

City of San Pablo, California



Comprehensive Annual Financial Report *For the Fiscal Year Ended June 30, 2008*



CITY OF SAN PABLO, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2008

PREPARED BY THE
FINANCE DEPARTMENT

**COVER PHOTOS: Brentz Lane Park and
Recreation Department Fun Mobile**

CITY OF SAN PABLO, CALIFORNIA

Comprehensive Annual Financial Report
For the Year Ended June 30, 2008

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FINANCE DEPARTMENT

September 16, 2008

Honorable Mayor and Members of the City Council
City of San Pablo, California

State law requires that all general-purpose local governments, within six months of the close of each fiscal year, publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we are pleased to submit the City of San Pablo's (City) Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008.

Responsibility for the accuracy of the data and the fairness of presentation, including all footnotes and disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All material statements and disclosures necessary for the reader to obtain a thorough understanding of the City's financial activities have been included. City management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

While traditionally addressed to the governing body of the City, this report is intended to provide relevant financial information to the citizens of the City of San Pablo, City staff, creditors, investors and other concerned readers. We encourage all readers to contact the Finance Department with any questions or comments concerning this report.

The City's financial statements for the fiscal year ended June 30, 2008 have been audited by Maze & Associates. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of San Pablo, California's financial statements for the fiscal year ended June 30, 2008, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of San Pablo was incorporated as a general law city on April 27, 1948. The City operates under the Council-Manager form of government. The City Manager is responsible for the efficient implementation of Council policy and the effective administration of all City government affairs. The City Council is elected every four years and the Council elects its mayor annually.

San Pablo is located in West Contra Costa County on Interstate 80, minutes away from the Bay Area cultural centers of Berkeley, Oakland and San Francisco. Interstate 80 is the principal arterial route between the Bay Area and Sacramento.

The City provides a range of services, some of which are provided on a contractual basis. Contractual services with Contra Costa County include fire, animal control and building officials. Other contract services include street sweeping and major capital projects. The City provides a full range of services including police protection, recreational activities, community development, street improvements and maintenance services.

The financial reporting entity (the government) includes all the funds of the primary government (i.e., the City of San Pablo as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable.

Blended components, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, the Redevelopment Agency (RDA) and the Joint Powers Financing Authority are reported as funds of the primary government in the Special Revenue, Capital Project and Debt Service Funds.

The City maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the general fund, special revenue funds, debt service funds and the RDA capital projects fund are included in the annual appropriated budget. The Public Works Construction Capital Projects Fund is budgeted on a project-length basis. Encumbrances are used in conjunction with budget and expenditure accounting at the time purchase orders are authorized, in order to ensure that no more than the amounts budgeted are expended. Monthly reports on expenditures and encumbrance activity are prepared to assist individual departments or divisions in controlling their budgets. The Finance Director reviews these reports for budgetary compliance.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Current Economic Conditions and Outlook:

San Pablo covers an area of approximately three square miles. The City has an estimated population of 31,190 and a total assessed property valuation of \$1,811,569,291. The area is characterized as an older bedroom community that is almost completely built out. All development that is done is through the reuse of existing properties.

Contra Costa College, located in San Pablo, provides a full AA degree curriculum and is widely respected for its ability to educate a diverse population and prepare them to transfer to a four year university.

Doctors Medical Center San Pablo is operated by the West Contra Costa Healthcare District, a public agency. Serving the community for more than fifty years, Doctors Medical Center has a 196-bed hospital in San Pablo with the largest ER in the West County area and the second busiest in Contra Costa County. Besides emergency services, Doctors Medical Center offers a full range of health services, including a regional cancer treatment center, a well known cardiac center, hyperbaric medicine center and orthopedics.

San Pablo Lytton Casino is a Native American Casino in San Pablo, California and is open 24 hours daily. The property has one restaurant and offers both card games and electronic bingo machines. The City relies heavily on Casino business revenue to support general fund operations. As such San Pablo is unique in the region and is not subject to the same variations in taxes that impact neighboring cities. Casino business taxes comprised 59% of general fund revenues for fiscal year 2007-08.

Utility user's tax increased slightly in fiscal 2008 as the temporary reduction in rates from 7% to 5% remained in effect this fiscal year. Utility user's taxes are expected to decrease in the upcoming fiscal year as a further 1% temporary reduction bringing the rate to 4% goes into effect October 1, 2008. Sales tax and motor vehicle fees represent the other major general fund revenue producers and no variation is expected in the upcoming fiscal year.

Fiscal year 2008 did not show the impact of the new development that started in 2003, as did 2007. Median housing prices in San Pablo decreased by 38.4%, slightly more than the average decrease in Contra Costa County of 34.2%. Current supplemental property taxes, which represent the change in property taxes when property is sold, decreased 59%, in contrast to fiscal year 2007 when the supplemental property taxes increased 96.9%. When incremental property taxes of the redevelopment agency are included, property taxes equal 36% of revenue for all governmental funds.

Major Initiatives:

The City of San Pablo is an active and vibrant community, with a municipal government that is proactive and prepared to respond to changes which are occurring. This year the City Council had a retreat at which time they formulated the major initiatives for the City. In fiscal year 2007-08, the City began or continued work on several capital projects including the following:

- ★ 23rd Street Revitalization
- ★ Rumrill Boulevard Bridge Replacement
- ★ Kennedy Plaza Renovation
- ★ San Pablo Avenue Overlay
- ★ Pedestrian Safety at Schools
- ★ Corporation Yard Relocation
- ★ Wildcat Creek Trail
- ★ Wanlass Park
- ★ Brentz Lane Park
- ★ Annual Slurry Seal Project

The Redevelopment Agency of the City of San Pablo revised its first-time home buyers loan program this fiscal year by increasing the maximum amount of assistance from \$75,000 to \$200,000. This revision allowed the Agency to issue twenty three new loans to first time home buyers in fiscal year 2008.

Cash Management Policies and Practices:

The City invests temporarily idle funds in accordance with the State Government Code and the Investment Policy adopted by the City Council. During the year, funds were invested in the Local Agency Investment Fund of the State of California, Federal Agency Issues, Commercial Paper, Money Market Funds composed of U. S. Government Securities and Mutual Funds.

The City's investment policy is to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to all state and local statutes governing the investment of public funds. The primary objectives of San Pablo's investment activities are, in order of priority:

1. Safety of invested funds;
2. Maintain sufficient liquidity to meet all operating requirements; and
3. Attainment of a rate of return throughout budgetary and economic cycles, consistent with the first two objectives.

This investment policy is reviewed annually to ensure its consistency with respect to the overall objectives of safety, liquidity and yield, and its relevance to current laws and financial trends. Proposed amendments to the Policy are prepared by the Finance Director, and after review and approval by the City Manager, are forwarded to the City Council for consideration and approval.

Risk Management:

The City is a member of the Municipal Pooling Authority (MPA). The Authority was formed to allow member agencies to pool together to provide cost effectiveness risk management services and programs to member agencies. The MPA provides for liability coverage to a maximum of \$25 million and Workers' Compensation coverage to a maximum of \$300 million.

The City retains the risk for general liability in the amount of \$10,000 per claim and for all risk fire and property insurance up to \$5,000 per claim. The City provides fully-insured health plans through CalPERS and dental, life and long term disability programs through MPA.

Pension and Postemployment Benefits:

All full-time employees of the City are eligible to participate in the California Public Employees' Retirement System (CalPERS). CalPERS is an agent multiple-employer defined benefit pension plan that acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Employees vest after five years of service and are eligible to receive benefits at age 50.

Retirees are also provided with medical coverage. To fund this benefit a trust fund was set up with ICMA-RC. The City made contributions of \$3,275,000 in fiscal year 2008 to pay off the actuarially determined unfunded liability.

Awards

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 of San Pablo for its comprehensive annual financial report for the fiscal year ended June 30, 2007. This was the twelfth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

I wish to acknowledge the excellent participation and professional contribution of the financial staff in the preparation of this document, in particular Mindy Charlup and Lynette Jackson, who are to be commended for their continued high level of performance. I would also like to express my appreciation to all departments within the City, who provided assistance and support.

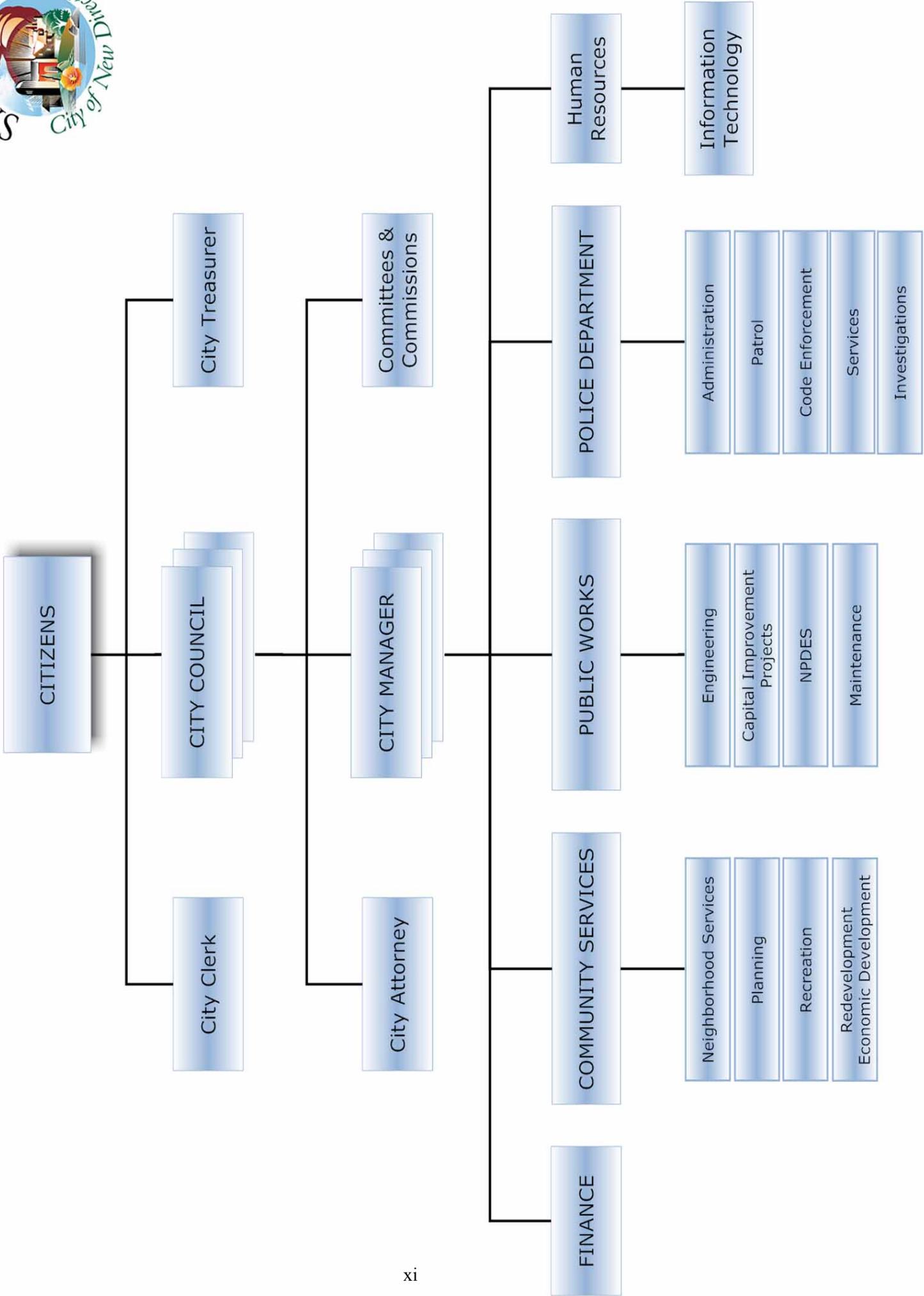
Sincere appreciation is also expressed to the City Manager and members of the City Council for their support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Ward", with a stylized flourish at the end.

CITY OF SAN PABLO
Bradley J. Ward
Finance Director

City of San Pablo Organizational Chart



CITY OF SAN PABLO
ELECTED OFFICIALS AND
ADMINISTRATIVE PERSONNEL

JUNE 30, 2008

ELECTED OFFICIALS

Mayor	Sharon J. Brown
Vice Mayor	Leonard R. McNeil
Council Member	Genoveva Garcia-Calloway
Council Member	Paul V. Morris
Council Member	Joseph M. Gomes
City Clerk	Ted J. Denney
City Treasurer	Charles Nicholas

ADMINISTRATIVE PERSONNEL

City Manager
City Attorney
Chief of Police
Finance Director
Community Services Director
Public Works Director/City Engineer

Brock T. Arner
Brian M. Libow
Joseph P Aita
Bradley J. Ward
Kelsey D. Worthy
Adele D. Ho

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of San Pablo
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

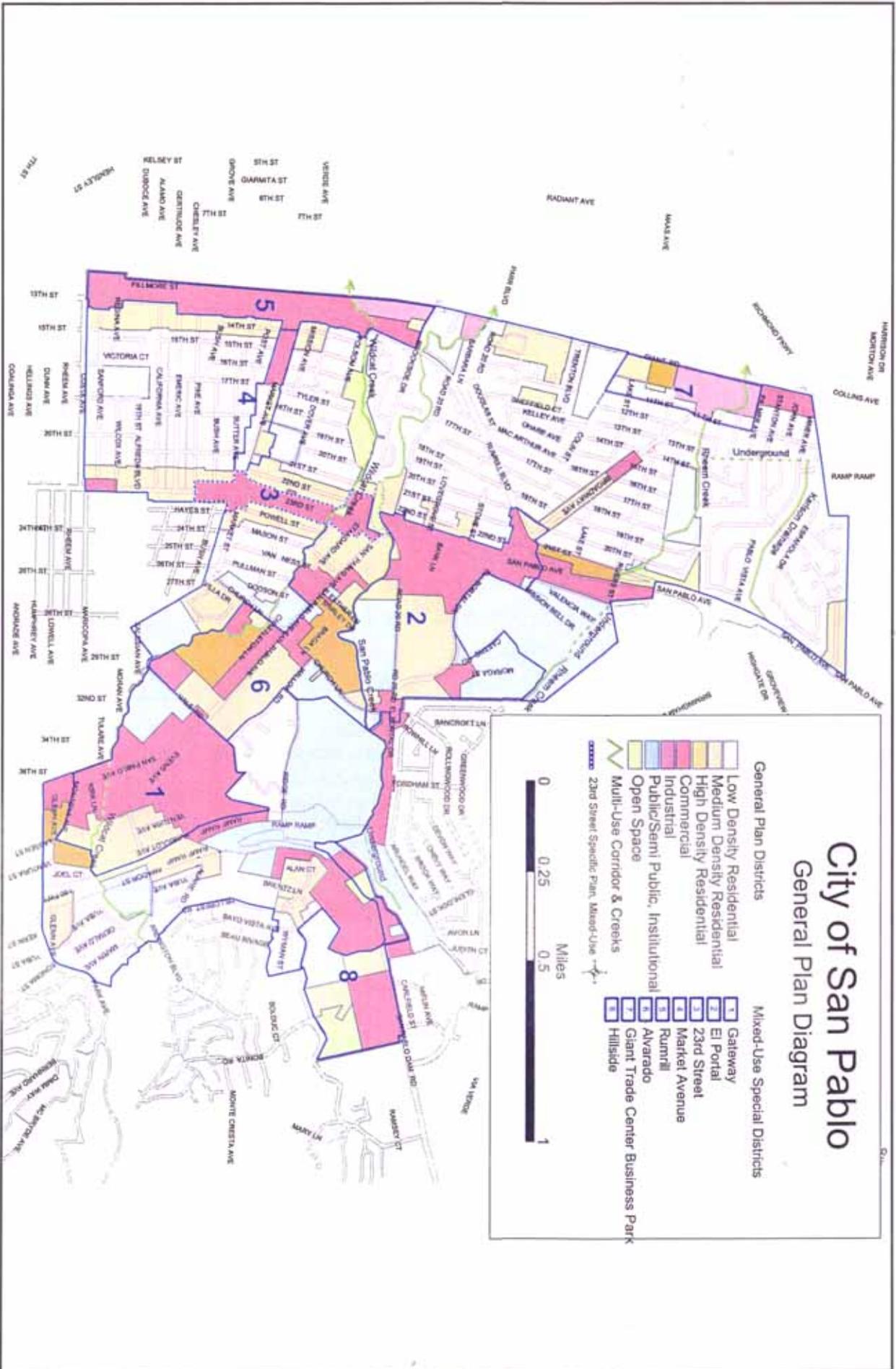


Charles S. Cox

President

Jeffrey R. Emery

Executive Director



**INDEPENDENT AUDITOR'S REPORT
ON BASIC FINANCIAL STATEMENTS**

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To the Honorable Mayor and City Council
City of San Pablo, California

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of San Pablo, California, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly in all material respects the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City at June 30, 2008 and the results of its operation and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with generally accepted accounting principles in the United States of America.

As described in Note 8, the City implemented the provisions of GASB Statement No. 48 Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2008 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements, and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Introductory and Statistical sections listed in the Table of Contents were not audited by us and we do not express an opinion on this information.

Maze & Associates

September 5, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion & Analysis is a discussion and analysis of the City's financial activities for the fiscal year. Please read this document in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

FISCAL 2008 FINANCIAL HIGHLIGHTS

Several major events occurred in Fiscal Year 2008 which affected the City's financial statements including: a lump sum payment to CalPERS for the unfunded liability, a large payment to fund OPEB (Other Post Employment Benefits), and the settlement of \$17.5 million in condemnation deposits from fiscal year 2006 and 2007.

- (1) The San Pablo City Council adopted a resolution in Fiscal Year 2008 authorizing a lump sum payment to CalPERS to fund the unfunded liability for the public safety and miscellaneous employees' retirement plan. A payment of \$2.8 million was paid to CalPERS in April 2008.
- (2) The City of San Pablo implemented the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits other than Pensions* in fiscal year 2006. As part of the implementation, the City established an irrevocable trust to provide a funding mechanism for the OPEB and contributed \$1 million to this fund in fiscal year 2006, and \$.5 million in 2007. Two payments were made in fiscal year 2008, \$.5 million in July 2007 and \$2.7 million in April 2008.
- (3) A final settlement was reached in July 2007 regarding the \$17.5 million deposit made in fiscal years 2006 and 2007 for the condemnation of the Circle S Mobile Home Park and the Salvation Army site. The owner of the property withdrew the \$17.5 million, an additional \$1.7 million was paid and the final order of condemnation was signed by the Court and recorded with the County.

These events account for most of the Fiscal Year 2008 financial highlights which include the following:

City-wide:

- The City's total net assets increased \$10.3 million in fiscal 2008. At June 30, 2008, net assets totaled \$74.1 million.
- City-wide revenues include program revenues of \$4.7 million and general revenues of \$40.1 million, totaling \$44.8 million, a \$.2 million increase from the prior year.
- Total City-wide expenses were \$34.5 million, a \$5.5 million increase from the prior year.

Fund Level:

- Governmental Fund balances remained the same as fiscal 2007 at \$98.5 million. Prepaids and deposits decreased \$17.4 million, cash and investments increased \$.1 million, restricted cash and investments decreased \$4.4 million, notes receivable under Redevelopment Agency programs increased \$3.8 million and land held for resale increased \$21.2 million in fiscal 2008.

- Governmental Fund revenues increased \$.8 million to \$45 million in fiscal 2008.
- Governmental Fund expenditures increased \$2.9 million to \$45.1 million in fiscal 2008, from fiscal 2007's level of \$42.2 million.
- General Fund revenues of \$21.5 million represent an increase of \$.7 million over the fiscal 2007's revenues of \$20.8 million.
- General Fund balance of \$17.4 million at fiscal year end 2008 decreased \$.7 million from fiscal 2007's fund balance of \$18.1 million.

The Basic Financial Statements

The Basic Financial Statements comprise the City-wide Financial Statements and the Fund Financial Statements. These two sets of financial statements provide two different views of the City's financial activities and financial position—long-term and short-term.

The City-wide Financial Statements provide a longer-term view of the City's activities as a whole, and comprise the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets provides information about the financial position of the City as a whole, including all its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all the City's revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of each of the City's programs. The Statement of Activities explains in detail the change in Net Assets for the year. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Fund Financial Statements report the City's operations in more detail than the City-wide statements and focus primarily on the short-term activities of the City's General Fund and other Major Funds. The Fund Financial Statements measure only current revenues and expenditures, current assets, liabilities and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

Major Funds account for the major financial activities of the City and are presented individually, while the activities of Non-major funds are presented in summary, with subordinate schedules presenting the detail for each of these other funds. Major Funds are explained below.

The City acts solely as a depository agent for Special Assessment Districts and certain other entities. The fiduciary statements provide information about the cash balances and activities of these Special Assessment Districts and other entities. These statements are separate from, and their balances are excluded from, the City's financial statements.

The City-wide Financial Statements

All of the City's basic services are considered to be governmental activities, including general government, community development, public safety, public works and engineering, recreation, public improvements, planning and zoning, and general administration services. These services are supported by general City revenues such as taxes, and by specific program revenues such as fees.

The City's governmental activities include the activities of the separate legal entities, the Redevelopment Agency of the City of San Pablo and the Joint Powers Financing Authority, because the City is financially accountable for the Agency and the Authority.

City-wide financial statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the City as a whole.

Fund Financial Statements

Governmental Fund financial statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are presented only in the City-wide financial statements.

The Fund financial statements provide detailed information about each of the City's most significant funds, called Major Funds. Each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column. Subordinate schedules present the detail of these Non-major funds. Major Funds present the major activities of the City for the year. The General Fund is always a Major Fund, but other funds may change from year to year as a result of changes in the pattern of City's activities.

The City had three Major Funds in 2008 in addition to the General Fund: The Redevelopment Agency Low & Moderate Income Housing Fund, the Redevelopment Agency Projects Fund, and the Public Works Construction Fund each of which is discussed in detail below.

Comparisons of Budget and Actual financial information are presented only for the General Fund and other Major funds that are Special Revenue Funds, which in the City's case includes the Redevelopment Agency Low & Moderate Income Housing Fund.

Fiduciary Statements

The City is the agent for certain assessment districts, holding amounts collected from property owners which await transfer to these Districts' bond trustees. The City's fiduciary activities are reported in the separate Statements of Fiduciary Net Assets and the Agency Funds Statement of Changes in Assets and Liabilities. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its own operations.

FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

This analysis focuses on the net assets and changes in net assets of the City as a whole (Tables 1, 2 and 3), presented in the City-wide Statement of Net Assets and Statement of Activities that follow (the City has no proprietary activities).

Governmental Activities

Table 1
Governmental Net Assets at June 30
(in Millions)

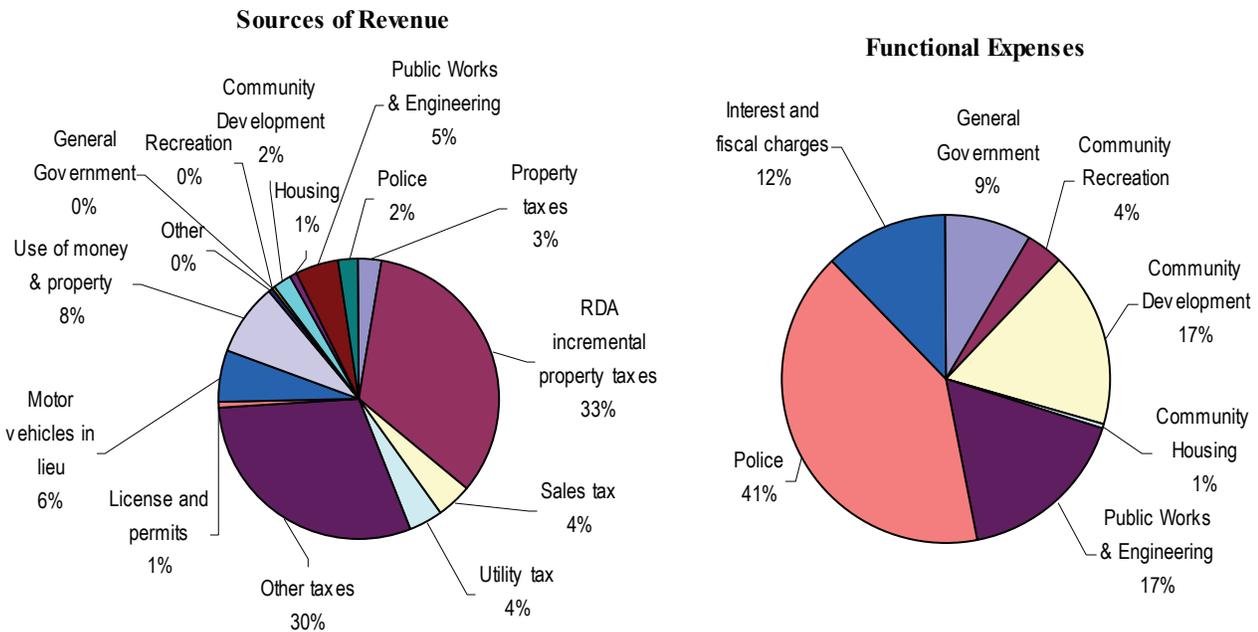
	Governmental Activities	
	2008	2007
Cash and investments	\$65.20	\$69.50
Other assets	48.50	37.60
Capital assets	54.10	51.90
Total assets	167.80	159.00
Long-term debt outstanding	90.40	92.00
Other liabilities	3.30	3.20
Total liabilities	93.70	95.20
Net assets:		
Invested in capital assets, net of debt	17.20	14.20
Restricted	31.30	28.20
Unrestricted	25.60	21.40
Total net assets	\$74.10	\$63.80

The City's net assets increased \$10.3 million to \$74.1 million in 2008 from \$63.8 million in 2007. This increase in the Change in Net Assets is reflected in the Statement of Activities shown in Table 2 and is explained below:

- * Cash and investments decreased \$4.3 million in 2008. Fiscal year 2007 included the issuance of \$36 million of Subordinate Tax Allocation Bonds Series 2006.
- * Other assets increased \$10.9 million in 2008 for the following reasons:
 - (1) Deposits decreased \$17.4 million. Escrow closed in fiscal 2008 for the purchase of Circle S Mobile Home Park and Salvation Army site. Deposits were being held with the State of California Condemnation Fund in 2007 for this purchase.
 - (2) \$21.2 million increase in property held for resale due to the purchase of the Circle S Mobile Home Park and Salvation Army site.
 - (3) Notes receivable increased \$3.8 million as a result of a significant increase in first time home buyer loans.
 - (4) Net OPEB assets increased \$3.0 million due to a \$3.2 million contribution to prefund benefits.
 - (5) Accounts receivable increased \$.4 million over 2007 due to increased revenue accrued from the casino.
- * Capital assets increased \$2.2 million in fiscal year 2008. This increase is attributable to \$4.6 million additions in construction in progress projects, \$.2 million in equipment additions net of \$2.6 million of depreciation. The increase in construction in progress is due to the Roadway Rehabilitation and 23rd Street Revitalization projects (\$1.9 million), and numerous new projects.

- * Long-term debt decreased \$1.6 million due to debt repayments (Note 8).
- * Other liabilities increased \$.1 million, which is attributable mainly to an increase in Accounts Payable.
- * Net assets invested in capital assets, net of related debt, increased \$3 million to \$17.2 million. This is the result of the City acquiring \$2.2 million of capital assets as discussed above.
- * Restricted net assets increased \$3.1million in fiscal 2008. Debt service decreased \$1.3 million and Capital Projects decreased \$.9 million while Restricted Redevelopment increased \$5.3 million.
- * Unrestricted net assets of \$25.6 million represents liquid assets available to finance day-to-day operations and other expenditures approved by City Council. The increase of \$4.2 million in fiscal 2008 is primarily the result of the increase in the net OPEB asset.

Fiscal Year 2008 Government Activities
(see Table 2)



The Sources of Revenue Chart above shows \$15 million, or 33% of the City’s fiscal 2008 revenue came from RDA incremental property taxes, which is the result of continued success in redevelopment efforts. Other taxes account for 30% of the City’s revenues with these taxes coming primarily from Casino San Pablo.

The Functional Expenses Chart above includes only current year expenses, which are discussed in detail on the following pages. It does not include capital outlays, which are added to the City’s capital assets.

The Statement of Activities presents program revenues and expenses and general revenues in detail. All these are elements in the Changes in Governmental Net Assets summarized below.

Table 2
Changes in Governmental Net Assets
(in Millions)

	<i>Governmental Activities</i>	
	2008	2007
Expenses		
General government	\$3.00	\$2.70
Community:		
Recreation	1.20	1.00
Development	6.00	4.10
Housing	.20	.20
Public Works & Engineering	5.90	5.70
Police	14.00	10.80
Interest and fiscal charges	4.20	4.50
Total expenses	<u>34.50</u>	<u>29.00</u>
Revenues		
Program revenues:		
Charges for services	1.30	1.60
Operating contributions and grants	1.80	1.90
Capital Grants	1.60	1.80
Total program revenues	<u>4.70</u>	<u>5.30</u>
General revenues:		
Taxes:		
Property taxes	1.30	1.40
Incremental (RDA) property taxes	15.00	15.00
Sales taxes	1.80	1.70
Utility tax	1.60	1.60
Other taxes	13.50	12.60
Business licenses (non-regulatory)	0.30	0.30
Motor vehicle in lieu	2.60	2.50
Use of money and property	3.80	3.30
Miscellaneous	0.20	0.90
Total general revenues	<u>40.10</u>	<u>39.30</u>
Total revenues	<u>44.80</u>	<u>44.60</u>
Change in net assets	10.30	15.60
Net Assets – Beginning	63.80	48.20
Net Assets – Ending	<u>\$74.10</u>	<u>\$63.80</u>

Table 2 shows total government revenues equaled \$44.8 million in fiscal 2008, an increase of \$.2 million from 2007. A \$.9 million increase in Other Taxes, a \$.5 million increase in Use of Money and Property and a \$.7 decrease in Miscellaneous Revenue, along with small increases and decreases in other revenue sources comprise this increase. The \$.9 million increase in Other Taxes is the result of increases in Casino San Pablo revenue. The \$.5 million increase in Use of money and property over the previous year is due to rising LAIF interest rates combined with increased cash balances due to the 2006 Bond issuance. Miscellaneous revenue is down \$.7 million from 2007, as last year included the sale of property which did not reoccur this fiscal year.

Governmental Activities

Table 3 presents the net cost of each of the City's largest programs—general government, community recreation, development and housing, public works and engineering, police and interest on long-term debt. Net cost is defined as total program cost less the revenues generated by those specific activities.

Table 3
Governmental Activities
(in Millions)

	Net (Expense) Revenue From Services	
	2008	2007
General government	(\$3.00)	(\$2.60)
Community:		
Recreation	(1.10)	(0.90)
Development	(4.90)	(3.10)
Housing	0.10	0.40
Public Works & Engineering	(3.60)	(3.40)
Police	(13.10)	(9.60)
Interest and fiscal charges	(4.20)	(4.50)
Totals	(\$29.80)	(\$23.70)

- General Government net expenses increased \$.4 million in 2008. This increase is due to the City's CalPERS and OPEB funding in fiscal 2008.
- Community Recreation net expenses increased in 2008 by \$.2 million. Expenses rose due to the CalPERS and OPEB funding.
- Community Development net expenses increased \$1.8 million in 2008. This increase is the result of relocation costs from the Circle S mobile home park (\$1.1 million) and the payments to CalPERS and OPEB.
- Housing net expenses decreased \$.3 million, resulting in net revenue of \$.1 million. Fiscal year 2007 included more housing loans repayments than 2008 resulting in a decrease in operating grants and contributions. Also, 2007 included more housing loans than 2008. These two items produced the decrease in Housing net expenses.
- Public Works and Engineering net expenses increased \$.2 million. This increase is for the most part due to the funding of OPEB and CalPERS in 2008.
- Police net expenses increased \$3.5 million in 2008. Fiscal year 2008 expenses included a \$2.2 million lump sum payment to CalPERS for public safety employees' unfunded liability and a \$1.6 million payment toward OPEB funding, while 2007 only included a \$.2 million CalPERS unfunded liability payment.
- Interest and fiscal charges net expenses decreased \$.3 million in 2008. 2007 included debt issuance expenses for the 2006 Subordinate Tax Allocation Bonds.

The City's Fund Financial Statements

Table 4 below summarizes activity and balances at the fund level:

Table 4
Financial Highlights at Fund Level at June 30
(in Millions)

	2008	2007
Total assets	\$110.00	\$106.20
Total liabilities	11.50	7.70
Total fund balances	98.50	98.50
Total revenues	45.00	44.20
Total expenditures	45.10	42.20
Total other financing sources (uses)	.00	25.80

At June 30, 2008, the City's governmental funds reported combined fund balances of \$98.5 million, the same as 2007. This balance is comprised of increases and decreases in the following funds netting to a zero increase: General Fund decreased \$.6 million, Redevelopment Low and Moderate Fund decreased \$.8 million, Redevelopment Agency Projects Fund increased \$1.6 million, Public Works Construction Fund increased \$1.1 million and Other Governmental Funds decreased \$1.3 million, which are discussed in detail below:

- ⊗ The General Fund decreased \$.6 million.
 - Revenue increased \$.7 million (Other Taxes).
 - Expenditures increased \$5.7 million:
 1. In 2008 a \$2.3 million lump sum payment was made to prefund OPEB
 2. In 2008 a \$2.9 million payment was made to CalPERS for the unfunded liability.
 - Transfers to fund capital projects increased \$.2 million in 2008.

- ⊗ The Redevelopment Low and Moderate fund balance decreased \$.8 million.
 - The 20% set aside was \$.2 million more in 2008 than 2007.
 - 2008 expenditures included \$3.9 million more in loans than in 2007.

- ⊗ The Redevelopment Agency Projects Fund increased \$1.6 million.
 - Revenue increased \$.7 million (Use of Money and Property).
 - Expenses decreased \$3.6 million.
 1. Capital outlay decreased \$5.2 million (2007 included the purchase of three properties).
 2. Development expenditures increased \$1.8 million due to relocations at the acquired mobile home parks.
 3. Debt service decreased \$.4 million.
 - Transfers to fund capital projects decreased by \$13.7 million.
 - Fiscal 2007 included the sale of property (\$2.3 million) and bond issuance of \$36 million.

- ⊗ The Public Works Construction Fund increased \$1.1 million.
 - Capital Outlay decreased \$4.1 million.
 - Net transfers in from other funds to cover projects was \$2.8 million more in 2008.

- ⊗ Other Government Funds decreased \$1.3 million.

- Measure C Fund balance increased \$.2 million as transfers out to fund capital projects were less in 2008.
- 2001 Tax Allocation Bonds fund balance decreased \$.3 million.
- 2006 Subordinate Tax Allocation Bonds fund balance decreased \$1.1 million due to increased interest charges.
- The other Non-major fund balances had small fluctuations in 2008.

Revenues at the fund level increased \$.8 million this year to a new high of \$45 million. This increase is due to the following: \$.9 million increase in Other Taxes (primarily Casino taxes), \$.1 million decrease in Property Taxes, \$.2 million increase in Intergovernmental revenue, and \$.1 million increase in Use of Money and Property due to increasing interest rates. Charges for Services decreased \$.2 million and Miscellaneous Revenue decreased \$.1 million.

Expenditures at the fund level increased \$2.9 million this year. General fund expenditures increased \$5.7 million due to the City paying \$2.8 million for unfunded retirement plans and \$3.2 million for unfunded post retirement health care benefits (OPEB). An increase in loans made from the Redevelopment Low and Moderate fund caused this fund's expenditures to increase \$3.9 million. The purchase of property for \$5.1 million in 2007 was the major reason for expenditures in the Redevelopment Agency Projects Fund decreasing \$3.6 million in 2008. The Public Works Fund's expenditures decreased \$4.1 million as a result of decreased project activity. Increased expenditures in the Gas Tax and Development Services Funds (\$.5 million and \$.1 million respectively) are due to the funding of the unfunded retirement plans and OPEB. Lastly, debt service in the 2006 Subordinate Tax Allocation Bonds Fund increased \$.6 million due to increased interest payment on these bonds.

Other Financing Sources at the fund level decreased \$25.8 million in 2008. This is attributable to the issuance of the 2006 Bonds in fiscal 2007 (\$23.4 million) as well as the sale of property in 2007 (\$2.4 million).

Analyses of Major Governmental Funds

General Fund

General Fund revenues increased \$.7 million this fiscal year. The lion's share of this increase is from Casino San Pablo gaming tax revenue which is included in Other Taxes. The other General Fund revenue items had minor fluctuations. Revenues generally exceeded budgeted amounts, as the City budgets revenues conservatively.

General Fund expenditures increased \$5.7 million in fiscal year 2008. \$4.4 million of this increase is attributable to Police expenditures. General Government and Recreation increased \$1.1 million and \$.2 million respectively. Capital Outlay remained static. The increases resulted from the CalPERS unfunded liability and OPEB payments in 2008.

At June 30, 2008, the General Fund Balance was \$17.4 million, \$13.6 million of which was undesignated.

Budget Variations

Revenue

The original budgeted amounts for General Fund revenues did not vary from final budgeted amounts. At mid year revenue was in line with budgeted levels and therefore no budget adjustments were made.

Actual revenue received was \$2.7 million higher than final budgeted amounts. The City budgets revenue conservatively due to the uncertainties in the economy and the effect these uncertainties could have on the City. The positive variance is comprised of \$1.8 million in Other Taxes, \$.6 million in Motor Vehicle In Lieu, \$.2 million in Use of Money and Property, \$.1 million in Property Taxes and \$.1 million in Miscellaneous Revenue. There was a negative variance of \$.1 million in Charges for Services.

Additional revenue received from Casino San Pablo represented the \$1.8 million positive variance in Other Taxes. Budgeted Other Taxes was not increased at mid year, as revenue from Casino San Pablo is a difficult item to estimate as it is based on discretionary spending.

The positive variance of \$.6 million in Motor Vehicle In Lieu is due to the unpredictability of what will be received from the State of California.

Rising interest rates and more facility rentals caused the \$.2 million positive variance in the Use of Money and Property. Property Taxes increased \$.1 million due to Supplemental Taxes on new houses that were built in prior years. The \$.1 million increase in Miscellaneous Revenue is comprised of various small transactions which were not expected.

Charges for Services were under budget by \$.1 million due primarily to police booking fee reimbursements that were budgeted but not received.

Expenditures

General Fund final budgeted expenditures were \$4.6 million higher than original budgeted figures. This variance is to additional appropriations made for payments of the unfunded liability to CalPERS and OPEB.

The actual General Fund expenditures were less than final budget by \$1.3 million (General Government \$.3 million, Recreation \$.4 million and Police \$.6 million).

- ✧ General Government - Information Technology did not incur all of the network related expenditures expected and the IT Technician was not hired at the beginning of the year although salaries and benefits were budgeted for the whole year (\$.2 million). Also the City Manager did not incur all budgeted salaries and benefits due to the City Manager being paid on an hourly basis (\$.1 million).
- ✧ Recreation - \$.2 million of budgeted salaries and benefits were not expended due to staff being out on leave and part time staffing that was not needed. In addition, \$.2 million of budgeted expenditures for programs did not occur.
- ✧ Police - \$.4 million of salaries and benefits were budgeted for the hiring of new positions and overtime, however these expenditures were not incurred due to turnovers and unneeded overtime. In addition, \$.1 million of professional services budgeted and \$.1 million of casino background expenditures did not occur.

Net transfers out of the General Fund were budgeted at \$2.9 million however actual net transfers were only \$2.4 million. The General Fund did not need to cover revenue shortfalls in other funds to the extent anticipated, thus the positive variance of \$.5 million.

Redevelopment Agency Projects

The Redevelopment Agency Projects Fund revenues increased \$.7 million this fiscal year. Incremental Property Tax revenues remained the same. Revenue from Use of Money and Property increased \$.9 million in 2008. This increase is due in most part to an increase in rental income from the newly acquired mobile home parks as well as an increase in interest.

Budgetary-basis expenditures of the Redevelopment Agency Projects Fund increased \$16.8 million in fiscal year 2008. This increase is due to a combination of factors:

- Community Development expenditures increased \$1.8 million because relocation costs for the mobile home parks.
- Capital Outlay in 2008 is \$15.3 million more than 2007. This is due to the settlement of the purchase of Circle S Mobile Home Park and the Salvation site.
- Debt Service decreased \$.4 million in 2008 due to debt issuance charges in 2007.

Redevelopment Agency Low & Moderate Income Housing

This Fund accounts for the portion of property tax increment required under California law to be set aside to fund low and moderate income housing expenditures. The City's residential and commercial loan program for low and moderate income residents and similar loans to non-profit corporations developing such housing are accounted for in this Fund. New loans are accounted for as expenditures and repayments on loans are accounted for as revenues. The balance of outstanding loans is recorded as a receivable, with an offsetting credit to deferred revenue.

At the end of fiscal 2008, the outstanding balances of such loans were \$9.4 million, up \$5 million from fiscal 2007. This balance includes loans of \$5.1 million for First Time Homebuyers, \$1.2 million to finance a 55 unit senior housing complex, \$1.4 million for construction of 82 low-income rental units for seniors and a \$1.7 million construction loan for 84 affordable rental units.

Principal payments and in many cases interest payments are deferred on these low and moderate income loans until the property is sold or re-financed, and are not considered revenues until they are received. Principal and interest on loans to non-profit developers of such properties typically are at below-market rates and payments are deferred for considerable periods of years to assist these non-profit organizations in their efforts to develop such housing.

All these loans are secured by deeds of trust on the underlying property, and if the facilities constructed with these loans are not used for the purposes intended, the loans become due and payable immediately.

The Fund's fiscal year end Fund Balance of \$6.5 million is entirely reserved to fund future low and moderate income housing expenditures.

Public Works Construction Fund

This Capital Projects Fund accounts for major City capital improvement projects. The Public Works Construction Fund is budgeted on a project length basis and therefore is not comparable on an annual basis.

Revenue received in 2008 represents funding for projects from the State of California and Contra Costa County in the amount of \$1.2 million, the same as the prior year. Expenditures for fiscal year 2008 were \$4.6 million, down \$4.1 million from fiscal year 2007. In fiscal year 2008, work was done on several projects, including road rehabilitation and revitalization projects totaling \$3.2 million. Other projects included Wanlass Park \$.3 million, Brentz Lane Park \$.2 million, Pedestrian Safety at Schools \$.2 million, Davis Park Community Center \$.2 million and Corporation Yard relocation \$.2 million, Stormdrain Systems \$.1 million. Net transfers into the Public Works Construction Fund were \$4.6 million in fiscal year 2008, up \$2.8 million from fiscal year 2007.

Other Governmental Funds

These funds are not presented separately in the Basic Financial statements, but are individually presented as Supplemental Information.

CAPITAL ASSETS

At the end of fiscal 2008 the cost of infrastructure and other capital assets recorded on the City's financial statements are shown in Table 5 below (further detail may be found in Note 7 to the financial statements):

Table 5
Capital Assets at Year-end
(in Millions)

	<u>2008</u>	<u>2007</u>
Land and land improvements	\$7.80	\$7.80
Construction in progress	12.80	8.20
Buildings and improvements	9.70	9.70
Machinery and equipment	2.30	2.40
Vehicles	2.30	2.10
Park and trail improvements	0.30	0.30
Sports fields	1.50	1.50
Roads & streets including sidewalks	44.90	44.90
Bridges	5.50	5.50
Street lights	0.30	0.30
Storm drains	1.80	1.80
Traffic signals	1.80	1.80
Trees	1.20	1.20
Less accumulated depreciation	<u>(38.10)</u>	<u>(35.60)</u>
Totals	<u>\$54.10</u>	<u>\$51.90</u>

The principal addition in fiscal 2008 was \$4.5 million to Construction in Progress. No Construction in Progress projects were completed in fiscal 2008 and transferred to capital assets.

The City depreciates all its capital assets over their estimated useful lives. The purpose of depreciation is to spread the cost of a capital asset over the years of its useful life so that an allocable portion of the cost of the asset is borne by all users. Additional information on capital assets and depreciable lives may be found in Note 7.

DEBT ADMINISTRATION

Each of the City's debt issues is discussed in detail in Note 8 to the financial statements. In fiscal 2008, the City's debt comprised:

Table 6
Outstanding Debt
(in Millions)

	Balance <u>June 30, 2008</u>	Balance <u>June 30, 2007</u>
Governmental Activity Debt:		
Tenth Township Redevelopment Project		
Subordinate Tax Allocation Bonds Series 1999A		
3.75-5.65%, due 12/01/2023	\$7.00	\$7.50
Tax Allocation Revenue Bonds Series 2001		
Current Interest Serial Bonds		
3.25-4.85%, due 12/01/2018	5.10	5.50
Current Interest Term Bonds		
5.00%, due 12/01/2029	2.30	2.30
Capital Appreciation Bonds		
5.66-5.68%, due 12/01/2029	4.30	4.00
Tax Allocation Revenue Bonds Series 2004		
2.00-5.00%, due 12/01/2032	35.70	36.60
Subordinate Tax Allocation Bonds Series 2006		
Variable rate, due 12/01/2032	36.00	36.00
Total Governmental Activity Debt	<u>\$90.40</u>	<u>\$91.90</u>

SPECIAL ASSESSMENT DISTRICT DEBT

Special assessment districts in different parts of the City have also issued debt to finance infrastructure and facilities construction entirely in those districts. At June 30, 2008, a total of \$4.6 million in special assessment district debt was outstanding, issued by two special assessment districts. This debt is secured only by special assessments on the real property in the district issuing the debt, and is not the City's responsibility, although the City does act as these Districts' agent in the collection and remittance of assessments.

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

The economy of the City and its major initiatives for the coming year are discussed in detail in the accompanying Transmittal Letter.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Comprehensive Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. Questions about this Report should be directed to the Finance Department, at 13831 San Pablo Avenue, San Pablo, CA 94806.

**STATEMENT OF NET ASSETS
AND STATEMENT OF ACTIVITIES**

The Statement of Net Assets and the Statement of Activities summarize the entire City's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the City's assets and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis—the effect of all the City's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between City funds have been eliminated.

The Statement of Net Assets reports the difference between the City's total assets and the City's total liabilities, including all the City's capital assets and all its long-term debt. The Statement of Net Assets presents information in a way that focuses the reader on the composition of the City's net assets, by subtracting total liabilities from total assets.

The Statement of Net Assets summarizes the financial position of all the City's Governmental Activities in a single column.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds.

The Statement of Activities reports increases and decreases in the City's net assets. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The Statement of Activities presents the City's expenses first, listed by program. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each governmental program. The City's general revenues are then listed in the Governmental Activities and the Change in Net Assets is computed and reconciled with the Statement of Net Assets.

Both these Statements include the financial activities of the City, the Redevelopment Agency of the City of San Pablo, and the City of San Pablo Joint Powers Financing Authority. These entities are legally separate but are component units of the City because they are controlled by the City, which is financially accountable for the Agency's and the Authority's activities.

CITY OF SAN PABLO
STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>Governmental Activities</u>
ASSETS	
Cash and investments available for operations (Note 3)	\$43,911,071
Restricted cash and investments (Note 3)	21,262,549
Interest receivable	364,874
Accounts receivable	1,468,762
Due from other governments	664,713
Prepays and deposits (Note 1G)	41,775
Employee loans receivable (Note 5A)	13,801
Notes receivable under	
Redevelopment Agency programs (Note 5B)	9,826,003
Net OPEB asset (Note 11C)	3,932,118
Property held for resale (Note 6)	32,271,295
Capital assets (Note 7)	
Land and construction in progress	20,508,524
Depreciable capital assets, net	<u>33,561,083</u>
Total assets	<u>167,826,568</u>
LIABILITIES	
Accounts payable and accrued liabilities	3,024,637
Claims payable (Note 13)	77,346
Interest payable	188,626
Noncurrent liabilities (Note 8)	
Due within one year	1,865,000
Due in more than one year	<u>88,500,056</u>
Total liabilities	<u>93,655,665</u>
NET ASSETS (Note 10)	
Invested in capital assets, net of related debt	<u>17,233,098</u>
Restricted for:	
Capital projects	486,267
Debt service	7,391,735
Redevelopment	<u>23,468,749</u>
Total restricted net assets	<u>31,346,751</u>
Unrestricted net assets	<u>25,591,054</u>
Total net assets	<u><u>\$74,170,903</u></u>

See accompanying notes to financial statements

CITY OF SAN PABLO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants	Governmental Activities
Governmental Activities:					
General Government	\$2,993,404	\$16,171			(\$2,977,233)
Community:					
Recreation	1,217,942	127,847			(1,090,095)
Development	6,428,706	444,499	\$219,971	\$339,931	(5,424,305)
Housing	194,708		314,380		119,672
Public Works & Engineering	5,892,638	157,591	853,291	1,309,316	(3,572,440)
Police	14,078,285	516,367	447,915		(13,114,003)
Interest and fiscal charges	4,220,723				(4,220,723)
Total Governmental Activities	<u>\$35,026,406</u>	<u>\$1,262,475</u>	<u>\$1,835,557</u>	<u>\$1,649,247</u>	<u>(30,279,127)</u>
General revenues:					
Taxes:					
Property taxes					1,235,060
Incremental property taxes					15,434,058
Sales taxes					1,400,911
In-lieu sales tax					411,506
Utility taxes					1,632,823
Other taxes					13,531,030
Intergovernmental unrestricted:					
Motor vehicle in lieu fees					2,634,391
Business licenses (nonregulatory)					296,836
Use of money and property					3,815,626
Gain on sale of property					13,275
Miscellaneous					204,549
Total general revenues					<u>40,610,065</u>
Change in Net Assets					10,330,938
Net Assets-Beginning					<u>63,839,965</u>
Net Assets-Ending					<u>\$74,170,903</u>

See accompanying notes to financial statements

FUND FINANCIAL STATEMENTS

Major funds are defined generally as having significant activities or balances in the current year.

The funds described below were determined to be Major Funds by the City for fiscal 2008. Individual non-major funds may be found in the Supplemental Section.

GENERAL FUND

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The major revenue sources for this Fund are property taxes, sales taxes, utility users tax, franchise fees, business licenses, unrestricted revenues from the State, fines and forfeitures and interest income. Expenditures are made for public safety, recreation, and the other services described above.

REDEVELOPMENT AGENCY LOW AND MODERATE INCOME HOUSING

This fund accounts for the twenty percent housing set-aside from the tax increment proceeds from the Tenth Township Project Area and the Legacy Project Area, the Redevelopment Agency's two project areas. This set-aside is required by California redevelopment law, and must be used to provide housing for people with low and moderate incomes.

REDEVELOPMENT AGENCY PROJECTS

This fund accounts for capital projects in the Tenth Township Project Redevelopment Area and in the Legacy Project Redevelopment Area.

PUBLIC WORKS CONSTRUCTION

This fund accounts for major City capital improvement projects.

CITY OF SAN PABLO
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2008

	General	Redevelopment Agency Low and Moderate Income Housing	Redevelopment Agency Projects	Public Works Construction	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments available for operations (Note 3)	\$16,104,589	\$5,735,884	\$15,361,137	\$5,153,299	\$1,556,162	\$43,911,071
Restricted cash and investments (Note 3)			13,708,925		7,553,624	21,262,549
Interest receivable	115,336	32,761	182,074		34,703	364,874
Accounts receivable	1,417,677				51,085	1,468,762
Due from other governments	297,514		13,858	79,874	273,467	664,713
Prepays and deposits (Note 1G)	41,775					41,775
Due from other funds (Note 4B)	225,500					225,500
Employee loans receivable (Note 5A)	13,801					13,801
Notes receivable under						
Redevelopment Agency programs (Note 5B)		9,412,451	413,552			9,826,003
Property held for resale (Note 6)		704,754	31,566,541			32,271,295
Total Assets	\$18,216,192	\$15,885,850	\$61,246,087	\$5,233,173	\$9,469,041	\$110,050,343
LIABILITIES						
Accounts payable and accrued liabilities	\$781,779	\$15,575	\$119,066	\$557,943	\$256,540	\$1,730,903
Due to other funds (Note 4B)					225,500	225,500
Deferred revenue		9,412,451	210,264			9,622,715
Total Liabilities	781,779	9,428,026	329,330	557,943	482,040	11,579,118
FUND BALANCES						
Fund balance (Note 10)						
Reserved for debt service					7,580,361	7,580,361
Reserved for employee loans receivable and notes receivable under Redevelopment Agency programs	13,801		203,288			217,089
Reserved for property held for resale		704,754	31,566,541			32,271,295
Reserved for encumbrances			34,600	3,682,588	20,879	3,738,067
Reserved for low and moderate income housing		5,753,070				5,753,070
Reserved for prepaids and deposits	41,775					41,775
Unreserved, designated for contingencies	3,750,000					3,750,000
Unreserved, undesignated						
Reported in:						
General fund	13,628,837					13,628,837
Special revenue funds					1,385,761	1,385,761
Capital projects funds			29,112,328	992,642		30,104,970
TOTAL FUND BALANCES	17,434,413	6,457,824	60,916,757	4,675,230	8,987,001	98,471,225
Total Liabilities and Fund Balances	\$18,216,192	\$15,885,850	\$61,246,087	\$5,233,173	\$9,469,041	

Amounts reported for Governmental Activities in the Statement of
Net Assets are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds. 54,069,607

NON-CURRENT REVENUES

Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities. 9,622,715

LONG TERM ASSETS AND LIABILITIES

The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:

Long-term debt	(90,365,056)
Claims payable	(77,346)
Interest payable	(188,626)
Compensated absences	(1,293,734)
Net OPEB asset	3,932,118

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$74,170,903

See accompanying notes to financial statements

CITY OF SAN PABLO
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008

	General	Redevelopment Agency Low Moderate Income Housing	Redevelopment Agency Projects	Public Works Construction	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$388,457				\$1,196,327	\$1,584,784
Incremental property taxes			\$15,434,058			15,434,058
Sales taxes	1,294,722				106,189	1,400,911
In-lieu sales tax	411,506					411,506
Utility users tax	1,632,823					1,632,823
Other taxes	13,531,030					13,531,030
Licenses and permits	296,836					296,836
Fines and forfeits	106,250				227,582	333,832
Intergovernmental	2,666,840			\$1,140,495	1,647,034	5,454,369
Charges for services	282,415				602,090	884,505
Use of money and property	800,949	\$404,618	2,794,604		339,817	4,339,988
Miscellaneous	77,256		81,052		20,325	178,633
Total Revenues	21,489,084	404,618	18,309,714	1,140,495	4,139,364	45,483,275
EXPENDITURES						
Current:						
General Government	3,502,819					3,502,819
Community:						
Recreation	1,188,497					1,188,497
Development			5,205,382		1,518,124	6,723,506
Housing		4,192,021				4,192,021
Public Works & Engineering			324,528		3,244,854	3,569,382
Police	14,679,322				567,245	15,246,567
Capital outlay	331,031		34,839	4,574,842	377,122	5,317,834
Debt service:						
Principal retirement			845,000		950,000	1,795,000
Interest and fiscal charges			1,426,283		2,567,257	3,993,540
Total Expenditures	19,701,669	4,192,021	7,836,032	4,574,842	9,224,602	45,529,166
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,787,415	(3,787,403)	10,473,682	(3,434,347)	(5,085,238)	(45,891)
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of property	22,333				13,275	35,608
Transfers in (Note 4A)	100,000	3,021,571	882,863	4,988,933	4,747,775	13,741,142
Transfers (out) (Note 4A)	(2,533,500)		(9,788,193)	(400,000)	(1,019,449)	(13,741,142)
Total Other Financing Sources (Uses)	(2,411,167)	3,021,571	(8,905,330)	4,588,933	3,741,601	35,608
NET CHANGE IN FUND BALANCES	(623,752)	(765,832)	1,568,352	1,154,586	(1,343,637)	(10,283)
Fund balances at beginning of period	18,058,165	7,223,656	59,348,405	3,520,644	10,330,638	98,481,508
FUND BALANCES AT END OF PERIOD	\$17,434,413	\$6,457,824	\$60,916,757	\$4,675,230	\$8,987,001	\$98,471,225

See accompanying notes to financial statements

CITY OF SAN PABLO
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2008

Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (\$10,283)

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

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 expense.

Capital outlay expenditures are added back to fund balance, net of retirements of \$51,531	5,237,843
Depreciation expense is deducted from fund balance	(3,109,407)

LONG TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Repayment of debt principal is added back to fund balance	1,795,000
Capital appreciation bonds accretion	(232,078)

NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Non-current portion of compensated absences	(207,245)
Claims payable	(16,597)
Interest payable	4,895
Deferred revenue	3,858,107
Net OPEB asset	3,010,703
	3,010,703

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$10,330,938
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See accompanying notes to financial statements

CITY OF SAN PABLO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$316,000	\$316,000	\$388,457	\$72,457
Sales taxes	1,350,000	1,350,000	1,294,722	(55,278)
In-lieu sales tax	367,000	367,000	411,506	44,506
Utility users tax	1,595,000	1,595,000	1,632,823	37,823
Other taxes	11,683,000	11,683,000	13,531,030	1,848,030
Licenses and permits	305,000	305,000	296,836	(8,164)
Fines and forfeits	140,000	140,000	106,250	(33,750)
Intergovernmental:				
Motor vehicle in lieu	2,003,000	2,003,000	2,634,391	631,391
Other	57,200	57,200	32,449	(24,751)
Charges for services	375,500	375,500	282,415	(93,085)
Use of money and property	637,500	637,500	800,949	163,449
Miscellaneous	3,000	3,000	77,256	74,256
Total Revenues	18,832,200	18,832,200	21,489,084	2,656,884
EXPENDITURES				
Current:				
General government	2,951,331	3,840,583	3,502,819	337,764
Community:				
Recreation	1,425,536	1,545,056	1,188,497	356,559
Police	11,728,518	15,309,492	14,679,322	630,170
Capital outlay	301,600	350,852	331,031	19,821
Total Expenditures	16,406,985	21,045,983	19,701,669	1,344,314
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,425,215	(2,213,783)	1,787,415	4,001,198
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property	6,000	6,000	22,333	16,333
Transfers in	100,000	100,000	100,000	
Transfers (out)	(2,784,441)	(3,062,441)	(2,533,500)	528,941
Total Other Financing Sources (Uses)	(2,678,441)	(2,956,441)	(2,411,167)	545,274
NET CHANGE IN FUND BALANCE	(\$253,226)	(\$5,170,224)	(623,752)	\$4,546,472
Fund balance at beginning of year			18,058,165	
FUND BALANCE AT END OF YEAR			\$17,434,413	

See accompanying notes to financial statements

CITY OF SAN PABLO
REDEVELOPMENT AGENCY LOW AND MODERATE INCOME HOUSING FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Use of money and property	\$245,000	\$245,000	\$404,618	\$159,618
Total Revenues	<u>245,000</u>	<u>245,000</u>	<u>404,618</u>	<u>159,618</u>
EXPENDITURES				
Current:				
Community:				
Housing	620,000	5,169,549	4,192,021	977,528
Capital Outlay		<u>700,000</u>	<u>704,754</u>	<u>(4,754)</u>
Total Expenditures	<u>620,000</u>	<u>5,869,549</u>	<u>4,896,775</u>	<u>972,774</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(375,000)</u>	<u>(5,624,549)</u>	<u>(4,492,157)</u>	<u>1,132,392</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>2,958,000</u>	<u>2,958,000</u>	<u>3,021,571</u>	<u>63,571</u>
Total Other Financing Sources (Uses)	<u>2,958,000</u>	<u>2,958,000</u>	<u>3,021,571</u>	<u>63,571</u>
NET CHANGE IN FUND BALANCE	<u>\$2,583,000</u>	<u>(\$2,666,549)</u>	<u>(1,470,586)</u>	<u>\$1,195,963</u>
Adjustment to budgetary basis:				
Capital outlay			704,754	
Fund balance at beginning of year			<u>7,223,656</u>	
FUND BALANCE AT END OF YEAR			<u><u>\$6,457,824</u></u>	

See accompanying notes to financial statements

FIDUCIARY FUNDS

FIDUCIARY FUNDS

These funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the City-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

RETIREE HEALTH SAVINGS PLAN TRUST FUND

The Fund is used to account for the medical and dental benefits for former employees of the City.

CITY OF SAN PABLO
 FIDUCIARY FUNDS
 STATEMENTS OF FIDUCIARY NET ASSETS
 JUNE 30, 2008

	<u>Retiree Health Savings Plan Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Investments - Mutual Fund (Note 3)	\$4,737,380	
Restricted cash and investments (Note 3)		\$3,191,756
Interest receivable		12,107
Due from other governments		197,473
Prepays and deposits		<u>1,832</u>
Total Assets	<u><u>\$4,737,380</u></u>	<u><u>\$3,403,168</u></u>
 LIABILITIES		
Accounts payable		\$100,148
Deposits held as agent for others		1,279,622
Due to bondholders		1,845,544
Due to the City of San Pablo		<u>177,854</u>
Total Liabilities		<u><u>\$3,403,168</u></u>
NET ASSETS		
Held in trust for OPEB benefits	<u><u>\$4,737,380</u></u>	

See accompanying notes to financial statements

CITY OF SAN PABLO
 RETIREE HEALTH SAVINGS PLAN TRUST FUND
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2008

	Retiree Health Savings Plan Trust Fund
ADDITIONS	
Employer contributions	\$3,513,825
Net investment income	(283,830)
Total additions	3,229,995
DEDUCTIONS	
Premiums paid	238,825
Total deductions	238,825
Net change in net assets	2,991,170
NET ASSETS HELD IN TRUST FOR OPEB BENEFITS	
Beginning of year	1,746,210
End of year	\$4,737,380

See accompanying notes to financial statements

CITY OF SAN PABLO
Notes to Basic Financial Statements

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of San Pablo was incorporated as a general law city on April 27, 1948. San Pablo is a community of approximately 31,190 residents situated in Contra Costa County on the east side of San Francisco Bay. San Pablo is located approximately 17 miles east of the City of San Francisco and 12 miles north of the City of Oakland and is surrounded by the City of Richmond. The City operates under the Council-Manager form of government and provides the following services: public safety, highways and streets, recreation, public improvements, planning and zoning and general administration services.

The City is governed by a five member council elected by City residents. The City is legally separate and fiscally independent which means it can issue debt, set and modify budgets and fees and sue or be sued. The accompanying basic financial statements include the financial activities of the City as well as separate legal entities which are described below.

The accompanying basic financial statements present the financial activity of the City, which is the primary government presented, along with the financial activities of its component units, which are entities for which the City is financially accountable. Although they are separate legal entities, *blended* component units are in substance part of the City's operations and are reported as an integral part of the City's financial statements. The City's component units which are described below are all blended.

The Redevelopment Agency of the City of San Pablo is a separate government entity whose purpose is to assist in the rehabilitation of City areas determined to be in a declining physical and/or economic condition. The Agency has the same governing board as the City and all accounting and administrative functions are performed by City staff. The Agency has two active project areas, the Tenth Township Project Area and the Legacy Project Area.

The City of San Pablo Joint Powers Financing Authority is a separate governmental entity whose purpose is to assist in the financing and refinancing of certain redevelopment activities of the Redevelopment Agency and certain programs and projects of the City. The Authority is administered by a Governing Board whose members are the City Council of the City of San Pablo.

The City of San Pablo Retiree Health Savings Plan is governed by the City's Resolution 2007-024 and is used to account for contributions and investment income restricted to pay medical and dental benefits. Benefit and contribution provisions are established by the City Council. Eligibility, actuarial interest rates, administration and certain other tasks are the responsibility of the Council established by the above Resolution. The financial activities of the Plan have been included in these financial statements in the Retiree Health Savings Plan Trust Fund.

Financial statements for the Redevelopment Agency may be obtained from the City of San Pablo, One Alvarado Square, San Pablo, CA 94806. Separate financial statements are not issued for the Joint Powers Financing Authority or the City of San Pablo Retiree Health Savings Plan.

B. Basis of Presentation

The City's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

CITY OF SAN PABLO
Notes to Basic Financial Statements

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

These Standards require that the financial statements described below be presented.

Government-wide Statements: The Statement of Net Assets and the Statement of Activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or *services* offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) capital grants and contributions, all of which are capital grants under California law. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category—*governmental* and *fiduciary*—are presented. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

C. Major Funds

Major funds are defined as governmental funds which have either assets, liabilities, revenues or expenditures equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may select other governmental funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

General Fund - This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Redevelopment Agency Low and Moderate Income Housing - This fund accounts for the twenty percent housing set-aside required by California redevelopment law from the tax increment proceeds from the Tenth Township Project Area and the Legacy Project Area.

Redevelopment Agency Projects - This fund accounts for capital projects in the Tenth Township Project Redevelopment Area and in the Legacy Project Redevelopment Area.

Public Works Construction - This fund accounts for major City capital improvement projects.

The City also reports the following fiduciary fund types:

Trust Funds. These funds account for assets held by the City as an agent for various functions. The Retiree Health Savings Plan Trust Fund accounts for the accumulation of resources to be used for retiree medical and dental benefit payments at appropriate amounts and times in the future. The financial activities of the fund are excluded from the Government-wide financial statements, but are presented in the separate Fiduciary Fund financial statements.

CITY OF SAN PABLO
Notes to Basic Financial Statements

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Agency Funds. These funds account for assets held by the City as an agent for Town Center and Oak Park Special assessment districts, West Contra Costa Transportation Advisory Committee, and non-public organizations. Agency funds cannot be major funds.

D. Basis of Accounting

The **City-wide financial statements** are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and governmental and agency funds are reported using *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable and available*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within forty-five days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absences, which are recognized as expenditures when they are paid. General capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds from general long-term debt and capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual include taxes, intergovernmental revenues, interest and charges for services.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Certain indirect costs are included in program expenses reported for individual functions and activities.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations.

Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

E. Property Tax

Property tax revenue is recognized in the fiscal year for which the tax and assessment is levied. The County of Contra Costa levies, bills and collects property taxes and special assessments for the City; under the County's "Teeter Plan" the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1.

Secured property tax is due in two installments, on November 1 and February 1, becomes a lien on those dates and becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31.

CITY OF SAN PABLO
Notes to Basic Financial Statements

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The term “unsecured” refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized by the City in the fiscal year they are assessed.

F. *Compensated Absences*

Compensated absences comprise unpaid vacation and certain compensated time off, which are accrued as earned. For all governmental funds amounts expected to be paid out for permanent liquidation are recorded as fund liabilities, the long-term portion is recorded in the statement of net assets. The liability for compensated absences is determined annually; the net increase in the liability was \$207,246 at June 30, 2008 and was allocated to the General Government, Community Recreation and Services Programs, Public Works and Engineering and Police on the Statement of Activities. Sick pay does not vest and therefore is not accrued. The change in compensated absences was as follows:

Beginning Balance	\$1,086,489
Additions	1,510,183
Payments	<u>(1,302,937)</u>
Ending Balance	<u>\$1,293,735</u>
Due in One Year	<u>\$400,000</u>
Due in More than One Year	<u>\$893,735</u>

The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

G. *Prepays and Deposits*

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements. The General Fund had prepaid items of \$41,775 at June 30, 2008.

Prepaid items and deposits in governmental funds are equally offset by a fund balance reserve which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

CITY OF SAN PABLO
Notes to Basic Financial Statements

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

A. *Budget Policy*

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen's comments.
3. The budget is legally enacted by City Council resolution.
4. All budget adjustments and transfers between funds and between departments must be approved by the City Council by resolution during the fiscal year. The City Manager and Finance Director are authorized to transfer any unencumbered appropriations within a department. The legally adopted budget requires that expenditures not exceed total appropriations at the department level within each fund.
5. Formal budgetary integration is employed as a management control device during the year for all budgeted funds.
6. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP), except that the Public Works Construction Capital Projects Fund is budgeted on a project length basis and therefore is not comparable on an annual basis.

B. *Adjustments to GAAP Basis From Budgetary Basis*

The Redevelopment Agency Low and Moderate Income Housing Special Revenue Fund and the Redevelopment Agency Projects Capital Projects Fund budget the purchase of property to be held for resale as capital outlay. As a result, the results of the funds' operations reported on the GAAP basis differ from the results of the funds' operations reported on the budgetary basis.

C. *Excess of Expenditures over Appropriations*

The Law Enforcement Services Special Revenue Fund incurred capital outlay expenditures in excess of budget in the amount of \$102,536 and the 2006 Subordinate Tax Allocation Bonds Tenth Township Project Area Debt Service Fund incurred debt service interest expenditures in excess of budget in the amount of \$1,155,649. The Redevelopment Agency Low and Moderate Income Housing Special Revenue Fund and the Redevelopment Agency Projects Fund had capital outlay expenditures in excess of budget in the amounts of \$4,754 and \$16,441,709, respectively. These excesses were the result of unanticipated expenses, however, sufficient resources were available within the funds to finance these excesses.

CITY OF SAN PABLO
Notes to Basic Financial Statements

NOTE 3 - CASH AND INVESTMENTS

The City pools cash from all sources and all funds except Cash and Investments held by Trustees so that it can be invested at the maximum yield consistent with safety and liquidity, while individual funds can make expenditures at any time.

A. Policies

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the City's name and places the City ahead of general creditors of the institution.

The City and its fiscal agents invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. Individual investments are generally made by the City's fiscal agents as required under its debt issues, the City normally invests only in the California Local Agency Investment Fund pool administered by the State.

The City's investments are carried at fair value, as required by generally accepted accounting principles. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

B. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City debt instruments or agency agreements.

Cash and investments available for operations	\$43,911,071
Restricted cash and investments	21,262,549
Total City cash and investments	65,173,620
Restricted cash and investments	
in Fiduciary Funds (separate statement):	
Retiree Health Savings Plan Trust	4,737,380
Agency Funds	3,191,756
Total cash and investments	\$73,102,756

C. Investments Authorized by the California Government Code and the City's Investment Policy

The City's Investment Policy and the California Government Code allow the City to invest in the following, provided the credit ratings of the issuers are acceptable to the City; and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the City's Investment Policy where the City's Investment Policy is more restrictive.

CITY OF SAN PABLO
Notes to Basic Financial Statements

NOTE 3 - CASH AND INVESTMENTS (Continued)

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 years	N/A	No Limit	No Limit
U.S. Agency Securities	5 years	N/A	No Limit	No Limit
California Local Agency Investment Fund	N/A	N/A	No Limit	No Limit
Money Market Mutual Funds	N/A	Top rating category	20%	No Limit

D. Investments Authorized by Debt Agreements

The City must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged as reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City ordinance, bond indentures or State statute. The table below identifies the investment types that are authorized for investments held by fiscal agents. There is no limitation on the maximum percentage of the portfolio that may be invested in any one investment type or in any one issuer. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
U.S. Treasury Obligations	5 years	N/A
U.S. Agency Securities	5 years	N/A
State Obligations	5 years	A
Commercial Paper	270 days	A-1
Certificates of Deposit	365 days	A-1
Bankers Acceptances	365 days	A-1
Bank Deposits	5 years	N/A
Money Market Mutual Funds	N/A	AAAm
Repurchase Agreements	180 days	A
Cash Sweep	5 years	N/A
California Asset Management Program	N/A	N/A
California Local Agency Investment Fund	N/A	N/A

CITY OF SAN PABLO
Notes to Basic Financial Statements

NOTE 3 - CASH AND INVESTMENTS (Continued)

E. Investments Authorized for the Retiree Health Savings Plan Trust

The authorized investments for the Retiree Health Savings Plan Trust were established pursuant to the Declaration of Trust. The City, as trustee, has elected to invest the Trust assets in a mutual fund, however the Trust is authorized to invest in time deposits, shares of common and preferred stock, mortgages, bonds, leases, notes, debentures, equipment or collateral trust certificates, rights, warrants, convertible or exchangeable securities and other corporate, individual or government securities or obligations, annuity, retirement or other insurance contracts, mutual funds, or in units of any other common, collective or commingled trust fund.

F. Interest Rate Risk

Interest rate risk, is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity or earliest call date:

	Cash and Investments Available for Operations	Restricted Cash and Investments	Total	Maturity Date
Investments:				
Federal Agency Issues:				
Federal National Mortgage Association		\$1,592,759	\$1,592,759	March 6, 2009
Commercial Paper:				
General Electric Capital Corporation		1,463,536	1,463,536	September 2, 2008
Citigroup		5,165,637	5,165,637	December 1, 2008
Local Agency Investment Fund	\$43,918,790	1,389,969	45,308,759	212 days average maturity
Money Market Funds (U.S. Treasury Securities)		14,842,404	14,842,404	28 days average maturity
Mutual Funds (Equities)		4,737,380	4,737,380	
Cash with Banks (Overdraft) and Petty Cash	(7,719)		(7,719)	
Total Cash and Investments	<u>\$43,911,071</u>	<u>\$29,191,685</u>	<u>\$73,102,756</u>	

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations.

CITY OF SAN PABLO
Notes to Basic Financial Statements

NOTE 3 - CASH AND INVESTMENTS (Continued)

G. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The actual ratings as of June 30, 2008 for all Federal Agency Issues were AAA, Commercial Paper were AAA for General Electric and AA- for Citigroup, and Money Market funds were AAAM as provided by Standard and Poor's. As an external investment pool, the Local Agency Investment Fund was not rated as of June 30, 2008.

H. Concentration of Credit Risk

Included in the table at F. above are the following significant investments held by individual City Funds in the securities of issuers other than U. S. Treasury securities, mutual funds and external investment pools:

Fund/Issuer	Investment Type	Reported Amount
Redevelopment Agency Projects Capital Projects Fund Citigroup	Commercial Paper	\$5,165,637
2006 Subordinate Tax Allocation Bonds Tenth Township Project Area Debt Service Fund Federal National Mortgage Association	Federal Agency Security	1,592,759
Town Center Special Assessment District Agency Fund General Electric Capital Corporation	Commercial Paper	767,822
Oak Park Special Assessment District Agency Fund General Electric Capital Corporation	Commercial Paper	695,714

NOTE 4 – INTERFUND TRANSACTIONS

A. Transfers Between Funds

With Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund, which has made an expenditure on behalf of another fund. Less often, a transfer may be made to open or close a fund.

CITY OF SAN PABLO
Notes to Basic Financial Statements

NOTE 4 – INTERFUND TRANSACTIONS (Continued)

Fund Receiving Transfers	Fund Making Transfers	Amount	
Major Funds:			
General Fund	Public Safety Special Revenue Fund	\$100,000	(A)
Redevelopment Agency Low and Moderate Income Housing	Redevelopment Agency Projects Capital Projects Fund	3,021,571	(B)
Redevelopment Agency Projects	Public Works Construction Capital Projects Fund	400,000	(C)
Redevelopment Agency Projects	2001 Tax Allocation Bonds Tenth Township Project Area Debt Service Fund	414,039	(D)
Redevelopment Agency Projects	2004 Tax Allocation Bonds Legacy Project Area Debt Service Fund	6,612	(D)
Redevelopment Agency Projects	2006 Subordinate Tax Allocation Bonds Tenth Township Township Project Area Debt Service Fund	62,212	(D)
Public Works Construction	General Fund	130,000	(C)
Public Works Construction	Redevelopment Agency Projects Capital Projects Fund	4,422,347	(C)
Public Works Construction	Measure C Special Revenue Fund	182,586	(C)
Public Works Construction	Traffic Congestion Relief Special Revenue Fund	254,000	(C)
Non-Major Funds:			
Gas Tax	General Fund	800,000	(E)
Street Lighting and Landscaping	General Fund	650,000	(E)
N.P.D.E.S.	General Fund	13,500	(E)
Development Services	General Fund	940,000	(E)
Merged Project Area 1999 Subordinate Tax Allocation Bonds	Redevelopment Agency Projects Capital Projects Fund	895,327	(D)
2001 Tax Allocation Bonds Tenth Township Project Area	Redevelopment Agency Projects Capital Projects Fund	790,872	(D)
2004 Tax Allocation Bonds Legacy Project Area	Redevelopment Agency Projects Capital Projects Fund	137,913	(D)
2006 Subordinate Tax Allocation Bonds Tenth Township Project Area	Redevelopment Agency Projects Capital Projects Fund	520,163	(D)
		<u>\$13,741,142</u>	

The reasons for these transfers are set forth below:

- (A) Transfer of Public Safety Augmentation Funds to General Fund to fund police services.
- (B) State-required set-aside of Low and Moderate Income Housing portion of property tax increment.
- (C) Transfer amounts required to fund capital projects.
- (D) Transfer amounts required to fund debt service payments.
- (E) Transfer amounts to reduce or eliminate fund deficits.

B. Current Interfund Balances

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. At June 30, 2008, the Gas Tax Special Revenue Fund and the Law Enforcement Services Special Revenue Fund owed the General Fund \$137,000 and \$88,500, respectively.

CITY OF SAN PABLO
Notes to Basic Financial Statements

NOTE 5 - LOANS AND NOTES RECEIVABLE

The City and Redevelopment Agency engage in programs designed to encourage construction or improvement in low-to-moderate income housing or other projects. Under these programs, grants or loans are provided under favorable terms to homeowners or developers who agree to spend these funds in accordance with the City's terms. Although these loans and notes are expected to be repaid in full, their balance has been offset by deferred revenue in governmental funds, as they are not expected to be repaid during the next fiscal year.

A. *Employee Loans Receivable*

Elected officials and full-time City employees are eligible to obtain an interest free loan up to \$2,500 to purchase a computer. All requests for loans are subject to review and approval by the Finance Director. Repayment of these loans is handled through payroll deductions, which are spread out equally over a two year period. Employees must pay off any outstanding balance of their loans upon ending employment with the City. As of June 30, 2008, 17 employees had \$13,801 in such loans.

B. *Notes Receivable Under Redevelopment Agency Programs*

The Agency engages in programs designed to encourage construction of or improvement to low-to-moderate income housing. Under these programs, grants or loans are provided under favorable terms to homeowners or developers who agree to expend these funds in accordance with the Agency's terms. The balances of the notes receivable arising from these programs at June 30, 2008 are set forth below:

Casa Adobe-Senior Citizen Units	\$1,248,472
Plaza Sobrante	171,132
Lotus Hotels, Inc.	203,288
Housing Initiative Program	5,096,122
Micro Loan Program	39,132
San Pablo Housing Investors	1,400,240
East Bay Asian Local Development Corporation	1,667,617
Total	\$9,826,003

C. *Casa Adobe - Senior Citizen Units*

Under the terms of a Disposition and Development Agreement dated June 5, 1989 between the Redevelopment Agency and the Developer, Ecumenical Association for Housing (EAH)-San Pablo, the Agency loaned EAH-San Pablo the amount of \$824,670 to purchase land and construct the Casa Adobe 55 unit housing complex for low income senior citizens. The loan is secured by a second deed of trust on the property, is due in 2020 and bears simple annual interest of 3 percent, with principal and interest due annually to the extent there is "surplus cash" as defined in the agreement. Any unpaid amounts are considered deferred; all deferred principal and interest is due when the note matures. At June 30, 2008, EAH-San Pablo owed deferred principal of \$820,860 and interest of \$427,612 to the Agency.

CITY OF SAN PABLO
Notes to Basic Financial Statements

NOTE 5 - LOANS AND NOTES RECEIVABLE (Continued)

D. Plaza Sobrante

Under the terms of a Rehabilitation and Affordable Housing Subsidy Agreement dated October 28, 1996, the Redevelopment Agency loaned \$250,000 in June 1997 to fund the removal and abatement of certain hazardous materials and the rehabilitation and improvement of the roof and associated structural elements of certain real property on San Pablo Dam Road. The loan is secured by a deed of trust on the property and bears simple annual interest at an average rate equal to the rate of interest earned by the Agency on its funds deposited in the Local Agency Investment Fund for the prior twelve months. In May 1999, the Board of Directors of the Redevelopment Agency agreed to subordinate the lien of its deed of trust to the lien of a deed of trust securing indebtedness to the Mechanics Bank and to Cerda. In January 2003, the Board again agreed to subordinate the lien of its deed of trust to a new loan for the purpose of refinancing the existing first and second mortgages against the Property and approved a Subordination Agreement for that purpose. Principal and accrued interest owed at June 30, 2008 was \$171,132.

E. Lotus Hotels, Inc.

In fiscal 2000, the Agency sold land and buildings to Lotus Hotels, Inc. for \$235,000 in return for a first trust deed in that amount. The City also agreed to subordinate its trust deed to a construction loan obtained by Lotus Hotels, Inc. The first loan installment is due one year from the date of the issuance of the certificate of occupancy for the phase one hotel improvements on the site. The Certificate of Occupancy was issued November 9, 2001. Subsequent installments are due on the next nine anniversaries in ten equal installments with one final balance payment due one year later. The note carries 6% simple interest per annum for the first three years after the issuance of the certificate of occupancy, at which time it increases to the prime rate. At June 30, 2008, Lotus Hotels, Inc. owed principal of \$131,598 and interest of \$71,690 to the Agency.

F. Housing Initiative Program

The Redevelopment Agency administers a Housing Initiative Program under which individuals may qualify for first-time home buyer, purchase rehabilitation, second and third trust deed home improvement, dilapidated unit purchase, or foreclosed unit purchase loans. During fiscal year 2008, one loan recipient defaulted on a loan in the amount of \$30,000 and proceeds from the foreclosure sale did not result in a payment to the City. Therefore the loan was written off. At June 30, 2008, the City had made loans to 27 new participants and had loans outstanding under this Program of \$5,096,122.

In October 2007, the Agency revised its first-time home-buyers loan program, which included increasing the maximum amount of assistance from \$75,000 to \$200,000 and requiring the homebuyer to enter a shared appreciation agreement as part of the promissory note. Under the shared appreciation, the homebuyer is required to pay the Agency a share of the net appreciated value of the home in connection with a transfer of the home before the end of the program loan term (30 years). The percentage of the shared net appreciation is equal to the Agency's share of the original purchase price of the home, less a 5% discount. The balance of these loans is included in the Housing Initiative Program Loans.

The Agency also administers a State sponsored CalHome Loan Program under which individuals may qualify for first-time home buyer, purchase rehabilitation, second trust deed home improvement, or foreclosed unit purchase loans.

CITY OF SAN PABLO
Notes to Basic Financial Statements

NOTE 5 - LOANS AND NOTES RECEIVABLE (Continued)

G. *Micro Loan Program*

In May 2003, the Agency created a Micro Loan Program to provide loans to building and business owners in the range of \$20,000 to \$50,000 to foster economic growth in San Pablo's commercial areas. The Micro Loan Program encourages private investment while providing an impetus for building and business owners to upgrade, renovate and improve their properties and businesses. During fiscal year 2008, one loan recipient defaulted on a loan in the amount of \$47,597 and proceeds from the foreclosure sale did not result in a payment to the City. Therefore the loan was written off. At June 30, 2008, one loan was outstanding with a balance of \$39,132.

H. *San Pablo Housing Investors*

Under the terms of an Owner Participation Agreement dated January 6, 2003, the Agency made two loans to San Pablo Housing Investors in fiscal 2004 for the construction of eighty-two low-income rental units for seniors. The first loan of \$99,690 was used for City development fees, and the second loan of \$1,100,000 for construction. The loans carry simple interest rates per annum of 6% and 5.7% respectively with loan payments due within twenty years of the Completion Date. The project was completed on June 30, 2003. Payments begin on January 31st following the Completion Date, and then each January 31st thereafter; payments are to be made from fifty percent of "residual receipts" as defined in the agreement. As of June 30, 2008, principal of \$1,140,019 and interest of \$260,221 were owed to the Agency.

I. *East Bay Asian Local Development Corporation*

Under the terms of an Owner Participation Agreement dated September 28, 2004, the Agency made a construction loan of \$500,000 to East Bay Asian Local Development Corporation (EBALDC) for the development of 84 affordable rental dwelling units and 2 onsite non-rent restricted management units, with associated parking and common area spaces. The loan does not bear interest and must be repaid in full no later than 55 years from the date of the agreement. Commencing on May 1, 2008 and on each May 1st thereafter, payments are to be made in an amount equal to seventy-five percent of "residual receipts" as defined in the agreement.

On August 16, 2005, an amendment to the Owner Participation Agreement provided EBALDC with a supplemental project loan of up to \$1,200,000. Proceeds will facilitate the original construction project. Repayment terms of this additional loan are the same as the terms of the original loan. As of June 30, 2008, EBALDC has drawn down \$1,167,617 of the supplemental project loan.

NOTE 6 - PROPERTY HELD FOR RESALE

The Redevelopment Agency has purchased parcels of land as part of its efforts to develop or redevelop blighted properties within the Redevelopment areas. Such land parcels are accounted for at the lower of cost or net realizable value or agreed-upon sales price if a disposition agreement has been made with a developer.

CITY OF SAN PABLO
Notes to Basic Financial Statements

NOTE 7 - CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The City's policy is to capitalize all assets with costs exceeding certain minimum thresholds and with useful lives exceeding two years.

All capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation of all capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the balance sheet as a reduction in the book value of capital assets.

Depreciation is provided using the straight line method, which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The City has assigned the useful lives and capitalization thresholds listed below to capital assets.

	Useful Lives Years	Capitalization Threshold
	<u> </u>	<u> </u>
Buildings and Improvements	10-50	\$25,000
Machinery and Equipment	5-10	5,000
Vehicles	5-10	5,000
Parks and Trails	15-20	25,000
Sports Fields	15-20	25,000
Roads and Streets	20	25,000
Bridges	15-75	25,000
Trees	50	25,000
Street Lights	20	25,000
Storm Drains	20	25,000
Traffic Signals	20	25,000

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

CITY OF SAN PABLO
Notes to Basic Financial Statements

NOTE 7 - CAPITAL ASSETS (Continued)

A. Capital Asset Additions and Retirements

Capital assets recorded at June 30 comprise:

	Balance at June 30, 2007	Additions	Retirements	Balance at June 30, 2008
<i>Governmental activities</i>				
Capital assets not being depreciated:				
Land and land improvements	\$7,767,836			\$7,767,836
Construction in progress	8,165,847	\$4,574,841		12,740,688
Total capital assets not being depreciated	<u>15,933,683</u>	<u>4,574,841</u>		<u>20,508,524</u>
Capital assets being depreciated:				
Buildings and improvements	9,713,077			9,713,077
Machinery and equipment	2,435,932	216,910	(\$347,990)	2,304,852
Vehicles	2,054,013	497,623	(207,243)	2,344,393
Park and trail improvements	370,220			370,220
Sports fields	1,506,986			1,506,986
Roads & streets including sidewalks	44,899,047			44,899,047
Bridges	5,486,753			5,486,753
Street lights	326,902			326,902
Storm drains	1,788,858			1,788,858
Traffic signals	1,760,004			1,760,004
Trees	1,227,462			1,227,462
Total capital assets being depreciated	<u>71,569,254</u>	<u>714,533</u>	<u>(555,233)</u>	<u>71,728,554</u>
Less accumulated depreciation for:				
Buildings and improvements	4,238,140	285,334		4,523,474
Machinery and equipment	1,634,004	220,758	(299,795)	1,554,967
Vehicles	1,287,270	190,742	(203,907)	1,274,105
Park and trail improvements	155,021	24,345		179,366
Sports fields	197,495	318,990		516,485
Roads & streets including sidewalks	20,757,715	1,866,704		22,624,419
Bridges	3,631,231	99,969		3,731,200
Street lights	309,706	6,284		315,990
Storm drains	1,574,793	20,316		1,595,109
Traffic signals	1,402,058	51,415		1,453,473
Trees	374,333	24,550		398,883
Total accumulated depreciation	<u>35,561,766</u>	<u>3,109,407</u>	<u>(503,702)</u>	<u>38,167,471</u>
Net capital assets being depreciated	<u>36,007,488</u>	<u>(2,394,874)</u>	<u>(51,531)</u>	<u>33,561,083</u>
Governmental activity capital assets, net	<u>\$51,941,171</u>	<u>\$2,179,967</u>	<u>(\$51,531)</u>	<u>\$54,069,607</u>

CITY OF SAN PABLO
Notes to Basic Financial Statements

NOTE 7 - CAPITAL ASSETS (Continued)

Construction in progress comprised the following at June 30, 2008:

Project	Amount
Roadway Rehabilitation	\$3,051,187
23rd Street Revitalization	2,999,225
Wanlass Park	1,387,434
El Portal Gateway Streetscape	1,002,262
Rumrill Boulevard Bridge	638,023
Slurry Seal Project	541,111
Senior Center Kitchen Upgrades	468,903
Gas Tank Replacement	333,759
Corporation Yard Relocation	339,228
Kennedy Plaza Renovation	320,302
Davis Park Community Center	258,763
San Pablo Avenue Overlay	232,829
Brentz Lane Park	218,808
Pedestrian Safety at Schools	214,566
Wildcat Creek Trail	133,641
Stormdrain Systems	129,772
I-80/San Pablo Dam Road Interchange	62,796
Wildcat Creek at Maple Hall	60,588
Other	347,491
Total construction in progress	\$12,740,688

B. Capital Asset Contributions

Some capital assets may be acquired using federal and State grant funds, or they may be contributed by developers or other governments. These contributions are accounted for as revenues at the time the capital assets are contributed.

C. Depreciation Allocation

Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program are as follows:

General Government	\$155,372
Community Recreation	23,210
Community Development	94,882
Public Works	2,609,797
Police	226,146
Total depreciation expense	\$3,109,407

CITY OF SAN PABLO
Notes to Basic Financial Statements

NOTE 8 - LONG-TERM DEBT

The City generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt.

Debt discounts and issuance costs are recognized in the current period.

A. Tax Allocation Bonds

All of the long-term debt in the City's financial statements is comprised of Tax Allocation Bonds issued by the Redevelopment Agency. The Bonds are special obligations of the Agency and are secured only by the Agency's tax increment revenues. Tax Allocation Bond issues and transactions were as follows:

	Original Issue Amount	Balance June 30, 2007	Additions	Refunding/ Retirements	Balance June 30, 2008	Current Portion
Tenth Township Redevelopment Project						
Subordinate Tax Allocation Bonds Series 1999A						
3.75-5.65%, due 12/01/2023	\$9,850,000	\$7,505,000		\$505,000	\$7,000,000	\$535,000
Tax Allocation Revenue Bonds Series 2001						
Current Interest Serial Bonds						
3.25-4.85%, due 12/01/2018	7,855,000	5,540,000		440,000	5,100,000	455,000
Current Interest Term Bonds						
5.00%, due 12/01/2029	2,280,000	2,280,000			2,280,000	
Capital Appreciation Bonds						
5.66-5.68%, due 12/01/2029	12,055,000	4,037,978	\$232,078		4,270,056	
Tax Allocation Revenue Bonds Series 2004						
2.00-5.00%, due 12/01/2032	37,755,000	36,565,000		850,000	35,715,000	875,000
Subordinate Tax Allocation Bonds Series 2006						
Variable rate, due 12/01/2032	36,000,000	36,000,000			36,000,000	
Total Governmental Activity Debt		<u>\$91,927,978</u>	<u>\$232,078</u>	<u>\$1,795,000</u>	<u>\$90,365,056</u>	<u>\$1,865,000</u>

B. Debt Service Requirements

Debt service requirements are shown below.

	For the Year Ending June 30	Principal (1)	Interest
2009		\$1,865,000	\$3,714,021
2010		3,050,000	3,622,252
2011		3,165,000	3,496,247
2012		3,290,000	3,360,424
2013		3,430,000	3,215,758
2014-2018		19,420,000	13,701,634
2019-2023		23,935,000	8,926,296
2024-2028		23,155,000	4,319,692
2029-2033		<u>16,840,000</u>	<u>1,556,909</u>
Total principal due		<u>\$98,150,000</u>	<u>\$45,913,233</u>

(1) Includes unaccrued discount totaling \$7,784,944

CITY OF SAN PABLO
Notes to Basic Financial Statements

NOTE 8 - LONG-TERM DEBT (Continued)

C. 1999 Tax Allocation Bonds

On June 10, 1999, the Agency issued \$9,850,000 of Subordinate Tax Allocation Bonds, Series 1999A to defease \$3,950,000 of the 1990 Subordinate Tax Allocation Bonds, and to fund capital projects in the Tenth Township Project Area. The 1990 Bonds were called on May 1, 2001. The 1999 Bonds are special obligations of the Agency and are secured by the Agency's tax increment revenues. Annual principal payments on the 1999 Bonds are due December 1, and semi-annual interest payments are due June 1 and December 1, through 2023. 1999 Bonds maturing on or after December 1, 2010 are subject to call on any interest payment date at par plus a premium of up to two percent.

D. 2001 Tax Allocation Revenue Bonds

On March 22, 2001, the Redevelopment Agency issued \$12,997,670 of Tax Allocation Revenue Bonds, Series 2001 to defease \$4,665,000 of outstanding 1990 Tax Allocation Bonds, and to fund capital projects in the Legacy and Tenth Township Project Areas. The Bonds are special obligations of the Agency and are secured by the Agency's tax increment revenues. The defeased 1990 Bonds were called May 1, 2001.

The 2001 Bonds consist of \$7,855,000 original principal amount of Current Interest Serial Bonds, \$2,280,000 original principal amount of Current Interest Term Bonds, and \$2,862,670 of Capital Appreciation Bonds which pay no interest but which accrete in value to \$12,055,000 at their redemption date. Interest payments on the Term Bonds are payable semiannually on June 1 and December 1.

The 2001 Bonds Capital Appreciation Bonds unaccreted discount totaled \$7,784,944 and the outstanding balance increased \$232,078 due to the annual increase in accreted value. Principal and interest payments of \$2,635,000, \$2,355,000, \$2,355,000, \$1,570,000, \$1,570,000 and \$1,570,000 commence December 1, 2024 and continue through December 1, 2029.

During fiscal year 2004 the Agency undertook an internal transaction to substitute new debt in the principal amount of \$1,265,000 issued by the Tenth Township Project Area for old debt of the Legacy Project Area.

E. 2004 Tax Allocation Revenue Bonds

On March 18, 2004, the Agency issued \$37,755,000 of Tax Allocation Revenue Bonds, Series 2004 to defease \$13,910,000 of outstanding 1993 Tax Allocation Bonds, and to fund capital projects in the Legacy and Tenth Township Project Areas. The defeased 1993 Bonds were called on December 1, 2004. The 2004 Bonds are special obligations of the Agency and are secured by the Agency's tax increment revenues. Annual principal payments on the 2004 Bonds are due December 1, and semi-annual interest payments are due June 1 and December 1, through 2015.

CITY OF SAN PABLO
Notes to Basic Financial Statements

NOTE 8 - LONG-TERM DEBT (Continued)

F. 2006 Subordinate Tax Allocation Bonds

On October 5, 2006 the Agency issued \$36,000,000 of Tenth Township Redevelopment Project Area Subordinate Tax Allocation Bonds, Series 2006 to refund the remaining \$12,350,000 principal amount of the 1993 Tax Allocation Bonds and to fund certain public improvements in the Tenth Township Project Area. In October 2006 the City defeased the outstanding 1993 Bonds by placing a portion of the proceeds from the 2006 Bonds in an irrevocable trust to provide amounts sufficient to pay on December 1, 2006 the prepayment price of 102% of the principal amount and accrued interest. The defeased 1993 Bonds were called on December 1, 2006. Principal payments on the 2006 Bonds are due annually on December 1 commencing December 1, 2009 and interest payments are due monthly, through December 1, 2032.

The 2006 Subordinate Tax Allocation Bonds were originally issued as daily variable-rate demand obligations with municipal bond insurance from Ambac Assurance and a liquidity facility from Dexia Credit Local. The interest rate on the Bonds resets daily according to market conditions and is capped by California State law at 12%. During fiscal year 2008, the Agency substituted an irrevocable, direct-pay letter of credit issued by Union Bank of California for the Dexia liquidity facility in order to remarket the bonds at lower interest rates. The Union Bank letter of credit is valid through June 5, 2011. The Agency is required to pay Union Bank an annual Letter of Credit Fee equal to 0.70% of the outstanding principal amount of the Bonds. In addition, the remarketing agent receives an annual Remarketing Fee equal to 0.10% of the outstanding principal amount of the Bonds. Union Bank of California's long-term credit ratings from Moody's and Standard and Poor's were Aa3 and A+ at June 30, 2008, respectively, and its short-term credit ratings from Moody's and Standard and Poor's were P-1 and A-1 at June 30, 2008, respectively.

In October 2006 the Agency entered into a 26-year interest rate swap agreement for the entire \$36,000,000 par amount of its 2006 Subordinate Tax Allocation Bonds as discussed below. The combination of variable rate bonds and a floating-to-fixed interest rate swap agreement effectively creates a synthetic fixed-rate obligation for the Agency. The synthetic fixed rate on June 30, 2008 of 4.915% is comprised of the variable rate paid to the bondholders (2.30%), plus the fixed rate paid to the swap counterparty (3.555%), less the variable rate received from the swap counterparty (1.74%), plus the letter of credit fee paid by the Agency to the letter of credit provider (0.70%), plus the remarketing fee paid to the remarketing agent (0.10%).

Interest Rate Swap Agreement

The Agency entered into an interest swap agreement in connection with the 2006 Subordinate Tax Allocation Bonds. The transaction allows the Agency to create a synthetic fixed rate on the Bonds, protecting it against increases in short-term interest rates. The terms, fair value and credit risk of the swap agreement is disclosed below.

CITY OF SAN PABLO
Notes to Basic Financial Statements

NOTE 8 - LONG-TERM DEBT (Continued)

Terms. The terms, including the counterparty credit rating of the outstanding swap, as of June 30, 2008, are included below. The swap agreement contains scheduled reductions to the outstanding notional amount that are expected to follow scheduled reductions in the Bonds.

Notional Amount	Effective Date	Counterparty	Long-Term Credit Rating (Moody's / S&P)	Fixed Rate Paid	Variable Rate Received 64% of 30-day LIBOR plus 15 basis points	Termination Date
\$36,000,000	10/5/2006	Piper Jaffray Financial Products, Inc. (Morgan Stanley)	Aa3* / A+	3.555%		12/1/2032

* Moody's downgraded Morgan Stanley's rating to A1 on August 11, 2008

Based on the swap agreement, the Agency owes interest calculated at a fixed rate to the counterparty of the swap. In return, the counterparty owes the Agency interest based on the variable rate that approximates the rate required by the Bonds. Debt principal is not exchanged; it is only the basis on which the swap receipts and payments are calculated.

Fair value. Fair value of the swap takes into consideration the prevailing interest rate environment, the specific terms and conditions of each transaction and any upfront payments that may have been received. Fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the LIBOR swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swap. As of June 30, 2008, the fair value of the swap was in favor of the counterparty in the amount of (\$1,354,338).

Credit risk. As of June 30, 2008, the Agency was exposed to credit risk on the outstanding swap because the swap had a positive fair value. This amount may increase if interest rates increase in the future. However, if interest rates decline and the fair value of the swap were to become negative, the Agency would no longer be exposed to credit risk. The Agency will be exposed to interest rate risk only if the counterparty to the swap defaults or if the swap is terminated.

Basis risk. Basis risk is the risk that the interest rate paid by the Agency on the underlying variable rate bonds to the bondholders temporarily differs from the variable swap rate received from the counterparty. The Agency bears basis risk on the swap. The swap has basis risk since the Agency receives a percentage of the LIBOR Index to offset the actual variable bond rate the Agency pays on the underlying Bonds. The Agency is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the Agency pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

A portion of this basis risk is tax risk. The Agency is exposed to tax risk when the relationship between the taxable LIBOR based swap and tax-exempt variable rate bond changes as a result of a reduction in federal and state income tax rates. Should the relationship between LIBOR and the underlying tax-exempt variable rate bonds converge the Agency is exposed to this basis risk.

CITY OF SAN PABLO
Notes to Basic Financial Statements

NOTE 8 - LONG-TERM DEBT (Continued)

Termination risk. The Agency may terminate if the other party fails to perform under the terms of the contract. The Agency will be exposed to variable rates if the counterparty to the swap contract defaults or if the swap contract is terminated. A termination of the swap contract may also result in the Agency's making or receiving a termination payment based on market interest rates at the time of the termination. If at the time of termination the swap has a negative fair value, the Agency would be liable to the counterparty for a payment equal to the swap's fair value.

Swap payments and associated debt. Using rates as of June 30, 2008, debt service requirements of the Agency's outstanding variable-rate Bonds and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary. These payments below are included in the Debt Service Requirements at B. above:

For the Year Ending June	Variable-Rate Bonds		Interest Rate Swap, Net (2)	Total
	Principal	Interest (1)		
2009		\$828,000	\$653,400	\$1,481,400
2010	\$1,495,000	810,808	639,833	2,945,641
2011	1,545,000	775,848	612,245	2,933,093
2012	1,215,000	744,108	587,198	2,546,306
2013	875,000	720,073	568,231	2,163,304
2014-2018	7,530,000	3,147,205	2,483,556	13,160,761
2019-2023	12,440,000	1,940,052	1,530,952	15,911,004
2024-2028	5,780,000	823,976	650,224	7,254,200
2029-2033	5,120,000	321,541	253,738	5,695,279
Totals	<u>\$36,000,000</u>	<u>\$10,111,611</u>	<u>\$7,979,377</u>	<u>\$54,090,988</u>

(1) Variable rate was 2.30% on June 30, 2008

(2) Net swap rate was 1.82% on June 30, 2008 (3.555% fixed rate paid, less 1.74% variable rate received)

G. Pledged Revenues

As discussed above, the Agency has pledged all future tax increment revenues, less amounts required to be set aside in the Redevelopment Agency Low and Moderate Income Housing Fund, for the repayment of the Tax Allocation Bonds. The 1999A, 2001 and 2004 Bonds are considered senior parity obligations, while the 2006 Bonds are subordinated to those Bonds. The pledge of all future tax increment revenues ends upon repayment of \$144,063,233 remaining debt service on the Bonds above, which is scheduled to occur in 2032. With the issuance of the 2006 Bonds, projected tax increment revenues are expected to provide coverage over debt service of 158% over the life of the four Bonds. For fiscal year 2008, tax increment revenue amounted to \$12,412,487 which represented coverage of 223% over the \$5,569,280 of debt service.

H. Conduit Debt Defeased in Prior Years

In prior years, the Agency defeased two of its mortgage revenue bond issues by selling all outstanding mortgage loans and placing the proceeds in irrevocable trusts to provide for all future debt service payments. At June 30, 2008 the remaining balance of this defeased debt was \$230,000 for the 1978 issue and \$13,725,000 for the 1979 issue.

CITY OF SAN PABLO
Notes to Basic Financial Statements

NOTE 9 - SPECIAL ASSESSMENT DEBT WITHOUT CITY COMMITMENT

Special assessment districts are established in various parts of the City to provide improvements to properties located in those districts. Properties are assessed for the cost of improvements; these assessments are payable solely by property owners over the term of the debt issued to finance the improvements. The City is not legally or morally obligated to pay these debts or be the purchaser of last resort of foreclosed properties in the special assessment districts, nor is it obligated to advance available City funds to repay this debt in the event of default by any of these districts. At June 30, 2008, the balance of these districts' outstanding debt was as follows:

1998 Oak Park Reassessment Bonds	\$2,775,000
1997 Town Center Reassessment Bonds	1,780,000

NOTE 10 – NET ASSETS AND FUND BALANCES

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities. Portions of a fund's balance may be reserved or designated for future expenditure.

Net Assets is measured on the full accrual basis while Fund Balance is measured on the modified accrual basis, as explained in Note 1D.

A. Net Assets

Net Assets is the excess of all the City's assets over all its liabilities, regardless of fund. Net Assets are divided into three captions. These captions apply only to Net Assets, which is determined only at the Government-wide level, and are described below:

Invested in Capital Assets, net of related debt describes the portion of Net Assets which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate income purposes.

Unrestricted describes the portion of Net Assets which is not restricted as to use.

B. Fund Balances, Reserves and Designations

In the Fund financial statements, fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities. Portions of a fund's balance may be reserved or designated for future expenditure.

CITY OF SAN PABLO
Notes to Basic Financial Statements

NOTE 10 – NET ASSETS AND FUND BALANCES (Continued)

C. Reserves

Reserves result from prior actions or transactions or are placed by outside entities such as bondholders, other governments, etc., and restrict the expenditures of the reserved funds to the purpose intended by the entity which provided the funds. The City cannot modify or remove these reserves. At June 30, 2008, reserves included:

Reserved for debt service is the portion of fund balance legally restricted to the payment of principal and interest on long term liabilities.

Reserved for employee loans receivable and notes receivable under Redevelopment Agency Programs is the portion of fund balance set aside to indicate these items do not represent available, spendable resources even though they are a component of assets.

Reserved for property held for resale is the carrying value of property held by the Redevelopment Agency, which is reserved since it is not an available spendable resource.

Reserved for encumbrances represents the portion of fund balance set aside for open purchase orders.

Reserved for low and moderate income housing is legally restricted to expenditure for low and moderate income housing under the California Health and Safety Code.

Reserved for prepaids and deposits is the portion of fund balance set aside to indicate these items do not represent available, spendable resources even though they are a component of assets.

D. Designations

Designations are imposed by City Council to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Council action. At June 30, 2008, the designation for contingencies represents unreserved fund balance set aside for future events or capital projects. Such plans are subject to change and may or may not be legally authorized or result in expenditures.

E. Fund Equity Deficits

The Gas Tax, Street Lighting and Landscaping, N.P.D.E.S, and Development Services Special Revenue Funds had fund balance deficits of \$84,897, \$57,585, \$10,572, and \$44,554 respectively, as of June 30, 2008. These deficits will be eliminated by future revenues.

CITY OF SAN PABLO
Notes to Basic Financial Statements

NOTE 11 - PENSION PLANS

A. CALPERS Safety and Miscellaneous Employees Plans

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS), an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The City's labor contracts require it to pay employee contributions as well as its own. However, effective June 16, 2008, the City amended its Plans and the employees agreed to pay 3.3% of their contributions. The Plans' provisions and benefits in effect at June 30, 2008 are summarized as follows:

	Safety	Miscellaneous
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50
Monthly benefits, as a % of annual salary	2.400% - 3.0%	2.0% -2.5%
Required employee contribution rates	9.0%	8.0%
Required employer contribution rates	14.701%	10.356%
Actuarially required contributions	\$828,631	\$424,290

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the City must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarially accrued liability. The City uses the actuarially determined percentages of payroll to calculate and pay contributions to CALPERS. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all contributions required by CALPERS, for the years ended June 30, 2008 2007, and 2006 amounted to \$1,252,921, \$1,230,056 and \$1,744,116 respectively.

CITY OF SAN PABLO
Notes to Basic Financial Statements

NOTE 11 - PENSION PLANS (Continued)

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.75% is assumed, including inflation at 3.00%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over fifteen years for the Safety Plan and sixteen years for the Miscellaneous Plan. Investment gains and losses are accumulated as they are realized and amortized over a rolling thirty year period.

As required by new State law, effective July 1, 2005, the City's Miscellaneous and Safety Plans were terminated, and the employees in those plans were required by CALPERS to join new State-wide pools. One of the conditions of entry to these pools was that the City true-up any unfunded liabilities in the former Plans, either by paying cash or by increasing its future contribution rates through a Side Fund offered by CALPERS. The City satisfied its Miscellaneous Plan's unfunded liability at July 1, 2005 by making a lump sum contribution of \$3,694,076 on June 28, 2005. It satisfied its Safety Plan's liability at July 1, 2005 by making a lump sum contribution of \$5,097,831 on February 28, 2006.

Effective June 16, 2008, the City changed the monthly benefits under the Miscellaneous and Safety Plans to 2.5% at age 55 and 3% age 50, respectively. This change resulted in new side fund liabilities for each Plan. The City satisfied the Miscellaneous Plan's unfunded liability of \$529,859 and the Safety Plan's unfunded liability of \$2,287,945 by making lump sum payments on April 15, 2008.

Audited annual financial statements are available from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

B. Social Security

The Omnibus Budget Reconciliation Act of 1990 (OBRA) mandates that public sector employees who are not members of their employer's existing system as of January 1, 1992 be covered by either Social Security or an alternative plan.

The City's part-time seasonal and temporary employees are covered under Social Security, which requires these employees and the City to each contribute 6.2% of the employees' pay. Total contributions to Social Security during the year ended June 30, 2008 amounted to \$44,769, of which the City paid half.

C. Post Retirement Health Care Defined Benefit Plan

Description

In addition to the pension benefits described in A. above, the City provides medical and dental benefits to substantially all retirees under the City of San Pablo Retiree Health Savings Plan, an agent multiple-employer defined benefit healthcare plan. Coverage is also provided for spouses of employees having a minimum of 20 years of service at retirement. As of June 30, 2008 there were 49 participants receiving these health care benefits.

CITY OF SAN PABLO
Notes to Basic Financial Statements

NOTE 11 - PENSION PLANS (Continued)

The Plan provisions and benefits in effect at June 30, 2008 are summarized as follows:

	Police	Local 1 and WCCTAC	Executive Managers and Elected Officials	Confidential/Exempt, Division Managers and AIE
Benefit Types Provided	Medical only	Medical only	Medical only	Medical only
Duration of Benefits (A)	Lifetime	Lifetime	Lifetime	Lifetime
Required Service:		Retirement under CALPERS		
Basic				
Supplemental	10 years	N/A	5 years	15 years
Minimum Age	50	50	50	50
Dependent Coverage	One dependent	Yes	Yes	Yes
City Contribution 100%	100%	100%	100%	100%
City Contribution Cap per Month (Basic)	\$85 for single \$177 for two party \$229.50 for family	\$85 for single \$177 for two party \$229.50 for family	\$85 for single \$177 for two party \$229.50 for family	\$85 for single \$177 for two party \$229.50 for family
City Contribution Cap per Month (Supp)	Kaiser	15 yrs svc: \$135 20 yrs svc: \$260	None	15 yrs svc: \$135 20 yrs svc: \$260

(A) Duration is subject to limitations as specified in the Memorandum of Understanding with each bargaining unit.

The City's basic contribution cap amounts are scheduled to increase through 2009 to \$105, \$220, and \$285 for single, two party and family, respectively.

During fiscal year 2006, the City early-implemented the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes uniform financial reporting standards for employers providing postemployment benefits (OPEB). As part of the implementation, the City elected to establish an irrevocable trust to provide a funding mechanism for the OPEB and to apply the provisions of the statement on a prospective basis. The activities of the Trust are accounted for in the Retiree Health Savings Plan Trust Fund.

Pursuant to a contractual agreement with the West Contra Costa Transportation Advisory Committee (WCCTAC), the City provides OPEB benefits to WCCTAC employees which are included in the amounts presented below. WCCTAC reimburses the City for any costs incurred on behalf of its employees.

CITY OF SAN PABLO
Notes to Basic Financial Statements

NOTE 11 - PENSION PLANS (Continued)

Funding Policy and Actuarial Assumptions

The City's policy is to prefund these benefits by accumulating assets in the Trust Fund discussed above pursuant to City Council Resolution 2007-024 (Resolution). The annual required contribution (ARC) was determined as part of a July 1, 2005 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 5% investment rate of return, (b) 3% projected annual salary increase, and (c) 4% health inflation increases. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and 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 revision at least biannually as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 30 year amortization period.

In accordance with the Resolution, the City's annual contributions to the Plan are based on pay-as-you-go financing plus an additional amount to prefund benefits as determined by the Council. Generally accepted accounting principles permit assets to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such assets are placed in an irrevocable trust or equivalent arrangement. Contributions to the City's Trust did not begin until April 20, 2006, thus these assets were excluded from the July 1, 2005 actuarial study. During the fiscal year ended June 30, 2008, the City contributed \$3,513,825 to the Plan, including \$238,825 for pay-as-you-go premiums plus an additional \$3,275,000 to prefund benefits. As a result, the City has calculated and recorded the Net OPEB Asset, representing the difference between the ARC, amortization and contributions, as presented below:

Annual required contribution	\$482,284
Adjustment to annual required contribution	<u>20,838</u>
Annual OPEB cost	503,122
Contributions made	<u>(3,513,825)</u>
(Decrease) increase in net OPEB obligations	(3,010,703)
Net OPEB obligation (asset) June 30, 2007	<u>(921,415)</u>
Net OPEB obligation (asset) June 30, 2008	<u>#####</u>

CITY OF SAN PABLO
Notes to Basic Financial Statements

NOTE 11 - PENSION PLANS (Continued)

The Plan's annual required contributions and actual contributions for the years ended June 30, 2006, 2007, and 2008 are set forth below:

Fiscal Year	Annual Required Contribution (ARC)	Actual Contribution	Percentage of ARC Contributed	Net OPEB Obligation (Asset)
6/30/2006	\$482,284	\$1,189,011	247%	(\$706,727)
6/30/2007	482,284	712,146	148%	(921,415)
6/30/2008	482,284	3,513,825	729%	(3,932,118)

The Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the July 1, 2005 actuarial study is presented below:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Overfunded (Underfunded) Actuarial Accrued Liability (A - B)	Funded Ratio (A/B)	Covered Payroll (C)	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll [(A - B)/C]
7/1/2005	\$0	\$5,388,510	(\$5,388,510)	0.00%	\$8,725,646	(61.8%)

NOTE 12 - DEFERRED COMPENSATION PLAN

City employees may defer a portion of their compensation under a City sponsored Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the Plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the City's property and are not subject to City control, they have been excluded from these financial statements.

CITY OF SAN PABLO
Notes to Basic Financial Statements

NOTE 13 – RISK MANAGEMENT

A. Municipal Pooling Authority (MPA)

The City is a member of the Municipal Pooling Authority (formerly called Contra Costa County Municipal Risk Management Insurance Authority). The Authority provides coverage against the following types of loss risks under the terms of a joint-powers agreement with the City and several other cities and governmental agencies as follows:

Type of Coverage (Deductible)	Coverage Limits
Liability (\$10,000)	\$25,000,000
Vehicle - Physical Damage (\$3,000 for police vehicles, \$2,000 for all others)	250,000
Worker's Compensation (no deductible)	300,000,000
Property	
All Risk (\$5,000)	1,000,000,000
Flood*	25,000,000
Boiler & Machinery (\$5,000)	100,000,000

* \$100,000 minimum deductible, per occurrence, except Zone A and V, which are subject to a \$250,000 deductible, per occurrence

The Authority is governed by a Board consisting of representatives from member municipalities. The Board controls the operations of the Authority, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board.

The City's deposits with the Authority are in accordance with formulas established by the Authority. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

Audited financial statements for the Authority are available from MPA, 1911 San Miguel Drive, Suite 200, Walnut Creek, CA 94596.

For the years ended June 30, 2008, 2007 and 2006 the amount of settlements did not exceed insurance coverage.

CITY OF SAN PABLO
Notes to Basic Financial Statements

NOTE 13 – RISK MANAGEMENT (Continued)

B. Liability for Uninsured Claims

The City provides for the uninsured portion of claims and judgments, including a provision for claims incurred but not reported, when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable.

The City's liability for uninsured claims at June 30 was estimated by management based on claims experience reported by MPA and was computed as follows:

	June 30	
	2008	2007
Beginning balance	\$60,749	\$18,868
Provision for current fiscal year claims	37,485	116,580
(Change) in provision for prior fiscal year claims	25,035	(35,914)
Claims paid	(45,923)	(38,785)
Ending balance	\$77,346	\$60,749

NOTE 14 - JOINT POWERS AGREEMENTS

A. West Contra Costa Integrated Waste Management Authority (WCCIWMA)

WCCIWMA was established in 1991 to coordinate landfill use reduction in the West Contra Costa County Area as mandated by the State of California. Members are assessed a prorata share of the expenses expected to be incurred by the Authority up to a maximum of \$64,000 per Director. The City is represented by one Director.

Audited financial statements may be obtained from the WCCIWMA, care of the City of Hercules, 111 Civic Drive, Hercules, CA 94547.

B. West Contra Costa Transportation Advisory Committee (WCCTAC)

WCCTAC was established in 1990 to develop regional strategies and meet regional requirements established by Measure C and to cooperatively address West Contra Costa County transportation issues. The City's payments to WCCTAC are in accordance with a formula under which each member Agency pays a proportionate share of the expenditures based on the number of voting members representing each Agency. The City has one voting member on the WCCTAC and pays 9.1% of the expenditures. For fiscal year 2007-2008, the dues paid to WCCTAC were \$42,772.

Audited financial statements may be obtained from the WCCTAC, care of the City of San Pablo, One Alvarado Square, San Pablo, CA 94806.

CITY OF SAN PABLO
Notes to Basic Financial Statements

NOTE 15 - COMMITMENTS AND CONTINGENCIES

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney there is no presently filed litigation which is likely to have a material adverse effect on the financial position of the City.

Under a Voluntary Cleanup Agreement with the California Department of Toxic Substances Control, the City plans to clean up the former Burlington Northern Santa Fe Property on Rumrill Boulevard to provide for future unrestricted land use. The property is currently owned by the Redevelopment Agency. The City has started a Removal Action Work Plan (RAW), and the cost of the preferred alternative remediation is estimated to be \$600,000, but the final remediation method has not been determined.

The City participates in several federal and State grant programs. These programs are subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

The Agency has an agreement with Contra Costa County which requires it to pass through a portion of its property tax increment to the County. Increments in the amount of \$653,969 were passed through to the County in fiscal 2008 and increments of \$2,703,579 have been passed through to date. Beginning in 2012, one hundred percent of the net property tax (property tax increment less debt service and low to moderate income set aside) must be passed through to certain county agencies.

MAJOR GOVERNMENTAL FUNDS, OTHER THAN GENERAL FUND AND SPECIAL REVENUE FUNDS
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REDEVELOPMENT AGENCY PROJECTS

This fund accounts for capital projects in the Tenth Township Project Redevelopment Area and in the Legacy Project Redevelopment Area.

CITY OF SAN PABLO
REDEVELOPMENT AGENCY PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property taxes	\$14,711,000	\$15,434,058	\$723,058
Use of money and property	2,677,000	2,794,604	117,604
Miscellaneous	150,000	81,052	(68,948)
	<u>17,538,000</u>	<u>18,309,714</u>	<u>771,714</u>
Total Revenues			
EXPENDITURES			
Current:			
Community:			
Development	10,569,382	5,205,382	5,364,000
Public Works & Engineering	381,600	324,528	57,072
Capital outlay	4,035,500	20,477,209	(16,441,709)
Debt service:			
Principal	850,000	845,000	5,000
Interest and fiscal charges	1,559,197	1,426,283	132,914
	<u>17,395,679</u>	<u>28,278,402</u>	<u>(10,882,723)</u>
Total Expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>142,321</u>	<u>(9,968,688)</u>	<u>(10,111,009)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	2,409,197	882,863	(1,526,334)
Transfers (out)	<u>(33,758,892)</u>	<u>(9,788,193)</u>	<u>23,970,699</u>
Total Other Financing Sources (Uses)	<u>(31,349,695)</u>	<u>(8,905,330)</u>	<u>22,444,365</u>
NET CHANGE IN FUND BALANCE	<u>(\$31,207,374)</u>	<u>(18,874,018)</u>	<u>\$12,333,356</u>
Adjustment to budgetary basis:			
Capital outlay		20,442,370	
Fund balance at beginning of year		<u>59,348,405</u>	
FUND BALANCE AT END OF YEAR		<u>\$60,916,757</u>	

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

GAS TAX

This fund accounts for revenues and expenditures received from the State of California under Street and Highways Code Section 2105, 2106, 2107 and 2107.5. The allocations must be spent for street maintenance and construction and a limited amount for engineering.

PUBLIC SAFETY

This fund accounts for sales tax allocations required pursuant to Proposition 172. These funds are used to fund public safety activities.

STREET LIGHTING AND LANDSCAPING

This fund accounts for assessments made upon parcels of land within the Street Lighting and Landscaping District and disburses funds in accordance with the provisions of the State of California Streets and Highway Code.

N.P.D.E.S.

This fund accounts for revenues and expenditures from assessments levied on all real property in the City in compliance with the provisions of the National Pollution Discharge Elimination System.

DEVELOPMENT SERVICES

This fund accounts for revenues generated from permit and inspection fees and disburses funds to support this activity.

MEASURE C

This fund accounts for the portion of the half-cent County-wide sales tax levied to fund transportation improvements to local streets.

ADJUDICATED ASSET SEIZURES

This fund accounts for revenues received from sales of assets seized during drug-related arrests and disburses these funds for authorized public safety activities.

OAK PARK MAINTENANCE DISTRICT

This fund accounts for revenues received from assessments levied on parcels within the District and disburses funds for approved storm drain maintenance activities.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

PARATRANSIT

This fund accounts for revenues received from the portion of the half cent County-wide sales tax levied to fund expenditures for paratransit service.

LAW ENFORCEMENT SERVICES

This fund accounts for revenues received from the Supplemental Law Enforcement Services Grant, the Local Law Enforcement Block Grant, and court fines.

TRAFFIC CONGESTION RELIEF

This fund accounts for the revenues received from the State of California under AB2928. The allocations must be spent on local streets and roads maintenance, rehabilitation and reconstruction projects according to the State's Traffic Congestion Relief Plan.

HCD GRANT

This fund accounts for revenues received under State Housing of Community Development and for CALHOME activities approved and subject to state regulations.

DEBT SERVICE FUNDS

MERGED PROJECT AREA 1999 SUBORDINATE TAX ALLOCATION BONDS

This fund makes principal and interest payments on the Tenth Township Redevelopment Project Subordinate Tax Allocation Bonds Series 1999A.

2001 TAX ALLOCATION REVENUE BONDS TENTH TOWNSHIP PROJECT AREA

This fund makes principal and interest payments on the Tenth Township Redevelopment Project Area's Tax Allocation Revenue Bonds Series 2001.

2004 TAX ALLOCATION REVENUE BONDS LEGACY PROJECT AREA

This fund makes principal and interest payments on the Legacy Redevelopment Project Area's share of the Tax Allocation Revenue Bonds Series 2004.

2006 SUBORDINATE TAX ALLOCATION BONDS TENTH TOWNSHIP PROJECT AREA

This fund makes principal and interest payments on the Tenth Township Redevelopment Project Area's Subordinate Tax Allocation Bonds Series 2006.

CITY OF SAN PABLO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2008

SPECIAL REVENUE FUNDS

	<u>Gas Tax</u>	<u>Public Safety</u>	<u>Street Lighting and Landscaping</u>	<u>N.P.D.E.S.</u>	<u>Development Services</u>	<u>Measure C</u>
ASSETS						
Cash and investments available for operations	\$342	\$93,134			\$1,497	\$535,066
Restricted cash and investments						
Accounts receivable	51,085					
Interest receivable						4,867
Due from other governments	<u>136,468</u>	<u>16,485</u>				
Total Assets	<u>\$187,895</u>	<u>\$109,619</u>			<u>\$1,497</u>	<u>\$539,933</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$135,792		\$57,585	\$10,572	\$46,051	
Due to other funds	<u>137,000</u>					
Total Liabilities	<u>272,792</u>		<u>57,585</u>	<u>10,572</u>	<u>46,051</u>	
FUND BALANCES						
Reserved for:						
Encumbrances	10,979		9,900			
Debt service						
Unreserved:						
Undesignated	<u>(95,876)</u>	<u>\$109,619</u>	<u>(67,485)</u>	<u>(10,572)</u>	<u>(44,554)</u>	<u>\$539,933</u>
Total Fund Balance (Deficit)	<u>(84,897)</u>	<u>109,619</u>	<u>(57,585)</u>	<u>(10,572)</u>	<u>(44,554)</u>	<u>539,933</u>
Total Liabilities and Fund Balances	<u>\$187,895</u>	<u>\$109,619</u>			<u>\$1,497</u>	<u>\$539,933</u>

SPECIAL REVENUE FUNDS

DEBT SERVICE FUNDS

Adjudicated Asset Seizures	Oak Park Maintenance District	Paratransit	Law Enforcement Services	Traffic Congestion Relief	HCD Grant	Merged Project Area 1999 Subordinate Tax Allocation Bonds	2001 Tax Allocation Bonds Tenth Township Project Area
\$82,635	\$14,684	\$285,245	\$456,953	\$2,735	\$83,871	\$266	\$4,611,563
575	105	2,011	388 120,514	20		14	(227)
<u>\$83,210</u>	<u>\$14,789</u>	<u>\$287,256</u>	<u>\$577,855</u>	<u>\$2,755</u>	<u>\$83,871</u>	<u>\$280</u>	<u>\$4,611,336</u>
		\$3,452	\$3,088 88,500				
		<u>3,452</u>	<u>91,588</u>				
						\$280	\$4,611,336
<u>\$83,210</u>	<u>\$14,789</u>	<u>283,804</u>	<u>486,267</u>	<u>\$2,755</u>	<u>\$83,871</u>		
<u>83,210</u>	<u>14,789</u>	<u>283,804</u>	<u>486,267</u>	<u>2,755</u>	<u>83,871</u>	<u>280</u>	<u>4,611,336</u>
<u>\$83,210</u>	<u>\$14,789</u>	<u>\$287,256</u>	<u>\$577,855</u>	<u>\$2,755</u>	<u>\$83,871</u>	<u>\$280</u>	<u>\$4,611,336</u>

(Continued)

CITY OF SAN PABLO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2008

DEBT SERVICE FUNDS

	2004 Tax Allocation Bonds Legacy Project Area	2006 Subordinate Tax Allocation Bonds Tenth Township Project Area	Total Nonmajor Governmental Funds
ASSETS			
Cash and investments available for operations			\$1,556,162
Restricted cash and investments	\$582,047	\$2,359,748	7,553,624
Accounts receivable			51,085
Interest receivable	221	26,729	34,703
Due from other governments			273,467
	<u>582,268</u>	<u>2,386,477</u>	<u>9,469,041</u>
LIABILITIES			
Accounts payable and accrued liabilities			\$256,540
Due to other funds			225,500
			<u>482,040</u>
FUND BALANCES			
Reserved for:			
Encumbrances			\$20,879
Debt service	\$582,268	\$2,386,477	7,580,361
Unreserved:			
Undesignated			1,385,761
	<u>582,268</u>	<u>2,386,477</u>	<u>8,987,001</u>
Total Fund Balance (Deficit)	<u>582,268</u>	<u>2,386,477</u>	<u>8,987,001</u>
Total Liabilities and Fund Balances	<u>582,268</u>	<u>2,386,477</u>	<u>9,469,041</u>

CITY OF SAN PABLO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

SPECIAL REVENUE FUNDS

	Gas Tax	Public Safety	Street Lighting and Landscaping	N.P.D.E.S.	Development Services	Measure C
REVENUES						
Property taxes			\$842,911	\$9,793		\$339,931
Sales tax		\$106,189				
Fines and forfeits						
Intergovernmental	\$561,460			282,038		
Charges for services	157,591				\$444,499	
Use of money and property				184		17,625
Miscellaneous			829	2,620		
Total Revenues	<u>719,051</u>	<u>106,189</u>	<u>843,740</u>	<u>294,635</u>	<u>444,499</u>	<u>357,556</u>
EXPENDITURES						
Current:						
Community:						
Development					1,419,961	
Public Works & Engineering	1,407,845		1,486,495	345,544		
Police						
Capital outlay	173,556		26,863	25,659	6,415	
Debt Service:						
Principal						
Interest and fiscal charges						
Total Expenditures	<u>1,581,401</u>		<u>1,513,358</u>	<u>371,203</u>	<u>1,426,376</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(862,350)</u>	<u>106,189</u>	<u>(669,618)</u>	<u>(76,568)</u>	<u>(981,877)</u>	<u>357,556</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of property						
Transfers in	800,000		650,000	13,500	940,000	
Transfers (out)		(100,000)				(182,586)
Total Other Financing Sources (Uses)	<u>800,000</u>	<u>(100,000)</u>	<u>650,000</u>	<u>13,500</u>	<u>940,000</u>	<u>(182,586)</u>
NET CHANGE IN FUND BALANCES	(62,350)	6,189	(19,618)	(63,068)	(41,877)	174,970
Fund balances (deficits) at beginning of year	<u>(22,547)</u>	<u>103,430</u>	<u>(37,967)</u>	<u>52,496</u>	<u>(2,677)</u>	<u>364,963</u>
FUND BALANCES (DEFICITS) AT END OF YEAR	<u>(\$84,897)</u>	<u>\$109,619</u>	<u>(\$57,585)</u>	<u>(\$10,572)</u>	<u>(\$44,554)</u>	<u>\$539,933</u>

SPECIAL REVENUE FUNDS						DEBT SERVICE FUNDS	
Adjudicated Asset Seizures	Oak Park Maintenance District	Paratransit	Law Enforcement Services	Traffic Congestion Relief	HCD Grant	Merged Project Area 1999 Subordinate Tax Allocation Bonds	2001 Tax Allocation Bonds Tenth Township Project Area
	\$3,692						
		\$156,373	\$227,582 433,242	\$213,921			
\$3,223 16,876	623	11,508	2,220	2,591	\$3,868	\$381	\$154,249
20,099	4,315	167,881	663,044	216,512	3,868	381	154,249
		98,163					
5,917	4,970	42,093	561,328 102,536				
						505,000 391,438	440,000 342,245
5,917	4,970	140,256	663,864			896,438	782,245
14,182	(655)	27,625	(820)	216,512	3,868	(896,057)	(627,996)
		13,275					
				(254,000)		895,327	790,872 (414,039)
		13,275		(254,000)		895,327	376,833
14,182	(655)	40,900	(820)	(37,488)	3,868	(730)	(251,163)
69,028	15,444	242,904	487,087	40,243	80,003	1,010	4,862,499
\$83,210	\$14,789	\$283,804	\$486,267	\$2,755	\$83,871	\$280	\$4,611,336

(Continued)

CITY OF SAN PABLO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	DEBT SERVICE FUNDS		
	2004 Tax Allocation Bonds Legacy Project Area	2006 Subordinate Tax Allocation Bonds Tenth Township Project Area	Total Nonmajor Governmental Funds
REVENUES			
Property taxes			\$1,196,327
Sales tax			106,189
Fines and forfeits			227,582
Intergovernmental			1,647,034
Charges for services			602,090
Use of money and property	\$20,732	\$122,613	339,817
Miscellaneous			20,325
Total Revenues	20,732	122,613	4,139,364
EXPENDITURES			
Current:			
Community:			
Development			1,518,124
Public Works & Engineering			3,244,854
Police			567,245
Capital outlay			377,122
Debt Service:			
Principal	5,000		950,000
Interest and fiscal charges	132,913	1,700,661	2,567,257
Total Expenditures	137,913	1,700,661	9,224,602
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	(117,181)	(1,578,048)	(5,085,238)
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of property			13,275
Transfers in	137,913	520,163	4,747,775
Transfers (out)	(6,612)	(62,212)	(1,019,449)
Total Other Financing Sources (Uses)	131,301	457,951	3,741,601
NET CHANGE IN FUND BALANCES	14,120	(1,120,097)	(1,343,637)
Fund balances (deficits) at beginning of year	568,148	3,506,574	10,330,638
FUND BALANCES (DEFICITS) AT END OF YEAR	\$582,268	\$2,386,477	\$8,987,001

CITY OF SAN PABLO
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

SPECIAL REVENUE FUNDS

	GAS TAX			PUBLIC SAFETY		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Sales tax				\$100,000	\$106,189	\$6,189
Fines and forfeits						
Intergovernmental	\$603,000	\$561,460	(\$41,540)			
Charges for services	41,500	157,591	116,091			
Use of money and property						
Miscellaneous						
Total Revenues	644,500	719,051	74,551	100,000	106,189	6,189
EXPENDITURES						
Current:						
Community:						
Development						
Housing						
Public Works & Engineering	1,492,096	1,407,845	84,251			
Police						
Capital outlay	230,109	173,556	56,553			
Debt Service:						
Principal						
Interest and fiscal charges						
Total Expenditures	1,722,205	1,581,401	140,804			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,077,705)</u>	<u>(862,350)</u>	<u>215,355</u>	<u>100,000</u>	<u>106,189</u>	<u>6,189</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of property						
Transfers in	927,865	800,000	(127,865)			
Transfers (out)				(100,000)	(100,000)	
Total Other Financing Sources (Uses)	927,865	800,000	(127,865)	(100,000)	(100,000)	
NET CHANGE IN FUND BALANCES	<u>(\$149,840)</u>	<u>(62,350)</u>	<u>\$87,490</u>		<u>6,189</u>	<u>\$6,189</u>
Fund balances at beginning of year		<u>(22,547)</u>			<u>103,430</u>	
FUND BALANCES AT END OF YEAR		<u>(\$84,897)</u>			<u>\$109,619</u>	

SPECIAL REVENUE FUNDS

STREET LIGHTING AND LANDSCAPING			N.P.D.E.S.			DEVELOPMENT SERVICES		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$850,000	\$842,911	(\$7,089)	\$15,000	\$9,793	(\$5,207)			
			330,000	282,038	(47,962)	\$762,000	\$444,499	(\$317,501)
			3,000	184	(2,816)	500		(500)
	829	829		2,620	2,620			
<u>850,000</u>	<u>843,740</u>	<u>(6,260)</u>	<u>348,000</u>	<u>294,635</u>	<u>(53,365)</u>	<u>762,500</u>	<u>444,499</u>	<u>(318,001)</u>
						1,706,935	1,419,961	286,974
1,738,392	1,486,495	251,897	372,322	345,544	26,778			
99,053	26,863	72,190	26,195	25,659	536	7,250	6,415	835
<u>1,837,445</u>	<u>1,513,358</u>	<u>324,087</u>	<u>398,517</u>	<u>371,203</u>	<u>27,314</u>	<u>1,714,185</u>	<u>1,426,376</u>	<u>287,809</u>
<u>(987,445)</u>	<u>(669,618)</u>	<u>317,827</u>	<u>(50,517)</u>	<u>(76,568)</u>	<u>(26,051)</u>	<u>(951,685)</u>	<u>(981,877)</u>	<u>(30,192)</u>
824,334	650,000	(174,334)		13,500	13,500	1,032,242	940,000	(92,242)
<u>824,334</u>	<u>650,000</u>	<u>(174,334)</u>		<u>13,500</u>	<u>13,500</u>	<u>1,032,242</u>	<u>940,000</u>	<u>(92,242)</u>
<u>(\$163,111)</u>	<u>(19,618)</u>	<u>\$143,493</u>	<u>(\$50,517)</u>	<u>(63,068)</u>	<u>(\$12,551)</u>	<u>\$80,557</u>	<u>(41,877)</u>	<u>(\$122,434)</u>
	<u>(37,967)</u>			<u>52,496</u>			<u>(2,677)</u>	
	<u>(\$57,585)</u>			<u>(\$10,572)</u>			<u>(\$44,554)</u>	

(Continued)

CITY OF SAN PABLO
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

SPECIAL REVENUE FUNDS

	MEASURE C			OAK PARK MAINTENANCE DISTRICT		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes	\$340,000	\$339,931	(\$69)	\$3,700	\$3,692	(\$8)
Sales tax						
Fines and forfeits						
Intergovernmental						
Charges for services						
Use of money and property	12,000	17,625	5,625	500	623	123
Miscellaneous						
Total Revenues	352,000	357,556	5,556	4,200	4,315	115
EXPENDITURES						
Current:						
Community:						
Development						
Housing						
Public Works & Engineering				6,402	4,970	1,432
Police						
Capital outlay						
Debt Service:						
Principal						
Interest and fiscal charges						
Total Expenditures				6,402	4,970	1,432
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	352,000	357,556	5,556	(2,202)	(655)	1,547
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of property						
Transfers in						
Transfers (out)	(360,000)	(182,586)	177,414			
Total Other Financing Sources (Uses)	(360,000)	(182,586)	177,414			
NET CHANGE IN FUND BALANCES	<u>(\$8,000)</u>	174,970	<u>\$182,970</u>	<u>(\$2,202)</u>	(655)	<u>\$1,547</u>
Fund balances at beginning of year		364,963			15,444	
FUND BALANCES AT END OF YEAR		<u>\$539,933</u>			<u>\$14,789</u>	

SPECIAL REVENUE FUNDS

PARATRANSIT			LAW ENFORCEMENT SERVICES			TRAFFIC CONGESTION RELIEF		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$157,108	\$156,373	(\$735)	\$200,000	\$227,582	\$27,582		\$213,921	\$213,921
12,000	11,508	(492)	390,115	433,242	43,127		2,591	2,591
<u>169,108</u>	<u>167,881</u>	<u>(1,227)</u>	<u>590,115</u>	<u>663,044</u>	<u>72,929</u>		<u>216,512</u>	<u>216,512</u>
148,368	98,163	50,205						
44,000	42,093	1,907	707,341	561,328	146,013			
				102,536	(102,536)			
<u>192,368</u>	<u>140,256</u>	<u>52,112</u>	<u>707,341</u>	<u>663,864</u>	<u>43,477</u>			
<u>(23,260)</u>	<u>27,625</u>	<u>50,885</u>	<u>(117,226)</u>	<u>(820)</u>	<u>116,406</u>		<u>216,512</u>	<u>216,512</u>
	13,275	13,275						
						<u>(\$254,000)</u>	<u>(254,000)</u>	
	<u>13,275</u>	<u>13,275</u>				<u>(254,000)</u>	<u>(254,000)</u>	
<u>(\$23,260)</u>	<u>40,900</u>	<u>\$64,160</u>	<u>(\$117,226)</u>	<u>(820)</u>	<u>\$116,406</u>	<u>(\$254,000)</u>	<u>(37,488)</u>	<u>\$216,512</u>
	<u>242,904</u>			<u>487,087</u>			<u>40,243</u>	
	<u>\$283,804</u>			<u>\$486,267</u>			<u>\$2,755</u>	

(Continued)

CITY OF SAN PABLO
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS		
	HCD GRANT			MERGED PROJECT AREA 1999 SUBORDINATE TAX ALLOCATION BONDS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Sales tax						
Fines and forfeits						
Intergovernmental	\$500,000		(\$500,000)			
Charges for services						
Use of money and property		\$3,868	3,868		\$381	\$381
Miscellaneous						
Total Revenues	500,000	3,868	(496,132)	381	381	381
EXPENDITURES						
Current:						
Community:						
Development						
Housing	465,000		465,000			
Public Works & Engineering						
Police						
Capital outlay						
Debt Service:						
Principal				\$505,000	505,000	
Interest and fiscal charges				391,438	391,438	
Total Expenditures	465,000		465,000	896,438	896,438	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	35,000	3,868	(31,132)	(896,438)	(896,057)	381
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of property						
Transfers in				896,438	895,327	(1,111)
Transfers (out)						
Total Other Financing Sources (Uses)				896,438	895,327	(1,111)
NET CHANGE IN FUND BALANCES	\$35,000	3,868	(\$31,132)	(730)	(730)	(730)
Fund balances at beginning of year		80,003		1,010		
FUND BALANCES AT END OF YEAR		\$83,871		\$280		

DEBT SERVICE FUNDS

2001 TAX ALLOCATION BONDS TENTH TOWNSHIP PROJECT AREA			2006 SUBORDINATE TAX ALLOCATION BONDS TENTH TOWNSHIP PROJECT AREA		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
	\$154,249	\$154,249		\$122,613	\$122,613
	<u>154,249</u>	<u>154,249</u>		<u>122,613</u>	<u>122,613</u>
\$440,000	440,000				
<u>342,245</u>	<u>342,245</u>		<u>\$545,012</u>	<u>1,700,661</u>	<u>(1,155,649)</u>
<u>782,245</u>	<u>782,245</u>		<u>545,012</u>	<u>1,700,661</u>	<u>(1,155,649)</u>
<u>(782,245)</u>	<u>(627,996)</u>	<u>154,249</u>	<u>(545,012)</u>	<u>(1,578,048)</u>	<u>(1,033,036)</u>
<u>782,245</u>	<u>790,872</u>	<u>8,627</u>	<u>545,012</u>	<u>520,163</u>	<u>(24,849)</u>
	<u>(414,039)</u>	<u>(414,039)</u>		<u>(62,212)</u>	<u>(62,212)</u>
<u>782,245</u>	<u>376,833</u>	<u>(405,412)</u>	<u>545,012</u>	<u>457,951</u>	<u>(87,061)</u>
	<u>(251,163)</u>	<u>(\$251,163)</u>		<u>(1,120,097)</u>	<u>(\$1,120,097)</u>
	<u>4,862,499</u>			<u>3,506,574</u>	
	<u>\$4,611,336</u>			<u>\$2,386,477</u>	

AGENCY FUNDS

GASB Statement 34 requires that Agency Funds be presented separately from the Government-wide and Fund financial statements.

Agency Funds account for assets held by the City as an agent for individuals, governmental entities and non-public organizations.

TOWN CENTER SPECIAL ASSESSMENT DISTRICT

This fund accounts for Town Center Special Assessment District special assessment collections and debt service payments.

OAK PARK SPECIAL ASSESSMENT DISTRICT

This fund accounts for Oak Park Special Assessment District special assessment collections and debt service payments.

COMMUNITY ORGANIZATIONS AND ACTIVITIES

This fund accounts for deposits held as an agent for community organizations and activities.

WEST CONTRA COSTA TRANSPORTATION ADVISORY COMMITTEE

This fund accounts for assets belonging to the West Contra Costa Transportation Advisory Committee held as an agent by the City, which maintains the Committee's books and accounts.

CITY OF SAN PABLO
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
<hr/> <u>Town Center Special Assessment District</u> <hr/>				
<u>Assets</u>				
Restricted cash and investments	\$770,388	\$425,580	\$372,930	\$823,038
Interest receivable	3	760	3	760
Total Assets	<u>\$770,391</u>	<u>\$426,340</u>	<u>\$372,933</u>	<u>\$823,798</u>
<u>Liabilities</u>				
Due to bondholders	<u>\$770,391</u>	<u>\$426,340</u>	<u>\$372,933</u>	<u>\$823,798</u>
<hr/> <u>Oak Park Special Assessment District</u> <hr/>				
<u>Assets</u>				
Restricted cash and investments	\$970,709	\$500,275	\$450,359	\$1,020,625
Interest receivable	4	1,121	4	1,121
Total Assets	<u>\$970,713</u>	<u>\$501,396</u>	<u>\$450,363</u>	<u>\$1,021,746</u>
<u>Liabilities</u>				
Due to bondholders	<u>\$970,713</u>	<u>\$501,396</u>	<u>\$450,363</u>	<u>\$1,021,746</u>
<hr/> <u>Community Organizations and Activities</u> <hr/>				
<u>Assets</u>				
Restricted cash and investments	\$315,885	\$287,968	\$167,764	\$436,089
Interest receivable	4,822	3,082	4,822	3,082
Total Assets	<u>\$320,707</u>	<u>\$291,050</u>	<u>\$172,586</u>	<u>\$439,171</u>
<u>Liabilities</u>				
Accounts payable	\$3,891	\$13,624	\$3,891	\$13,624
Deposits held as agent for others	316,816	277,426	168,695	425,547
Total Liabilities	<u>\$320,707</u>	<u>\$291,050</u>	<u>\$172,586</u>	<u>\$439,171</u>

CITY OF SAN PABLO
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
<u>West Contra Costa Transportation Advisory Committee</u>				
<u>Assets</u>				
Restricted cash and investments		\$2,241,132	\$1,329,128	\$912,004
Accounts receivable	\$64,281		64,281	
Due from other governments	789,529	197,473	789,529	197,473
Interest receivable	4,291	7,144	4,291	7,144
Prepays and deposits	1,832	1,832	1,832	1,832
Total Assets	<u>\$859,933</u>	<u>\$2,447,581</u>	<u>\$2,189,061</u>	<u>\$1,118,453</u>
<u>Liabilities</u>				
Accounts payable	\$57,205	\$86,524	\$57,205	\$86,524
Due to City	195,423	177,854	195,423	177,854
Deposits held as agent for others	607,305	2,183,203	1,936,433	854,075
Total Liabilities	<u>\$859,933</u>	<u>\$2,447,581</u>	<u>\$2,189,061</u>	<u>\$1,118,453</u>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Restricted cash and investments	\$2,056,982	\$3,454,955	\$2,320,181	\$3,191,756
Interest receivable	9,120	12,107	9,120	12,107
Accounts receivable	64,281		64,281	
Due from other governments	789,529	197,473	789,529	197,473
Prepays and deposits	1,832	1,832	1,832	1,832
Total Assets	<u>\$2,921,744</u>	<u>\$3,666,367</u>	<u>\$3,184,943</u>	<u>\$3,403,168</u>
<u>Liabilities</u>				
Accounts payable	\$61,096	\$100,148	\$61,096	\$100,148
Due to City	195,423	177,854	195,423	177,854
Deposits held as agent for others	924,121	2,460,629	2,105,128	1,279,622
Due to bondholders	1,741,104	927,736	823,296	1,845,544
Total Liabilities	<u>\$2,921,744</u>	<u>\$3,666,367</u>	<u>\$3,184,943</u>	<u>\$3,403,168</u>

STATISTICAL SECTION

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time:

1. Net Assets by Component
2. Changes in Net Assets
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax:

1. Assessed and Estimated Actual Value of Taxable Property
2. Property Tax Rates, All Overlapping Governments
3. Principal Property Taxpayers
4. Property Tax Levies and Collections

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratio of Outstanding Debt by Type
2. Computation of Direct and Overlapping Debt
3. Computation of Legal Bonded Debt Margin
4. Bonded Debt Pledged Revenue Coverage, Redevelopment Agency Tax Allocation Bonds
5. Continuing Disclosure Requirements:
 - a. Town Center 1997 Reassessment Revenue Bonds
 - b. Oak Park 1998 Reassessment Revenue Bonds
 - c. Debt Service Coverage Schedule

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

1. Demographic and Economic Statistics
2. Principal Employers

Operating Information

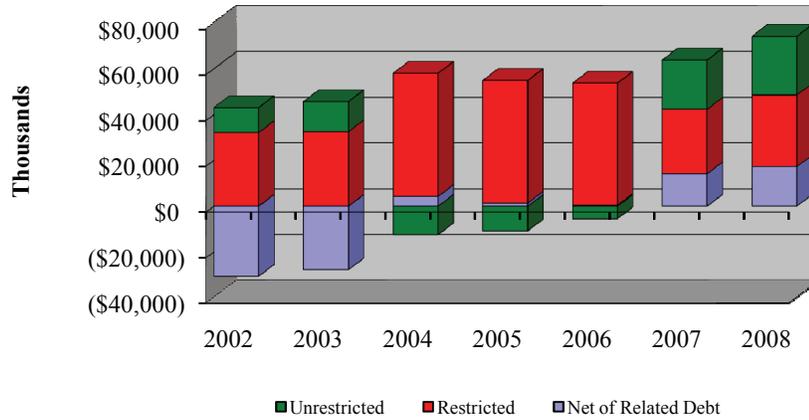
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

CITY OF SAN PABLO
Net Assets by Component
Last Seven Fiscal Years
(accrual basis of accounting)

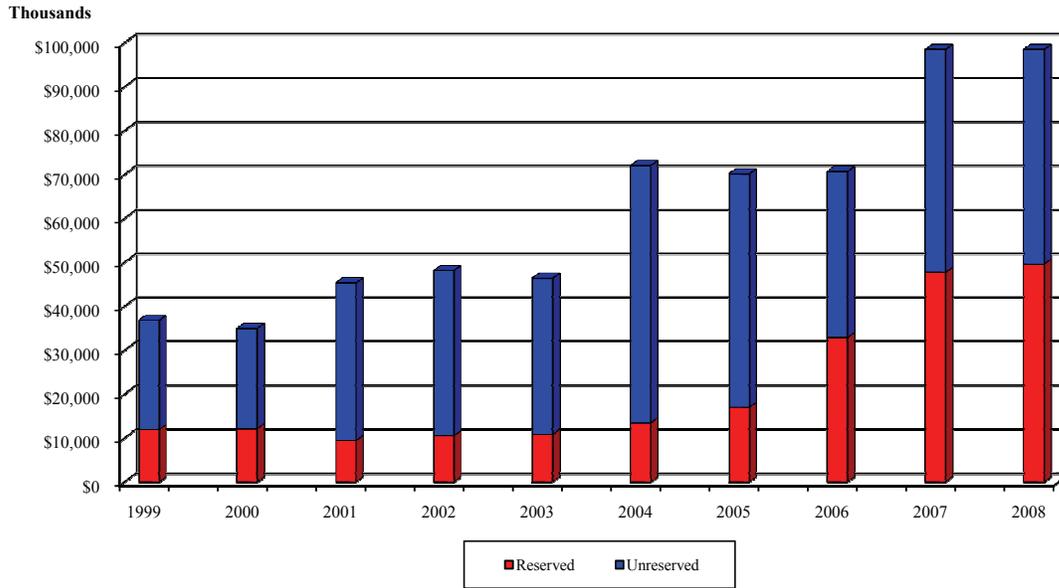


	Fiscal Year Ended June 30,						
	2002	2003	2004	2005	2006	2007	2008
Governmental activities							
Invested in capital assets, net of related debt	(\$30,582,670)	(\$27,769,715)	\$4,217,407	\$1,338,446	\$391,982	\$14,162,898	\$17,233,098
Restricted	32,172,751	32,555,089	53,814,033	53,602,869	53,323,336	28,234,327	31,346,751
Unrestricted	10,904,480	13,105,682	(12,424,571)	(10,731,809)	(5,491,591)	21,442,740	25,591,054
Total governmental activities net assets	<u>\$12,494,561</u>	<u>\$17,891,056</u>	<u>\$45,606,869</u>	<u>\$44,209,506</u>	<u>\$48,223,727</u>	<u>\$63,839,965</u>	<u>\$74,170,903</u>

CITY OF SAN PABLO
Changes in Net Assets
Last Seven Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ended June 30,						
	2002	2003	2004	2005	2006	2007	2008
Expenses							
Governmental Activities:							
General Government	\$4,014,394	\$4,616,174	\$4,295,995	\$6,247,087	\$5,061,400	\$2,632,986	\$2,993,404
Community							
Recreation	613,517	641,292	568,220	682,636	703,787	989,126	1,217,942
Development	4,245,494	3,216,316	3,498,886	8,047,233	6,190,032	4,140,354	6,428,706
Housing	440,240	502,613	1,334,075	316,338	2,456,860	228,296	194,708
Public Works & Engineering						5,674,920	5,892,638
Police	7,139,573	7,633,771	8,316,795	9,899,191	15,399,999	10,772,050	14,078,285
Interest and fiscal charges	2,713,525	2,610,389	4,188,138	3,336,076	3,281,931	4,498,283	4,220,723
Total Governmental Activities Expenses	<u>19,166,743</u>	<u>19,220,555</u>	<u>22,202,109</u>	<u>28,528,561</u>	<u>33,094,009</u>	<u>28,936,015</u>	<u>35,026,406</u>
Program Revenues							
Governmental Activities:							
Charges for Services:							
General Government	460,392	747,791	780,540	767,938	1,089,391	22,805	16,171
Community:							
Recreation	72,790	72,355	69,140	70,360	52,525	117,752	127,847
Development						556,322	444,499
Public Works & Engineering						130,443	157,591
Police	329,211	295,697	310,684	597,466	418,449	724,871	516,367
Operating Grants and Contributions	1,853,029	1,411,263	2,094,200	1,696,841	1,986,780	1,927,514	1,835,557
Capital Grants and Contributions	707,289	1,512,916	550,399	749,567	1,015,449	1,793,276	1,649,247
Total Government Activities Program Revenues	<u>3,422,711</u>	<u>4,040,022</u>	<u>3,804,963</u>	<u>3,882,172</u>	<u>4,562,594</u>	<u>5,272,983</u>	<u>4,747,279</u>
Net (Expense)/Revenue							
Governmental Activities	<u>(15,744,032)</u>	<u>(15,180,533)</u>	<u>(18,397,146)</u>	<u>(24,646,389)</u>	<u>(28,531,415)</u>	<u>(23,663,032)</u>	<u>(30,279,127)</u>
General Revenues and Other Changes in Net Assets							
Governmental Activities:							
Taxes:							
Property Taxes	1,437,245	1,493,059	1,447,370	1,384,587	1,387,577	1,389,901	1,235,060
Incremental Property Taxes	7,022,549	7,923,532	8,981,315	11,577,262	12,251,525	14,959,091	15,434,058
ERAF		(239,583)	(414,174)	(780,327)	(801,770)		
Sales Taxes	1,711,707	1,872,533	1,805,822	1,442,957	1,414,077	1,304,189	1,400,911
In-Lieu Sales Tax				402,175	367,240	396,968	411,506
Utility Users Tax	1,817,716	1,959,355	1,989,816	2,053,248	2,158,865	1,594,338	1,632,823
Other Taxes	3,614,460	3,654,479	3,591,499	3,820,413	9,866,947	12,649,876	13,531,030
Intergovernmental unrestricted:							
Motor Vehicle In-Lieu Fees	1,709,875	1,812,031	1,379,768	2,516,011	2,276,752	2,476,028	2,634,391
Business Licenses (nonregulatory)	252,289	274,508	299,715	280,518	290,935	326,195	296,836
Use of Money and Property	1,757,907	1,431,375	1,411,561	1,777,188	2,733,017	3,306,358	3,815,626
Gain on Sale of Property		289,010	275,668	56,981	315,000	497,534	13,275
Miscellaneous	128,278	176,729	152,099	143,876	285,471	378,792	204,549
Special item - transfer of loans and cash to County				(1,425,863)			
Total Governmental Activities	<u>19,452,026</u>	<u>20,647,028</u>	<u>20,920,459</u>	<u>23,249,026</u>	<u>32,545,636</u>	<u>39,279,270</u>	<u>40,610,065</u>
Change in Net Assets							
Governmental Activities	<u>\$3,707,994</u>	<u>\$5,466,495</u>	<u>\$2,523,313</u>	<u>(\$1,397,363)</u>	<u>\$4,014,221</u>	<u>\$15,616,238</u>	<u>\$10,330,938</u>

CITY OF SAN PABLO
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)



	Fiscal Year Ended June 30,									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$19,705	\$67,707	\$11,575	\$37,793	\$416,350	\$388,271	\$383,225	\$387,568	\$45,330	\$55,576
Unreserved	7,918,540	9,307,424	11,614,792	12,783,284	13,854,183	14,203,812	13,634,482	12,989,007	18,012,835	17,378,837
Total General Fund	<u>\$7,938,245</u>	<u>\$9,375,131</u>	<u>\$11,626,367</u>	<u>\$12,821,077</u>	<u>\$14,270,533</u>	<u>\$14,592,083</u>	<u>\$14,017,707</u>	<u>\$13,376,575</u>	<u>\$18,058,165</u>	<u>\$17,434,413</u> (a)
All Other Governmental Funds										
Reserved	\$11,879,787	\$12,057,895	\$9,399,206	\$10,468,551	\$10,409,941	\$13,012,019	\$16,603,584	\$32,450,547	\$47,633,407	\$49,546,081
Unreserved, reported in:										
Special revenue funds	1,687,811	1,704,238	1,505,813	1,439,376	1,389,448	1,963,053	549,853	915,850	1,366,884	1,385,761
Capital project funds	15,264,320	11,825,482	22,758,300	23,407,840	20,296,802	42,417,362	38,954,525	23,939,025	31,423,052	30,104,970
Total all other governmental funds	<u>\$28,831,918</u>	<u>\$25,587,615</u>	<u>\$33,663,319</u>	<u>\$35,315,767</u>	<u>\$32,096,191</u>	<u>\$57,392,434</u>	<u>\$56,107,962</u>	<u>\$57,305,422</u>	<u>\$80,423,343</u>	<u>\$81,036,812</u> (a)

(a) The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis.

CITY OF SAN PABLO
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended June 30,				
	1999	2000	2001	2002	2003
Revenues					
Property taxes	\$1,403,506	\$1,435,850	\$1,501,580	\$1,437,245	\$1,493,059
Incremental property taxes	5,430,296	5,676,772	6,367,782	7,022,549	7,923,532
Less ERAF					(239,583)
Sales tax	1,345,934	1,557,076	1,703,083	1,711,707	1,872,533
In-lieu sales tax					
Utility users tax	1,445,050	1,501,318	1,895,903	1,817,716	1,959,355
Other taxes	2,828,982	2,850,536	3,164,556	3,614,460	3,654,479
Licenses and permits	194,671	210,641	263,703	252,289	274,508
Fines and forfeits	23,469	31,726	7,285	2,672	11,288
Intergovernmental	3,064,836	3,272,875	4,092,902	3,530,825	4,041,873
Charges for services	628,117	701,749	855,296	862,393	1,115,843
Use of money and property	1,738,706	1,969,846	2,446,081	3,382,073	2,302,048
Miscellaneous	80,711	327,948	70,181	125,606	165,441
Total Revenues	18,184,278	19,536,337	22,368,352	23,759,535	24,574,376
Expenditures					
Current:					
General government	3,449,823	3,223,218	3,478,200	3,739,321	4,318,395
Community					
Recreation	524,757	644,814	587,505	605,648	616,658
Development	2,218,693	3,133,954	3,191,515	3,983,957	5,003,018
Housing	133,749	371,433	365,677	843,745	1,330,272
Public Works & Engineering					
Police	5,607,964	5,772,864	6,155,750	6,973,316	7,123,169
Pass Through to County	96,949	107,246	130,207		
Estimated reduction in value of land held for redevelopment	85,000				
Capital outlay	3,733,208	4,915,338	2,325,193	1,525,081	4,533,164
Debt service:					
Principal repayment	705,000	740,000	1,005,000	705,000	1,275,000
Interest and fiscal charges	2,515,947	2,434,887	2,894,391	2,536,309	2,433,830
Total Expenditures	19,071,090	21,343,754	20,133,438	20,912,377	26,633,506
Excess (deficiency) of revenues over (under) expenditures	(886,812)	(1,807,417)	2,234,914	2,847,158	(2,059,130)
Other Financing Sources (Uses)					
Transfers in	13,000,975	10,594,769	17,882,893	9,360,973	9,176,190
Transfers (out)	(13,000,975)	(10,594,769)	(17,882,893)	(9,360,973)	(9,176,190)
Proceeds from sale of property					289,010
Loss from sale of property					
Proceeds from debt issuance	9,850,000		12,997,670		
Premium on bonds					
Payments to refunded bond escrow	(4,141,796)		(4,905,644)		
Revenue bonds issued					
Special assessment bonds issued					
Premium on bonds					
Sale of capital assets					
Total Other Financing Sources (Uses)	5,708,204	0	8,092,026	0	289,010
Special Items					
Transfer of loans receivable and cash to the county					
Reversal of deferred revenues to offset the loans					
Change in Fund Balance	\$4,821,392	(\$1,807,417)	\$10,326,940	\$2,847,158	(\$1,770,120)
Debt service as a percentage of noncapital expenditures	(a)	(a)	(a)	20.1%	20.2%

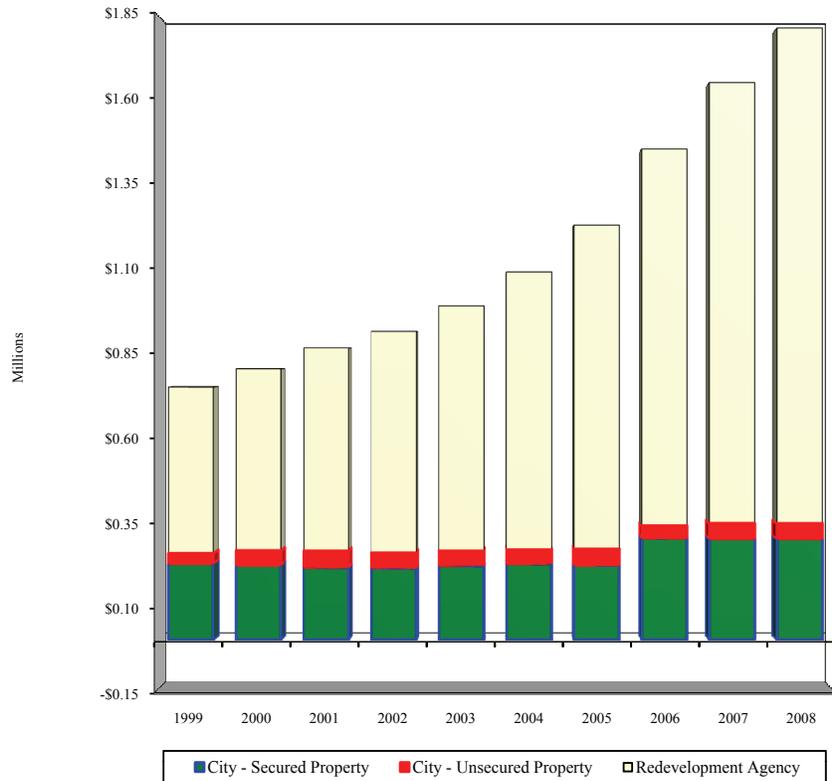
NOTE:

(a) The City implemented GASB Statement 34 in fiscal year 2002. Therefore this calculation is included only for fiscal years subsequent to that date.

Fiscal Year Ended June 30,

2004	2005	2006	2007	2008
\$1,447,370	\$1,384,587	\$1,387,577	\$1,738,546	\$1,584,784
8,981,315	11,577,262	12,251,525	14,959,091	15,434,058
(414,174)	(780,327)	(801,770)		
1,805,822	1,442,957	1,414,077	1,304,189	1,400,911
	402,175	367,240	396,968	411,506
1,989,816	2,053,248	2,158,865	1,594,338	1,632,823
3,591,499	3,820,413	9,866,947	12,649,876	13,531,030
299,715	280,518	290,935	326,195	296,836
13,315	38,248	15,768	400,117	333,832
4,214,004	4,357,809	4,838,178	5,276,263	5,454,369
1,160,364	1,435,764	1,560,365	1,098,195	884,505
4,224,175	2,544,289	3,373,908	4,165,686	4,339,988
414,818	302,606	269,703	276,206	178,633
<u>27,728,039</u>	<u>28,859,549</u>	<u>36,993,318</u>	<u>44,185,670</u>	<u>45,483,275</u>
4,111,331	6,075,454	5,153,650	2,462,270	3,502,819
554,021	653,744	716,929	956,875	1,188,497
2,696,836	6,083,560	3,871,099	4,215,123	6,723,506
2,984,044	849,562	1,320,060	518,764	4,192,021
			2,947,864	3,569,382
7,870,063	9,600,575	15,512,360	10,589,624	15,246,567
2,747,037	2,302,320	3,147,146	14,634,535	5,317,834
1,325,000	1,645,000	1,530,000	1,740,000	1,795,000
<u>3,709,542</u>	<u>3,145,231</u>	<u>3,079,872</u>	<u>4,097,085</u>	<u>3,993,540</u>
<u>25,997,874</u>	<u>30,355,446</u>	<u>34,331,116</u>	<u>42,162,140</u>	<u>45,529,166</u>
<u>1,730,165</u>	<u>(1,495,897)</u>	<u>2,662,202</u>	<u>2,023,530</u>	<u>(45,891)</u>
27,214,941	13,157,679	12,628,478	42,988,080	13,741,142
(27,214,941)	(13,157,679)	(12,628,478)	(42,988,080)	(13,741,142)
275,668	56,981	315,000	2,368,112	35,608
		(2,420,874)		
37,755,000			36,000,000	
690,216				
(14,833,256)			(12,592,131)	
<u>23,887,628</u>	<u>56,981</u>	<u>(2,105,874)</u>	<u>25,775,981</u>	<u>35,608</u>
	(1,425,863)			
	<u>1,005,931</u>			
	<u>419,932</u>			
<u>\$25,617,793</u>	<u>(\$1,858,848)</u>	<u>\$556,328</u>	<u>\$27,799,511</u>	<u>(\$10,283)</u>
27.6%	20.6%	17.3%	26.9%	16.8%

**CITY OF SAN PABLO
 ASSESSED AND ESTIMATED ACTUAL
 VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS**



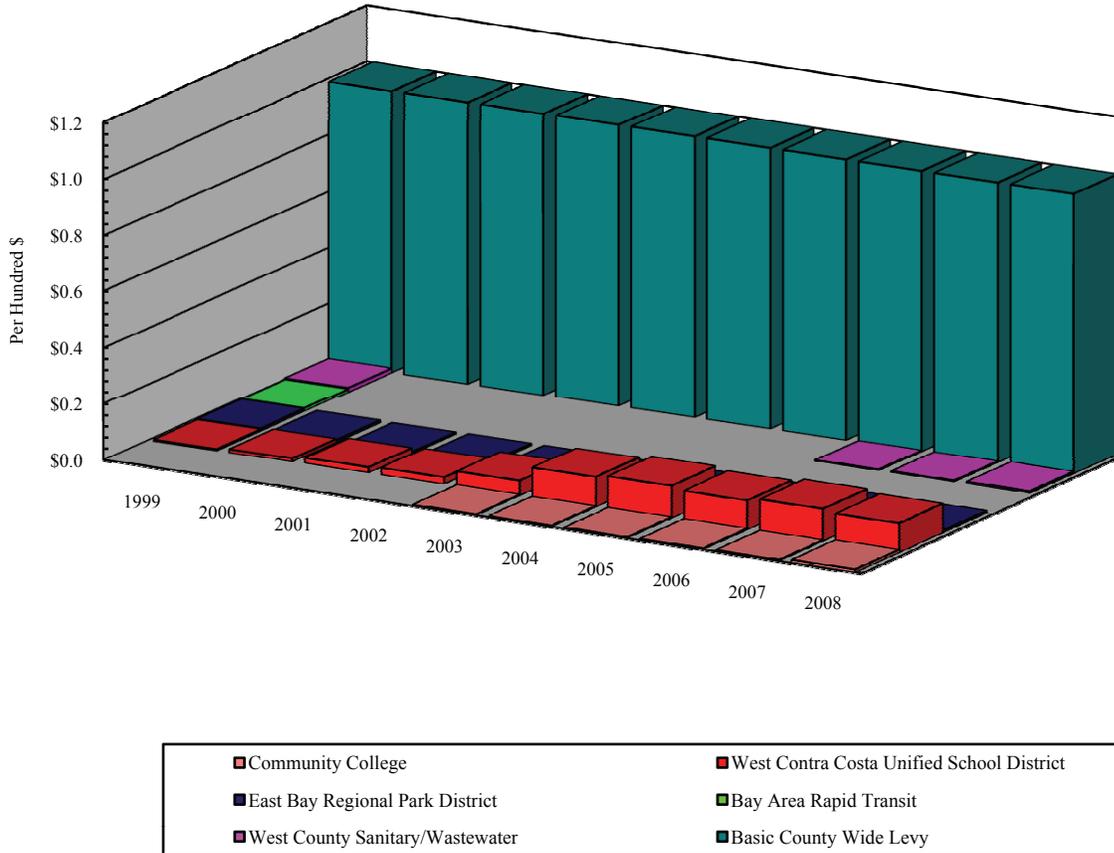
Fiscal Year	Value of City Property Subject to Local Tax Rate			Value of Redevelopment Agency Property Subject to Local Tax Rate			Total Assessed (a)	Estimated Full Market (a)	Total Direct Tax Rate (b)
	Secured Property	Unsecured Property	Total	Tenth Township	Legacy	Total			
1999	\$225,351,425	\$30,948,545	\$256,299,970	\$492,083,506	n/a	\$492,083,506	\$748,383,476	\$748,383,476	0.757%
2000	220,748,619	43,222,456	263,971,075	538,967,022	n/a	538,967,022	802,938,097	802,938,097	0.746%
2001	214,890,109	47,920,296	262,810,405	584,287,005	\$16,027,274	600,314,279	863,124,684	863,124,684	0.778%
2002	213,107,991	44,361,453	257,469,444	628,142,568	30,841,919	658,984,487	916,453,931	916,453,931	0.796%
2003	219,539,698	43,489,446	263,029,144	679,474,402	46,682,654	726,157,056	989,186,200	989,186,200	0.830%
2004	225,119,067	40,916,120	266,035,187	758,471,631	64,590,559	823,062,190	1,089,097,377	1,089,097,377	0.851%
2005	220,397,081	48,109,315	268,506,396	870,655,885	89,092,924	959,748,809	1,228,255,205	1,228,255,205	0.958%
2006	300,086,126	36,435,336	336,521,462	997,667,744	117,581,726	1,115,249,470	1,451,770,932	1,451,770,932	0.858%
2007	298,211,215	45,156,382	343,367,597	1,154,590,211	154,299,250	1,308,889,461	1,652,257,058	1,652,257,058	0.938%
2008	298,159,072	44,998,015	343,157,087	1,259,837,281	208,574,923	1,468,412,204	1,811,569,291	1,811,569,291	0.871%

Source: Contra Costa County Auditor Controller Office Certificate of Assessed Valuations

(a) The State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of no more than two percent annually, plus any local over-rides. These values are considered to be full market values.

(b) California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area.

**CITY OF SAN PABLO
PROPERTY TAX RATES
ALL OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**



<u>Fiscal Year</u>	<u>Basic County Wide Levy</u>	<u>West County Sanitary/Wastewater</u>	<u>Bay Area Rapid Transit</u>	<u>East Bay Regional Park District</u>	<u>West Contra Costa Unified School District</u>	<u>Community College</u>	<u>Total</u>
1999	\$1.0000	\$0.0113	\$0.0167	\$0.0092	\$0.0061		\$1.0433
2000	1.0000			0.0088	0.0125		1.0213
2001	1.0000			0.0065	0.0204		1.0269
2002	1.0000			0.0072	0.0249		1.0321
2003	1.0000			0.0065	0.0526	\$0.0040	1.0631
2004	1.0000			0.0057	0.1064	0.0038	1.1159
2005	1.0000			0.0057	0.1153	0.0042	1.1252
2006	1.0000		0.0048	0.0057	0.1041	0.0047	1.1193
2007	1.0000		0.0050	0.0085	0.1143	0.0043	1.1321
2008	1.0000		0.0076	0.0080	0.1035	0.0108	1.1299

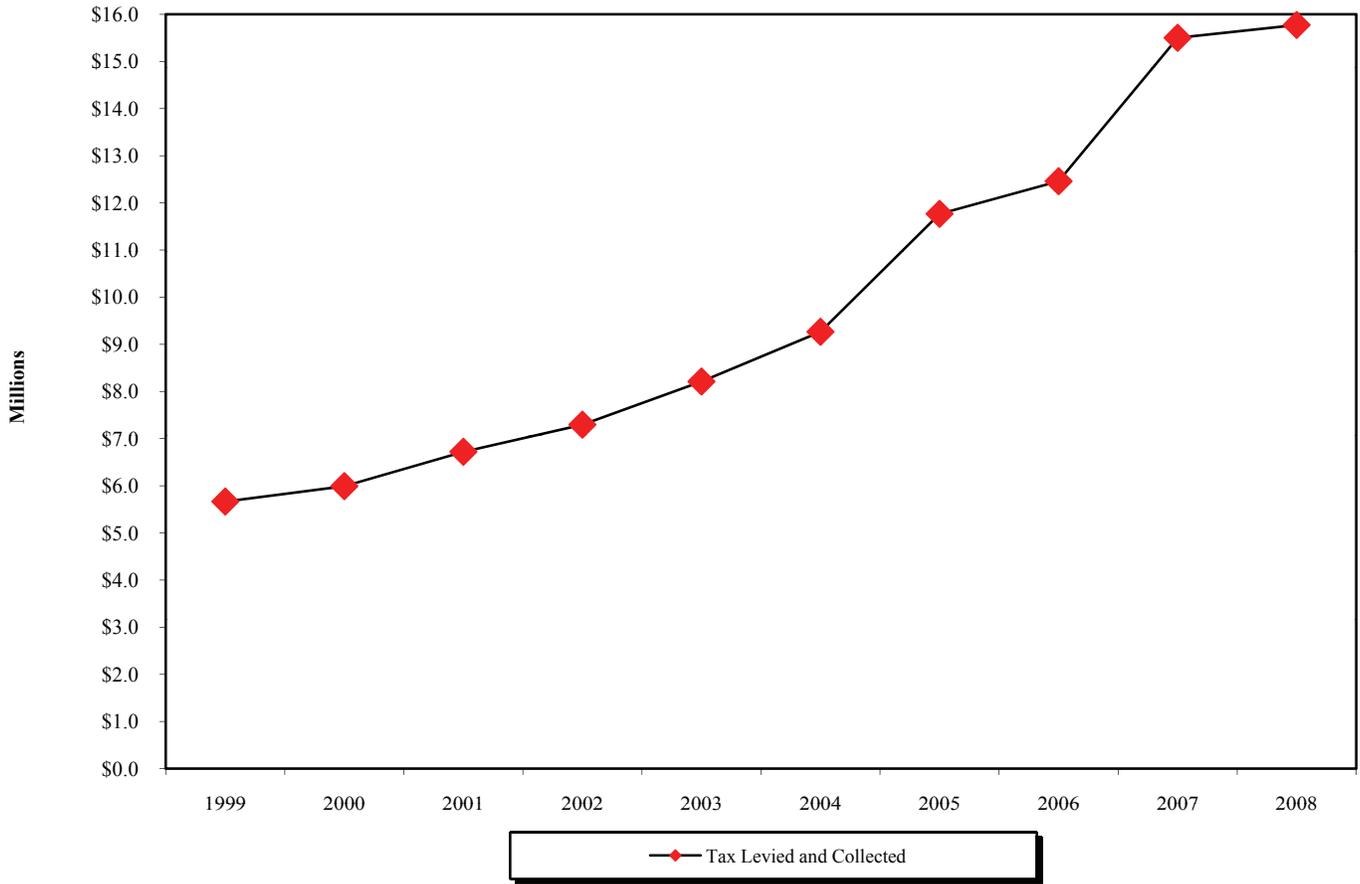
Source: Hinderliter, de Llamas & Associates, Contra Costa County Assessor

CITY OF SAN PABLO
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2007-08			1998-99		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Signature At Abella LLC	\$16,425,748	1	0.9%			
San Pablo Retail Partners LLC	15,918,101	2	0.9%			
Princeton Plaza LLC	13,918,325	3	0.8%	\$12,834,362	2	1.7%
San Pablo Housing Investors	12,554,722	4	0.7%			
Save Mart Supermarkets	11,900,004	5	0.7%			
Giant Development Limited Partnership	15,414,708	6	0.9%			
Lucky Nocal Investor LLC	9,905,868	7	0.5%			
Public Storage Inc.	9,809,930	8	0.5%			
Arnold Trust	8,638,971	9	0.5%			
Dennis R. & Sandra D. Hill	6,763,092	10	0.4%			
Ladbroke San Pablo Limited Partnership				24,044,581	1	3.2%
West Contra Costa Hospital District				12,375,150	3	1.7%
Lennar Northeast Partners				8,540,399	4	1.1%
Murray & Janet Gordon and Richard Arnold				7,338,722	5	1.0%
Lucky Stores, Inc.				6,903,548	6	0.9%
Fox & Lambrecht				4,875,404	7	0.7%
Circle S Group				4,821,632	8	0.6%
Allen & Lea Orwitz Trust				4,152,242	9	0.6%
Mary Murphy Trust				4,711,772	10	0.6%
Subtotal	<u>\$121,249,469</u>		<u>6.7%</u>	<u>\$90,597,812</u>		<u>12.1%</u>
Total Net Assessed Valuation:						
Fiscal Year 2007-2008	\$1,811,569,291					
Fiscal Year 1998-1999	\$748,383,476					

Source: Hinderliter, de Llamas & Associates, Contra Costa County Assessor

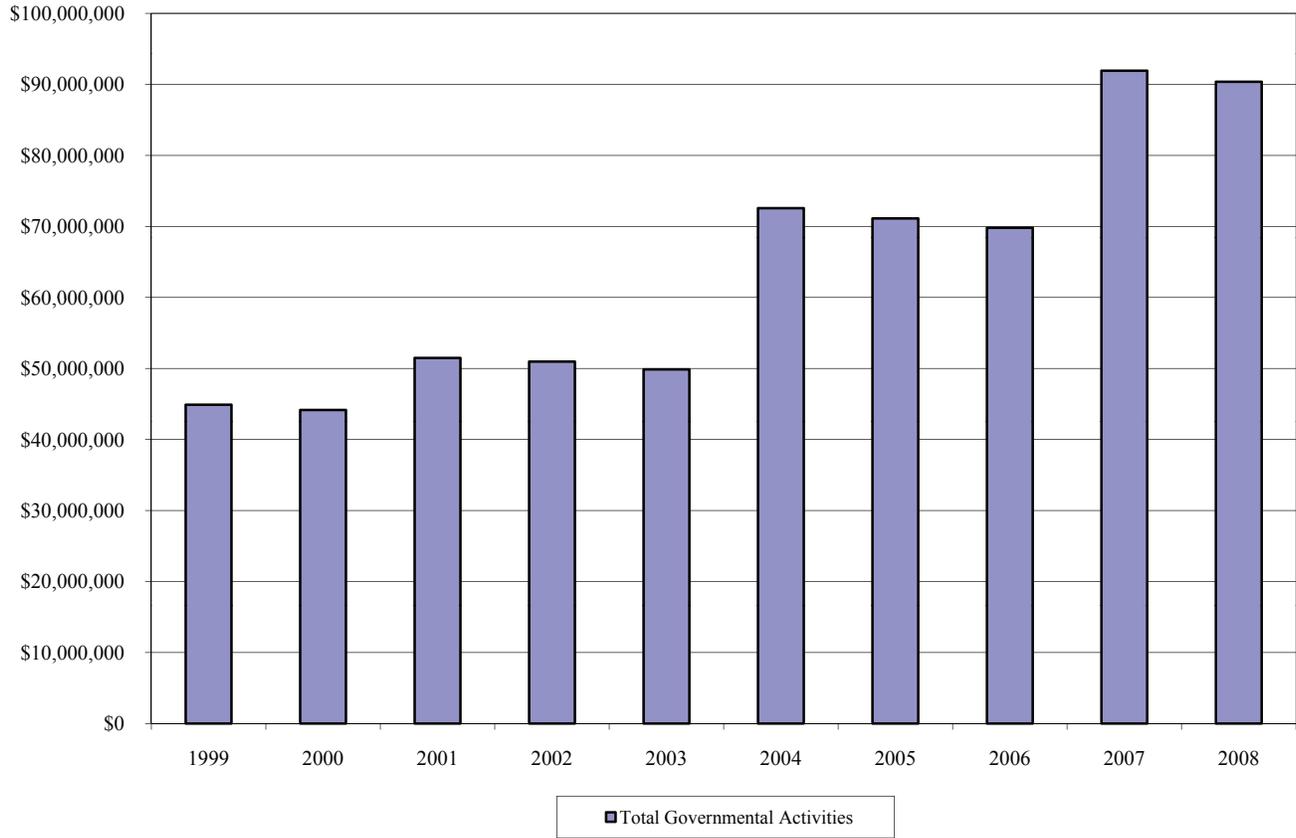
**CITY OF SAN PABLO
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**



Fiscal Year	City Property Tax Levied and Collected (1)	Redevelopment Agency Property Tax Levied and Collected (2)	Total Property Tax Levied and Collected (3)	Percent of Total Tax Collections to Tax Levy
1999	\$234,056	\$5,430,296	\$5,664,352	100%
2000	313,432	5,676,772	5,990,204	100%
2001	351,498	6,367,782	6,719,280	100%
2002	272,412	7,022,549	7,294,961	100%
2003	286,574	7,923,532	8,210,106	100%
2004	282,893	8,981,315	9,264,208	100%
2005	188,707	11,577,262	11,765,969	100%
2006	207,171	12,251,525	12,458,696	100%
2007	541,189	14,959,091	15,500,280	100%
2008	338,457	15,434,058	15,772,515	100%

- NOTES:
- (1) Excludes Street Lighting and Landscaping, N.P.D.E.S. and Oak Park Maintenance District Property Tax.
 - (2) Only the Redevelopment Agency's Tenth Township Project Area received property tax increment through fiscal 1999. Beginning in fiscal 2000 the Legacy Project Area also receives property tax increment.
 - (3) During fiscal year 1995, the County began providing the City 100% of its tax levy under an agreement which allows the County to keep all interest and delinquency charges collected.

CITY OF SAN PABLO
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years



Fiscal Year	Governmental Activities Tax Allocation Bonds	Percentage of Personal Income (a)	Per Capita (a)
1999	\$44,890,000	4.24%	\$1,680
2000	44,150,000	3.70%	1,646
2001	51,477,670	3.73%	1,662
2002	50,963,628	3.76%	1,649
2003	49,864,131	3.67%	1,622
2004	72,569,721	5.06%	2,337
2005	71,120,978	14.19%	2,269
2006	69,798,514	15.63%	2,236
2007	91,927,978	20.82%	2,969
2008	90,365,056	17.58%	2,897

Note : Debt amounts exclude any premiums, discounts, or other amortization amounts.

Sources: City of San Pablo
California Employment Development Department

(a) See Schedule "Demographic and Economic Statistics" for personal income and population data.

**CITY OF SAN PABLO
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2008**

2007-08 Assessed Valuation	\$1,811,569,291
Redevelopment Incremental Valuation	<u>1,468,412,204</u>
Adjusted Assessed Valuation	<u><u>\$343,157,087</u></u>

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</u>	Net Debt Outstanding	Percentage Applicable To City of San Pablo	Amount Applicable To City of San Pablo
Bay Area Rapid Transit District	\$157,240,753	1.128%	\$1,774,094
Chabot Los Positas Community College District	73,000,000	1.132%	826,030
Contra Costa Community College District	111,890,000	1.132%	1,266,089
East Bay Regional Park District	58,624,719	1.128%	661,443
West Contra Costa Unified School District	527,016,427	6.581%	34,681,384
City of San Pablo	0	100.000%	0
City of San Pablo Special Assessment District 1915 Act Bonds	<u>4,555,000</u>	100.000%	<u>4,555,000</u>
 TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	 <u><u>\$932,326,899</u></u>		 <u><u>\$43,764,040</u></u> (1)

(1) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

RATIOS TO 2007-08 ADJUSTED ASSESSED VALUATION:

Direct Debt	0.00%
Total Direct and Overlapping Tax Assessment Debt	2.42%

RATIOS TO ADJUSTED ASSESSED VALUATION:

Direct Debt	0.00%
Total Direct and Overlapping Tax Assessment Debt	12.75%

Source: Hinderliter, deLlamas & Associates

**CITY OF SAN PABLO
COMPUTATION OF LEGAL BONDED DEBT MARGIN
JUNE 30, 2008**

ASSESSED VALUATION:

Secured property assessed value, net of exempt real property	\$1,811,569,291
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BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	\$67,933,848
---	--------------

AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt	\$90,365,056
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Less Tax Allocation Bonds and Sales Tax Revenue Bonds, Certificate of Participation not subject to limit	90,365,056
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Amount of debt subject to limit	0
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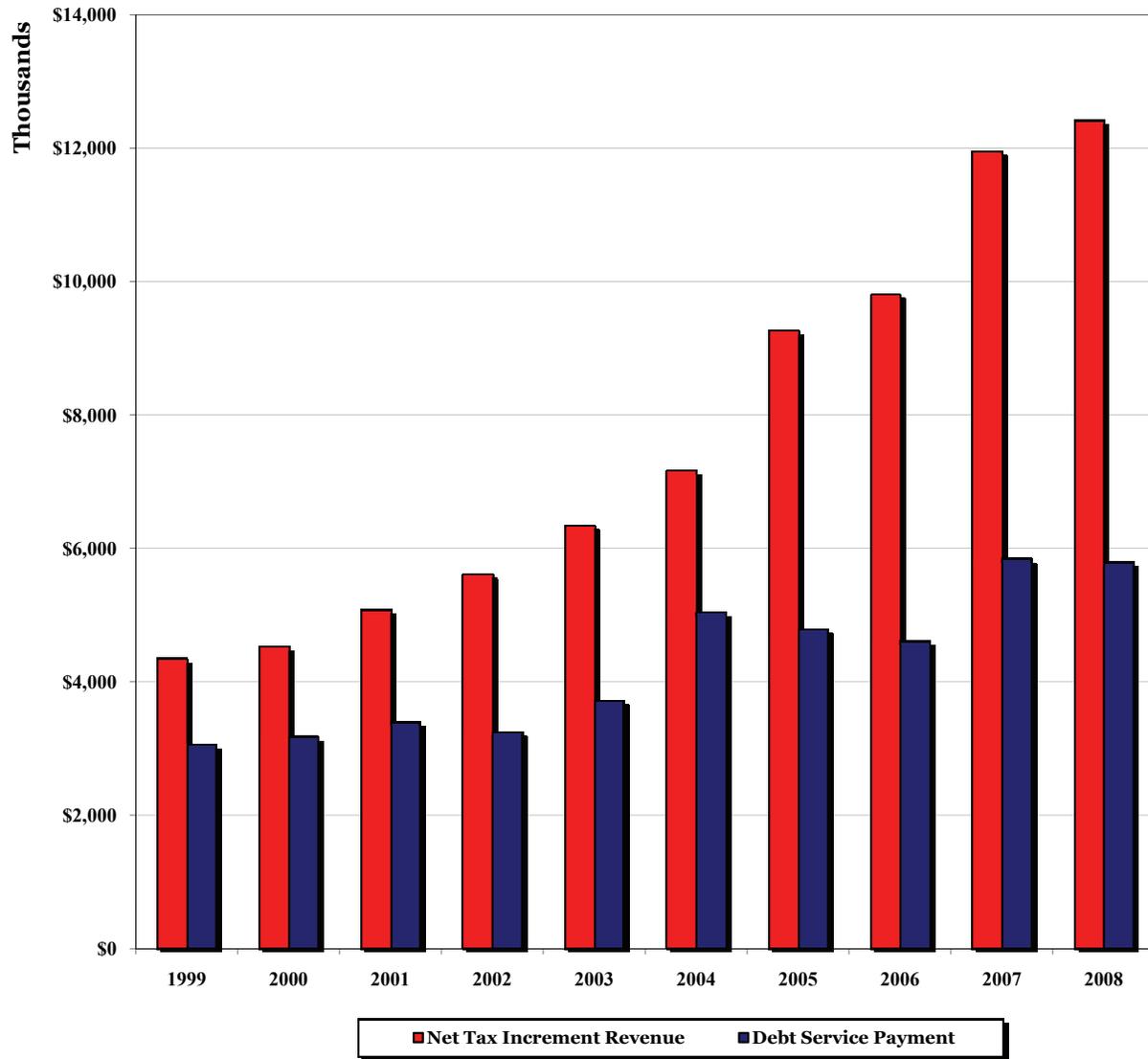
LEGAL BONDED DEBT MARGIN	\$67,933,848
--------------------------	--------------

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
1999	\$28,064,380	\$0	\$28,064,380	0.00%
2000	30,110,179	0	30,110,179	0.00%
2001	32,367,176	0	32,367,176	0.00%
2002	34,367,022	0	34,367,022	0.00%
2003	37,094,483	0	37,094,483	0.00%
2004	40,841,152	0	40,841,152	0.00%
2005	46,059,570	0	46,059,570	0.00%
2006	54,441,410	0	54,441,410	0.00%
2007	61,921,066	0	61,921,066	0.00%
2008	67,933,848	0	67,933,848	0.00%

NOTE:

- (a) California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth the limit to account for the adjustment of showing assessed valuation at full cash value.

**CITY OF SAN PABLO
 BONDED DEBT PLEDGED REVENUE COVERAGE
 REDEVELOPMENT AGENCY TAX ALLOCATION BONDS
 LAST TEN FISCAL YEARS**



Fiscal Year	Redevelopment Agency Property Tax Increments	Less Low and Moderate Income Housing Set-Aside	Net Tax Increment Revenue	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1999	\$5,430,296	\$1,086,059	\$4,344,237	\$705,000	\$2,345,733	\$3,050,733	1.42
2000	5,676,772	1,149,698	4,527,074	740,000	2,434,887	3,174,887	1.43
2001	6,367,782	1,288,395	5,079,387	1,005,000	2,389,409	3,394,409	1.50
2002	7,022,549	1,419,361	5,603,188	705,000	2,536,309	3,241,309	1.73
2003	7,923,532	1,584,706	6,338,826	1,275,000	2,433,830	3,708,830	1.71
2004	8,981,315	1,813,446	7,167,869	1,325,000	3,709,542	5,034,542	1.42
2005	11,577,262	2,315,452	9,261,810	1,645,000	3,145,231	4,790,231	1.93
2006	12,251,525	2,450,280	9,801,245	1,530,000	3,079,872	4,609,872	2.13
2007	14,959,091	3,009,430	11,949,661	1,740,000	4,097,085	5,837,085	2.05
2008	15,434,058	3,021,571	12,412,487	1,795,000	3,993,540	5,788,540	2.14

CITY OF SAN PABLO
TOWN CENTER
1997 REASSESSMENT REVENUE BONDS
CONTINUING DISCLOSURE REQUIRED BY SEC RULE 15c(2)-12(b)(5)
JUNE 30, 2008

Town Center 1997 Reassessment Revenue Bonds

Reserve Fund:	Balance	\$374,237
	Requirement	\$222,500

City of San Pablo Limited Obligation Refunding Bonds, Town Center Assessment District, Principal Outstanding	\$1,780,000
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Assessed value of parcels within Reassessment District	\$32,424,048
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Delinquent parcels within Reassessment District	0
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Foreclosure sales	\$0
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Property owners responsible for more than 20% of Reassessment levy:	Lucky Stores Inc. San Pablo Retail Partners
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Source: Trustee Statement and County Assessor

CITY OF SAN PABLO
OAK PARK
1998 REASSESSMENT REVENUE BONDS
CONTINUING DISCLOSURE REQUIRED BY SEC RULE 15c(2)-12(b)(5)
JUNE 30, 2008

Oak Park 1998 Reassessment Revenue Bonds

Reserve Fund: Balance	\$471,732
Requirement	\$284,500
City of San Pablo Limited Obligation Refunding Bonds, Oak Park Assessment District, Principal Outstanding	\$2,775,000
Assessed value of parcels within Reassessment District	\$25,336,094
Delinquent parcels within Reassessment District	0
Foreclosure sales	\$0
Property owners responsible for more than 20% of Reassessment levy:	Donahue Schriber Realty Group

Source: Trustee Statement & County Assessor

**CITY OF SAN PABLO
DEBT SERVICE COVERAGE SCHEDULE
LAST EIGHT FISCAL YEARS**

TENTH TOWNSHIP PROJECT AREA

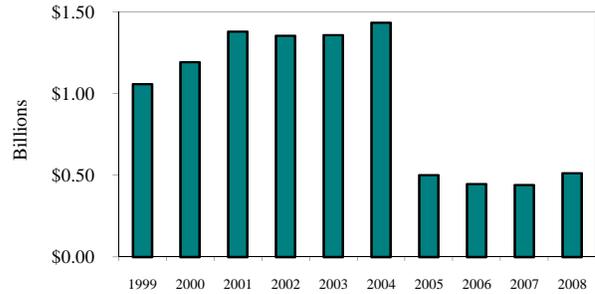
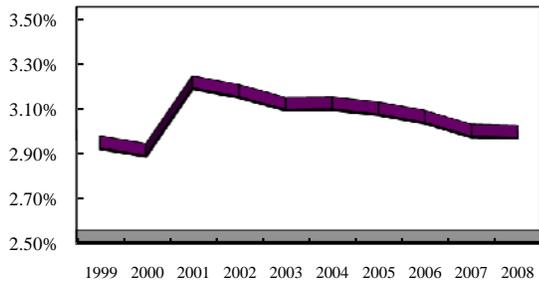
Fiscal Year	Gross Tax Revenues	Housing Set-Aside	Pledged Tax Revenues	Debt Service On				Total Debt Service	Debt Service Coverage
				1993 Bonds	1999 Bonds	Tenth Township Bonds	2006 Bonds		
2001	\$6,251,040	(\$1,250,208)	\$5,000,832	\$2,010,813	\$729,991	\$0		\$2,740,804	1.82
2002	6,758,359	(1,351,672)	5,406,687	2,005,228	730,778	423,779		3,159,785	1.71
2003	7,338,823	(1,467,765)	5,871,058	2,008,267	725,506	929,621		3,663,394	1.60
2004	8,186,993	(1,653,251)	6,533,742	1,627,736	729,487	960,136		3,317,359	1.97
2005	10,445,161	(2,089,032)	8,356,129	1,255,510	903,738	2,630,983		4,790,231	1.74
2006	10,890,439	(2,178,088)	8,712,351	1,253,465	902,914	2,453,493		4,609,872	1.89
2007	13,186,910	(2,637,382)	10,549,528	0	895,583	2,860,073	\$837,054	4,592,710	2.30
2008	13,230,168	(2,646,034)	10,584,134	0	896,438	2,990,278	1,700,661	5,587,377	1.89

LEGACY PROJECT AREA

Fiscal Year	Gross Tax Revenues	Housing Set Aside	Available Revenue	Debt Service on Legacy Bonds	Debt Service Coverage
2001	\$190,933	(\$38,187)	\$152,746	\$0	1.00
2002	338,448	(67,690)	270,758	73,089	3.70
2003	584,709	(116,942)	467,767	31,625	14.79
2004	794,322	(160,195)	634,127	0	1.00
2005	1,132,101	(226,420)	905,681	0	1.00
2006	1,360,967	(272,193)	1,088,774	0	1.00
2007	1,860,196	(372,048)	1,488,148	334,225	4.45
2008	1,858,180	(375,537)	1,482,643	201,163	7.37

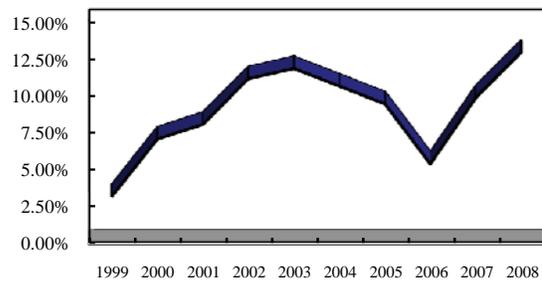
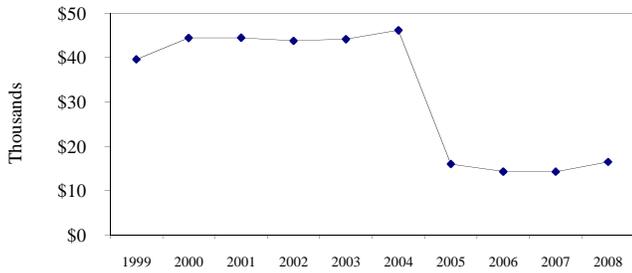
Sources: City of San Pablo Financial Statements

**CITY OF SAN PABLO
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**



■ City Population as a % of County Population

■ Total Personal Income



◆ Per Capita Personal Income

■ Unemployment Rate (%)

<u>Fiscal Year</u>	<u>City Population</u>	<u>Total Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate (%)</u>	<u>Contra Costa County Population</u>	<u>City Population % of County</u>
1999	26,728	\$1,059,043,544 (a)	\$39,623 (b)	3.1% (c)	915,793	2.92%
2000	26,827	1,193,238,133 (a)	44,479 (b)	7.0%	930,025	2.88%
2001	30,981	1,378,933,329 (a)	44,509 (b)	8.0%	972,103	3.19%
2002	30,900	1,353,821,700 (a)	43,813 (b)	11.1%	981,600	3.15%
2003	30,750	1,358,904,000 (a)	44,192 (b)	11.8%	994,900	3.09%
2004	31,050	1,434,851,550 (a)	46,211 (b)	10.6%	1,003,900	3.09%
2005	31,344	501,315,936 (a)	15,994	9.4%	1,020,898	3.07%
2006	31,216	446,482,448 (a)	14,303	5.3%	1,029,377	3.03%
2007	30,965	441,498,970 (a)	14,258	9.8%	1,042,341	2.97%
2008	31,190	514,011,200 (a)	16,480	12.9%	1,051,674	2.97%

NOTES: (a) Data not available. Calculated by multiplying City Population by Per Capita Personal Income
 (b) Data not available for the City for 1999 to 2004, therefore data presented is for Contra Costa County
 (c) Data not available for the City for 1999, therefore data presented is for Contra Costa County

Sources: California State Department of Finance
 California Employment Development Department

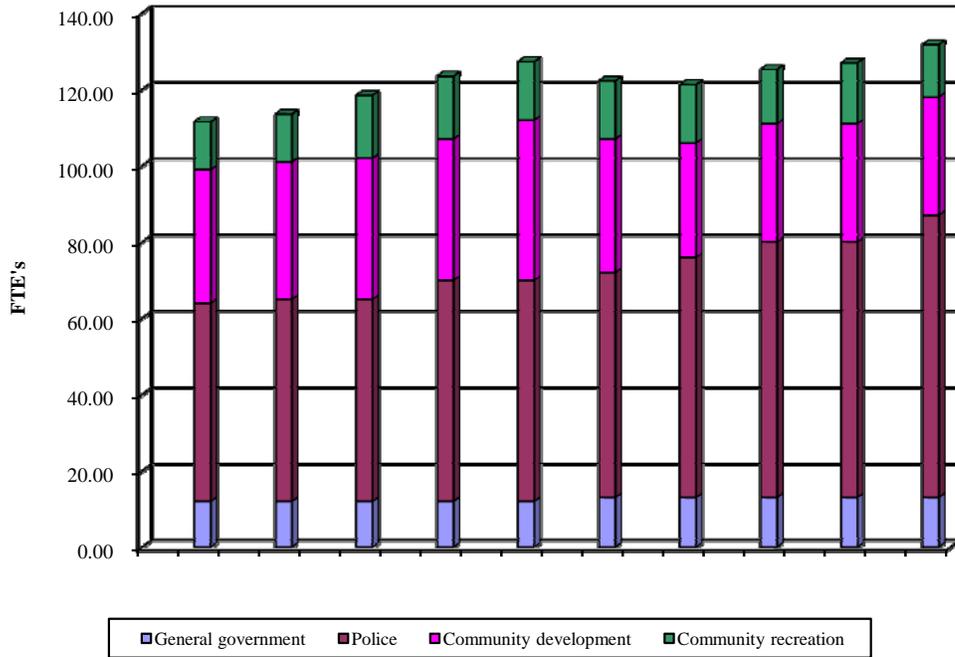
CITY OF SAN PABLO
Principal Employers
Current Year and Nine Years Ago

Employer	2007-08			1998-99		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Doctor's Medical Center (formerly Brookside)*	932	1	6.8%	831	1	N/A
Casino San Pablo	516	2	3.7%	473	2	N/A
Contra Costa College*	502	3	3.6%	270	3	N/A
Vale Care Center*	285	4	2.1%	142	7	N/A
City of San Pablo*	140	5	1.0%	169	5	N/A
Brookvue Care Center	128	6	0.9%			
Creekside Health Care Center	95	7	0.7%			
Albertson's	86	8	0.6%			
Raley's	67	9	0.5%	75	8	N/A
Food Maxx	64	10	0.5%	170	4	N/A
San Pablo Health Care Center				150	6	N/A
Lucky Store				57	9	N/A
San Pablo Supermarket				54	10	N/A
Subtotal	<u>2,815</u>		<u>20.4%</u>	<u>2,391</u>		<u>N/A</u>
Total City Day Population	<u>13,800</u>			<u>N/A</u>		

Sources: City of San Pablo Finance Department
California Employment Development Department

*includes part time employees

CITY OF SAN PABLO
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years



	Adopted for Fiscal Year Ended June 30,									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Function										
General government	12.00	12.00	12.00	12.00	12.00	13.00	13.00	13.00	13.00	13.00
Community development	35.00	36.00	37.00	37.00	42.00	35.00	30.00	31.00	31.00	31.00
Community recreation	12.50	12.50	16.50	16.50	15.25	15.25	15.25	14.25	15.90	13.75
Police	52.00	53.00	53.00	58.00	58.00	59.00	63.00	67.00	67.00	74.00
Total	111.50	113.50	118.50	123.50	127.25	122.25	121.25	125.25	126.90	131.75

CITY OF SAN PABLO
Operating Indicators by Function/Program

Function/Program	Fiscal Years		
	2006	2007	2008
Police: (calendar year)			
Police calls for Service	22,090	36,080	25,336
Crime Reports	8,142	8,948	7,502
Law violations:			
Major crimes: homicides/rape	7	18	16
Other major crimes: robbery/larceny	2,295	1,621	1,530
Arrests	1,803	1,989	2,083
Traffic collisions	512	420	455
Traffic citations	7,753	11,979	25,336
Public Works:			
Street resurfacing (miles)	N/A	N/A	5
Potholes repaired (square miles)	N/A	N/A	N/A
Street Sweeping (miles)	N/A	2,865	2,834
Volume of material removed (cubic yards)	N/A	912	898
Storm Drains:			
Catch basins cleaned	N/A	326	326
Volume of material removed (cubic yards)	N/A	470	25
Community Development:			
Community Services:			
Recreation class participants	740	1,229	1,444
Senior meals served	23,135	20,274	18,717
Rentals of Maple Hall	42	75	130
Education:			
Enrollment:			
Elementary schools (7)	3604	3,547	3,598
Middle Schools (1)	936	767	640
High Schools (1)	387	394	472

Source: Various City Departments

Notes:

N/A denotes information not available.

The City has elected to show only two years of data for this schedule.

CITY OF SAN PABLO
Capital Asset Statistics by Function/Program

Function/Program	Fiscal Years		
	2006	2007	2008
Police:			
Police stations	1	1	1
Police patrol units	23	16	28
Community Development:			
Miles of streets	98	48	48
Street lights	150	167	182
Traffic Signals	25	25	25
Roadway Landscaping:			
Landscaped median acreage	N/A	1	1
Street trees	N/A	800	800
Community Recreation:			
Community services:			
City parks	5	5	6
City parks acreage	28	28	28
Playgrounds	2	2	4
Event center	1	0	0
Historic house	1	3	2
City trails	1	1	1
City trails miles	1	1	1
Community centers	2	1	1
Senior centers	2	2	2
Baseball/softball diamonds	1	2	3
Soccer/football fields	4	4	6
Wastewater (1)			
Miles of storm drains	17	17	17

Source: Various City Departments

Notes:

The City has elected to show only two years of data for this schedule.

(1) Wastewater services are provided by Contra Costa County