\$ 8,114,124</u>

<sup>1</sup> Fiscal Year 2018 amounts have been reclassified to conform with current year presentation.

Source: Annual Comprehensive Financial Reports

Table 1

		Fiscal Year					
2016	2017	2018 <sup>1</sup>	2019	2020	2021	2022	
\$ 4,129,002	\$ 4,220,622	\$ 4,308,123	\$ 4,370,867	\$ 4,424,146	4,450,838	\$ 4,511,654	
598,215	723,855	665,993	714,101	738,177	839,354	804,253	
319,022	335,801	338,828	343,422	346,594	360,341	364,219	
19,900	20,264	17,836	18,428	18,286	19,714	18,058	
219,216	204,527	179,469	141,489	110,893	95,280	82,115	
450,885	441,102	492,426	566,358	550,008	544,412	609,219	
(1,418,869)	(1,577,390)	(1,919,740)	(2,032,257)	(2,222,923)	(2,515,327)	(2,286,692)	
4,317,371	4,368,781	4,082,935	4,122,408	3,965,181	3,794,612	4,102,826	
4,042,983	4,246,534	4,383,725	4,414,352	4,528,113	4,657,585	4,779,653	
2,790	505	683	481	9,842	9,673	9,738	
7,010	7,285	6,525	6,487	9,343	4,747	2,508	
364,762	293,340	239,462	315,683	312,799	322,363	348,683	
4,417,545	4,547,664	4,630,395	4,737,003	4,860,097	4,994,368	5,140,582	
8,171,985	8,467,156	8,691,848	8,785,219	8,952,259	9,108,423	9,291,307	
598,215	723,855	665,993	714,101	738,177	839,354	804,253	
2,790	505	683	481	9,842	9,673	9,738	
319,022	335,801	338,828	343,422	346,594	360,341	364,219	
19,900	20,264	17,836	18,428	18,286	19,714	18,058	
219,216	204,527	179,469	141,489	110,893	95,280	82,115	
457,895	448,387	498,951	572,845	559,351	549,159	611,727	
(1,054,107)	(1,284,050)	(1,680,278)	(1,716,574)	(1,910,124)	(2,192,964)	(1,938,009)	
\$ 8,734,916	\$ 8,916,445	\$ 8,713,330	\$ 8,859,411	\$ 8,825,278	\$ 8,788,980	\$ 9,243,408	

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

	Fiscal Year		
	2013	2014	2015
<b>Expenses</b>			
<b>Governmental Activities</b>			
General Government and Support .....	\$ 313,800	\$ 286,798	\$ 271,094
Public Safety - Police .....	429,849	441,803	380,344
Public Safety - Fire and Life Safety and Homeland Security .....	241,029	253,741	221,446
Parks, Recreation, Culture and Leisure .....	270,540	267,523	263,127
Transportation .....	202,376	192,928	198,242
Sanitation and Health .....	67,623	89,448	92,833
Neighborhood Services .....	89,354	70,191	80,299
Debt Service:			
Interest .....	37,942	35,226	33,790
Cost of Issuance .....	—	518	—
Total Governmental Activities Expenses .....	<u>1,652,513</u>	<u>1,638,176</u>	<u>1,541,175</u>
<b>Business-type Activities</b>			
Sewer Utility .....	322,431	326,437	316,465
Water Utility .....	420,809	443,453	466,552
Airports .....	4,759	4,663	3,740
Development Services .....	46,024	50,825	50,244
Environmental Services .....	32,205	33,724	30,939
Golf Course .....	15,689	16,423	15,827
Recycling .....	18,895	20,475	17,200
San Diego Convention Center Corporation .....	—	—	—
Total Business-type Activities Expenses .....	<u>860,812</u>	<u>896,000</u>	<u>900,967</u>
Total Primary Government Expenses .....	<u>2,513,325</u>	<u>2,534,176</u>	<u>2,442,142</u>
<b>Program Revenues</b>			
<b>Governmental Activities</b>			
Charges for Services:			
General Government and Support .....	191,256	198,856	249,241
Public Safety - Police .....	44,723	42,976	40,304
Public Safety - Fire and Life Safety and Homeland Security .....	22,539	34,984	33,547
Parks, Recreation, Culture and Leisure .....	72,297	51,721	53,093
Transportation .....	28,759	30,262	34,459
Sanitation and Health .....	13,790	15,342	14,269
Neighborhood Services .....	35,792	36,339	49,825
Operating Grants and Contributions .....	82,760	60,591	49,049
Capital Grants and Contributions .....	152,193	120,538	106,237
Total Governmental Activities Program Revenues .....	<u>644,109</u>	<u>591,609</u>	<u>630,024</u>

Table 2

		Fiscal Year										
		2016	2017	2018	2019	2020	2021	2022				
\$	303,802	\$	344,484	\$	364,533	\$	383,177	\$	417,462	415,720	\$	380,023
	412,571		501,314		542,128		567,625		629,922		677,483	532,695
	233,688		290,178		321,016		339,282		338,128		373,607	305,596
	311,372		355,714		383,122		397,391		374,335		377,559	339,222
	224,620		239,099		264,278		279,724		311,561		280,336	244,789
	99,079		103,039		101,440		108,371		117,473		115,935	108,419
	65,994		82,384		91,686		121,036		131,086		304,155	285,879
	41,537		36,943		36,515		34,265		34,027		24,920	29,449
	—		—		—		—		—		—	—
	1,692,663		1,953,155		2,104,718		2,230,871		2,353,994		2,569,715	2,226,072
	296,422		339,189		351,145		356,630		362,289		360,203	353,774
	437,304		477,037		532,056		515,273		535,567		596,764	620,436
	4,824		6,306		7,415		8,211		9,044		9,391	9,713
	54,002		69,949		78,287		81,012		88,032		94,980	89,594
	54,385		34,253		41,397		38,510		32,500		40,897	48,592
	16,182		19,925		21,072		20,090		21,420		22,679	22,174
	18,036		19,444		25,002		24,780		27,326		32,015	25,137
	—		36,760		37,986		41,898		39,834		29,421	36,304
	881,155		1,002,863		1,094,360		1,086,404		1,116,012		1,186,350	1,205,724
	2,573,818		2,956,018		3,199,078		3,317,275		3,470,006		3,756,065	3,431,796
	213,490		176,696		176,366		198,942		188,116		178,892	191,666
	46,238		45,126		40,738		43,117		33,551		31,716	41,628
	36,645		32,491		43,814		52,760		48,626		42,975	64,016
	74,531		133,451		114,893		125,122		91,225		63,482	111,597
	44,555		47,655		51,422		53,862		69,213		66,528	68,407
	14,730		16,629		15,625		15,778		15,531		15,311	19,022
	32,982		37,105		40,123		40,624		37,242		38,900	45,637
	65,173		46,476		134,682		154,764		226,203		413,621	399,402
	140,408		75,694		26,218		77,952		72,502		73,172	59,030
	668,752		611,323		643,881		762,921		782,209		924,597	1,000,405

(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		
	2013	2014	2015
<b>Program Revenues (Continued)</b>			
Business-type Activities			
Charges for Services:			
Sewer Utility .....	\$ 361,637	\$ 364,548	\$ 364,467
Water Utility .....	414,508	447,565	455,222
Airports .....	4,906	4,371	4,618
Development Services .....	50,006	52,402	56,395
Environmental Services .....	24,607	26,043	30,477
Golf Course .....	18,367	19,764	20,116
Recycling .....	18,056	19,046	20,305
San Diego Convention Center Corporation .....	—	—	—
Operating Grants and Contributions .....	1,761	1,531	1,044
Capital Grants and Contributions .....	91,878	70,739	386,952
Total Business-type Activities Program Revenues .....	<u>985,726</u>	<u>1,006,009</u>	<u>1,339,596</u>
Total Primary Government Program Revenues .....	<u>1,629,835</u>	<u>1,597,618</u>	<u>1,969,620</u>
Net (Expense)/Revenue:			
Governmental Activities .....	(1,008,404)	(1,046,567)	(911,151)
Business-type Activities .....	124,914	110,009	438,629
Total Primary Government Net Expense .....	<u>(883,490)</u>	<u>(936,558)</u>	<u>(472,522)</u>
General Revenues and Other Changes in Net Position			
Governmental Activities			
Property Taxes .....	421,894	470,905	460,948
Transient Occupancy Taxes .....	158,105	173,376	182,466
Sales Taxes - Shared State Revenue .....	269,504	282,345	296,837
Franchises .....	—	—	—
Other Local Taxes .....	166,548	186,747	208,970
Developer Contributions and Fees .....	66,312	47,765	86,440
Grants and Contributions not Restricted to Specific Programs .....	705	674	653
Investment Income .....	9,220	13,627	8,786
Gain on Sale of Capital Assets .....	—	—	—
Miscellaneous .....	14,471	32,482	47,071
Transfers .....	20,012	15,269	(150)
Total Governmental Activities General Revenues and Transfers .....	<u>1,126,771</u>	<u>1,223,190</u>	<u>1,292,021</u>
Business-type Activities			
Investment Income .....	2,429	8,489	8,012
Gain on Sale of Capital Assets .....	—	—	—
Miscellaneous .....	11,520	12,096	21,285
Transfers .....	(20,012)	(15,269)	150
Total Business-type Activities General Revenues and Transfers .....	<u>(6,063)</u>	<u>5,316</u>	<u>29,447</u>
Total Primary Government General Revenues and Transfers .....	<u>1,120,708</u>	<u>1,228,506</u>	<u>1,321,468</u>
Special Items and Extraordinary Gain (Loss)			
Governmental Activities .....	(28,070)	(14,828)	—
Business-type Activities .....	(1,866)	—	—
<b>Change in Net Position:</b>			
Governmental Activities .....	90,297	161,795	380,870
Business-type Activities .....	116,985	115,325	468,076
Total Primary Government Change in Net Position .....	<u>\$ 207,282</u>	<u>\$ 277,120</u>	<u>\$ 848,946</u>

Source: Annual Comprehensive Financial Reports



Table 2

		Fiscal Year											
		2016	2017	2018	2019	2020	2021	2022					
\$	346,950	\$	353,488	\$	360,710	\$	367,979	\$	360,823	361,334	\$	388,248	
	413,008		501,404		569,524		539,128		552,214		591,776		566,909
	4,691		5,307		4,888		5,619		5,474		5,774		6,614
	59,808		64,699		70,703		74,741		85,700		83,043		110,633
	33,048		32,194		34,960		35,329		35,366		32,200		37,562
	17,987		18,087		23,502		24,320		22,446		29,437		32,660
	23,203		23,186		27,957		26,055		25,757		25,504		27,527
	—		36,505		34,256		41,245		30,370		43,290		28,363
	2,629		10,088		9,958		6,435		18,906		16,549		79,156
	59,226		56,837		70,109		30,801		62,301		62,990		88,266
	960,550		1,101,795		1,206,567		1,151,652		1,199,357		1,251,897		1,365,938
	1,629,302		1,713,118		1,850,448		1,914,573		1,981,566		2,176,494		2,366,343
	(1,023,911)		(1,341,832)		(1,460,837)		(1,467,950)		(1,571,785)		(1,645,118)		(1,225,667)
	79,395		98,932		112,207		65,248		83,345		65,547		160,214
	(944,516)		(1,242,900)		(1,348,630)		(1,402,702)		(1,488,440)		(1,579,571)		(1,065,453)
	489,548		520,186		548,509		586,510		627,272		659,417		684,513
	200,612		222,228		231,863		250,883		181,181		129,530		259,231
	319,030		310,935		323,113		339,609		327,311		352,131		434,719
	—		141,942		96,313		97,365		93,474		94,046		114,722
	204,387		36,310		52,603		66,375		68,117		72,464		75,660
	104,516		99,075		82,883		75,101		50,125		74,925		78,485
	1,045		700		833		835		1,982		1,468		3,916
	16,075		7,846		13,337		52,056		52,746		8,669		(21,964)
	—		28,005		809		770		6,178		62,446		4,777
	37,751		36,881		15,959		38,530		20,311		20,622		18,571
	(733)		(3,207)		(2,814)		(611)		(4,022)		(1,169)		(10,113)
	1,372,231		1,400,901		1,363,408		1,507,423		1,424,675		1,474,549		1,642,517
	13,742		3,330		8,435		28,713		27,752		3,799		(17,019)
	—		—		—		—		—		30,509		83
	13,220		7,076		13,758		12,036		7,975		33,247		28,937
	733		3,207		2,814		611		4,022		1,169		10,113
	27,695		13,613		25,007		41,360		39,749		68,724		22,114
	1,399,926		1,414,514		1,388,415		1,548,783		1,464,424		1,543,273		1,664,631
	165,382		—		—		—		(10,117)		—		(108,636)
	—		—		—		—		—		—		(36,114)
	513,702		59,069		(97,429)		39,473		(157,227)		(170,569)		308,214
	107,090		112,545		137,214		106,608		123,094		134,271		146,214
\$	620,792	\$	171,614	\$	39,785	\$	146,081	\$	(34,133)	\$	(36,298)	\$	454,428

**CITY OF SAN DIEGO**  
**FUND BALANCES OF GOVERNMENTAL FUNDS (UNAUDITED)**  
**Last Ten Fiscal Years**  
**(Dollars in Thousands)**  
**(Modified Accrual Basis of Accounting)**

	Fiscal Year		
	2013	2014	2015
General Fund:			
Nonspendable .....	\$ —	\$ 1,248	\$ 849
Spendable:			
Restricted .....	60,507	104,885	140,358
Committed .....	40,953	147,053	130,891
Assigned .....	8,717	5,575	6,162
Unassigned .....	112,321	91,353	99,555
Total General Fund .....	<u>\$ 222,498</u>	<u>\$ 350,114</u>	<u>\$ 377,815</u>
Nonmajor Governmental Funds:			
Nonspendable .....	\$ 115,806	\$ 24,326	\$ 21,427
Spendable:			
Restricted .....	866,750	1,011,875	1,288,739
Committed .....	87,655	140,268	108,239
Unassigned .....	(22,578)	(15,156)	(11,287)
Total Nonmajor Governmental Funds .....	<u>\$ 1,047,633</u>	<u>\$ 1,161,313</u>	<u>\$ 1,407,118</u>

Source: Annual Comprehensive Financial Reports

Table 3

Fiscal Year						
2016	2017	2018	2019	2020	2021	2022
\$ 2,502	\$ 783	\$ 863	\$ 1,154	\$ —	\$ —	\$ —
146,228	116,253	132,307	160,400	195,085	193,301	200,861
109,474	116,497	100,483	92,189	88,665	89,203	100,866
11,189	28,869	24,717	42,842	2,133	10,598	20,036
106,508	111,057	95,434	115,582	124,583	136,340	158,897
<u>\$ 375,901</u>	<u>\$ 373,459</u>	<u>\$ 353,804</u>	<u>\$ 412,167</u>	<u>\$ 410,466</u>	<u>\$ 429,442</u>	<u>\$ 480,660</u>
\$ 19,917	\$ 20,299	\$ 18,042	\$ 18,451	\$ 18,286	\$ 19,714	\$ 18,058
1,573,516	1,617,147	1,582,579	1,618,657	1,564,819	1,660,091	1,672,103
106,851	114,692	97,911	87,428	63,338	51,466	76,686
(27,289)	(33,843)	(43,514)	(65,721)	(89,319)	(79,662)	(79,045)
<u>\$ 1,672,995</u>	<u>\$ 1,718,295</u>	<u>\$ 1,655,018</u>	<u>\$ 1,658,815</u>	<u>\$ 1,557,124</u>	<u>\$ 1,651,609</u>	<u>\$ 1,687,802</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		
	2013	2014	2015
<b>Revenues</b>			
Property Taxes .....	\$ 422,617	\$ 470,960	\$ 460,515
Special Assessments .....	50,510	50,796	57,343
Sales Taxes - Shared State Revenue .....	269,929	278,564	293,929
Transient Occupancy Taxes .....	159,494	170,475	186,690
Franchises .....	—	—	—
Other Local Taxes .....	166,548	186,747	208,907
Licenses and Permits .....	51,662	53,329	57,388
Fines, Forfeitures and Penalties .....	31,261	31,363	33,832
Revenue from Use of Money and Property .....	80,994	87,212	92,452
Revenue from Federal Agencies .....	59,863	52,504	45,217
Revenue from Other Agencies .....	57,770	39,804	87,364
Revenue from Private Sources .....	71,280	78,875	71,581
Charges for Current Services .....	189,551	207,101	238,516
Other Revenue .....	20,829	33,890	49,200
<b>Total Revenues</b> .....	<b>1,632,308</b>	<b>1,741,620</b>	<b>1,882,934</b>
<b>Expenditures</b>			
Current:			
General Government and Support .....	265,489	299,739	305,594
Public Safety - Police .....	406,599	431,531	430,411
Public Safety - Fire and Life Safety and Homeland Security .....	228,128	245,650	254,603
Parks, Recreation, Culture and Leisure .....	225,411	216,635	228,157
Transportation .....	120,594	108,836	120,102
Sanitation and Health .....	65,969	83,128	92,907
Neighborhood Services .....	81,559	63,846	82,812
Capital Outlay .....	158,460	118,187	185,018
Debt Service:			
Principal Retirement .....	46,323	66,534	42,812
Cost of Issuance .....	814	518	1,140
Interest .....	37,399	36,070	34,135
Payment to Refunded Bond Escrow Agent .....	1,572	—	—
<b>Total Expenditures</b> .....	<b>1,638,317</b>	<b>1,670,674</b>	<b>1,777,691</b>
Excess (Deficiency) of Revenues Over Expenditures .....	(6,009)	70,946	105,243
<b>Other Financing Sources (Uses)</b>			
Transfers In .....	302,999	192,049	253,570
Transfers Out .....	(294,922)	(173,249)	(253,139)
Payment to Refunded Bond Escrow Agent .....	(18,973)	(16,025)	—
Contracts, Notes, and Loans Issued .....	—	761	1,512
Bonds Issued .....	94,808	51,713	121,200
Leases .....	—	—	—
Other Sources .....	7,477	29,747	45,120
<b>Total Other Financing Sources (Uses)</b> .....	<b>91,389</b>	<b>84,996</b>	<b>168,263</b>
Special Items and Extraordinary Gain (Loss) .....	(60,642)	(21,067)	—
<b>Net Change in Fund Balances</b> .....	<b>\$ 24,738</b>	<b>\$ 134,875</b>	<b>\$ 273,506</b>
Debt Service as a Percentage of Noncapital Expenditures	5.7 %	6.6 %	4.8 %

Source: Annual Comprehensive Financial Reports

Table 4

		Fiscal Year											
		2016	2017	2018	2019	2020	2021	2022					
\$	489,664	\$	519,386	\$	548,870	\$	585,391	\$	624,834	\$	658,985	\$	681,892
	54,304		61,736		63,870		70,590		56,705		47,120		69,193
	333,821		319,343		314,023		355,383		329,981		349,005		425,526
	204,559		222,228		231,863		250,883		181,181		128,310		259,110
	—		141,942		160,185		167,025		157,052		158,773		186,201
	204,450		36,304		52,608		66,375		68,026		72,302		75,727
	78,595		125,087		108,516		115,968		100,378		126,730		136,656
	41,465		32,480		32,157		30,060		31,676		26,477		33,460
	103,307		97,902		103,746		143,014		129,210		72,568		56,031
	44,529		35,149		54,336		96,372		161,152		354,936		336,745
	35,748		56,267		35,670		34,387		56,881		47,199		45,409
	87,739		13,286		9,348		30,162		6,673		7,417		2,984
	260,933		267,708		289,731		320,560		314,440		295,649		347,740
	39,718		37,846		16,304		17,359		19,350		17,324		17,485
	1,978,832		1,966,664		2,021,227		2,283,529		2,237,539		2,362,795		2,674,159
	334,883		335,344		363,126		392,779		438,157		428,357		467,791
	445,027		441,999		473,969		501,731		557,815		575,546		602,919
	252,608		255,451		285,567		293,267		299,525		313,138		341,393
	276,730		293,083		322,467		347,127		312,948		258,367		317,168
	144,145		147,397		175,931		180,758		218,467		186,428		164,164
	94,982		99,012		95,366		99,947		105,551		97,571		107,459
	79,745		90,673		97,978		146,370		142,315		298,756		288,219
	194,957		290,550		253,249		227,042		231,457		196,482		200,131
	37,077		36,428		40,961		44,435		48,189		139,607		62,401
	712		28		1,500		469		—		1,293		105
	40,330		39,108		54,994		35,090		35,142		37,762		29,623
	3,811		—		13,125		—		—		—		—
	1,905,007		2,029,073		2,178,233		2,269,015		2,389,566		2,533,307		2,581,373
	73,825		(62,409)		(157,006)		14,514		(152,027)		(170,512)		92,786
	173,710		138,412		143,061		128,577		122,912		115,288		139,907
	(174,166)		(140,795)		(146,077)		(120,496)		(120,006)		(99,968)		(150,320)
	(122,186)		—		(183,745)		—		—		(119,690)		—
	—		—		—		—		26,167		—		—
	123,294		—		226,971		—		—		277,209		—
	—		—		—		—		—		—		1,447
	24,104		107,650		33,864		39,565		29,679		111,134		3,591
	24,756		105,267		74,074		47,646		58,752		283,973		(5,375)
	165,382		—		—		—		(10,117)		—		—
\$	263,963	\$	42,858	\$	(82,932)	\$	62,160	\$	(103,392)	\$	113,461	\$	87,411
	4.5 %		4.3 %		5 %		3.9 %		3.9 %		7.6 %		3.9 %

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

Table 5

Fiscal Year Ended June 30	City			Taxable Assessed Value	Successor Agency <sup>1</sup>			Taxable Assessed Value	Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions		Secured	Unsecured	Less: Exemptions		
2013	159,731,138	7,784,851	(7,883,818)	159,632,171	17,571,696	977,717	(1,683,396)	16,866,017	0.172%
2014	166,492,182	8,229,813	(8,321,763)	166,400,232	18,265,071	984,082	(1,712,162)	17,536,991	0.172%
2015	176,702,157	8,671,311	(8,592,636)	176,780,832	19,634,360	1,015,145	(1,694,855)	18,954,650	0.172%
2016	187,297,981	8,906,099	(9,002,912)	187,201,168	21,169,427	1,032,849	(1,795,081)	20,407,195	0.172%
2017	197,932,308	8,861,982	(9,478,879)	197,315,411	22,939,735	1,078,149	(1,814,669)	22,203,215	0.172%
2018	210,056,793	9,316,411	(9,765,866)	209,607,338	24,856,106	1,127,636	(2,011,257)	23,972,485	0.172%
2019	223,287,219	9,594,809	(10,907,691)	221,974,337	27,179,889	1,165,784	(2,170,961)	26,174,712	0.172%
2020	235,623,512	10,360,876	(11,645,531)	234,338,857	29,706,476	1,190,951	(2,227,755)	28,669,672	0.172%
2021	247,222,440	10,580,060	(11,339,067)	246,463,433	32,001,177	1,207,260	(2,179,831)	31,028,606	0.172%
2022	256,825,352	9,649,356	(12,495,971)	253,978,737	33,420,880	\$ 986,514	(2,263,620)	32,143,774	0.172%

<sup>1</sup> Pursuant to ABX1 26, the former Redevelopment Agency (RDA) dissolved as of February 1, 2012, at which time the City, as Successor Agency, received the former RDA's assets and assumed the responsibility for winding down the former RDA's operations.

Sources: Avenu Insights and Analytics, LLC and San Diego County Assessor Data



**CITY OF SAN DIEGO**  
**ASSESSED VALUE OF PROPERTY BY USE CODE / ASSESSED VALUE BY MAJOR COMPONENT (UNAUDITED)**  
**Last Ten Fiscal Years**  
**(Dollars in Thousands)**

Category	Fiscal Year		
	2013	2014	2015
Residential	\$ 121,392,331	\$ 126,493,049	\$ 135,781,072
Commercial	23,337,037	24,553,545	25,423,193
Industrial	11,564,607	11,753,860	12,258,818
Institution	1,626,508	1,688,359	1,733,140
Recreation	1,346,278	1,383,655	1,344,234
Government	—	—	—
Agriculture	14,853	15,155	16,607
Rural	239,073	199,226	205,324
Vacant	2,622,931	2,588,138	2,611,582
Unknown	15,159,216	16,082,265	16,962,545
Gross Secured Value	177,302,834	184,757,252	196,336,515
Unsecured	8,762,568	9,213,896	9,686,457
Less Exemptions	(9,567,214)	(10,033,925)	(10,287,491)
Net Taxable Value	<u>\$ 176,498,188</u>	<u>\$ 183,937,223</u>	<u>\$ 195,735,481</u>

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

Source: Avenu Insights and Analytics, LLC



Table 6

		Fiscal Year					
	2016	2017	2018	2019	2020	2021	2022
\$	144,566,532	\$ 153,836,389	\$ 163,783,938	\$ 174,763,775	\$ 185,410,856	\$ 195,634,112	\$ 204,604,762
	26,788,688	42,781,822	45,175,379	47,995,505	50,635,658	52,900,687	53,518,770
	12,786,249	13,716,011	14,580,784	16,009,633	17,065,994	17,848,209	19,094,803
	1,738,339	4,177,303	4,455,194	4,742,848	4,878,576	5,035,567	5,133,405
	1,384,431	1,657,970	1,659,558	1,741,950	1,782,059	1,866,749	1,685,474
	—	1,198,602	1,308,936	1,385,959	1,438,338	1,480,367	1,486,625
	17,989	472,200	530,505	551,261	593,440	666,923	696,738
	239,901	202,834	198,630	175,835	184,651	183,620	173,967
	3,023,596	2,826,026	3,219,104	3,099,378	3,339,367	3,606,350	3,850,676
	17,921,683	2,886	871	964	1,049	1,034	1,010
	208,467,408	220,872,043	234,912,899	250,467,108	265,329,988	279,223,618	290,246,230
	9,938,948	9,940,131	10,444,047	10,760,593	11,551,827	11,787,320	10,635,870
	(10,797,993)	(11,293,548)	(11,777,123)	(13,078,652)	(13,873,286)	(13,518,898)	(14,759,592)
\$	<u>207,608,363</u>	<u>\$ 219,518,626</u>	<u>\$ 233,579,823</u>	<u>\$ 248,149,049</u>	<u>\$ 263,008,529</u>	<u>\$ 277,492,040</u>	<u>\$ 286,122,508</u>

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

Basic City and County Direct Rates	Fiscal Year		
	2013	2014	2015
County of San Diego	0.15731 %	0.15731 %	0.15731 %
City of San Diego	0.17213 %	0.17213 %	0.17213 %
San Diego Unified School District	0.44679 %	0.44679 %	0.44679 %
San Diego Community College District	0.06463 %	0.06463 %	0.06463 %
County School Service	0.00748 %	0.00748 %	0.00748 %
County School Service - Capital Outlay	0.00189 %	0.00189 %	0.00189 %
Childrens Institution Tuition	0.00160 %	0.00160 %	0.00160 %
Regional Occupational Center	0.00477 %	0.00477 %	0.00477 %
Carlsbad Project	0.00010 %	0.00010 %	0.00010 %
Educational Revenue Augmentation Fund (ERAF)	0.14330 %	0.14330 %	0.14330 %
<b>Total Basic City and County Direct Rates <sup>1</sup></b>	<b>1.00000 %</b>	<b>1.00000 %</b>	<b>1.00000 %</b>
<b>Overlapping Rates</b>			
City of San Diego	0.00850 %	0.00850 %	0.00850 %
Education	0.10303 %	0.17427 %	0.17051 %
Total Overlapping	0.11153 %	0.18277 %	0.17901 %
<b>Total Direct and Overlapping Tax Rates</b>	<b>1.11153 %</b>	<b>1.18277 %</b>	<b>1.17901 %</b>

<sup>1</sup> Property tax rates in California do not utilize millage rates. Proposition 13, enacted by the voters in 1978-79, held property tax to a maximum of 1% of the assessed value. Rates over 1% are allowable only for voter approved bond indebtedness.

Sources: Avenu Insights and Analytics, LLC and San Diego County Auditor/Controller Data

Table 7

Fiscal Year						
2016	2017	2018	2019	2020	2021	2022
0.15731 %	0.15731 %	0.15731 %	0.15731 %	0.15731 %	0.15731 %	0.15731 %
0.17213 %	0.17213 %	0.17213 %	0.17213 %	0.17213 %	0.17213 %	0.17213 %
0.44679 %	0.44679 %	0.44679 %	0.44679 %	0.44679 %	0.44679 %	0.44679 %
0.06463 %	0.06463 %	0.06463 %	0.06463 %	0.06463 %	0.06463 %	0.06463 %
0.00748 %	0.00748 %	0.00748 %	0.00748 %	0.00748 %	0.00748 %	0.00748 %
0.00189 %	0.00189 %	0.00189 %	0.00189 %	0.00189 %	0.00189 %	0.00189 %
0.00160 %	0.00160 %	0.00160 %	0.00160 %	0.00160 %	0.00160 %	0.00160 %
0.00477 %	0.00477 %	0.00477 %	0.00477 %	0.00477 %	0.00477 %	0.00477 %
0.00010 %	0.00010 %	0.00010 %	0.00010 %	0.00010 %	0.00010 %	0.00010 %
0.14330 %	0.14330 %	0.14330 %	0.14330 %	0.14330 %	0.14330 %	0.14330 %
1.00000 %	1.00000 %	1.00000 %	1.00000 %	1.00000 %	1.00000 %	1.00000 %
0.00850 %	0.00850 %	0.00850 %	0.00850 %	0.00850 %	0.00850 %	0.00850 %
0.16609 %	0.16582 %	0.16117 %	0.16611 %	0.22349 %	0.22132 %	0.22470 %
0.17459 %	0.17432 %	0.16967 %	0.17461 %	0.23199 %	0.22982 %	0.23320 %
1.17459 %	1.17432 %	1.16967 %	1.17461 %	1.23199 %	1.22982 %	1.23320 %

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

Table 8

Property Tax Payer	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
<b><u>For the Fiscal Year Ended June 30, 2022</u></b>		
Qualcomm Inc	\$ 2,428,483	0.85%
Irvine Company LLC	1,796,267	0.63%
Kilroy Realty L P	1,254,876	0.44%
U T C Venture LLC	1,188,756	0.42%
A A T La Jolla Commons LLC	852,724	0.3%
Host Hotels And Resorts LP	827,526	0.29%
One Park Boulevard LLC	521,387	0.18%
Fashion Valley Mall LLC	509,611	0.18%
B E X Portfolio LLC	498,442	0.17%
Lajolla Crossroads 1 LLC	496,880	0.17%
<b><u>For the Fiscal Year Ended June 30, 2013</u></b>		
Kilroy Realty LP	1,506,263	0.85%
Irvine Co	1,454,270	0.82%
Qualcomm Inc	1,313,238	0.74%
Host Hotel and Resorts LP	1,036,445	0.59%
Sunstone	782,232	0.44%
Arden Realty L TD Partnership	469,184	0.27%
Fashion Valley Mall LLC	467,185	0.26%
Pfizer Inc	464,537	0.26%
O C S D Holdings LLC	444,560	0.25%
Sea World Inc	429,109	0.24%

Sources: Avenu Insights and Analytics, LLC and San Diego County Assessor Data

**CITY OF SAN DIEGO  
PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)  
Last Ten Fiscal Years  
(Dollars in Thousands)**

Table 9

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year <sup>1, 2</sup>	Collected within the Fiscal Year of Levy			Total Collections to Date	
		Amount Collected <sup>2</sup>	Percent of Levy	Delinquent Collections <sup>3</sup>	Amount	Percent of Levy
2013	299,332	293,577	98.08%	2,855	296,432	99.03%
2014	315,060	308,606	97.95%	2,631	311,237	98.79%
2015	331,187	325,794	98.37%	2,819	328,613	99.22%
2016	330,483	327,903	99.22%	2,452	330,355	99.96%
2017	349,650	346,510	99.10%	2,851	349,361	99.92%
2018	370,127	367,047	99.17%	2,629	369,676	99.88%
2019	391,665	388,224	99.12%	2,873	391,097	99.85%
2020	432,393	422,798	97.78%	4,968	427,766	98.93%
2021	443,719	439,043	98.95%	3,435	442,478	99.72%
2022	476,111	464,274	97.51%	—	464,274	97.51%

<sup>1</sup> Property tax levies and collections for the General Fund and Zoological Exhibits Fund.

<sup>2</sup> Taxes levied and collected for the year include local assessment only.

<sup>3</sup> Delinquent Collections amounts do not include penalties and interest.

Source: The County of San Diego

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

<b>Governmental Activities</b>						
<b>Fiscal Year Ended June 30</b>	<b>Leases Payable</b>	<b>Financed Purchase Obligations</b>	<b>QECB Lease Obligation</b>	<b>Loans Payable</b>	<b>Commercial Paper Notes</b>	
2013	\$ —	\$ 65,369	\$ 11,637	\$ 27,268	\$ —	\$ —
2014	—	58,094	10,864	17,633	—	—
2015	—	92,539	10,071	9,568	—	—
2016	—	86,500	9,259	8,480	—	—
2017	—	165,626	8,429	7,341	—	—
2018	—	197,649	7,578	6,383	—	—
2019	—	219,147	6,708	5,388	15,889	—
2020	—	207,010	5,816	30,737	38,575	—
2021	—	231,048	4,903	29,888	—	—
2022	74,333	217,273	3,968	29,007	—	—
<b>Business-Type Activities</b>						
<b>Fiscal Year Ended June 30</b>	<b>Leases Payable</b>	<b>Financed Purchase Obligations</b>	<b>Contracts Payable</b>	<b>Notes Payable</b>	<b>Loans Payable</b>	
2013	\$ —	\$ —	\$ —	\$ —	\$ 145,330	\$ —
2014	—	2,590	—	—	161,360	—
2015	—	2,250	—	—	158,241	—
2016	—	7,588	3,606	—	162,194	—
2017	—	6,091	2,888	13	191,658	—
2018	—	4,624	2,194	11	203,273	—
2019	—	3,123	1,481	8	223,896	—
2020	—	12,374	750	6	238,034	—
2021	—	8,624	—	4	243,223	—
2022	13,848	—	—	2	312,814	—

<sup>1</sup> Personal income is disclosed in Table 16.

<sup>2</sup> Debt per Capita is calculated using population data, which is disclosed in Table 16.

Source: Annual Comprehensive Financial Reports

Table 10

Lease Revenue Bonds Net	Tobacco Settlement-Asset Backed Bonds	Total Governmental Activities
\$ 546,884	\$ 81,635	\$ 734,806
572,008	77,785	738,398
670,977	73,705	858,875
641,832	69,440	817,527
615,280	64,570	863,263
583,508	89,195	886,331
554,380	81,170	884,701
524,158	73,330	881,646
640,344	64,290	972,494
605,535	54,250	986,388

Commercial Paper Notes	Bonds Payable Net	Total Business-Type Activities	Total Primary Government	Percentage of Personal Income <sup>1</sup>	Debt Per Capita <sup>2</sup>
—	\$ 1,915,775	\$ 2,061,105	\$ 2,793,898	6.42%	2.11
—	1,851,771	2,015,721	2,752,105	6.0%	2.04
—	1,771,085	1,931,576	2,788,436	6.02%	2.04
—	1,843,259	2,016,647	2,832,158	5.94%	2.04
—	1,735,166	1,935,816	2,797,062	5.53%	1.99
168,213	1,630,758	2,009,073	2,893,386	5.33%	2.04
53,597	1,804,916	2,087,021	2,969,703	5.18%	2.09
18,724	1,930,160	2,200,048	3,079,674	5.38%	2.15
98,724	1,805,965	2,156,540	3,127,013	5.21%	2.22
195,092	1,869,553	2,377,460	3,363,848	5.61%	2.38

**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 <sup>1</sup>	Population	Debt Per Capita <sup>2</sup>
2013	—	159,632,171	—	1,326,238	—
2014	—	166,400,232	—	1,345,895	—
2015	—	176,780,832	—	1,368,061	—
2016	—	187,201,168	—	1,391,676	—
2017	—	197,315,411	—	1,406,318	—
2018	—	209,607,338	—	1,419,845	—
2019	—	221,974,337	—	1,420,572	—
2020	—	234,338,857	—	1,430,489	—
2021	—	246,463,433	—	1,411,034	—
2022	—	246,463,433	—	1,411,034	—

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

<sup>1</sup> Percentage is calculated using assessed property values.

<sup>2</sup> Ratio is calculated using population data.

Sources: Avenu Insights and Analytics, LLC, California Department of Finance, and Annual Comprehensive Financial Reports





**CITY OF SAN DIEGO  
DIRECT AND OVERLAPPING DEBT (UNAUDITED)  
June 30, 2022  
(Dollars in Thousands)**

	<b>Total Debt June 30, 2021</b>	<b>% Applicable <sup>1</sup></b>	<b>City's Share of Debt June 30, 2021</b>
<b><u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>			
Metropolitan Water District	\$ 20,175	8.474%	\$ 1,710
Palomar Community College District	655,840	23.349%	153,132
San Diego Community College District	1,344,708	99.938%	1,343,874
Poway Unified School District School Facilities Improvement District No. 2002-1 & 2007-1	278,863	55.469-56.569%	156,493
San Diego Unified School District	4,769,349	99.941%	4,766,535
San Dieguito Union High School District	424,285	34.305%	145,551
San Ysidro School District	139,506	82.190%	114,660
Other School, High School and Community College Districts	3,353,462	Various	446,230
Grossmont Healthcare District	243,787	7.953%	19,388
Palomar Pomerado Health System	408,228	27.873%	113,785
City of San Diego Special Assessment/Special Tax Bonds <sup>2</sup>	57,295	100%	57,295
Del Mar Unified School District Community Facilities District No. 99-1 & 95-1	49,620	100%	49,620
North City West School District Community Facilities District	29,083	100%	29,083
Poway Unified School District Community Facilities Districts	342,809	100%	342,809
San Dieguito Union High School District Community Facilities Districts	62,650	81.272-100%	57,650
Sweetwater Union High School District Community Facilities Districts	6,913	31.2021-100%	4,586
Solana Beach School District Community Facilities Districts	27,915	100%	27,915
Other Special District 1915 Act Bonds	50,764	Various	45,332
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$ 7,875,648</u>
<b><u>DIRECT AND OVERLAPPING DEBT:</u></b>			
San Diego County General Fund Obligations	\$ 245,340	47.445%	\$ 116,402
San Diego County Pension Obligation Bonds	340,825	47.445%	161,704
San Diego County Superintendent of Schools Certificates of Participation	7,780	47.445%	3,691
Poway Unified School District General Fund Obligations	54,460	64.992%	35,357
Sweetwater Union High School District General Fund Obligations	29,140	19.531%	5,691
Chula Vista School District General Fund Obligations	192,105	4.998%	9,601
San Ysidro School District Certificates of Participation	36,489	82.190%	29,990
Other School, High School and Community College District General Fund Obligations	140,673	Various	5,318
City of San Diego Obligations <sup>3</sup>	950,715	100%	984,366
TOTAL DIRECT AND OVERLAPPING DEBT			<u>\$ 1,352,120</u>
TOTAL OVERLAPPING TAX INCREMENT DEBT	\$ 307,678	0.763-100%	\$ 282,293
TOTAL DIRECT DEBT			984,366
TOTAL OVERLAPPING DEBT			8,525,695
COMBINED TOTAL DEBT <sup>4</sup>			9,510,061

**Table 12**Ratios to 2020-21 Assessed Valuations (\$278,960,853):

Total Overlapping Tax and Assessment Debt	2.74 %
Total Direct Debt (\$950,715)	0.34 %
Combined Total Debt	3.31 %

Ratios to Successor Agency Incremental Valuation (\$31,163,905)

Total Overlapping Tax Increment Debt	0.87 %
--------------------------------------	--------

<sup>1</sup> 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.

<sup>2</sup> Amounts reconcile to Note 19, Total Special Assessment / Special Tax Bonds.

<sup>3</sup> Amounts for Total Debt reconcile to Note 5, Total Lease Revenue Bonds, Total QECB Obligations, Total Loans Payable, Section 108 Loans Payable, EVFP Financed Purchase Obligations, Other Financed Purchase Obligations, Tobacco Settlement Asset Backed Bonds, and Leases Payable.

<sup>4</sup> Excludes Tax and Revenue Anticipation Notes, Enterprise Revenue, Mortgage Revenue and Non-Bonded Capital Lease Obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Sources: Avenu Insights and Analytics, LLC and Annual Comprehensive Financial Reports

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

	2013	2014	2015
Assessed valuation	\$ 159,632,171	\$ 166,400,232	\$ 176,780,832
Debt limit percentage <sup>1, 2</sup>	25 %	25 %	25 %
Debt limit	39,908,043	41,600,058	44,195,208
Total net debt applicable to limit:			
General Obligation Bonds	—	—	—
Legal debt margin	39,908,043	41,600,058	44,195,208
Total debt applicable to the limit as a percentage of the debt limit	— %	— %	— %

<sup>1</sup> The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation.

<sup>2</sup> For fiscal years 2010-2016, Section 90 of the Charter provided that the bonded indebtedness for the development, conservation, and furnishings of water shall not exceed 15% of the last preceding assessed valuation of all real and personal property of the City subject to direct taxation, and that the bonded indebtedness for other municipal improvements shall not exceed 10% of such valuation. These limitations were removed from the Charter effective in fiscal year 2017.

Sources: Avenu Insights and Analytics, LLC and Annual Comprehensive Financial Reports

**Table 13**

Fiscal Year							
	2016	2017	2018	2019	2020	2021	2022
\$	187,201,168	\$ 197,315,411	\$ 209,607,338	\$ 221,974,337	\$ 234,338,857	\$ 246,463,432	\$ 253,978,736
	25 %	15 %	15 %	15 %	15 %	15 %	15 %
	46,800,292	29,597,312	31,441,101	33,296,151	35,150,829	36,969,515	38,096,810
	—	—	—	—	—	—	—
	46,800,292	29,597,312	31,441,101	33,296,151	35,150,829	36,969,515	38,096,810
	— %	— %	— %	— %	— %	— %	— %

**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 <sup>1</sup>	Total Maintenance and Operation Costs	Net System Revenues <sup>2</sup>	Less: Interest Earnings on Reserve Fund- Senior Obligations	Adjusted Net System Revenues <sup>3</sup>
2013	\$ 444,751	\$ 342,989	\$ 101,762	\$ (363)	\$ 101,399
2014	473,908	362,989	110,919	(1,017)	109,902
2015	468,274	381,389	86,885	(897)	85,988
2016	455,055	370,064	84,991	(4,474)	80,517
2017	498,520	402,475	96,045	(4)	96,041
2018	589,608	435,673	153,935	(35)	153,900
2019	558,349	428,932	129,417	(73)	129,344
2020	573,989	436,668	137,321	(40)	137,281
2021	629,839	492,144	137,695	(1)	137,694
2022 <sup>7</sup>	652,299	515,475	136,824	(2)	136,822

<sup>1</sup> Total System Revenues and affected coverage ratios are net of transfers to the Water Rate Stabilization and Secondary Purchase reserves.

<sup>2</sup> Pursuant to the Amended and Restated Master Installment Purchase Agreement (MIPA), Net System Revenues is defined as "System Revenues" less "Maintenance and Operation Costs" of the Water System for the fiscal year.

<sup>3</sup> As defined in the MIPA, Adjusted Net System Revenues are the "Net System Revenues" less "an amount equal to earnings from investments in any Reserve Fund or Reserve Account" for the fiscal year.

<sup>4</sup> Senior Obligations include senior revenue bonds and SRF Loans. Utilizes definitions in accordance with the MIPA. Significant decrease in Adjusted Debt Service and increase in Adjusted Debt Service Coverage in FY 2017 because all outstanding Senior Bonds were refunded on a Subordinate lien in June 2016.

<sup>5</sup> All Obligations consist of Senior Obligations (bonds and SRF Loans) and Subordinated Obligations (subordinated revenue bonds, commercial paper notes and WIFIA Loans). Utilizes definitions in accordance with the MIPA. Effective FY 2017, All Obligations include debt service paid on Subordinate Water Revenue Commercial Paper Notes program. See Note 6 and 8.

<sup>6</sup> The coverage calculation as presented in Table 14 is pursuant to the MIPA coverage requirements such as maintaining minimum debt service coverage equal to at least 1.20 for Senior Obligations and 1.00 for All Obligations. Additionally, a WIFIA Loan agreement requires maintaining a coverage requirement similar to MIPA but equal to at least 1.10 for All Obligations each fiscal year. Additionally, there is an SRF Loan agreement pursuant to which the City has covenanted to maintain minimum debt service coverage equal to at least 1.10 times the maximum annual debt service for all obligations each fiscal year. The City verifies the loans' rate covenants annually.

<sup>7</sup> Total System Revenues and affected coverage ratios are net of a \$18,000 transfer from the Water Rate Stabilization reserve. Aggregate Debt Service coverage before the transfer was approximately 1.27.

Source: Department of Finance, City of San Diego

Table 14

Senior Obligations <sup>4</sup>					All Obligations <sup>5</sup>			
Principal	Interest	Total	Less: Senior Interest Earnings	Adjusted Debt Service	Adjusted Debt Service Coverage <sup>6</sup>	Total Debt Service	Aggregate Debt Service Coverage <sup>6</sup>	
\$ 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	1.3	
10,580	30,413	40,993	(4,474)	36,519	2.20	67,389	1.26	
2,703	1,302	4,005	(4)	4,001	24.00	61,842	1.55	
2,820	1,439	4,259	(35)	4,224	36.43	65,613	2.35	
2,887	1,600	4,487	(73)	4,414	29.30	68,136	1.9	
3,925	1,701	5,626	(40)	5,586	24.58	83,199	1.65	
18,832	9,630	28,462	(1)	28,461	4.84	93,547	1.47	
16,143	12,364	28,507	(2)	28,505	4.80	93,839	1.46	

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

Table 15

Fiscal Year Ended June 30	Total System Revenues <sup>1</sup>	Total Maintenance and Operation Costs (Excludes Depreciation)	Net System Revenues <sup>2</sup>	Senior Obligations <sup>3</sup>			Senior Debt Service Coverage <sup>5</sup>	All Obligations <sup>4</sup>	
				Principal	Interest	Total		Total Debt Service	Aggregate Debt Service Coverage <sup>5</sup>
2013	\$ 385,211	\$ 205,215	\$ 179,996	\$ 46,120	\$ 56,368	\$ 102,488	1.76	\$ 108,547	1.66
2014	396,042	210,981	185,061	48,821	54,473	103,294	1.79	109,353	1.69
2015	382,164	195,358	186,806	51,576	52,461	104,037	1.80	110,096	1.70
2016	368,195	192,185	176,010	66,187	34,633	100,820	1.75	106,879	1.65
2017	382,599	218,336	164,263	58,455	43,974	102,429	1.60	108,489	1.51
2018	388,395	223,013	165,382	61,751	41,376	103,127	1.60	109,185	1.51
2019	404,377	239,556	164,821	64,635	38,487	103,122	1.60	109,181	1.51
2020	405,301	244,894	160,407	65,080	35,115	100,195	1.60	106,254	1.51
2021	396,550	250,273	146,277	67,954	32,287	100,241	1.46	105,412	1.39
2022 <sup>6</sup>	425,627	244,933	180,694	71,342	28,625	99,967	1.81	104,935	1.72

<sup>1</sup> Total System Revenues and affected coverage ratios are net of transfers to the Sewer Rate Stabilization reserve.

<sup>2</sup> As defined in the Master Installment Purchase Agreement (MIPA), Net System Revenues are defined as "System Revenues" less "Maintenance and Operation Costs" of the Wastewater System for the fiscal year.

<sup>3</sup> Senior Obligations include senior revenue bonds and senior SRF Loans. Utilizes the definitions in accordance with the MIPA.

<sup>4</sup> All Obligations consist of Senior Obligations (bonds and SRF Loans) and Subordinated Obligations (subordinated revenue bonds and subordinated SRF Loans). Utilizes definitions in accordance with the MIPA.

<sup>5</sup> The coverage calculation as presented in Table 15 is pursuant to the MIPA, which requires a minimum debt service coverage should be at least equal to 1.20 for Senior Obligations and 1.00 for All Obligations. Additionally, there are various outstanding State Revolving Fund Loans (SRF Loans) agreements pursuant to which the City has covenanted to maintain minimum debt service coverage equal to at least 1.20 times the maximum annual debt service for senior obligations and 1.10 times the maximum annual debt service for all obligations in each fiscal year. The City verifies the loans' rate covenants annually.

<sup>6</sup> Total System Revenues and affected coverage ratios are net of a \$25,000 transfer to the Sewer Rate Stabilization reserve. Aggregate Debt Service coverage before the transfer was approximately 1.96.

Source: Department of Finance, City of San Diego



**CITY OF SAN DIEGO  
DEMOGRAPHIC AND ECONOMIC STATISTICS (UNAUDITED)  
Last Ten Fiscal Years**

Table 16

Fiscal Year Ended June 30	Population <sup>1</sup>	Personal Income (Thousands)	Per Capita Personal Income <sup>2</sup>	City Unemployment Rate <sup>3</sup>
2013	1,326,238	43,540,765	32,830	8.9 %
2014	1,345,895	45,869,488	34,081	6.1 %
2015	1,368,061	46,297,920	33,842	4.6 %
2016	1,391,676	47,718,552	34,289	4.9 %
2017	1,406,318	50,542,056	35,939	4.4 %
2018	1,419,845	54,274,285	38,225	3.1 %
2019	1,420,572	57,277,776	40,320	3.2 %
2020	1,430,489	59,988,300	41,936	14.7 %
2021	1,411,034	63,871,018	45,265	9 %
2022	1,374,790	71,479,195	51,993	2.6 %

<sup>1</sup> Population projections are provided by the California Department of Finance Projections.

<sup>2</sup> Income data is provided by the United States Census Bureau.

<sup>3</sup> Unemployment Data is provided by the California Employment Development Department's Bureau of Labor Statistics Department.

Sources: Avenu Insights and Analytics, LLC and California Department of Finance

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

Table 17

Employer	Number of Employees	Percentage of Total Employment <sup>1</sup>
<b>For the Fiscal Year Ended June 30, 2022</b>		
Naval Base San Diego <sup>2</sup>	41,321	5.78 %
University of California, San Diego <sup>3</sup>	37,064	5.18 %
Sharp Health Care <sup>4</sup>	18,839	2.63 %
County of San Diego	16,744	2.34 %
Scripps Health <sup>5</sup>	13,787	1.93 %
San Diego Unified School District <sup>6</sup>	13,559	1.9 %
Qualcomm Inc <sup>7</sup>	11,546	1.61 %
City of San Diego <sup>8</sup>	11,466	1.59 %
Kaiser Permanente <sup>9</sup>	9,632	1.35 %
Northrop Grumman Corporation	6,075	0.85 %
Total Top Employers	180,033	25.16 %
<b>For the Fiscal Year Ended June 30, 2013</b>		
United States Navy <sup>2</sup>	30,664	4.3 %
University of California San Diego <sup>3</sup>	28,071	3.93 %
Sharp Health Care <sup>4</sup>	15,906	2.23 %
County of San Diego	15,727	2.2 %
San Diego Unified School District	13,552	1.9 %
Qualcomm Inc <sup>7</sup>	13,524	1.89 %
City of San Diego	10,026	1.4 %
Kaiser Permanente <sup>9</sup>	8,800	1.23 %
University of California San Diego Medical Center	6,235	0.87 %
San Diego Gas & Electric Co.	4,753	0.67 %
Total Top Employers	147,258	20.62 %

<sup>1</sup> Percentage based on total employment of 715,500 and 713,900 for fiscal years 2022 and 2013, respectively.

<sup>2</sup> Includes Active Duty Navy and Marine, and Civil Services employees.

<sup>3</sup> Includes full and part-time, academic and support, and UCSD Medical Center, School of Medicine.

<sup>4</sup> Employee count is countywide.

<sup>5</sup> Scripps Health employees within city limits, not including Mercy Hospital in Chula Vista.

<sup>6</sup> Employee count from previous fiscal year, current year unavailable as of report date.

<sup>7</sup> Excludes temps and interns.

<sup>8</sup> As of the last pay-period of the fiscal year.

<sup>9</sup> Count includes physicians.

Sources: Avenu Insights and Analytics, LLC and City of San Diego, Department of Finance - Payroll Division

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

Table 18

Function	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Government and Support	2,058	2,134	2,283	2,433	2,569	2,611	2,690	2,702	2,601	2,703
Public Safety - Police	2,427	2,489	2,519	2,577	2,540	2,564	2,595	2,614	2,584	2,523
Public Safety - Fire and Life Safety and Homeland Security	1,235	1,283	1,397	1,428	1,433	1,450	1,481	1,515	1,526	1,537
Parks, Recreation, Culture and Leisure	1,646	1,720	1,871	1,908	1,976	1,896	1,880	1,848	1,663	1,722
Transportation	298	325	337	376	409	403	409	378	389	398
Sanitation and Health	121	135	139	144	128	127	132	136	126	152
Neighborhood Services	141	152	162	172	169	185	174	178	91	90
Airports	18	16	18	21	19	17	22	21	19	20
Development Services	293	332	367	408	415	426	412	441	513	528
Environmental Services	153	145	154	145	139	103	163	160	167	177
Golf Course	98	106	106	108	102	114	107	110	106	97
Recycling	97	104	93	85	83	126	91	93	95	89
Sewer Utility	721	775	693	694	660	653	614	613	612	589
Water Utility	720	695	829	888	841	863	828	789	803	841
Total Employees	<u>10,026</u>	<u>10,411</u>	<u>10,968</u>	<u>11,387</u>	<u>11,483</u>	<u>11,538</u>	<u>11,598</u>	<u>11,598</u>	<u>11,295</u>	<u>11,466</u>

<sup>1</sup> As of the last pay-period of the fiscal year.

Source: City of San Diego, Department of Finance - Payroll Division

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

Function	Fiscal Year		
	2013	2014	2015
<u>Public Safety - Police</u>			
Calls for Police Services Dispatched	570,628	583,556	562,360
Calls for 9-1-1 Emergencies	605,015	583,391	626,694
<u>Public Safety - Fire and Life Safety and Homeland Security</u>			
Fire Department:			
Emergency Calls - Fire	3,659	3,184	5,591
Emergency Calls - Medical/Rescue	112,864	113,858	124,189
Emergency Calls - Other	12,698	12,838	12,748
Lifeguard:			
Water Rescues	5,482	5,299	6,673
Other Rescues	6,714	5,486	6,281
Beach Attendance	23,403,527	23,414,313	24,928,079
<u>Parks, Recreation, Culture and Leisure</u>			
Parks and Recreation:			
Number of Aquatic Users	308,025	296,000	311,788
Number of Youth Served in After School Program Sites	81,889	109,670	107,515
Library:			
Circulation	6,956,000	6,877,913	6,923,853
Total Attendance - All Libraries	5,818,941	6,170,931	6,654,351
<u>Sewer Utility</u>			
Average Daily Sewage Flow (millions of gallons)	160	155	149
Average Daily Peak - Maximum Sewage Flow (millions of gallons)	207	196	187
System Daily Capacity (millions of gallons)	255	255	255
<u>Water Utility</u>			
Average Daily Production (millions of gallons)	181	188	171
Maximum Daily Production (millions of gallons)	249	267	243
Total Water Consumption (millions of gallons)	62,501	65,552	60,474
Total Water Production (millions of gallons)	66,167	68,457	62,289

<sup>1</sup> Number of Calls for 9-1-1 emergencies is missing calls received during June 4th through June 30th, 2014.

<sup>2</sup> Number of calls for police dispatch are preliminary for FY18 and FY19 due to implementation of a new computer aided dispatch system.

Source: City Departments

Table 19

Fiscal Year						
2016	2017	2018	2019	2020	2021	2022
529,564	515,351	499,309	507,338	523,472	499,252	463,837
615,158	595,309	622,696	655,155	655,097	726,921	767,588
5,639	5,845	6,288	6,005	4,772	6,368	6,503
136,750	138,632	140,704	140,371	139,067	143,104	157,629
11,875	12,024	11,531	12,338	13,134	11,795	14,649
7,835	8,611	8,830	5,929	5,277	7,505	6,433
5,584	5,265	4,829	6,257	5,083	4,544	4,472
17,939,665	16,266,398	17,723,916	17,490,806	16,055,737	19,827,093	18,375,275
304,125	321,751	315,315	286,617	175,341	28,006	141,005
108,160	128,774	147,516	143,108	81,759	—	71,400
6,840,359	6,322,664	7,743,970	8,047,378	6,201,501	3,609,267	5,439,477
6,940,237	6,591,169	6,772,535	6,996,143	5,377,801	418,787	3,425,415
146	156	146	157	168	161	157
220	298	196	240	198	175	177
255	255	255	255	255	255	255
150	158	166	155	152	159	161
215	220	218	229	224	228	220
54,702	49,209	52,015	47,263	45,659	49,265	48,024
54,875	57,709	60,532	56,435	55,350	58,000	58,719

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

Function	Fiscal Year		
	2013	2014	2015
<u>Public Safety - Police</u>			
Stations <sup>1</sup>	10	11	11
<u>Public Safety - Fire and Life Safety and Homeland Security</u>			
Fire Stations	47	47	47
<u>Parks, Recreation, Culture and Leisure</u>			
Parks and Recreation Sites	387	387	387
<u>Transportation</u>			
Miles of Streets - Concrete and Asphalt <sup>2</sup>	2,777	2,777	2,778
<u>Airports</u>			
Municipal Airports	2	2	2
<u>Golf Course</u>			
Municipal Golf Courses <sup>3</sup>	10	10	10
<u>Sewer Utility</u>			
Miles of Sewers	3,021	3,020	3,026
Sewer Service Laterals	275,404	261,632	261,837
<u>Water Utility</u>			
Miles of Water Mains	3,294	3,376	3,384
Water Meters in Service	276,998	278,241	279,625
Fire Hydrants	25,157	25,195	25,364

<sup>1</sup> Includes Headquarters and Traffic.

<sup>2</sup> Numbers for 2016 - 2022 includes alleys.

<sup>3</sup> Includes City operated as well as leased golf courses.

<sup>4</sup> Excludes recycled water mains.

Sources: Annual Comprehensive Financial Reports and City Departments

Table 20

Fiscal Year						
2016	2017	2018	2019	2020	2021	2022
11	11	11	11	11	11	11
48	48	49	49	49	49	50
387	390	395	397	400	400	402
2,981	2,964	2,996	2,996	3,000	3,045	3,045
2	2	2	2	2	2	2
10	10	10	10	10	10	10
3,031	3,031	3,032	3,036	3,039	3,044	3,085
264,652	262,275	262,252	262,268	262,447	262,751	263,981
3,295	3,294	3,295	3,297	3,316	3,320	3,334
280,631	283,751	284,202	284,724	285,237	285,582	285,717
25,492	25,533	25,534	25,545	25,610	25,652	25,853

