

"2012 THE YEAR OF COMMUNITY"



COMPREHENSIVE
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDING JUNE 30, 2012



CITY OF SAN PABLO
City of New Directions

CITY OF SAN PABLO, CALIFORNIA

Prepared by the Finance Department

CITY OF SAN PABLO, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012

PREPARED BY THE
FINANCE DEPARTMENT

COVER PHOTOS
Life in San Pablo



CITY^{OF} SAN PABLO

City of New Directions

CITY OF SAN PABLO, CALIFORNIA

Comprehensive Annual Financial Report
For the Year Ended June 30, 2012

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CITY^{OF} SAN PABLO

City of New Directions



Letter of Transmittal



CITY OF SAN PABLO
City of New Directions

December 18, 2012

Dear Mayor, Members of the City Council and Citizens of the City of San Pablo:

State law requires all general-purpose local governments to publish a complete set of financial statements, presented in conformity with Generally Accepted Accounting Principles, within six months of the close of each fiscal year. Therefore, we are pleased to submit the Comprehensive Annual Financial Report for the City of San Pablo, California for the fiscal year ended June 30, 2012. Responsibility for both the accuracy of the data and the completeness and fairness of the information, including all disclosures, rests with the City. To the best of the City staff's knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of the operations of the various entities of the City of San Pablo. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. Generally accepted accounting principles require that management provide a narrative introduction overview and analysis to accompany the basic financial statements in the form of a Management Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with the MD&A. The MD&A can be found immediately following the report of the independent auditors.



Letter of Transmittal

INTERNAL CONTROLS

Accounting for all of the City’s activities is centralized under the Finance Department. The department has been delegated the responsibility for maintaining the integrity of the City’s recorded financial data. The Finance Department, in conjunction with the City’s management, is also responsible for establishing and maintaining an internal control structure designed to ensure that the City’s assets are protected from loss, theft or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met, while recognizing that this assurance is not absolute. The concept of reasonable assurance recognizes: 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management. City administration believes the existing internal control systems are adequate to provide reasonable assurance the City’s assets are safeguarded against loss and that the financial records are reliable for preparing financial statements and maintaining accountability for assets. This belief is supported by the City’s “Unqualified” auditor’s report issued in 2012.

INDEPENDENT AUDIT

The City Council is responsible for: 1) assuring the City administration fulfills its responsibilities in the preparation of the financial statements and 2) engaging certified public accountants with whom the City Council reviews the scope of the audits and the accounting principles to be applied in financial reporting.

The Government Code of the State of California requires general law cities, such as the City of San Pablo, to have its financial statements audited by an independent certified public accountant. Accordingly, this year’s audit was completed by the accounting firm of Maze & Associates. The firm was engaged by the City Council to render an opinion on the City’s financial statements in accordance with auditing standards generally accepted in the United States of America. To ensure complete independence, Maze & Associates Corporation has full and complete access to meet with the City Council to discuss the results of their assessment of the adequacy of internal accounting controls and the quality of financial reporting. The auditor’s report on the basic financial statements is the first item in the accompanying Financial Section.



In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the Federal Single Audit Act Amendments of 1996 and related Office of Management and Budget Circular A-133. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements but also on the audited government’s internal controls and compliance with legal requirements.



Letter of Transmittal

PROFILE OF SAN PABLO

The City of San Pablo was incorporated in 1948 as a general law city under the laws of the State of California. San Pablo is located in Western Contra Costa County on Interstate 80, minutes away from the Bay Area cultural centers of Berkeley, Oakland and San Francisco. The City is governed by a five member City Council, under the Council-Manager form of government. As of June 30, 2012, the City had a population of approximately 29,105 and encompassed approximately three square miles.

The City provides a full range of services including: Police, Public Works, Economic Development, Planning, Building, Engineering and Inspection, Parks and Recreation and General Administrative services. All of these services are accounted for in the City's financial statements. In addition, the City is financially accountable for three component units: the San Pablo Redevelopment ("Agency"), the Economic Development Corporation and the San Pablo Joint Powers Financing Authority. Although legally separate entities, these blended component units are, in substance, part of the government's



operations. Financial data for these component units is combined with the data of the primary government. Each of the blended component units has a June 30 year-end date for accounting purposes. The Agency was dissolved effective January 31, 2012. See Note #1 - A, found on page 31, and Note 14, found on page 63 for a more detailed discussion of these three component units in addition to the Agency dissolution.

The City's biennial budget serves as the foundation for planning and controlling the City's finances. As such, the City maintains extensive budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the biennial appropriated budget approved by the City Council. The level of budgetary control is established at the fund level. Budgets are prepared and expenditures recorded at the object of expenditure level. The accounting records are maintained using either the accrual basis or modified accrual basis of accounting, as appropriate. The City also maintains an encumbrance accounting system as one technique for accomplishing budgetary control.

The biennial budget process begins every other January with a strategic planning meeting. The individual departments then prioritize and recommend the budgetary funding requirements necessary to perform both their objectives and the City Council's strategic goals and initiatives. These funding requests are then balanced and prioritized to fit within the constraints of projected revenue assumptions. The City Manager's Office and the Finance Department review all budget proposals and revenue assumptions, as well as all current financial obligations, before preparing the document that is proposed to the City Council. The City Council reviews the proposed budget during a scheduled public Budget Workshop in May and the final adoption of the budget is scheduled for a City Council meeting in June pursuant to the City's Municipal Code requirements.



Letter of Transmittal

Activities of the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds are included in the biennial appropriated budget. Budget-to-actual comparisons are included in the Summary Schedules Section for the General Fund, certain Special Revenue Funds and certain Debt Service Funds.

The following funds are not legally required to adopt biennial operating budgets as their appropriations are either: 1) established by the related bond documentation, 2) other legal agreements or 3) are multi-year projects covered through the Capital Improvement Program Budget whose budget cycle exceeds one fiscal year. The Fund which meets this requirement is the Public Works Construction Capital Projects Fund. See Note #2 - A on page 36 for additional information.

ECONOMIC OUTLOOK

The City can be characterized as an older community that is almost completely built out. During the last ten years the population of the City has stayed relatively consistent. Since that time, the City has seen very little residential development activity and property valuations have fallen substantially from their peak in 2007/2008. In general, the recession has had far greater impacts in communities, such as San Pablo’s, which experienced high property appreciation during the previous decade. Property taxes, the General Fund’s top revenue source increased in fiscal year 2012 from additional property taxes received from the dissolution of the Redevelopment Agency and the associated redistribution to taxing authorities, but is expected to decline for a fourth consecutive year in FY 2011/12, with a total decline of 32.7% since FY 2007/08.

Consistently high unemployment, stock market losses and declining home values have caused consumers to pull back on spending. These factors have caused sales tax revenues to decline on a local and State- wide basis. While most State-wide agencies have suffered double digit percentage declines, the City has continually experienced minor increases, in large part due to the fact that the City has never had a sales tax base that depended on large ticket items, such as vehicle sales. Despite the difficult economic environment, the City’s sales tax revenues are expected to continue to show very modest gains as businesses continue to view San Pablo as an attractive market.



Another revenue source which has been impacted by the recession is investment income. Record low interest rates will reduce the City’s expected investment income in the coming years. Low interest rates have a more significant negative impact on Cities, such as San Pablo, which have larger cash reserves due to large reserve policy requirements. A few years ago the City was able to earn nearly 5% on its cash reserves; over the next two years, rates of return will be reduced to an expected 0.3 – 1.5%.



Letter of Transmittal

The City is also facing significant challenges on the expenditure side of the budget. Operational costs have continued to escalate. The dissolution of the Redevelopment Agency on January 31, 2012 has eliminated use of this source of funds for capital projects. This eliminates approximately \$3,000,000 in annual funding that was used for capital projects. These budgetary challenges will be made much more difficult in the coming years, as capital projects costs and significant increases in the City’s pension contribution requirements are phased in.

FINANCIAL OUTLOOK

Long-Range Financial Planning – The key to planning for the City was the development of a fiscal model which helps ensure the City continues to budget conservatively, with revenues exceeding expenditures, and with adequate reserves to cover future liabilities and unexpected emergencies. The City’s 2012/13 - 2017/18 General Fund Fiscal Model, adopted by the City Council in November 2012, combines a 5-year financial forecast of expenditures, revenues and fund balance, with recommendations on how to manage any possible gaps between revenues and expenditures. The fiscal model will be updated annually and will continue to be a valuable tool during the next decade as the City positions itself for a successful emergence from the current economic downturn.



This long-range financial planning helped highlight that the existing cost structure associated with employee benefits, especially pensions, health care, retiree medical expenses and capital projects is unsustainable. The predictions of an extremely challenging financial environment in the City’s 5-year financial forecast will prepare City management to negotiate with the City’s bargaining units in 2013 when the contracts expire.

The City also opened a Budget Stabilization Fund during the 2008/09 fiscal year. The fund, which is reported in the General Fund in the financial statements, is used to accumulate savings during budget surplus years in order to provide a source of funding for economically challenging years. These funds are budgeted to be drawn down to assist in balancing the General Fund over the next several years, This draw down period will provide the General Fund with the necessary time to allow for the financial savings to be implemented that would ultimately allow for the General Fund to operate in balance without this subsidy. In Fiscal Year 2011/12, a total of \$2.5 million was transferred from the Budget Stabilization Fund to the various funds for this purpose. At all times, the General Fund is budgeted to maintain a 50% reserve, as directed by City Council policy. Despite the availability of the Budget Stabilization Fund, the City is continuing to actively look for ways to reduce costs and minimize the use of the fund.



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Other Post-Employment Benefits (OPEB) - Governmental Accounting Standards Board (GASB) Statement No. 45 was established in 2004 and requires the City to report the costs of OPEB as the employee earns the benefit, rather than as the benefit is paid. While there is no requirement that the City pre-fund, or set aside the full Annual Required Contribution (ARC) on an annual basis, the City Council established a funding strategy which includes pay-as-you-go financing plus an additional amount to pre-fund benefits. Pre-funding OPEB obligations is projected to provide the City with savings over the long-term, as pre-funding contributions will be invested on a long-term basis until they are needed to pay for OPEB obligations. Pre-funding will ultimately allow for investment income, rather than City contributions, to provide the majority of funds needed to cover OPEB obligations in the future. This funding strategy has resulted in the City having an OPEB asset of \$4,561,899 as of June 30, 2012.

MAJOR INITIATIVES – IMPLEMENTING OUR WORK PLAN

Service for Families and Youth

In 2010, the City created the Youth Services Division to develop services for Families and Youth. Youth Services is committed to the healthy development of youth and is focused on developing positive opportunities, programs and partnerships that will provide children and youth with skills, knowledge, support and resources leading to healthy and productive lives. Youth Services programs, services and initiatives support a community where government, families, schools, law enforcement, and organizations work together to create an environment conducive to support young people, their learning and their success.

Full Service Community Schools. The City of San Pablo City Council adopted a Resolution to develop a San Pablo Full Service Community Schools (FSCS) Initiative with the goal of transforming all schools in San Pablo into Full Service Community Schools. In a Full Service Community School (Community School), the school district, city, county, community and faith-based organizations, businesses, families and philanthropists form a strong, deep and transparent partnership. They can jointly address the identified needs of students, families and the community in a comprehensive, integrated and accountable way. The group shares leadership, work towards a common vision and agenda, and share responsibility for results. A Community School focuses on the needs of the whole child – physical, emotional, social and academic – to create the conditions necessary for all children to learn and be successful. Unlike traditional schools, a Community School strengthens families and communities so that they are better able to support student success. A Community School also supports qualified and effective teachers who provide high quality instruction, promote high standards and expectations for all students, and deliver challenging curriculum to help students thrive. Walter T. Helms Middle School, the hub of the San Pablo FSCS Initiative, will develop stronger connections to the elementary schools in the Helms “feeder pattern” and to Richmond High School where Helms students attend high school. These connections will align both the academic and service elements of the initiative to promote student success, healthy and prosperous families and a healthy community.



Letter of Transmittal

Youth Futures Task Force. The Youth Futures Task Force is modeled on the successful history of San José’s Mayor’s Gang Prevention Task Force (MGPTF) and the recent efforts of Santa Rosa’s MGPTF. The Cities of San José and Santa Rosa are two municipalities that have successfully implemented youth violence prevention/gang intervention strategies in their communities and reinforce the concept that collaborative efforts spanning from a broad spectrum of community partners ensure that a large number of stakeholders accept responsibility and accountability for the safety, health and welfare of its youth, families, and communities. The City of San Pablo is committed to the healthy development of our youth within a context of community safety and security. The Youth Futures Task Force calls for various agencies and systems, including government agencies, law enforcement, social services agencies, educational, grass-root, and faith-based organizations to work together to achieve a more innovative, integrated, team-oriented approach in working with youth at great risk of committing intentional acts of violence and/or engaging in behaviors related to the gang lifestyle.

San Pablo Team for Youth (SPTFY) was created as the funding arm of the Youth Futures Task Force and provides grant opportunities to public and non-profit agencies to expand and/or enhance prevention and intervention programs/services to youth exhibiting high-risk behaviors, including those that are gang-related. SPTFY is the funding mechanism for developing and deploying youth services that support the mission of San Pablo's Youth Futures Task Force.

Childhood Obesity Prevention Task Force. The San Pablo City Council hosted its first Childhood Obesity Prevention Task Force meeting on March 7, 2012 to bring awareness to the growing childhood obesity epidemic in the community. Representatives from over 20 agencies/programs -including County, City, non-profit, community-based and faith-based agencies, schools, and medical organizations attended. The convening of the Task Force represented the first step towards strengthening partnerships in the fight against the growing childhood obesity epidemic in the community. The Task Force will work collaboratively with stakeholders to develop a Community Action Plan focused on increasing community awareness of the obesity epidemic, increasing accessibility to healthy food and physical activity opportunities, and expanding healthy eating active living programs. The Community Action Plan will guide collaborative efforts towards a healthier San Pablo.

Community Engagement

The City of San Pablo understands the importance of keeping the community informed of important information. We have created new virtual and in person sources for information pertaining to the City below through the programs below:

Government Outreach. This web-based site is designed to provide our residents, businesses and visitors with a Virtual City Hall, giving them the opportunity to access City Hall, 24-hours a day, 7-days a week, from the comfort of their own home. Through this system residents can report graffiti, street lights that may be out of service, and can also post questions and/or concerns that will then be routed to the appropriate staff person for response.

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Neighborhood Engagement Team (NET). The Neighborhood Engagement Team is comprised of City Staff from various departments. The intent of this team is to provide a “Mobile City Hall” that is accessible to all residents. The NET booth is set up at various City events to distribute information about City Hall services. Most recently the NET was present at the following events: an Easter egg hunt, Election Day, and a 4th of July celebration.

E-newsletter Subscription. Residents and interested parties can now sign up to receive a weekly electronic newsletter informing them of current events and news in San Pablo. Subscribing through the City’s website is easy and the user can select the e-mail topics that they are interested in receiving.

Community Outreach - New Methods. In November 2012, the City Council executed a contract with a social media professional services provider to administer all City social media accounts to actively promote City activities, programs and services.

Economic Development

The City of San Pablo will work cooperatively with the San Pablo Economic Development Corporation (501 (c) (3)) to develop programs aimed at eliminating barriers to employment, business attraction/enhancement and site development. These efforts will be geared toward creating local jobs for San Pablo residents and reducing the unemployment rate that has hovered around 20%. This task will be more difficult in the wake of the elimination of the Redevelopment Agency, but through partnerships and refocusing available resources, San Pablo will continue to see progress in this effort.



Fiscal Stability

Compensation Strategy. This initiative is geared towards developing a fiscally responsible cost reduction and containment strategy which will allow the City to remain competitive in recruiting and retaining valuable employees while allowing for long-term fiscal sustainability for the City. The City has implemented a system in which new employees pay 10.3% - 12% of their retirement cost dependent on employee classification. Current employees, who pay between 4.67% and 6%, will be paying these rates in FY 2013-14. Management is currently investigating additional options to best meet the goal of reducing costs while retaining the ability to remain competitive. We expect that through the collective bargaining process the City will be able to incorporate compensation strategies for employees which will reduce the City’s long-term costs while allowing the City to remain an organization for top employees in the region.

Fee Study for Planning, building, and Public Works. In July of 2011 the City contracted with an outside consultant to review and analyze the City’s Planning, Building, and Public Works fee structure to determine: 1) an appropriate fee structure which will allow the City to recover the costs of providing

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specific services to the public, 2) that a proposed fee structure is reasonable when compared to other local agencies, and 3) the City has established a fee for all provided services. The new fees were adopted by the City Council in April of 2012 and the fees went into effect on July 2, 2012.

Labor Negotiations. The goal of this initiative is to develop a strategy for labor negotiations with the employee bargaining groups which will be fiscally responsible but will allow the City to remain competitive in recruiting and retaining valuable employees. The memorandums of understanding for both the public safety and non-public safety employees are set to expire on June 30, 2014. Management will prepare cost-saving options for the City Council's consideration and negotiation direction.



Infrastructure

Redevelopment Agency. The ability of the City to continue to utilize Redevelopment as a tool to revitalize blighted areas and provide funding for much needed infrastructure projects ceased on January 31, 2012 when the Redevelopment Agency was required by the State to be dissolved. With the dissolution of the Redevelopment Agency, the City now must secure alternative financing to continue with projects that were previously financed through Redevelopment funds. The dissolution of the Redevelopment Agency will delay these improvements.

One of the provisions of State legislation adopted under AB 1484, which was issued in June 2012 and “cleans-up” and revises various RDA unwind procedures, is that the Successor Agency will be able to obtain a Finding of Completion when certain payment obligations are met. The City is working on obtaining this Finding of Completion as it will provide the ability to spend the remainder of the bond proceeds as well as provide flexibility for the disposition / use of the real property transferred from the Redevelopment Agency to the Successor Agency.

Capital Projects.

Community Center at Helms School (PW 535). The City of San Pablo has been working with Noll & Tam Architects and Planners in the design and construction of the San Pablo Community Center at Helms Middle School. The design of the center has been completed and construction will begin shortly.

Daylighting Wildcat Creek at Davis Park (PW 579). The Wildcat Creek Daylighting Project will daylight and restore the underground section of Wildcat Creek, which currently utilizes a concrete box culvert under the baseball field. The creek will be relocated to a natural, open creek channel along the northern boundary of the Park. A paved walking trail will be provided next to the creek. The project will also install new and improved ball field lighting and reorient the baseball and soccer

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fields. As part of the creek restoration project, the City will install a new pedestrian bridge across Wildcat Creek, west of the Brookside Avenue entrance. These improvements are based on the City's 2007 Davis Park Master Plan.



The fields will be restored in general accordance with the Davis Park Master Plan configuration, which indicated smaller dimensions in the fields compared to the current overall dimensions. Since detailed analysis and design has been performed, it has been determined that in order to maximize dimensions, the playing fields orientation will not match the Master Plan – the baseball field will be shifted south rather than be turned 90 degrees, and the soccer field has been shifted to the west. A major constraint has been requirements

imposed by agencies having jurisdiction over work in the creeks: the Regional Water Quality Control Board, the California Department of Fish and Game, and the US Army Corps of Engineers. As a result, the restored creek, which will be in approximate alignment with its original (pre-culvert) location, may not have steep slopes or hard surfaces (e.g. concrete) that would allow a more compact channel. Furthermore, the new creek channel must not have less flood capacity than its previous condition (box culvert).

The benefits of this project include returning the creek to its natural state with the associated wildlife/habitat improvements. Furthermore, the project will increase the flood capacity of the creek at this location. The existing culvert is a barrier to fish movement in Wildcat Creek and the restored creek will allow fish to once again swim upstream past Davis Park and provide a habitat for birds. The “daylighting” of the creek will also eliminate an unattractive nuisance (the culvert) and enhance the creek habitat for wildlife, fish, and residents to enjoy. The primary funding source is the State Rivers Parkway Grant.

Rumrill Sports Park (Former BNSF Site). The former Burlington Northern & Santa Fe (BNSF) Railroad Corporation yard was sold to the former Redevelopment Agency, and subsequently conveyed to the City, and is being developed into a multi-use sports park (Rumrill Sports Park) for the residents of the City. The Rumrill Sports Park will have 3 youth soccer fields (240'x120') and smaller practice field available for youth leagues, pick-up games, and practices. The park will also contain a picnic/BBQ area, play area; office/restrooms, on-site parking, and lighted fields. This park concept was developed through a series of community outreach meetings. The residents of San Pablo identified a need for more open space structured for youth play. The benefits of this park for the residents of San Pablo include an increase in athletic fields for youth play and a new complex for our

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Soccer Leagues to play games and host District wide events, including a multi-use facility that can be programmed later in the day or early in the morning due to the addition of field lighting.

Municipal Solar Project. The Municipal Solar Project is a 325.62 kW-DC solar installation at City Hall, the Police Department and the Church Lane Senior Center. The project was initially developed in collaboration with the four member cities of the Small Cities Climate Action Partnership with funding from the United States Environmental Protection Agency. The cities jointly requested qualified, design-build proposals for site bundles in each respective jurisdiction. Real Goods Solar



Inc. (RGS) responded to the Request for Qualifications/Request for Proposals and their proposal was deemed the most-qualified. The City then worked with RGS to finalize an initial portfolio of sites that included the Davis Park Multipurpose Building and Senior Center; these sites were found to be too small to be economically feasible, so staff removed them from consideration. The final RGS proposal cost was \$1,474,522. The City has applied for a 1% interest rate, 15 year loan from the California Energy Commission to cover \$1,150,000 of the project's costs. In addition, the City has reserved California Solar Initiative Rebates totaling \$250,000 to be disbursed over the first 5 years. The Project will offset 24% of the City's total electricity usage and reduce greenhouse gas emissions by 18%, helping the City reach its Climate Action Plan goals.

Infrastructure / Transportation

The City has been engaged in several major transportation projects, including the I-80 Integrated Corridor Mobility (ICM); major interchange improvements at I-80 and San Pablo Dam Rd, El Portal, and McBryde; wayfinding sign planning and installation; and a 'Complete Streets' study for San Pablo Avenue.

I-80 ICM. The City has participated in this project through its membership in the West Contra Costa Transportation Advisory Committee (WCCTAC). This project would implement advanced traffic management along I-80 from the Carquinez Bridge to the MacArthur Maze, San Pablo Avenue, and the major arterials that connect the two. This includes adaptive ramp metering, lane use signals on the freeway, variable advisory speeds, and special traffic signal timing to handle diversion to local streets due to freeway incidents, trailblazer signs to direct diverted traffic back onto the freeway downstream of incidents, traffic signal priority for buses, traveler information, and traffic surveillance and monitoring. This is a multi-agency project involving the jurisdictions along the corridor, Caltrans, transit agencies, and regional agencies. Project development continued this year, including agreement on a memorandum of understanding among all of the involved agencies for system operations, maintenance, and



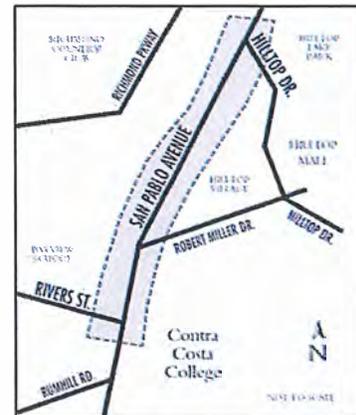
Letter of Transmittal

management. The project is scheduled to become operational in 2014. Major funding for this \$90 million-project came from local sales tax measures in Contra Costa and Alameda and from State Proposition 1B.

Major Interchange Improvements. The City and Richmond are co-sponsors of this project, which is managed by the Contra Costa Transportation Authority (CCTA). It involves replacement and widening of the San Pablo Dam Rd overcrossing, relocation of McBryde Avenue access from westbound I-80, relocation of El Portal access to westbound I-80, realignment of Amador Street, and replacement of the I-80/Riverside Avenue pedestrian overcrossing serving Riverside Elementary School. Design on this \$113 million-project is underway. \$29 million in funding has been secured, including that from Contra Costa’s Measure J transportation sales tax, and the substantially completed designs are expected to facilitate securing the remaining funds needed to complete the project. Additional public outreach was also completed this year.

Wayfinding Sign Planning and Installation. WCCTAC secured a grant from the Metropolitan Transportation Commission to develop wayfinding signs to transit centers in west Contra Costa and other major destinations. San Pablo participated in the development of the plan, and later was able to secure the funds needed to install the signs, through Contra Costa’s Measure J transportation sales tax.

Complete Streets Plan. The San Pablo Avenue Complete Streets Study will focus on improving multimodal access, safety and connections along the San Pablo corridor by identifying needs and prioritizing improvements that will facilitate pedestrian, bicycle and transit trips. At the heart of this process is a public outreach effort that will bring together surrounding residents, business owners, partner agencies, and other key stakeholders to ensure that the final plan recommendations are both relevant to, and supported by, the local community. The study is funded by a Caltrans Environmental Justice Transportation Planning Grant.



Public Safety

The Bicycle Patrol Unit consists of 7 officers specially trained in bike patrol operations. The Bike Unit augments the Patrol Division; offering a “greener” more approachable alternative to vehicle patrol. The Unit provides additional patrols to parks, business districts and shopping centers.

Our Graffiti Abatement Team aggressively investigates incidents of graffiti by obtaining search and arrest warrants and by deploying plainclothes officers to apprehend offenders in the act.

The Kids to Camp Summer Academy is a summer program staffed by school resource officers. The program accepts local youths and provides them with a classroom course of life skills instruction. The students are taken on a 3 day/2 nights camping trip with members of the police department who volunteer their time to provide a positive and structured camping experience.



Letter of Transmittal

The Youth Education Services Unit (Y.E.S.) provides part-time services to our elementary schools and a full-time officer at our middle school. The Y.E.S. provides classes to children in San Pablo schools, grades 3 through 7. Topics include the proper use of 911, 'Good Touch, Bad Touch', bullying, drug and gang prevention, goal setting, life skills and leadership.

G.R.E.A.T. Program. Y.E.S officers teach the Gang Resistance Education and Training (G.R.E.A.T.) program to San Pablo sixth graders. G.R.E.A.T. is a school-based, law enforcement, officer-instructed classroom program that teaches life skills and encourages student participation. In order to graduate, the students in the program must complete a community project.

Community Awards Dinner. At the end of each school year, the top students from the G.R.E.A.T. program are recognized at our annual Community Awards Dinner. The purpose of the event is to bring our community closer, create stronger police/community understanding and recognize positive efforts of our youth.

Truancy Program. The police department found that truant juveniles have a significant presence in local gangs within the City of San Pablo and that many are involved in criminal activities. The police department believes that our current system of only imposing punitive sanctions against the truant juvenile is ineffective. We have developed a program to address the underlying social issues of truancy on a case-by-case basis to offer students and their families an alternative method to correcting truancy.

The Parent Project is a nationally recognized 10 week parent training program designed specifically for parents of strong-willed or out-of-control adolescent children. Parents meet 1 night per week, 2-3 hours per night, for 10 weeks. The curriculum teaches concrete prevention, identification, and intervention strategies for the most destructive of adolescent behaviors (poor school attendance and performance, alcohol and other drug use, gangs, runaways, and violent teens).

Community Emergency Response Team (CERT) is a training program that gives individuals the basic disaster response skills to offer vital support to their family, associates and neighborhood while awaiting help from first responders. This 20-hour FEMA approved course is offered in a classroom setting followed by hands-on exercises discussing the following topics:

- Disaster Preparedness
- Fire Safety
- Light Search & Rescue
- Team Organization
- Disaster Medical Operations: Triage, Assessment and Basic Treatment
- Disaster Psychology
- Terrorism and CERT

Homicide Clearance Rates. The Department has historically enjoyed a high homicide clearance rate when compared to the national average. The Detective Division is comprised of highly trained and motivated individuals with a proven track record of conducting in-depth criminal investigations. Using a collaborative approach, investigators work closely with our Gang Unit and other local agencies to solve



Letter of Transmittal

unsolved murder cases. The San Pablo Police Department investigated and cleared 2 homicides in 2010. In 2011 the City had 3 homicides and 2 of the 3 were cleared. The City has had two homicides for the first 6 months of calendar year 2012 and both have been cleared.

Citizen’s Academy provides San Pablo residents an opportunity to learn the inner workings of the Police Department. The class is held one night a week for 10 weeks. Students are exposed to Police Administration, Patrol, Investigations, Y.E.S. and Gang Unit operations. The classes are taught by sworn members of the police department and police administration. Students also participate in a ride-along with an on duty patrol officer. This free course of instruction has served to clarify the role of the police department in the community further building community trust.

Surveillance Program deploys a combination of pan, tilt and zoom (PTZ), fixed high definition and automatic license plate recognition (ALPR) cameras some of which are integrated with gunshot and/or graffiti detection sensors to provide alerts for gunshots, wanted and/or stolen vehicles and graffiti, with both fixed and mobile solutions.

Shot Spotter Gunshot Location System uses a system of acoustic sensors, designed to detect and report gunshots, at various locations within our city.

Special Projects / Technology

The Information Technology Division has four major projects to accomplish. These projects are to relocate the Computer Room, activate Windows SharePoint, upgrade all computers to 64-bit Windows 8, and replace all PIX firewalls with Cisco ASA devices. The Computer Room relocation will be occurring once the Recreation Division vacates their offices. This will require the newly vacated area to be rewired for power, data communications, alarms, fire suppression, and air conditioning. All systems will then need to be relocated to the new space. Microsoft SharePoint is being rolled out for web access of networked systems. This will require acquisition and installation of the SharePoint server and the application’s subsequent configuration and integration with specific existing applications. To keep current with the Microsoft Operating System, all City computers will be upgraded, once each computer has its computer applications integrated with the new Operating System. The City’s PIX firewalls have reached end-of-life. They will be replaced and configured to protect City systems.

Strategic Planning / Special Projects

Circle S Infrastructure. As development is anticipated within the former Circle S site, the City has contracted with various consultants to prepare the site for future project implementation and economic development investment. \$250,000 from the FY 2012-13 Budget Stabilization Funds were earmarked to fund the pre-development costs associated with preparation of the former Circle S project site for economic development activities, development projects, and professional services.



Letter of Transmittal

San Pablo Avenue Specific Plan. San Pablo Avenue is a regional thoroughfare that extends through the City of San Pablo and much of the East Bay Area. The character of the Avenue, quality of its environment, and the role that it plays vary from one community to another. In the City of San Pablo, the Avenue is the City’s primary arterial, and is home to the City’s major public facilities and community destinations. Most importantly, the Avenue is the primary route for the majority of transit lines that pass through the City. Because of its prominence within San Pablo, the character and design of San Pablo Avenue play an important role in shaping the community’s perception of the City. Hence, in 2011 the City adopted a Specific Plan for San Pablo Avenue; one that is aimed at Improving the quality of development and establishing design standards to help redefine this corridor as a major local and regional destination for residents, workers, students, and visitors. The San Pablo Avenue Specific Plan provides a vision and policies for how the Avenue can become a vibrant, accessible, and sustainable mixed-use corridor.

Citywide Zoning. The City is currently updating its zoning ordinance. The City’s existing ordinance was last comprehensively updated in August 2002 and does not reflect the city’s’ recently adopted San Pablo General Plan 2030. The City’s zoning ordinance regulates land uses within the jurisdictional boundaries of San Pablo. The ordinance identifies land uses that are permitted, conditionally permitted, and not permitted within each area (or zone) of the city. The ordinance also establishes standards such as minimum lot size, maximum building height, and how far buildings must be set back from the street. Provisions for parking, landscaping, lighting, and other rules that guide the development of projects within the city are also included. The overall goal for the new zoning ordinance is to promote the growth of the City in an orderly manner and to promote and protect the public health, safety, peace, comfort, and general welfare in conformance with the General Plan 2030.

CERTIFICATE OF ACHIEVEMENT

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, 2011. 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.



Letter of Transmittal

ACKNOWLEDGEMENTS

We wish to thank the City Council for providing the clear policy direction and goals which have been used to prepare this Comprehensive Annual Financial Report. A great deal of effort and attention to detail, representing many hours of work by staff members throughout the organization, is required to produce a report of this quality. We would like to express our appreciation to all City of San Pablo staff members who have taken the time to participate in the development of this year's Comprehensive Annual Financial Report. Special recognition is given to the Finance Department. Appreciation is also expressed to the Mayor and the City Council for their interest and support in planning and conducting the financial activities of the City in a responsible and responsive manner.

Respectfully submitted,

Matt Rodriguez
City Manager

Bradley J. Ward
Finance Director

CITY OF SAN PABLO

FY 2011-2013 ORGANIZATIONAL CHART

SAN PABLO CITY COUNCIL / RDA AGENCY / SPEDC BOARD OF DIRECTORS

YOUTH SERVICES
[1] Youth Services Program Manager

CITY MANAGER & EXECUTIVE DIRECTOR

ADMINISTRATIVE / CONFIDENTIAL
[1] Executive Assistant
[1] Deputy City Clerk

**HUMAN RESOURCES / WORKERS
COMPENSATION / SAFETY**
[1] Human Resources Manager

ASSISTANT CITY MANAGER
ECONOMIC DEVELOPMENT CORPORATION (SPEDC)
[1] Community Services Analyst
[1] Redevelopment Analyst

RECREATION SERVICES
[1] Recreation Program Manager
[1] Recreation Supervisor
[2] Recreation Coordinator
[1] Recreation Administrator
[1] Administrative Aide
[1] Art Gallery Curator

FINANCE DIRECTOR

CITY PLANNER

PUBLIC WORKS DIRECTOR

POLICE CHIEF

FINANCIAL SERVICES
[1] Financial Analyst
[1] Fiscal Services Clerk I
[1] Fiscal Services Clerk I

**INFO SYSTEMS
SERVICES**
[1] Info. Systems Manager
[1] Info. Systems Admin.
[1] Info. Systems Tech.

**BUILDING SERVICES
(Contract Services)**
PLANNING SERVICES
[1] Associate Planner
PERMIT SERVICES
[1] Senior Permit Technician
[1] Permit Technician
[1] Sr. Administrative Clerk
[1] Sr. Admin Secretary

RISK MANAGEMENT
Municipal Pooling
Authority (MPA)

ENGINEERING
[1] Senior Civil Engineer
[1] Senior Public Works Inspector
[1] Engineering Technician
ENVIRONMENTAL PROGRAMS
[1] Environmental Program Analyst

PW MAINTENANCE
[1] PW Manager
[1] PW Maintenance & Operations Supervisor
[1] Senior Maintenance Worker
[3] Lead Maintenance Worker
[4] Maintenance Worker III
[2] Maintenance Worker II

PD MANAGEMENT
[1] Police Captain
[3] Police Lieutenant

SWORN STAFF
[10] Sergeant
[38] Police Officer

NON-SWORN STAFF
[1] Administrative Analyst
[1] Senior Admin. Secretary
[7] Police Services
Technician
[7] Police Admin. Clerk
[2] Police Services Assistant

CODE ENFORCEMENT
[1] Senior Code
Enforcement Officer
[1] Police Admin. Clerk

CITY OF SAN PABLO
ELECTED OFFICIALS AND
ADMINISTRATIVE PERSONNEL

JUNE 30, 2012

ELECTED OFFICIALS

Mayor	Cecilia Valdez
Vice Mayor	Leonard R. McNeil
Council Member	Genoveva Garcia-Calloway
Council Member	Paul V. Morris
Council Member	Kathy Chao-Rothberg
City Clerk	Ted J. Denney
City Treasurer	Viviana Toledo

ADMINISTRATIVE PERSONNEL

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

Matt Rodriguez
Kelsey D. Worthy
Brian M. Libow
Walter N. Schuld
Bradley J. Ward
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, 2011

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.



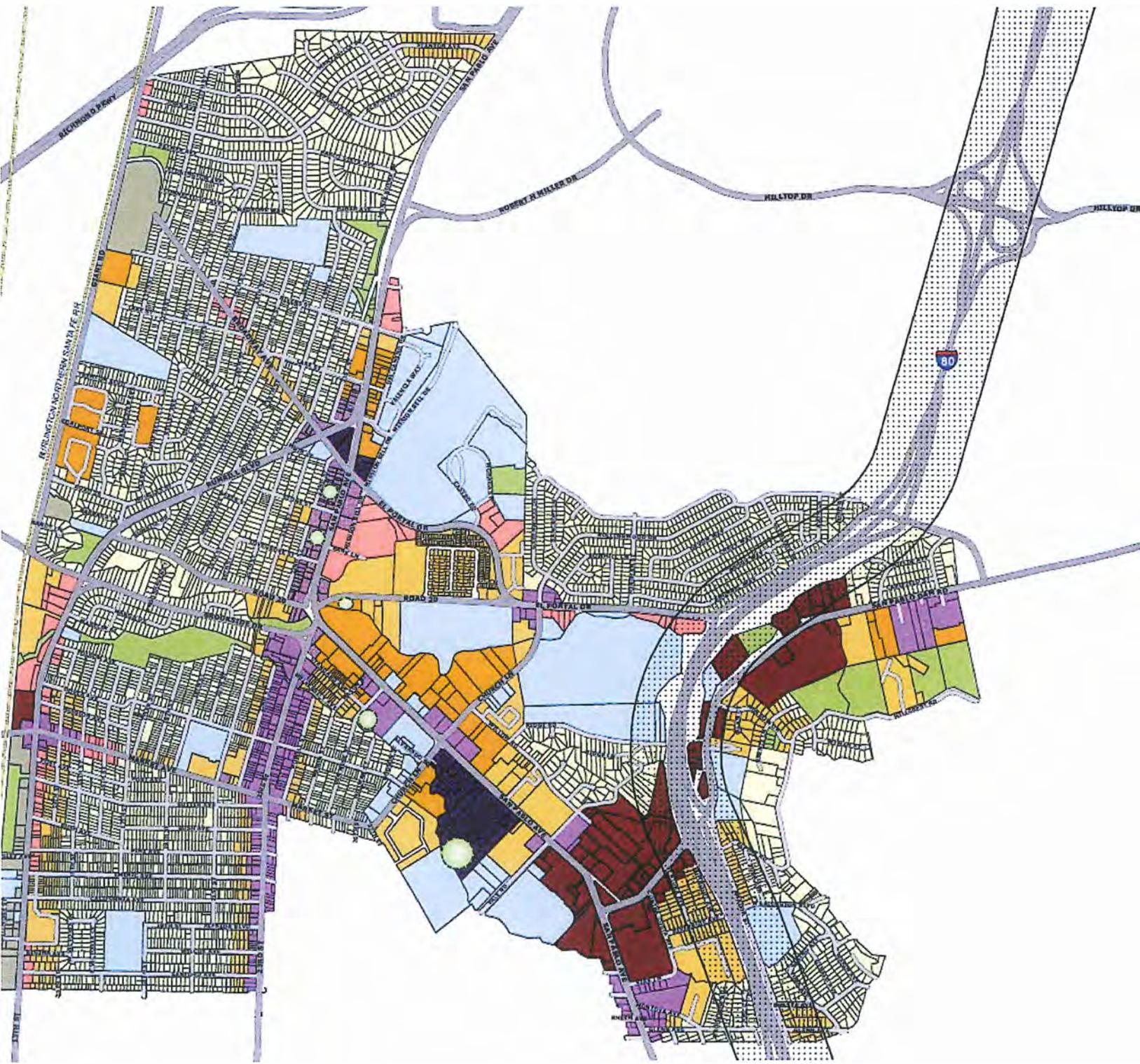
Linda C. Danison

President

Jeffrey R. Emer

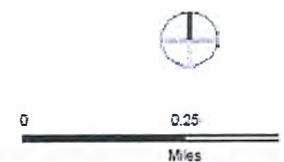
Executive Director

Figure 3-2
**General Plan Land
 Diagram**



- Mixed Use Centers*
- Residential Mixed Use
- Commercial Mixed Use
- Regional Commercial
- Neighborhood Commercial
- High Density Residential
- Medium Density Residential
- Low Density Residential
- Industrial Mixed Use
- Public/Institutional
- Parks/Recreation
- Potential Park Location
- Air Quality Health Risk Over
- Major Roads
- Minor Roads
- Railroads

*Please see the General Plan for designation description



SOURCE: Contra Costa County, 2010; City of Fremont, 2010; Dyett & Bhatia, 2010.

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying 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, 2012, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2012, and the respective changes in financial position and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14, pursuant to ABx1 26 adopted by the State of California which was validated by the California Supreme Court on December 28, 2011, the Redevelopment Agency of the City of San Pablo has been dissolved and its assets turned over to and liabilities assumed by Successor Agencies effective January 31, 2012. Certain transactions undertaken by the Redevelopment Agency of the City of San Pablo prior to the date of dissolution may be subject to review by the State as discussed in Note 14, but the effect of that review can not be determined as of June 30, 2012.

Prior to the Redevelopment Agency dissolution, the Agency board approved two agreements which obligated it to repay certain advances to the Low and Moderate Income Housing Fund. The assets of the Low and Moderate Income Housing Fund were transferred to the City as Housing Successor to the Redevelopment Agency on February 1, 2012, which included these advances. These advances have been recorded as liabilities of the Successor Agency as management believes these amounts are valid obligations. Repayment of these agreements is subject to certain administrative procedures and review and approval by the California Department of Finance and/or the Oversight Board, and as a result any amount disallowed is not determinable at this time.

The City's position on these matters is not a position of settled law and there is considerable legal uncertainty regarding these matters. It is possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue favorably or unfavorably to the City. No provision for liabilities resulting from the outcome of these uncertain matters has been recorded in the accompanying financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2012, 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.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and budgetary comparison information for the General Fund, Redevelopment Agency Low and Moderate Income Housing Special Revenue Fund and Economic Development Corporation Special Revenue Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The Introductory Section, Supplemental Information, and Statistical Section listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the financial statements. The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated in all material respects in relation to the financial statements as a whole. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Mane & Associates

October 22, 2012



Management's Discussion and Analysis

This discussion and analysis of the City of San Pablo's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the Letter of Transmittal, the Basic Financial Statements and the accompanying Notes to the Basic Financial Statements.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$119.9 million. Of this amount, \$35.1 million may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased \$57.1 million as the long-term debt of the former Redevelopment Agency was transferred to a Successor Agency with the dissolution of the Redevelopment Agency on January 31, 2012, pursuant to the State's adoption of ABx1 26 in June 2011 and AB1484 in June 2012. In addition, the balances of the funds that formerly received incremental property tax were remitted to the Successor Agency pursuant to the legislation.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$39.1 million, and decreased from \$65.4 million in 2011 to \$39.1 million in 2012, and decrease of \$26.3 million year over year. This is due to the EDC returning \$2.4 million to the Successor Agency, the dissolution of the Redevelopment Agency on January 31, 2012, and the Redevelopment Agency unspent bond proceeds no longer being part of the governmental funds. Public Works Construction completed a number of major projects this year and the funds that were set aside for these projects have been expended and certain unencumbered Redevelopment Agency funds were returned to the Successor Agency.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of San Pablo ("the City") and its component units using the blended approach as prescribed by government accounting standards. The City's basic financial statements are comprised of three components: 1) City-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Basic Financial Statements.

The Government-Wide Financial Statements present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the City, including infrastructure, as well as all liabilities, including long-term debt. Additionally, certain eliminations have occurred, as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34, in regards to interfund activity, payables and receivables.

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets report information about the City as a whole. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid. In addition, these two statements report the City's net assets and changes in them. Over time, increases or decreases in the City's net assets are one indicator of



Management's Discussion and Analysis

whether its financial health is improving or deteriorating. Other factors to consider are changes in the City's property tax base and the condition of the City's roads. Currently the City's roads are rated "good" by the Metropolitan Transportation Commission. In order to maintain this status the City will need to increase its expenditure from the General Fund

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 five Major Funds in 2012 in addition to the General Fund: The Redevelopment Agency Low & Moderate Income Housing, the Low and Moderate Housing Assets Fund, the Economic Development Corporation Fund, the Redevelopment Agency Projects Fund and the Public Works Construction Fund.

The City's Fund Financial Statements are divided into three categories - Governmental Funds, Non-Major Governmental Funds, and Fiduciary Funds. The Governmental Fund financials are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The Fiduciary Funds are reported using the economic resources measurement focus and the full accrual basis of accounting. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Governmental Funds. All of the City's basic services are reported in Governmental Funds, which focus on how money flows into and out of those funds and the balances remained at year-end that are available for spending. The Governmental Fund statements provide a detailed, short-term view of the City's general government operations and the basic services it provides which include: general government, community development, public safety, public works and engineering, and recreation. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund Financial Statements to those in the City-Wide Financial Statements are explained in a reconciliation that is below each Governmental Fund Financial Statement.

Non-Major Governmental Funds. Non-Major Governmental Funds are comprised of Special Revenue Funds and Debt Service Funds which are established by State law and by bond covenants to account for specific revenues that are legally restricted to expenditure for particular purposes.

Fiduciary Funds. The City is the trustee, or fiduciary, for certain amounts held on behalf of property owners, other government entities, and others. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the Government-Wide Financial Statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.



Management’s Discussion and Analysis

Notes to the Basic Financial Statements. The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Pursuant to ABx1 26 adopted by the State of California which was validated by the California Supreme Court on December 28, 2011, the Redevelopment Agency of the City of San Pablo was been dissolved and its assets turned over to and liabilities assumed by Successor Agencies effective January 31, 2012. The City elected to serve as Housing Successor to the housing activities of the former Redevelopment Agency and assumed the housing assets. All other assets and liabilities of the former Redevelopment Agency were turned over to the Successor Agency.

The City’s net assets increased from \$61.6 million in 2011 to \$118.7 million in 2012; an increase of \$57.1 million year over year. The annual change comes from the change in net assets as recorded in the Statement of Activities and which flows through the Statement of Net Assets. Net assets increased as a result of the transfer of debt to the Successor Agency of \$84 million. Off-setting this was the cash transfer of \$8 million that was related to this debt, Redevelopment Agency property held for resale of \$14 million, reduction of cash balances of \$4 million from the General Fund, \$3 million from the Economic Development Corporation and \$3 million from the Redevelopment Agency.

A portion of the City’s net assets represent resources which are subject to external restrictions on use. This restricted amount is \$23.2 million as of June 30, 2012. The remaining balance of unrestricted net assets of \$33.9 million may be used to meet the City’s ongoing obligations to citizens and creditors.

Governmental Net Assets at June 30

	Governmental Activities	
	2012	2011
Current Assets	\$61,437,837	\$ 92,508,170
Capital Assets	61,548,129	61,335,156
Total Assets	122,985,966	153,843,326
Current Liabilities	\$ 4,306,408	\$ 7,978,639
Long-Term Liabilities Outstanding	0	84,286,747
Total Liabilities	3,086,408	92,265,386
Net Assets:		
Invested in Capital Assets, Net of Related Debt	\$61,548,129	\$39,968,889
Restricted	23,252,245	12,660,690
Unrestricted	33,879,184	8,948,361
Total Net Asset	\$118,679,558	\$61,577,940



Management's Discussion and Analysis

Changes in Governmental Net Assets at June 30

	<u>2012</u>	<u>2011</u>
Revenues:		
Program revenues:		
Charges for Services	\$995,939	\$1,083,082
Operating Contributions and Grants	2,158,891	2,497,146
Capital Grants	3,095,927	2,304,659
General Revenues and Extraordinary Item:		
Taxes:		
Property Taxes	1,345,016	1,129,241
Incremental (RDA) Property Taxes	5,051,415	9,415,129
Sales Taxes	1,396,988	1,313,493
In-lieu Sales Tax	421,134	316,486
Utility Taxes	2,339,064	2,083,913
Transient Occupancy Taxes	309,167	
Franchise Taxes	540,565	
Payment in Lieu of Taxes	1,757,473	
Other Taxes	85,790	16,217,232
Motor Vehicle Taxes	1,688,305	1,881,451
Business Licenses (non-regulatory)	15,800,631	313,623
Investment Earnings	394,790	666,850
Gain on Sale of Property		1,327,416
Miscellaneous	344,653	228,070
Extraordinary Item: Assets Transferred to/Liabilities Assumed by Successor Agency	49,928,093	
Total Revenues	<u>87,653,841</u>	<u>40,777,791</u>
Expenses		
General government	\$4,041,867	\$3,873,454
Community:		
Recreation	1,141,266	1,296,966
Development	2,062,972	4,482,336
Housing	6,937	86,761
Public Works & Engineering	7,447,687	7,379,061
Police	13,676,212	14,397,742
Interest and fiscal charges	2,175,282	3,813,714
Total Expenses	<u>30,552,223</u>	<u>35,330,034</u>
Change in Net Assets	57,101,618	5,447,757
Net Assets – 7/1	61,577,940	56,130,183
Net Assets – 6/30	<u>\$118,679,558</u>	<u>\$61,577,940</u>

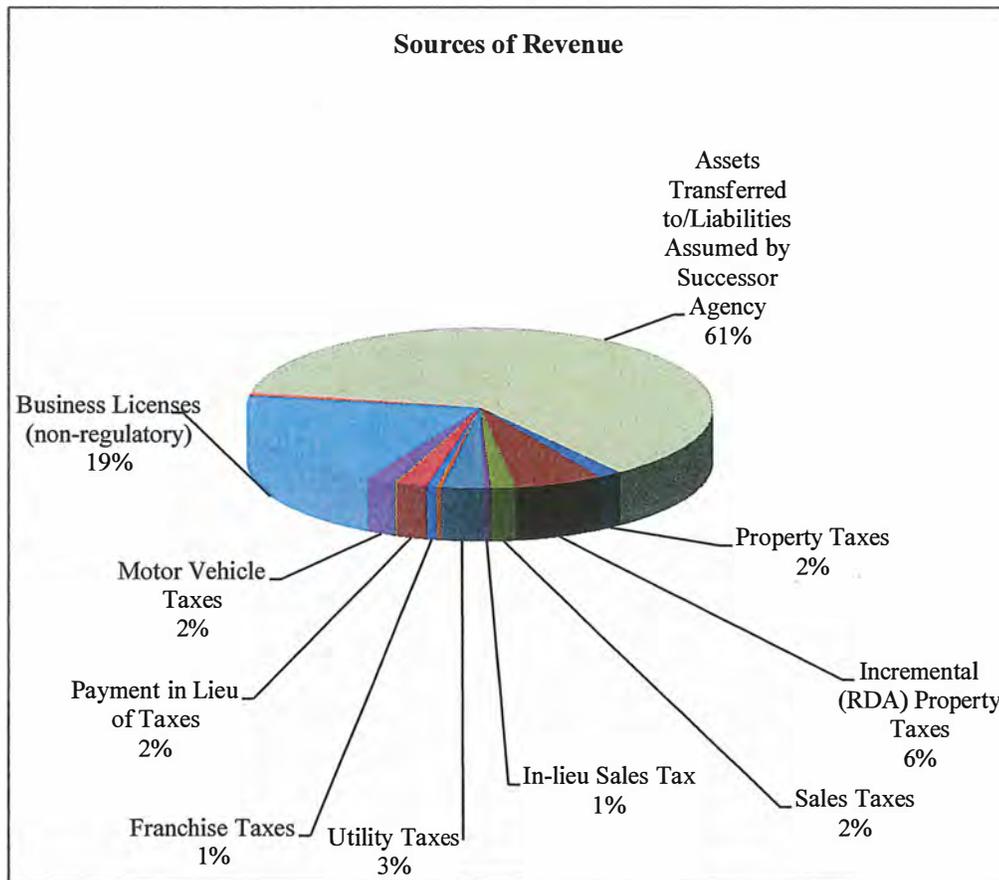


Management’s Discussion and Analysis

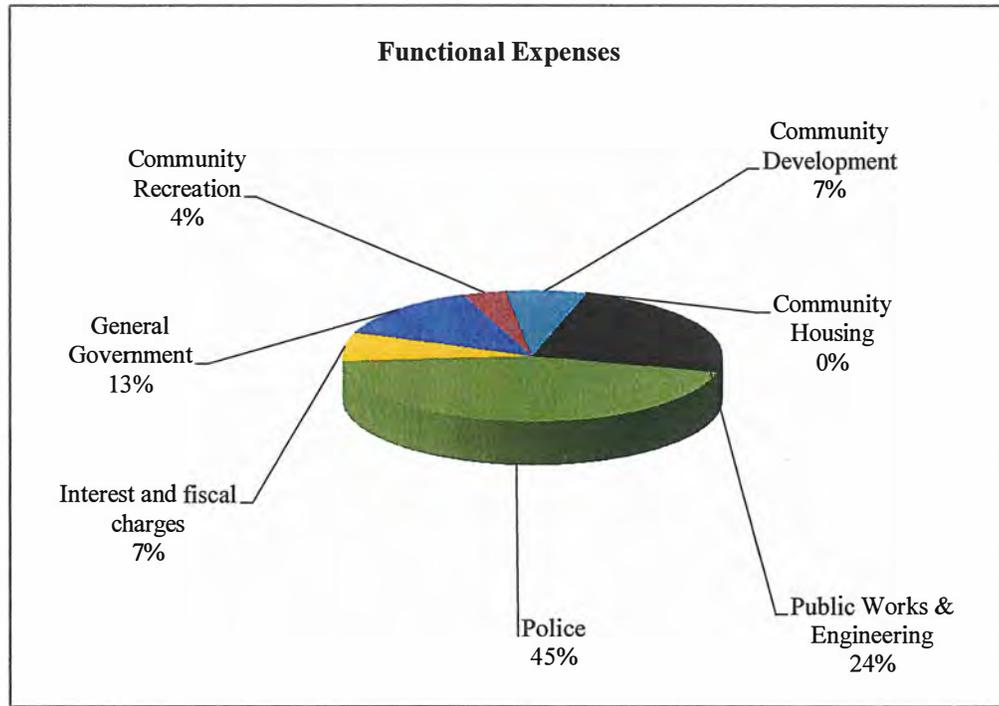
The cost of all Governmental activities this year was \$30.6 million. Net expenses, as shown in the Statement of Activities, were \$24.3 million. A portion of the cost for these activities was paid either by those directly benefitting from the programs (\$1.0 million), by other governments and organizations that subsidized certain programs with operating grants and contributions (\$2.2 million), or capital grants and contributions (\$3.1 million). Overall, the City’s governmental program revenues were \$6.3 million.

Total resources available during the year to finance governmental operations were \$149.2 million; consisting of net assets at July 1, 2011 of \$61.6 million, program revenues of \$6.2 million and general revenues of \$81.4 million. Total Governmental activities during the year were \$30.6 million, thus net assets were increased by \$57.1 million to \$118.7 million.

Graphs: Revenues by Source & Program Revenues and Expenses



Management’s Discussion and Analysis



The Sources of Revenue chart above shows \$5.1 million, or 6% of the City’s fiscal 2012 revenue came from Redevelopment Agency incremental property taxes due to redevelopment efforts. Business licenses of \$15.8 million accounted for 19% of the City’s revenues, which came primarily from Casino San Pablo. An extraordinary item in fiscal 2012, transferring of Redevelopment Agency assets, net of liabilities, to the Successor Agency, represented 61% of the total revenues.

The Functional Expenses chart above shows the impacts of the dissolution of the Redevelopment Agency of the City of San Pablo. Community Development expenditures decreased by \$2.4 million. Interest and fiscal charges decreased by \$1.6 million, this was due to the transferring of debt to the Successor Agency as of January 31, 2012.

FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS

At year end, the City’s General Fund had a balance of \$25.1 million. This represents an increase of \$.8 million compared to 2011. The increase is can be attributed to the \$7.7 million in excess of revenues over expenditures, which were partially offset by a transfer of \$5.5 million to capital projects and transfers to other funds of \$1.0 million. Total General Fund revenues increased \$2.8 million, primarily due to an increase of the Business License Tax received from the Casino San Pablo.



Management's Discussion and Analysis

The Redevelopment Agency Low and Moderate Income Housing Fund balance decreased by \$6.0 million due to the dissolution of the Redevelopment Agency and the transfer of housing assets to the Housing Successor.

The Low and Moderate Income Housing Assets Fund, a new fund in 2012, had a fund balance of \$5.9 million as a result of the City assuming the assets of the Redevelopment Low and Moderate Income Housing Fund as Housing Successor.

The Economic Development Corporation fund balance decreased \$2.8 million primarily due to \$2.4 million of assets transferred to the Successor Agency to return unspent Redevelopment funds received in the prior fiscal year.

The Redevelopment Agency Project Fund decreased \$10.7 million due to the transfer of all assets and liabilities to the Successor Agency.

The Public Works Construction Fund decreased \$5.4 million as a result of the completion of \$8.5 million in projects offset by project grant funding of \$2.7 million and the net transfers from other funds of \$3.3 million.

Other Governmental Funds decreased \$8.1 million primarily due to the transfer of the Redevelopment Agency unspent bond proceeds to the Successor Agency.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City adopts a biennial budget every other year. This fiscal year ending June 30, 2012 was the first year of the two-year budget process. Differences between the actual results and the original General Fund budget and the final General Fund budget are :

Property Tax. On July 12, 2012 the Successor Agency was directed to return \$2.4 million to Contra Costa County. Per the tax allocation formula maintained by the County this was to be distributed to the taxing authorities, which includes the City. The City received an additional \$255 thousand in property tax it had not budgeted for.

Utility Users Tax. The City did not budget for utility users tax from the water district as their customer information system was not able to bill for this tax. In September 2011 they implemented a new customer information system. The City started receiving taxes during October 2011.

Business License. The City budgeted conservatively for Business license tax, which is primarily from Casino San Pablo, as there were serious economic threats from the potential development of two new Class III Casino Projects. These projects did not materialize and casino revenue was not impacted.



Management’s Discussion and Analysis

Use of Money and Property. The interest that was collected on the loan to the West Contra Costa County Healthcare District (District) was not budgeted pending the final results of the November 15, 2011 election. With the successful passage of the parcel tax the District was able to continue paying the amounts due on the loan.

Expenditures. Expenditures were 6.7% less than budgeted as all departments, especially the Police, were extremely careful to only spend what was needed. The Police Department also revised their overtime policy to reduce the need.

Transfers. While the original budget was increased significantly during the fiscal year, transfers to other funds still exceeded the estimate due to the recording of the potential funds that may be returned to the Successor Agency. The final amount will not be known until the State Controllers Office finishes their audit in 2013.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The capital assets of the City are those assets which are used in the performance of the City’s functions. At June 30, 2012, capital assets net of accumulated amortization and depreciation of the Governmental activities totaled \$61.6 million after \$4.4 million of assets of the former Redevelopment Agency were transferred to the Successor Agency. Amortization and depreciation on capital assets is recognized in the Government-Wide financial statements. Refer to Note 7 of this report for detailed information regarding capital assets. The City has elected to use the amortization and depreciation method as allowed by GASB Statement No. 34 for infrastructure reporting.

	Original Cost	Accumulated Depreciation	Book Value
Capital Assets - Governmental:			
Land and land improvements	\$6,118,985		\$6,118,985
Construction in progress	11,199,284		11,199,284
Buildings and improvements	8,427,082	\$4,488,340	3,938,742
Machinery and equipment	1,709,849	974,130	735,719
Vehicles	2,523,064	1,781,476	741,588
Park and trail improvements	8,853,940	387,638	8,466,302
Sports fields	1,506,986	823,963	683,023
Roads & streets including sidewalks	59,682,300	33,407,614	26,274,686
Bridges	5,486,753	4,181,057	1,305,696
Street lights	361,078	315,159	45,919
Storm drains	1,884,059	1,663,280	220,779
Traffic signals	2,786,762	1,689,001	1,097,761
Trees	1,227,462	507,817	719,645
Total Capital Assets - Governmental	\$111,767,604	\$50,219,475	\$61,548,129



Management’s Discussion and Analysis

Debt Administration. Debt, considered a liability of Governmental Activities, decreased by \$3.1 million in fiscal year 2012 as annual debt service payments were made. As previously discussed, the Redevelopment Agency dissolved on January 31, 2012, and on February 1, 2012, the outstanding debt of the Agency was transferred to the Successor Agency, which is presented as a Private Purpose Trust Fund on the Statement of Fiduciary Net Assets. See Note 14 to the financial statements for additional information. Refer to Note 8 for detailed information regarding the City’s long-term debt issues.

	Balance June 30, 2011	Incurred or Issued	Satisfied or Matured	Transferred to Successor Agency	Balance June 30, 2012
Governmental Activities					
Bonds Payable	\$84,286,747	\$169,289	\$3,290,000	\$81,166,036	\$0

As of June 30, 2012, a total of \$1.5 million remained outstanding for the Oak Park Assessment Bonds. The special assessment district debt is secured only by special assessments on the real property in the district issuing the debt. It is not the City’s responsibility although the City does act as these Districts’ agent in the collection and remittance of assessments.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS

The key assumptions in the General Fund revenue forecast for fiscal year 2013 are property taxes increasing 2% with all other revenue increasing at 3%.

Key budgetary impacts addressed in the fiscal year 2011/13 budget are the negative impact of the slowing of business activity and minimal commercial/residential development, the increased costs of doing business, the continuing drain on revenues by the State of California and the need to provide for the impacts of the proposed Governor’s redevelopment reform, which resulted in the dissolution of the Agency on January 31, 2012.

To address these challenges the City was able to negotiate major labor concessions, implement reductions in department services and supplies by 10%, offer early retirement incentives, reduce General Fund subsidies, reallocate and consolidate City-wide departmental spending, eliminate West Contra Costa Unified School District program funding, and have employees pay part of their medical premiums and retirement costs.

The dissolution of the Redevelopment Agency has substantially impacted how the City operates. The City will no longer be able to rely on bonds to provide funds for capital improvement projects. The City, through its Agency, will no longer be able to adopt a redevelopment plan and other similar actions. In addition, ABx1 26 and AB1484 direct the State Controller to review the activities of all redevelopment agencies and successor agencies to determine whether an asset transfer between an agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that



Management's Discussion and Analysis

received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the legislation purports to require the State Controller to order the asset returned to the redevelopment agency. The State Controller's Office has scheduled its asset transfer review from December 10th to the 21st. Once this review is completed the City will know what assets, if any need to be returned to the Successor Agency.

This action has been a cloud over the City. Capital projects are being canceled or put on hold pending additional funding. Alternative funding, such as New Market Tax Credits are being explored. With the State Controller having the ability to order assets returned, the uncertainty is making it difficult to progress.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. Questions about this report should be directed to the Finance Department, located at 13831 San Pablo Avenue, San Pablo, California 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 of 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 former Redevelopment Agency of the City of San Pablo, the City of San Pablo Joint Powers Financing Authority, and the San Pablo Economic Development Corporation. 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, Authority's and the Corporation's activities.

CITY OF SAN PABLO
STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Governmental Activities</u>
ASSETS	
Cash and investments available for operations (Note 3)	\$31,840,015
Accounts receivable	1,677,004
Due from other governments	1,358,447
Prepays and deposits (Note 1G)	7,193
Employee loans receivable (Note 5A)	17,728
Loan receivable (Note 5B)	615,529
Notes receivable under Redevelopment	
Agency programs, net (Note 5C)	21,360,022
Net OPEB asset (Note 11C)	4,561,899
Capital assets (Note 7):	
Land and construction in progress	17,318,269
Depreciable capital assets, net	<u>44,229,860</u>
Total assets	<u>122,985,966</u>
LIABILITIES	
Accounts payable and accrued liabilities	4,235,571
Claims payable (Note 13)	63,178
Unearned revenue	<u>7,659</u>
Total liabilities	<u>4,306,408</u>
NET ASSETS (Note 10)	
Invested in capital assets	<u>61,548,129</u>
Restricted for:	
Capital projects	1,591,723
Economic development projects	186,259
Low and moderate income housing	<u>21,474,263</u>
Total restricted net assets	<u>23,252,245</u>
Unrestricted net assets	<u>33,879,184</u>
Total net assets	<u><u>\$118,679,558</u></u>

See accompanying notes to financial statements

CITY OF SAN PABLO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants	
Governmental Activities:					
General Government	\$4,041,867	\$113,227			(\$3,928,640)
Community:					
Recreation	1,141,266	204,475			(936,791)
Development	2,062,972	289,569	\$189,994		(1,583,409)
Housing	6,937		52,377		45,440
Public Works & Engineering	7,447,687	85,258	1,236,034	\$3,095,927	(3,030,468)
Police	13,676,212	303,410	680,486		(12,692,316)
Interest and fiscal charges	2,175,282				(2,175,282)
Total Governmental Activities	<u>\$30,552,223</u>	<u>\$995,939</u>	<u>\$2,158,891</u>	<u>\$3,095,927</u>	<u>(24,301,466)</u>
General revenues:					
Taxes:					
Property taxes					1,345,016
Incremental property taxes					5,051,415
Sales taxes					1,396,988
In-lieu sales tax					421,134
Utility taxes					2,339,064
Transient occupancy taxes					309,167
Franchise taxes					540,565
Payment in lieu of taxes					1,757,473
Other taxes					85,790
Intergovernmental unrestricted:					
Motor vehicle in lieu fees					1,688,305
Business licenses (nonregulatory)					15,800,631
Use of money and property					394,790
Miscellaneous					344,653
Extraordinary item (Note 14A):					
Assets transferred to/liabilities assumed by Successor Agency					49,928,093
Total general revenues and extraordinary item					<u>81,403,084</u>
Change in Net Assets					57,101,618
Net Assets-Beginning					<u>61,577,940</u>
Net Assets-Ending					<u><u>\$118,679,558</u></u>

See accompanying notes to financial statements



CITY OF SAN PABLO

City of New Directions

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 2012. 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.

LOW AND MODERATE INCOME HOUSING ASSETS

This fund accounts for the activities related to the housing assets assumed by the City as Housing Successor to the former Redevelopment Agency. The activities are governed by California redevelopment law and must be used to provide housing for people with low and moderate incomes.

ECONOMIC DEVELOPMENT CORPORATION

This fund accounts for the activities of the San Pablo Economic Development Corporation, a nonprofit public benefit Corporation formed in February 2011 by the City and the Redevelopment Agency, established to provide physical, economic and educational development, redevelopment and revitalization efforts within the City.

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, 2012

	General	Redevelopment Agency Low and Moderate Income Housing	Low and Moderate Income Housing Assets	Economic Development Corporation
ASSETS				
Cash and investments available for operations (Note 3)	\$19,829,146		\$19,761	\$210,662
Interest receivable				
Accounts receivable	1,670,188		2,557	265
Due from other governments	467,644			
Due from other funds (Note 4B)	64,694			
Prepays and deposits (Note 1G)	7,193			
Employee loans receivable (Note 5A)	17,728			
Loan receivable (Note 5B)	615,529			
Notes receivable under Redevelopment Agency programs, net (Note 5C)			21,360,022	
Advance to other fund (Note 4D)	4,000,000			
Total Assets	\$26,672,122		\$21,382,340	\$210,927
LIABILITIES				
Accounts payable and accrued liabilities	\$910,535			\$24,668
Due to other funds (Note 4B)				
Deferred revenue	615,529		\$15,495,022	
Advance from other fund (Note 4D)				
Total Liabilities	1,526,064		15,495,022	24,668
FUND BALANCES				
Fund balance (Note 10)				
Nonspendable	4,024,921			
Restricted			5,887,318	186,259
Assigned	20,215			
Unassigned	21,100,922			
TOTAL FUND BALANCES	25,146,058		5,887,318	186,259
Total Liabilities and Fund Balances	\$26,672,122		\$21,382,340	\$210,927

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.

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.

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:

- Accrued liabilities
- Claims payable
- Compensated absences
- Net OPEB asset

NET ASSETS OF GOVERNMENTAL ACTIVITIES

See accompanying notes to financial statements

<u>Redevelopment Agency Projects</u>	<u>Public Works Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	\$9,668,349	\$2,112,097	\$31,840,015
	3,994		1,677,004
	724,866	165,937	1,358,447
			64,694
			7,193
			17,728
			615,529
			21,360,022
			4,000,000
	<u>\$10,397,209</u>	<u>\$2,278,034</u>	<u>\$60,940,632</u>
	\$276,899	\$423,965	\$1,636,067
		64,694	64,694
	7,659		16,118,210
	4,000,000		4,000,000
	<u>4,284,558</u>	<u>488,659</u>	<u>21,818,971</u>
			4,024,921
		1,789,375	7,862,952
	6,112,651		6,132,866
			21,100,922
	<u>6,112,651</u>	<u>1,789,375</u>	<u>39,121,661</u>
	<u>\$10,397,209</u>	<u>\$2,278,034</u>	
			61,548,129
			16,110,551
			(1,220,000)
			(63,178)
			(1,379,504)
			4,561,899
			<u>\$118,679,558</u>

CITY OF SAN PABLO
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

	General	Redevelopment Agency Low and Moderate Income Housing	Low and Moderate Income Housing Assets	Economic Development Corporation
REVENUES				
Property taxes	\$505,693			
Incremental property taxes				
Sales taxes	1,304,322			
In-lieu sales tax	421,134			
Utility users tax	2,339,064			
Business license tax	15,501,584			
Other taxes	2,692,995			
Licenses and permits				
Fines and forfeits	160,779			
Intergovernmental	2,200,479			
Charges for services	390,940			
Use of money and property	787,121	\$53,102	\$28,016	\$1,539
Miscellaneous	55,805			5,302
Total Revenues	26,359,916	53,102	28,016	6,841
EXPENDITURES				
Current:				
General Government	4,051,309			
Community:				
Recreation	1,045,283			
Development				494,180
Housing		1,239	5,698	
Public Works & Engineering	297,423			
Police	13,167,618			
Capital outlay	127,151			10,525
Debt service:				
Principal retirement				
Interest and fiscal charges				
Total Expenditures	18,688,784	1,239	5,698	504,705
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	7,671,132	51,863	22,318	(497,864)
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 4A)	214,703	206,626		300,000
Transfers (out) (Note 4A)	(7,071,627)	(7,576)		(213,606)
Total Other Financing Sources (Uses)	(6,856,924)	199,050		86,394
NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEMS	814,208	250,913	22,318	(411,470)
EXTRAORDINARY ITEMS (NOTE 14)				
Assets transferred to Housing Successor			5,865,000	
Assets transferred to/liabilities assumed by Successor Agency/Housing Successor		(6,208,680)		(2,441,983)
NET CHANGE IN FUND BALANCES	814,208	(5,957,767)	5,887,318	(2,853,453)
Fund balances at beginning of period	24,331,850	5,957,767		3,039,712
FUND BALANCES AT END OF PERIOD	\$25,146,058	\$5,887,318	\$5,887,318	\$186,259

See accompanying notes to financial statements

<u>Redevelopment Agency Projects</u>	<u>Public Works Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
		\$839,323	\$1,345,016
\$5,051,415		470,287	5,051,415
			1,774,609
			421,134
			2,339,064
			15,501,584
			2,692,995
		299,047	299,047
			160,779
	\$2,718,306	1,813,646	6,732,431
		343,032	733,972
169,060	26,500	5,496	1,070,834
	31,795	33,014	125,916
<u>5,220,475</u>	<u>2,776,601</u>	<u>3,803,845</u>	<u>38,248,796</u>
			4,051,309
			1,045,283
395,641		886,946	1,776,767
			6,937
		2,742,542	3,039,965
		434,007	13,601,625
	8,593,750	193,795	8,925,221
		3,290,000	3,290,000
		2,182,278	2,182,278
<u>395,641</u>	<u>8,593,750</u>	<u>9,729,568</u>	<u>37,919,385</u>
<u>4,824,834</u>	<u>(5,817,149)</u>	<u>(5,925,723)</u>	<u>329,411</u>
2,200,000	5,643,122	6,581,470	15,145,921
(5,376,641)	(2,373,620)	(102,851)	(15,145,921)
<u>(3,176,641)</u>	<u>3,269,502</u>	<u>6,478,619</u>	
1,648,193	(2,547,647)	552,896	329,411
			5,865,000
<u>(12,393,703)</u>	<u>(2,790,903)</u>	<u>(8,634,305)</u>	<u>(32,469,574)</u>
(10,745,510)	(5,338,550)	(8,081,409)	(26,275,163)
<u>10,745,510</u>	<u>11,451,201</u>	<u>9,870,784</u>	<u>65,396,824</u>
	<u>\$6,112,651</u>	<u>\$1,789,375</u>	<u>\$39,121,661</u>

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, 2012

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 (\$26,275,163)

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	8,461,940
Depreciation expense is deducted from fund balance	(3,586,978)
Capital asset retirements are deducted from fund balance	(261,409)
Capital assets transferred to the Successor Agency	(4,400,580)

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	3,290,000
Capital appreciation bonds accretion	(169,289)
Long-term debt assumed by the Successor Agency	81,166,036

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):

Accrued liabilities	(508,000)
Compensated absences	56,163
Claims payable	(411)
Interest payable	176,285
Deferred revenue	(988,849)
Net OPEB asset	141,873
	141,873

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$57,101,618

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$250,500	\$250,500	\$505,693	\$255,193
Sales taxes	1,219,000	1,219,000	1,304,322	85,322
In-lieu sales tax	420,000	420,000	421,134	1,134
Utility users tax	1,920,000	1,920,000	2,339,064	419,064
Business license tax	12,500,000	12,500,000	15,501,584	3,001,584
Other taxes	2,535,000	2,535,000	2,692,995	157,995
Fines and forfeits	170,000	170,000	160,779	(9,221)
Intergovernmental:				
Motor vehicle in lieu	1,797,140	1,797,140	1,688,305	(108,835)
Other	227,200	255,148	512,174	257,026
Charges for services	330,000	355,000	390,940	35,940
Use of money and property	192,000	192,000	787,121	595,121
Miscellaneous	10,000	10,000	55,805	45,805
Total Revenues	21,570,840	21,623,788	26,359,916	4,736,128
EXPENDITURES				
Current:				
General government	4,091,306	4,294,748	4,051,309	243,439
Community:				
Recreation	1,169,861	1,192,408	1,045,283	147,125
Public Works & Engineering	400,767	404,444	297,423	107,021
Police	13,984,362	13,931,451	13,167,618	763,833
Capital outlay	60,000	202,911	127,151	75,760
Total Expenditures	19,706,296	20,025,962	18,688,784	1,337,178
EXCESS OF REVENUES OVER EXPENDITURES	1,864,544	1,597,826	7,671,132	6,073,306
OTHER FINANCING SOURCES (USES)				
Transfers in		738,659	214,703	(523,956)
Transfers (out)	(2,237,132)	(5,355,785)	(7,071,627)	(1,715,842)
Total Other Financing Sources (Uses)	(2,237,132)	(4,617,126)	(6,856,924)	(2,239,798)
NET CHANGE IN FUND BALANCE	(\$372,588)	(\$3,019,300)	814,208	\$3,833,508
Fund balance at beginning of year			24,331,850	
FUND BALANCE AT END OF YEAR			\$25,146,058	

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 PERIOD JULY 1, 2011 TO JANUARY 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property			\$53,102	\$53,102
Total Revenues			53,102	53,102
EXPENDITURES				
Current:				
Community:				
Housing			1,239	(1,239)
Total Expenditures			1,239	(1,239)
EXCESS OF REVENUES OVER EXPENDITURES			51,863	51,863
OTHER FINANCING SOURCES (USES)				
Transfers in	\$1,785,237	\$1,785,237	206,626	(1,578,611)
Transfers out			(7,576)	(7,576)
Total Other Financing Sources (Uses)	1,785,237	1,785,237	199,050	(1,586,187)
NET CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEM	1,785,237	1,785,237	250,913	(1,534,324)
EXTRAORDINARY ITEM				
Assets transferred to the Successor Agency/Housing Successor			(6,208,680)	(6,208,680)
NET CHANGE IN FUND BALANCE	<u>\$1,785,237</u>	<u>\$1,785,237</u>	(5,957,767)	<u>(\$7,743,004)</u>
Fund balance at beginning of year			5,957,767	
FUND BALANCE AT END OF YEAR				

See accompanying notes to financial statements

CITY OF SAN PABLO
ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	<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	\$251,250	\$251,250	\$1,539	(\$249,711)
Miscellaneous			5,302	5,302
Total Revenues	<u>251,250</u>	<u>251,250</u>	<u>6,841</u>	<u>(244,409)</u>
EXPENDITURES				
Current:				
Community development	759,704	985,924	494,180	491,744
Capital outlay		13,300	10,525	2,775
Total Expenditures	<u>759,704</u>	<u>999,224</u>	<u>504,705</u>	<u>494,519</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(508,454)</u>	<u>(747,974)</u>	<u>(497,864)</u>	<u>250,110</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	200,000	300,000	300,000	
Transfers out		(213,606)	(213,606)	
Total Other Financing Sources (Uses)	<u>200,000</u>	<u>86,394</u>	<u>86,394</u>	
NET CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEM	<u>(308,454)</u>	<u>(661,580)</u>	<u>(411,470)</u>	<u>250,110</u>
EXTRAORDINARY ITEM				
Assets transferred to the Successor Agency			(2,441,983)	(2,441,983)
NET CHANGE IN FUND BALANCE	<u>(\$308,454)</u>	<u>(\$661,580)</u>	<u>(2,853,453)</u>	<u>(\$2,191,873)</u>
Fund balance at beginning of year			<u>3,039,712</u>	
FUND BALANCE AT END OF YEAR			<u>\$186,259</u>	

See accompanying notes to financial statements



CITY OF **SAN PABLO**

City of New Directions

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.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY

The Fund is used to account for the activities of the Successor Agency to the former Redevelopment Agency of the City of San Pablo.

CITY OF SAN PABLO
FIDUCIARY FUNDS
STATEMENTS OF FIDUCIARY NET ASSETS
JUNE 30, 2012

	Retiree Health Savings Plan Trust Fund	Successor Agency to the Redevelopment Agency Private-Purpose Trust	Agency Funds
ASSETS			
Investments - Mutual Fund (Note 3)	\$5,276,809		
Restricted cash and investments (Note 3)		\$20,640,594	\$3,520,596
Accounts receivable		1,533	
Interest receivable		292	30,229
Loans receivable (Note 14B)		280,536	
Property held for resale (Note 14C)		10,277,462	
Due from other governments			324,100
Deferred outflow of resources (Note 14E)		6,325,006	
Capital assets (Note 14D):			
Land and construction in progress		2,819,393	
Depreciable capital assets, net		1,555,280	
	<u>5,276,809</u>	<u>41,900,096</u>	<u>\$3,874,925</u>
Total Assets	<u>5,276,809</u>	<u>41,900,096</u>	<u>\$3,874,925</u>
LIABILITIES			
Accounts payable		2,500,079	\$531,448
Deposits held as agent for others			2,218,299
Due to the City of San Pablo			77,376
Due to bondholders			1,047,802
Derivative instrument (Note 14E)		6,325,006	
Long-term obligations (Note 14E):			
Due in one year		34,300,000	
Due in one year		52,851,957	
	<u></u>	<u>95,977,042</u>	<u></u>
Total Liabilities	<u></u>	<u>95,977,042</u>	<u>\$3,874,925</u>
NET ASSETS (DEFICIT)			
Held in trust for OPEB benefits and other governments	<u>\$5,276,809</u>	<u>(\$54,076,946)</u>	

See accompanying notes to financial statements

CITY OF SAN PABLO
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	Retiree Health Savings Plan Trust Fund	Successor Agency to the Redevelopment Agency Private-Purpose Trust
ADDITIONS		
Property taxes		\$3,901,117
Employer contributions	\$326,083	
Net investment income	(55,060)	129,664
Total additions	271,023	4,030,781
DEDUCTIONS		
Premiums paid	326,083	
Community Development		243,050
Public Works & Engineering		
Pass-through agreements		229,580
AB1484 True Up Payment		2,428,569
Estimated reduction in fair value of property held for resale (Note 14 C)		3,712,423
Depreciation		25,907
Debt service:		
Interest and fiscal charges		1,540,105
Total deductions	326,083	8,179,634
Net change in net assets before extraordinary item	(55,060)	(4,148,853)
EXTRAORDINARY ITEM (NOTE 14)		
Assets transferred to/liabilities assumed by Successor Agency		(49,928,093)
Net change in net assets	(55,060)	(54,076,946)
NET ASSETS (DEFICIT) HELD IN TRUST FOR OPEB BENEFITS AND OTHER GOVERNMENTS		
Beginning of year	5,331,869	
End of year	\$5,276,809	(\$54,076,946)

See accompanying notes to financial statements



CITY OF SAN PABLO

City of New Directions

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

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 28,931 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. As discussed in Note 14, the Agency was dissolved effective January 31, 2012.

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 San Pablo Economic Development Corporation is a California nonprofit public benefit Corporation formed in February 2011 by the City and the Redevelopment Agency under the laws of the State of California. The Corporation was organized for the purpose of providing physical, economic and educational development, redevelopment, and revitalization efforts within the City. The Corporation is governed by a board of directors consisting of the members of the City Council. Under an operating agreement with the Redevelopment Agency, the Corporation receives funding from the Agency and will use the funds for redevelopment purposes consistent with the California Community Redevelopment Law, Health and Safety Code Section 33000 and to implement and carry out the Redevelopment Plan. The Corporation entered into a Service Agreement with the City under which the City will perform the necessary services on an independent contractor basis to eliminate blight, provide affordable housing, improve the public realm, facilitate public and private developments, stimulate economic development, and create jobs. The Corporation was controlled by the City and had the same governing body as the City, which also performs all accounting and administrative functions for the Corporation.

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

In May 2012 the City Council, serving in its capacity as the governing board of the Corporation, adopted a resolution approving modifications to the governing board. Effective May 16, 2012, the governing board of the Corporation consists of two Councilmembers and three members of the community.

However, for the period May 16, 2012 through June 30, 2012 the Corporation's operations remained financially integrated with those of the City and City staff continued to provide accounting, administrative and managerial services for the Corporation. As a result of this financial integration, the Corporation has continued to be reported as a component unit of the City as of June 30, 2012. The financial activities of the Corporation are included in the Economic Development Special Revenue Fund.

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 Economic Development Corporation may be obtained from the City of San Pablo, One Alvarado Square, San Pablo, CA 94806. Separate financial statements are not issued for the Redevelopment Agency, 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.

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.

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Low and Moderate Income Housing Assets - This fund accounts for the activities related to the housing assets assumed by the City as Housing Successor to the former Redevelopment Agency. The activities are governed by California redevelopment law and must be used to provide housing for people with low and moderate incomes.

Economic Development Corporation - This fund accounts for the activities of the San Pablo Economic Development Corporation, a nonprofit public benefit Corporation formed in February 2011 by the City and the Redevelopment Agency, established to provide physical, economic and educational development, redevelopment and revitalization efforts within the City.

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 Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund accounts for the accumulation of resources to be used for payments at appropriate amounts and times in the future. The financial activities of the funds 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
For the Year Ended June 30, 2012

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 and fiduciary fund 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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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
For the Year Ended June 30, 2012

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 decrease in the liability was \$56,163 at June 30, 2012 and was allocated to the General Government, Community Recreation and Development 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	\$1,435,667
Additions	1,125,457
Payments	<u>(1,181,620)</u>
Ending Balance	<u>\$1,379,504</u>
Due in One Year	<u>\$1,379,504</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 \$7,193 at June 30, 2012.

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

H. *Estimates and Assumptions*

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. *New Funds, Renamed Fund and Closed Funds*

The Low and Moderate Income Housing Asset Special Revenue Fund was established to account for the activities related to the assets assumed by the City as Housing Successor to the housing activities of the former Redevelopment Agency of the City of San Pablo.

The Successor Agency to the Redevelopment Agency Private Purpose Trust Fund was established to account for the activities of the Successor Agency to the former Redevelopment Agency of the City of San Pablo.

The Adjudicated Asset Seizure Special Revenue Fund was renamed to the Asset Seizure Special Revenue Fund.

The Redevelopment Agency Low and Moderate Income Housing Special Revenue Fund, Redevelopment Agency Projects Capital Projects Fund, and the Merged Project Area 1999 Subordinate Tax Allocation Bonds, 2001 Tax Allocation Bonds Tenth Township Project Area, 2004 Tax Allocation Bonds Legacy Project Area, 2004 Tax Allocation Bonds Tenth Township Project Area, and 2006 Subordinate Tax Allocation Bonds Tenth Township Project Area Debt Service Funds were closed as of January 31, 2012 as the result of the dissolution of the Redevelopment Agency discussed in Note 14.

The Town Center Special Assessment District Agency Fund was closed as of June 30, 2012.

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.

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

6. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all funds except the Low and Moderate Income Housing Assets, Traffic Congestion Relief and HCD Grant Special Revenue Funds and the 2004 Tax Allocation Revenue Bonds Legacy Project Area Debt Service Fund. In addition, the Public Works Construction Capital Projects Fund is budgeted on a project length basis and therefore is not comparable on an annual basis.

B. Excess of Expenditures over Appropriations

The funds below incurred expenditures in excess of budget as follows:

Redevelopment Agency Projects Fund	
Community Development	\$108,641
Redevelopment Agency Low and Moderate	
Income Housing Special Revenue Fund	
Community Housing	1,239
Gas Tax Special Revenue Fund	
Capital Outlay	65
Law Enforcement Services Special Revenue Fund	
Police	95,617
Capital Outlay	92,233

These excesses were the result of unanticipated expenditures; however, sufficient resources were available within the funds to finance these excesses.

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.

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.

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 3 - CASH AND INVESTMENTS (Continued)

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 debt instruments or agency agreements.

Cash and investments available for operations	\$31,840,015
Restricted cash and investments	
in Fiduciary Funds (separate statement):	
Retiree Health Savings Plan Trust	5,276,809
Successor Agency to the Redevelopment	
Agency Private Purpose Trust	20,640,594
Agency Funds	3,520,596
Total cash and investments	\$61,278,014

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.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Bills, Notes or Bonds	5 years	N/A	No Limit	No Limit
Federal Instrumentality (government sponsored enterprise)	5 years	N/A	No Limit	No Limit
Federal Agency Mortgage Backed Securities and Debentures	5 years	N/A	No Limit	No Limit
Medium Term Notes	5 years	A/A2	30%	No Limit
Non-Negotiable Certificates of Deposit	5 years	FDIC Insured Bank	No Limit	No Limit
Commercial Paper	270 Days	A/A-1	25%	10%
Banker's Acceptances	180 days	A-1/P-1	15%	10%
Repurchase Agreements	30 days	A/A-1	20%	No Limit
California Local Agency Investment Fund	N/A	N/A	No Limit	\$50 million
Money Market Funds	N/A	AAAm	20%	No Limit

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 3 - CASH AND INVESTMENTS (Continued)

D. Investments Authorized by Debt Agreements

The Successor Agency to the Redevelopment Agency 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 Successor Agency 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

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.

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 3 - CASH AND INVESTMENTS (Continued)

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 investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the investments by maturity or earliest call date:

	Cash and Investments Available for Operations	Restricted Cash and Investments	Total	Maturity Date	Credit Rating
<i>Investments:</i>					
Federal Instrumentalities:					
Federal National Mortgage Association	\$499,750		\$499,750	November 7, 2012	AA+
Federal National Mortgage Association	499,750		499,750	November 28, 2012	AA+
Federal National Mortgage Association	505,950		505,950	May 3, 2013	AA+
Federal National Mortgage Association	510,115		510,115	March 14, 2014	AA+
Federal Home Loan Mortgage Corporation	500,000		500,000	July 11, 2012	AA+
Federal Home Loan Mortgage Corporation	500,000		500,000	November 16, 2012	AA+
Federal National Mortgage Association		\$1,564,000	1,564,000	July 18, 2016	AA+
Federal National Mortgage Association		1,577,000	1,577,000	July 18, 2016	AA+
Federal National Mortgage Association		2,000,000	2,000,000	July 18, 2016	AA+
Federal National Mortgage Association		1,360,000	1,360,000	July 18, 2016	AA+
Federal Farm Credit Bank		2,000,000	2,000,000	July 20, 2016	AA+
U.S. Treasury Notes	502,148		502,148	March 31, 2013	Exempt
U.S. Treasury Notes	499,219		499,219	August 31, 2016	Exempt
Medium Term Notes:					
Metropolitan Life Global Funding	507,835		507,835	January 11, 2013	AA-
Wal-Mart Stores, Inc.	529,960		529,960	April 15, 2013	AA
New York Life Global Funding	534,350		534,350	May 9, 2013	AA+
TIAA Global Markets, Inc	536,050		536,050	July 15, 2013	AA+
Local Agency Investment Fund	21,740,368	14,603,649	36,344,017	268 days average maturity	Not Rated
Wells Fargo Advantage Government Money Market Funds		1,241,460	1,241,460	32 days average maturity	AAA
Wells Fargo Advantage Treasury Plus Money Market Funds	85,828		85,828	1 day average maturity	AAA
Mutual Funds (Equities)		5,276,809	5,276,809		
<i>Cash with Banks and Petty Cash</i>	<u>3,703,773</u>		<u>3,703,773</u>		
Total Cash and Investments	<u>\$31,655,096</u>	<u>\$29,622,918</u>	<u>\$61,278,014</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 and is not registered with the Securities and Exchange Commission as an investment company. 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. At June 30, 2012 the average maturity was 268 days.

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

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 for the City's investments as of June 30, 2012 are included in the above table.

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
Non Major Funds		
Federal Farm Credit	Federal Instrumentalities	\$2,000,000
Federal national Mortgage Association	Federal Instrumentalities	6,501,000

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

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.

Fund Receiving Transfers	Fund Making Transfers	Transfer Amount
Major Funds:		
General Fund	Public Works Construction Capital Projects Fund	\$173,620 (A)
	Gas Tax Special Revenue Fund	41,083 (B)
Redevelopment Low and Moderate Income Housing Special Revenue Fund	General Fund	206,626 (C)
Economic Development Corporation Special Revenue Fund	General Fund	300,000 (D)
Redevelopment Agency Projects Capital Projects Fund	Public Works Construction Capital Projects Fund	2,200,000 (E)
Public Works Construction Capital Projects Fund	General Fund	5,429,516 (F)
	Economic Development Corporation Special Revenue Fund	213,606 (F)
Non-Major Funds:		
Gas Tax Special Revenue Fund	General Fund	521,150 (G)(H)
Street Lighting and Landscaping Special Revenue Fund	General Fund	200,921 (G)(H)
Development Services Special Revenue Fund	General Fund	231,869 (G)
Paratransit Special Revenue Fund	Measure C / J Special Revenue Fund	22,826 (I)
Law Enforcement Services Special Revenue Fund	General Fund	120,094 (J)
Traffic Congestion Relief Special Revenue Fund	General Fund	61,451 (G)
HCD Grant Special Revenue Fund	Redevelopment Low and Moderate Income Housing Special Revenue Fund	7,576 (K)
1999 Subordinate Tax Allocation Bonds Debt Service Fund	Redevelopment Agency Projects Capital Project Fund	740,418 (L)
	2001 Tax Allocation Bonds Legacy Project Area Debt Service Fund	14,357 (L)
	2004 Tax Allocation Bonds Legacy Project Area Debt Service Fund	1,767 (L)
2001 Tax Allocation Bonds Tenth Township Project Area Debt Service Fund	Redevelopment Agency Projects Capital Project Fund	671,744 (L)
	2001 Tax Allocation Bonds Legacy Project Area Debt Service Fund	22,818 (L)
2004 Tax Allocation Bonds Legacy Project Area Debt Service Fund	Redevelopment Agency Projects Capital Project Fund	142,539 (L)
2004 Tax Allocation Bonds Tenth Township Project Area Debt Service Fund	Redevelopment Agency Projects Capital Project Fund	1,696,935 (L)
2006 Subordinate Tax Allocation Bonds Tenth Township Project Area Debt Service Fund	Redevelopment Agency Projects Capital Project Fund	2,125,005 (L)
The reasons for these transfers are set forth below:		<u>\$15,145,921</u>

- | | |
|--|--|
| (A) To close out a public works project. | (G) Transfer amounts to reduce or eliminate fund deficits. |
| (B) To return excess funds to the General Fund. | (H) Transfer to fund operations. |
| (C) Transfer related to the return of property held for resale | (I) Transfer to correct revenue allocation. |
| (D) Transfer to fund operations. | (J) To fund grant local match. |
| (E) To return projects funds. | (K) Transfer to allocate interest income. |
| (F) Transfer amounts required to fund capital projects. | (L) Transfer amounts required to fund debt service payments. |

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, 2012, the Law Enforcement Services Special Revenue Fund owed the General Fund \$64,694.

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 4 – INTERFUND TRANSACTIONS (Continued)

C. *Redevelopment Advances*

During the fiscal year ending June 30, 2010 the Agency approved an interfund advance of \$3,000,000 from the Agency Low and Moderate Income Housing Fund to the Redevelopment Agency Projects Fund for the purpose of paying the Agency's share of the countywide Supplemental Education Revenue Augmentation Fund (SERAF). This loan does not bear interest and must be repaid in five years. The balance of the loan at January 31, 2012 was \$3,000,000. With the dissolution of the Agency effective February 1, 2012, the Successor Agency assumed the obligation to repay the advance and has recorded a loan payable to the Low and Moderate Income Housing Asset Fund as discussed in Notes 5C and 14 below.

In August 2011 the Agency approved a second interfund advance for the year ended June 30, 2011 of \$2,865,000 from the Agency Low and Moderate Income Housing Fund to the Redevelopment Agency Projects Fund for the purpose of funding the full amount of the Agency's 2010 SERAF payment. This loan does not bear interest and must be repaid in five years. The balance of the loan at January 31, 2012 was \$2,865,000. With the dissolution of the Agency effective February 1, 2012, the Successor Agency assumed the obligation to repay the advance and has recorded a loan payable to the Low and Moderate Income Housing Asset Fund as discussed in Notes 5D and 14 below.

D. *General Fund Advance to Public Works Construction Capital Projects Fund*

During fiscal year 2012, the City approved an interfund advance of \$4,000,000 from the General Fund to the Public Works Construction Capital Projects Fund for the construction of the Helms Community Center. The loan does not bear interest and is repayable from future Measure WW and Proposition 84 grant funds that have been dedicated to the project.

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 or Agency'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 \$3,000 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, 2012, 16 employees had \$17,728 in such loans.

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 5 - LOANS AND NOTES RECEIVABLE (Continued)

B. *West Contra Costa Healthcare District*

Under the terms of a Loan and Repayment Agreement dated August 2, 2010, the City made an unsecured loan of \$1,500,000 to the West Contra Costa Healthcare District (District) for the purpose of establishing an urgent care, rehabilitation and outpatient center. The loan accrues compound interest at a rate of 6% per year. The loan matures on July 1, 2013, at which time all unpaid interest and principal is due and payable in full. Principal and interest payments in the amount of \$45,633 commencing September 2010 are due the first of every month. At June 30, 2012, the total amount of principal outstanding was \$615,529.

C. *Notes Receivable under Redevelopment Agency Programs*

The Agency engaged 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. With the dissolution of the Redevelopment Agency as discussed in Note 14, the City agreed to become the successor to the Redevelopment Agency's housing activities and as a result the Low and Moderate Income Housing Asset Fund assumed the loans receivable of the Redevelopment Agency's Low and Moderate Income Housing Fund and a Successor Agency assumed the loans receivable of the Redevelopment Agency's Projects Fund as of February 1, 2012. The balances of the notes receivable in the Low and Moderate Income Housing Asset Fund at June 30, 2012 are set forth below:

Supplemental Education Revenue Augmentation Fund	\$5,865,000
Casa Adobe-Senior Citizen Units	1,182,495
Housing Initiative Program	11,013,238
San Pablo Housing Investors	1,599,776
East Bay Asian Local Development Corporation	1,699,513
Lao Family Community Development	468,031
Subtotal	21,828,053
Less: Allowance for conditional grant	(468,031)
Total	\$21,360,022

D. *Supplemental Education Revenue Augmentation Fund Loans*

During the fiscal year ending June 30, 2010 the Agency approved an interfund advance of \$3,000,000 from the Agency Low and Moderate Income Housing Fund to the Redevelopment Agency Projects Fund for the purpose of paying the Agency's share of the countywide Supplemental Education Revenue Augmentation Fund (SERAF). This loan does not bear interest and must be repaid in five years. With the dissolution of the Agency effective February 1, 2012, the Successor Agency assumed the obligation to repay the advance and has recorded a loan payable to the Low and Moderate Income Housing Asset Fund as discussed in Note 14 below. The balance of the loan at June 30, 2012 was \$3,000,000.

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 5 - LOANS AND NOTES RECEIVABLE (Continued)

In August 2011 the Agency approved a second interfund advance for the year ended June 30, 2011 of \$2,865,000 from the Agency Low and Moderate Income Housing Fund to the Redevelopment Agency Projects Fund for the purpose of funding the full amount of the Agency's 2010 SERAF payment. This loan does not bear interest and must be repaid in five years. With the dissolution of the Agency effective February 1, 2012, the Successor Agency assumed the obligation to repay the advance and has recorded a loan payable to the Low and Moderate Income Housing Asset Fund as discussed in Note 14 below. This second loan was approved by the Agency Board after June 28, 2011, which was during the period the State had put the Redevelopment Agency in suspension, therefore this second loan is subject to final approval by the State Department of Finance as discussed in Note 14. The balance of the loan at June 30, 2012 was \$2,865,000.

These loans had previously been reported as interfund advances. However, with the transfer of the associated liability to the Successor Agency, repayment of the loans is based upon whether the Successor Agency to the Redevelopment Agency receives a Finding of Completion from the State, therefore the loans are now offset with deferred revenue and the change has been reported as an Extraordinary Item as discussed in Note 14.

E. *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.

During fiscal year 2009, the Agency restructured the original agency loan and provided a new loan in the principal amount of \$1,232,951 to assist the Developer with financing the acquisition and rehabilitation of the Development. The Agency loan consists of the principal and accrued interest on the original Agency loan as of November 1, 2008. The restructured loan has a fifty five year term with a zero percent interest rate. Commencing on May 1, 2010 and on each May 1st thereafter, payments are to be made from "residual receipts" as defined in the agreement.

F. *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 January 31, 2012 was \$93,983. With the dissolution of the Agency effective February 1, 2012, the assets of the Redevelopment Agency Projects Fund, including the Plaza Sobrante loan, were assumed by a Successor Agency as discussed in Note 14.

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 5 - LOANS AND NOTES RECEIVABLE (Continued)

G. *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 January 31, 2012, Lotus Hotels, Inc. owed principal and accrued interest of \$71,288. With the dissolution of the Agency effective February 1, 2012, the assets of the Redevelopment Agency Projects Fund, including the Lotus Hotels, Inc. loan, were assumed by a Successor Agency as discussed in Note 14.

H. *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. At June 30, 2012 loans outstanding under this Program totaled \$11,060,376.

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.

I. *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. At January 31, 2012, 3 loans were outstanding with a balance of \$138,806. With the dissolution of the Agency effective February 1, 2012, the assets of the Redevelopment Agency Projects Fund, including the Micro Loan Program loans, were assumed by a Successor Agency as discussed in Note 14.

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 5 - LOANS AND NOTES RECEIVABLE (Continued)

J. *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, 2012, San Pablo Housing Investors owed principal of \$1,098,651 and interest of \$501,125.

K. *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, 2012, EBALDC has drawn down \$1,199,513 of the supplemental project loan.

L. *Lao Family Community Development*

Under the terms of an Affordable Housing Subsidy Agreement dated December 20, 1993, the Agency made a loan of \$82,500 to Lao Family Community Development, Inc. (Lao) for the development of a 32-unit apartment building with 3 of the units being affordable to moderate income persons. The loan bears interest at the rate of 6.06%, compounded annually. The agreement was amended on January 22, 1996 to provide an additional subsidy of \$75,000 which bears interest at the rate of 6.83%, compounded annually and increase the affordable units to 15. Both loans are repayable from “residual receipts” as defined in the agreement, and loans are due immediately upon the sale, assignment or transfer of the property without the consent of the Agency, or the expiration of the 30-year affordability covenant. However, unless the Agency directs otherwise, repayment of the loans is to be made to Contra Costa County under the terms of an Intercreditor Agreement, therefore the City has accounted for this loan as a conditional grant and provided a reserve against the outstanding balance of the loan. As of June 30, 2012, the balance of the loans, including accrued interest, was \$468,031.

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 6 - PROPERTY HELD FOR RESALE

The Redevelopment Agency had 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.

In March 2011, the Agency also entered into two leases with the City for the lease of Agency-owned property held for resale. Under both leases, the City would act as a master developer for the properties for a twenty year term, during which time it would market the properties for redevelopment, negotiate the terms of the redevelopment of the properties with developers selected by the City, and maintain and prepare the properties for development. Both leases contained a purchase option. The first lease for \$1 per year, with the option to purchase the land for \$1, was for one land parcel owned by the Redevelopment Agency Low and Moderate Income Housing Fund that was recorded as property held for resale. The second lease for a total rental payment of \$1,372,348 per year beginning March 2012, with an option to purchase the properties at the fair market value of the properties as determined by an appraisal, was for five development sites, consisting of thirteen separate land parcels owned by the Redevelopment Agency Projects Fund and recorded as property held for resale. The annual rental payments under the second lease were to be forgiven by the Agency so long as the City proceeded with its actions to develop the properties discussed above.

Although the City had not determined whether it would exercise the option to purchase the property under the first lease, due to the sale option price of \$1, generally accepted accounting principals related to the accounting for lease and purchase and sale transactions required that the sale be recorded in the year in which the agreement was executed, and the difference between the cost of the property and the sales price be recorded as a transfer between the funds. Therefore, the General Fund purchased the property as of June 30, 2011 and recorded it as property held for resale in the amount of \$206,626.

The second lease transaction was recorded as an operating lease until such time that the City exercises its option to purchase any of the properties and title is transferred from the Agency to the City. As of June 30, 2011, the City had not exercised its option to purchase any of the properties and they remained as property held for resale in the Redevelopment Agency Project Fund.

As discussed in Note 14, the suspension provisions of ABx1 26 require that any transfers of assets from the Agency to the City after January 1, 2011 be reversed, and the City and Agency determined that the leases described above fall within the scope of this provision of ABx1 26. Therefore, the City and Agency determined that the terms of the above leases would not be enforced and the General Fund returned the property held for resale to the Low and Moderate Income Housing Fund prior to January 31, 2012.

Also as discussed in Note 14, due to the dissolution of the Redevelopment Agency, the property held for resale of the Low and Moderate Income Housing Fund and the Redevelopment Agency Project Fund was transferred to the Successor Agency as of January 31, 2012.

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

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
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
For the Year Ended June 30, 2012

NOTE 7 - CAPITAL ASSETS (Continued)

A. Capital Asset Additions and Retirements

Capital assets recorded at June 30 comprise:

	Balance at June 30, 2011	Additions	Retirements	Transfers	Transfer to Successor Agency	Balance at June 30, 2012
<i>Governmental activities</i>						
Capital assets not being depreciated:						
Land and land improvements	\$9,199,787		(\$261,409)		(\$2,819,393)	\$6,118,985
Construction in progress	14,430,955	\$8,226,292		(\$11,457,963)		11,199,284
Total capital assets not being depreciated	<u>23,630,742</u>	<u>8,226,292</u>	<u>(261,409)</u>	<u>(11,457,963)</u>	<u>(2,819,393)</u>	<u>17,318,269</u>
Capital assets being depreciated:						
Buildings and improvements	11,085,908				(2,658,826)	8,427,082
Machinery and equipment	1,723,137	83,769	(268,287)	432,475	(261,245)	1,709,849
Vehicles	2,593,619	151,879	(77,222)		(145,212)	2,523,064
Park and trail improvements	1,575,619			7,278,321		8,853,940
Sports fields	1,506,986					1,506,986
Roads & streets including sidewalks	55,935,133			3,747,167		59,682,300
Bridges	5,486,753					5,486,753
Street lights	361,078					361,078
Storm drains	1,888,522		(4,463)			1,884,059
Traffic signals	2,786,762					2,786,762
Trees	1,227,462					1,227,462
Total capital assets being depreciated	<u>86,170,979</u>	<u>235,648</u>	<u>(349,972)</u>	<u>11,457,963</u>	<u>(3,065,283)</u>	<u>94,449,335</u>
Less accumulated depreciation for:						
Buildings and improvements	5,332,604	233,375			(1,077,639)	4,488,340
Machinery and equipment	1,377,054	126,608	(268,287)		(261,245)	974,130
Vehicles	1,770,218	233,692	(77,222)		(145,212)	1,781,476
Park and trail improvements	281,559	106,079				387,638
Sports fields	743,615	80,348				823,963
Roads & streets including sidewalks	30,833,479	2,574,135				33,407,614
Bridges	4,080,820	100,237				4,181,057
Street lights	312,067	3,092				315,159
Storm drains	1,655,627	12,116	(4,463)			1,663,280
Traffic signals	1,596,319	92,682				1,689,001
Trees	483,203	24,614				507,817
Total accumulated depreciation	<u>48,466,565</u>	<u>3,586,978</u>	<u>(349,972)</u>		<u>(1,484,096)</u>	<u>50,219,475</u>
Net capital assets being depreciated	<u>37,704,414</u>	<u>(3,351,330)</u>		<u>11,457,963</u>	<u>(1,581,187)</u>	<u>44,229,860</u>
Governmental activity capital assets, net	<u>\$61,335,156</u>	<u>\$4,874,962</u>	<u>(\$261,409)</u>		<u>(\$4,400,580)</u>	<u>\$61,548,129</u>

With the dissolution of the Redevelopment Agency as discussed in Note 14, a Successor Agency assumed the capital assets of the Redevelopment Agency as of February 1, 2012, which has been reported as a transfer above and as an Extraordinary Item in the Statement of Activities.

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 7 - CAPITAL ASSETS (Continued)

Construction in progress comprised the following at June 30, 2012:

<u>Project</u>	<u>Amount</u>
Rumrill Boulevard Bridge	\$4,595,506
I-80/San Pablo Dam Road Interchange	3,363,295
Community Center at Helms Middle School	677,352
23rd Street Traffic Calming	557,944
Wildcat Creek Trail	441,069
Gas Tank Replacement	422,625
Surveillance Cameras	217,520
Entry Monument and Signage	357,188
Day Lighting Creek at Davis Park	261,046
Other	305,739
Total construction in progress	<u><u>\$11,199,284</u></u>

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	\$70,700
Community Recreation	110,815
Community Development	30,137
Public Works	3,208,510
Police	166,816
Total depreciation expense	<u><u>\$3,586,978</u></u>

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

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 and Loan

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

	Original Issue Amount	Balance June 30, 2011	Additions	Retirements	Transfer to Successor Agency	Balance June 30, 2012
Tenth Township Redevelopment Projects:						
Subordinate Tax Allocation Bonds Series 1999A 3.75-5.65%, due 12/01/2023	\$9,850,000	\$5,320,000		\$610,000	\$4,710,000	
Tax Allocation Revenue Bonds Series 2001						
Current Interest Serial Bonds 3.25-4.85%, due 12/01/2018	7,855,000	3,680,000		520,000	3,160,000	
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	5,049,430	\$169,289		5,218,719	
Tax Allocation Revenue Bonds Series 2004 2.00-5.00%, due 12/01/2032	31,960,000	28,090,000		935,000	27,155,000	
Subordinate Tax Allocation Bonds Series 2006 Variable rate, due 12/01/2032	36,000,000	32,960,000		1,215,000	31,745,000	
SERAF Loan 2%, due 5/10/2021	1,083,520	1,083,039			1,083,039	
Total Tenth Township Redevelopment Projects Debt		<u>78,462,469</u>	<u>169,289</u>	<u>3,280,000</u>	<u>75,351,758</u>	
Legacy Redevelopment Projects:						
Tax Allocation Revenue Bonds Series 2004 2.00-5.00%, due 12/01/2032	5,795,000	5,685,000		10,000	5,675,000	
SERAF Loan 2%, due 5/10/2021	139,340	139,278			139,278	
Total Legacy Redevelopment Projects Debt		<u>5,824,278</u>		<u>10,000</u>	<u>5,814,278</u>	
Total Governmental Activity Debt		<u>\$84,286,747</u>	<u>\$169,289</u>	<u>\$3,290,000</u>	<u>\$81,166,036</u>	

With the dissolution of the Redevelopment Agency as discussed in Note 14, a Successor Agency assumed the long-term debt and loans of the Redevelopment Agency as of February 1, 2012, including the Swap agreement associated with the 2006 Bonds, which has been reported as a transfer above and as an Extraordinary Item in the Statement of Activities. For a detailed discussion of each of the Bonds and loans above, see Note 14 E below.

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

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, 2012, the balance of these districts' outstanding debt was as follows:

1998 Oak Park Reassessment Bonds	\$1,485,000
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The 1997 Town Center Reassessment Bonds were called on September 2011 and January 2012 using the reserve funds and a short-term borrowing of \$28,142 from City's General Fund, which was repaid upon the receipt of special assessment taxes in April 2012.

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.

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.

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 10 – NET ASSETS AND FUND BALANCES (Continued)

B. 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.

The City's fund balances are classified based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendable represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by formal action of the City Council which may be altered only by formal action by Resolution of the City Council. Encumbrances and nonspendable amounts subject to Council commitments are included along with spendable resources.

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Council or its designee and may be changed at the discretion of the City Council or its designee, the Finance Director. This category includes encumbrances; nonspendable, when it is the City's intent to use proceeds or collections for a specific purpose; and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 10 – NET ASSETS AND FUND BALANCES (Continued)

Detailed classifications of the City’s fund balances, as of June 30, 2012, are below:

Fund Balance Classifications	General Fund	Special Revenue		Capital Projects	Other Governmental Funds	Total
		Low and Moderate Income Housing Assets	Economic Development Corporation	Public Works Construction		
Nonspendable:						
Items not in spendable form:						
Prepays and deposits	\$7,193					\$7,193
Employee loans receivable	17,728					17,728
Advance to other fund	4,000,000					4,000,000
Total Nonspendable Fund Balances	4,024,921					4,024,921
Restricted for:						
Redevelopment Low and Moderate						
Income Housing		\$5,887,318				5,887,318
Economic Development Projects						
Programs			\$186,259			186,259
Street Lighting and Landscaping					\$105,729	105,729
Local Street and Road Improvements and Maintenance					475,226	475,226
Law Enforcement					382,068	382,068
National Pollution Discharge Elimination System					258,741	258,741
Paratransit					475,688	475,688
Housing Grants					91,923	91,923
Total Restricted Fund Balances		5,887,318	186,259		1,789,375	7,862,952
Assigned to:						
Capital Projects:						
Street and Road Projects				\$1,018,881		1,018,881
Wildcat Creek Trail				861,087		861,087
Bridge Replacement				289,474		289,474
Park Improvements				747,217		747,217
Community Centers				1,891,213		1,891,213
San Pablo Archway and Monument Signage				13,994		13,994
Surveillance cameras				99,497		99,497
Pedestrian Safety				58,551		58,551
Other	20,215			1,132,737		1,152,952
Total Assigned Fund Balances	20,215			6,112,651		6,132,866
Unassigned:						
General fund	21,100,922					21,100,922
Total Unassigned Fund Balances	21,100,922					21,100,922
Total Fund Balances	\$25,146,058	\$5,887,318	\$186,259	\$6,112,651	\$1,789,375	\$39,121,661

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 10 – NET ASSETS AND FUND BALANCES (Continued)

C. Stabilization and Contingency Arrangements

The City’s annual budget requires the City to implement and maintain a Budget Stabilization Fund or “rainy day” fund to handle any unforeseen contingencies in the future, rather than continued reliance on the City’s operating General Fund reserves. The Budget Stabilization Fund will acquire funds from any budget savings from preceding years, which gets transferred by City Council into the Budget Stabilization Fund, and will not be reprogrammed for City spending. As of June 30, 2012, the Budget Stabilization Fund balance, which is reported within the unassigned fund balance of the General Fund, had a balance of \$2,229,309.

The City established a Contingency Reserve with Resolution 2009-033, equal to six months of projected expenditures of the City’s general operating funds. As of June 30, 2012, the Contingency Reserve, which is reported within the unassigned fund balance of the General Fund, had a balance of \$13,128,893.

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, and effective July 1, 2011, the City amended its Plans and the employees agreed to pay additional contributions, phased in over a three year period. In addition, sworn safety employees hired after July 1, 2011 pay 12.3% of the contributions and all other employees hired after July 2, 2011 pay 10.3% of the contributions. The Plans’ provisions and benefits in effect at June 30, 2012 are summarized as follows:

	<u>Safety</u>	<u>Miscellaneous</u>
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	3.0%	2.0% -2.5%
Required employee contribution rates	9.0%	8.0%
Required employer contribution rates	20.812%	11.053%
Actuarially required contributions	\$1,316,888	\$610,980

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 11 - PENSION PLANS (Continued)

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 last three fiscal years were as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<i>Safety Plan</i>			
June 30, 2010	\$973,783	100%	0
June 30, 2011	1,058,437	100%	0
June 30, 2012	1,316,888	100%	0
<i>Miscellaneous Plan</i>			
June 30, 2010	\$440,866	100%	0
June 30, 2011	478,242	100%	0
June 30, 2012	610,980	100%	0

CALPERS uses the market related value method of valuing the Plan's assets. For the most recent actuarial report, as of June 30, 2010, an investment rate of return of 7.75% is assumed, including inflation at 3.0%. 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 19 years for the Safety Plan and 19 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 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.

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 11 - PENSION PLANS (Continued)

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. CALPERS' latest actuarial value (which differs from market value) and funding progress for the State-wide pools are shown below:

Safety Plan:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
2008	\$8,700,467,733	\$7,464,927,716	\$1,235,540,017	85.8%	\$914,840,596	135.1%
2009	9,721,675,347	8,027,158,724	1,694,516,623	82.6%	973,814,168	174.0%
2010	10,165,475,166	8,470,235,152	1,695,240,014	83.3%	955,980,815	177.3%

The City's Safety Plan represents approximately 0.68%, 0.69% and 0.62%, of the State-wide pool for the years ended June 30, 2010, 2009 and 2008, respectively, based on covered payroll of \$6,517,083, \$6,696,586 and \$5,683,872 for those years.

Miscellaneous Plan:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
2008	\$1,537,909,933	\$1,337,707,835	\$200,202,098	87.0%	\$333,307,600	60.1%
2009	1,834,424,640	1,493,430,831	340,993,809	81.4%	355,150,151	96.0%
2010	1,972,910,641	1,603,482,152	369,428,489	81.3%	352,637,380	104.8%

The City's Miscellaneous Plan represents approximately 1.67%, 1.69% and 1.55%, of the State-wide pool for the years ended June 30, 2010, 2009 and 2008, respectively, based on covered payroll of \$5,878,208, \$5,986,713 and \$5,181,587 for those years.

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

B. Public Agency Retirement System

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 the Public Agency Retirement System (PARS), a defined contribution plan, which requires these employees to contribute 6% and the City to contribute 1.5% of the employees pay plus administration costs. The City's required contributions of \$6,695 and the employee's required contributions of \$31,931 were made during the fiscal year ending June 30, 2012.

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 11 - PENSION PLANS (Continued)

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. The Plan does not issue separate financial statements. Coverage is also provided for spouses of employees having a minimum of 20 years of service at retirement. As of June 30, 2012 there were 62 participants receiving these health care benefits.

The Plan provisions and benefits in effect at June 30, 2012 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 (B)	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)	\$108 for single \$220 for two party \$285 for family	\$108 for single \$220 for two party \$285 for family	\$108 for single \$220 for two party \$285 for family	\$108 for single \$220 for two party \$285 for family
City Contribution Cap per Month (Supp)	Kaiser (C)	N/A	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.

(B) Supplemental coverage only to age 65.

(C) Those hired before May 1, 1986 entitled to single coverage beyond age 65.

The City elected to establish an irrevocable trust to provide a funding mechanism for the postemployment benefits (OPEB). 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
For the Year Ended June 30, 2012

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, 2008 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) 7% investment rate of return, (b) 3% projected annual salary increase, and (c) 4% health inflation increases. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the City and plan members to that point. 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 actuarial value of assets was determined using a 15 year smoothing formula and a 20% market value corridor. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis 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 began on April 20, 2006, thus these assets were excluded from the July 1, 2005 actuarial study. During the fiscal year ended June 30, 2012, the City contributed \$326,083 to the Plan, representing pay-as-you-go premiums. 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	\$308,861
Interest on net OPEB (obligation) asset	309,402
Adjustment to annual required contribution	<u>(434,053)</u>
Annual OPEB cost	184,210
Contributions made	<u>(326,083)</u>
(Decrease) increase in net OPEB obligations	(141,873)
Net OPEB obligation (asset) June 30, 2011	<u>(4,420,026)</u>
Net OPEB obligation (asset) June 30, 2012	<u><u>(\$4,561,899)</u></u>

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 11 - PENSION PLANS (Continued)

The Plan's annual required contributions and actual contributions for the years ended June 30, 2010, 2011, and 2012 are set forth below:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2010	\$115,655	\$292,408	253%	(\$4,227,715)
6/30/2011	105,090	297,401	283%	(4,420,026)
6/30/2012	184,210	326,083	177%	(4,561,899)

The Schedule of Funding Progress presents multi-year 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 actuarial studies 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%)
7/1/2008	5,051,901	4,386,044	665,857	115.18%	13,455,712	4.9%
7/1/2011	6,129,795	6,067,235	62,560	101.03%	12,707,312	0.5%

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
For the Year Ended June 30, 2012

NOTE 13 – RISK MANAGEMENT

A. *Municipal Pooling Authority (MPA)*

The City is a member of the Municipal Pooling 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)	\$29,000,000
Cyber Liability (\$50,000)	2,000,000
Public Entity Pollution Liability (\$100,000)	1,000,000
Vehicle - Physical Damage (\$3,000 for police vehicles, \$2,000 for all others)	250,000
Worker's Compensation (no deductible)	Statutory Limit
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, 2012, 2011 and 2010 the amount of settlements did not exceed insurance coverage.

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.

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 13 – RISK MANAGEMENT (Continued)

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	
	2012	2011
Beginning balance	\$62,767	\$45,425
Provision for current fiscal year claims	45,587	50,140
Change in provision for prior fiscal year claims	5,653	34,492
Claims paid	(50,829)	(67,290)
Ending balance	\$63,178	\$62,767

NOTE 14 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES

A. REDEVELOPMENT DISSOLUTION

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, amended by AB1484 on June 27, 2012, which suspended all new redevelopment activities except for limited specified activities as of that date and dissolved redevelopment agencies on January 31, 2012.

The suspension provisions prohibited all redevelopment agencies from a wide range of activities, including incurring new indebtedness or obligations, entering into or modifying agreements or contracts, acquiring or disposing of real property, taking actions to adopt or amend redevelopment plans and other similar actions, except actions required by law or to carry out existing enforceable obligations, as defined in ABx1 26.

In addition, ABx1 26 and AB1484 direct the State Controller to review the activities of all redevelopment agencies and successor agencies to determine whether an asset transfer between an agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the legislation purports to require the State Controller to order the asset returned to the redevelopment agency. As of the date of this report, the State Controller’s Office has scheduled, but not yet completed, its asset transfer review.

Effective January 31, 2012, the Redevelopment Agency was dissolved. Certain assets of the Redevelopment Agency Low and Moderate Income Housing Fund were distributed to a Housing Successor; and all remaining Redevelopment Agency assets and liabilities were distributed to a Successor Agency.

Under the provisions of AB 1484, the City can elect to become the Housing Successor and retain the housing assets. The City initially declined to become the Housing Successor, however after other agencies refused to assume the responsibility, the City elected to become the temporary Housing Successor and on February 1, 2012, certain housing assets were transferred to the City’s Low and Moderate Income Housing Asset Special Revenue Fund.

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 14 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

The City also elected to become the Successor Agency and on February 1, 2012 the Redevelopment Agency's remaining assets were distributed to and liabilities were assumed by the Successor Agency. ABx1 26 requires the establishment of an Oversight Board to oversee the activities of the Successor Agency and one was established on April 30, 2012. The activities of the Successor Agency are subject to review and approval of the Oversight Board, which is comprised of seven members, including one member of City Council and one former Redevelopment Agency employee appointed by the Mayor.

The activities of the Housing Successor are reported in the Low and Moderate Income Housing Assets Special Revenue Fund as the City has control of those assets, which may be used in accordance with the low and moderate income housing provisions of California Redevelopment Law.

The activities of the Successor Agency are reported in the Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund as the activities are under the control of the Oversight Board. The City provides administrative services to the Successor Agency to wind down the affairs of the former Redevelopment Agency.

A summary of the Redevelopment Agency's assets distributed to and liabilities assumed by the Successor Agency and Housing Successor, reported as an Extraordinary Item, is presented below:

	Assets and Liabilities (Prior to transfer)	Transfer to Successor Agency	Transfer to Housing Successor	Other Adjustments	Ending Balance January 31, 2012
ASSETS					
Cash and investments	\$13,459,059	\$13,459,059			
Interest receivable	292	292			
Notes receivable	15,798,451	304,077	\$15,494,374		
Advance to other fund	5,865,000		5,865,000		
Property held for resale	13,989,884	13,989,884			
Deferred outflow of resources	3,725,371	3,725,371			
Capital assets:					
Land and land improvements	2,819,393	2,819,393			
Depreciable capital assets, net	1,581,187	1,581,187			
Total Assets	57,238,637	35,879,263	21,359,374		
LIABILITIES					
Accounts payable and accrued liabilities	995,835	283,835		\$712,000 (A)	
Deferred revenue	15,734,975		15,494,374	240,601 (B)	
Advance to other fund	5,865,000	5,865,000			
Derivative instrument	3,725,371	3,725,371			
Long-term debt:					
Due in one year	34,300,000	34,300,000			
Due in more than one year	46,866,036	46,866,036			
Total Liabilities	107,487,217	91,040,242	15,494,374	952,601	
NET ASSETS (DEFICIT)	(\$50,248,580)	(\$55,160,979)	\$5,865,000	(\$952,601)	

(A) The City has assumed the liability for the pollution remediation project.

(B) The Successor Agency uses full-accrual accounting, therefore deferred revenue is eliminated.

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 14 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

On July 10, 2012, the Economic Development Corporation returned \$2,298,001 to the Successor Agency, representing the unspent and unencumbered portion of funds originally transferred by the former Redevelopment Agency to the Corporation during the year ended June 30, 2011. In addition, the City determined that costs totaling \$143,982 originally charged to the Corporation should instead be paid by the General Fund, and after returning the cash to the Corporation, the Corporation returned the funds to the Successor Agency.

During the year ended June 30, 2011, the former Redevelopment Agency had made transfers to the City's Public Works Construction Capital Projects Fund to fund capital projects. The provisions of Health and Safety Code Section 34167.5 require that if the City is not contractually committed to a third party for the expenditure or encumbrance of those funds that they be returned to the Successor Agency. The City determined that funds totaling \$2,790,903 should be returned to the Successor Agency until it is determined whether they can be used for enforceable obligations. The return of funds has been reported in the Successor Agency as of June 30, 2012.

Below is a reconciliation of the net liabilities assumed by the Successor Agency as of February 1, 2012 with the balance as of June 30, 2012 and the Extraordinary Item reported on the Statement of Activities:

Net Liabilities Assumed by the Successor Agency as of February 1, 2012	\$55,160,979
Return of funds from the following funds after February 1, 2012:	
Economic Development Corporation	(2,441,983)
Public Works Construction Capital Projects Fund	<u>(2,790,903)</u>
Extraordinary Item Reported on the Statement of Activities	<u>\$49,928,093</u>

Cash and investments of the Successor Agency as of June 30, 2012 are discussed in Note 3 above. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2012.

B. LOANS RECEIVABLE

The Successor Agency assumed the non-housing loans receivable of the Redevelopment Agency as of February 1, 2012. The Redevelopment Agency engaged in programs designed to encourage construction of or improvement to low-to-moderate income housing. Under these programs, grants or loans were provided under favorable terms to homeowners or developers who agreed to expend these funds in accordance with the Agency's terms. The balances of the notes receivable arising from these programs at June 30, 2012 are set forth below:

Plaza Sobrante	\$91,412
Lotus Hotels, Inc.	59,288
Micro Loan Program	<u>129,836</u>
Total	<u>\$280,536</u>

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 14 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

C. PROPERTY HELD FOR RESALE

The Successor Agency assumed the property held for resale of the Redevelopment Agency as of February 1, 2012. The Redevelopment Agency had 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.

During the year ended June 30, 2012 the Successor Agency reviewed the estimated market value for each of the parcels and as a result of the general decline in real estate values has reduced the carrying value of the parcels by \$3,712,423.

D. CAPITAL ASSETS

The Successor Agency assumed the capital assets of the Redevelopment Agency as of February 1, 2012. 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 Successor Agency’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 Successor Agency has assigned the useful lives and capitalization thresholds listed below to capital assets.

	Useful Lives Years	Capitalization Threshold
Buildings and Improvements	10-50	\$25,000
Machinery and Equipment	5-10	5,000
Vehicles	5-10	5,000

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
For the Year Ended June 30, 2012

NOTE 14 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

Capital assets recorded at June 30 comprise:

	Transferred from Redevelopment Agency February 1, 2012	Additions	Balance at June 30, 2012
Capital assets not being depreciated:			
Land and land improvements	\$2,819,393		\$2,819,393
Total capital assets not being depreciated	<u>2,819,393</u>		<u>2,819,393</u>
Capital assets being depreciated:			
Buildings and improvements	2,658,826		2,658,826
Machinery and equipment	261,245		261,245
Vehicles	145,212		145,212
Total capital assets being depreciated	<u>3,065,283</u>		<u>3,065,283</u>
Less accumulated depreciation for:			
Buildings and improvements	1,077,639	\$25,907	1,103,546
Machinery and equipment	261,245		261,245
Vehicles	145,212		145,212
Total accumulated depreciation	<u>1,484,096</u>	<u>25,907</u>	<u>1,510,003</u>
Net capital assets being depreciated	<u>1,581,187</u>	<u>(25,907)</u>	<u>1,555,280</u>
Capital assets, net	<u>\$4,400,580</u>	<u>(\$25,907)</u>	<u>\$4,374,673</u>

In March 2011, the Agency made required findings in accordance with Health and Safety Code Sections 33445 and 33490 to allow the conveyance of eighteen parcels that had been recorded as capital assets with a book value of \$3,023,055 to the City. The parcels are being retained by the City for various public purposes, including parkland, open space and City uses.

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 14 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

E. LONG-TERM OBLIGATIONS

The Successor Agency assumed the long-term debt, loans and interest rate swap agreement of the Redevelopment Agency as of February 1, 2012.

1. Tax Allocation Bonds and Loans

All of the long-term debt of the Successor Agency is comprised of Tax Allocation Bonds and loans issued by the Redevelopment Agency. The Bonds and Loans are special obligations of the Agency and are secured only by the Agency's tax increment revenues. Tax Allocation Bond and loan transactions were as follows:

	Original Issue Amount	Transfer from Redevelopment Agency February 1, 2012	Additions	Balance June 30, 2012	Current Portion
Tenth Township Redevelopment Projects:					
Subordinate Tax Allocation Bonds Series 1999A 3.75-5.65%, due 12/01/2023	\$9,850,000	\$4,710,000		\$4,710,000	\$645,000
Tax Allocation Revenue Bonds Series 2001 Current Interest Serial Bonds 3.25-4.85%, due 12/01/2018	7,855,000	3,160,000		3,160,000	535,000
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	5,218,719	\$120,921	5,339,640	
Tax Allocation Revenue Bonds Series 2004 2.00-5.00%, due 12/01/2032	31,960,000	27,155,000		27,155,000	1,365,000
Subordinate Tax Allocation Bonds Series 2006 Variable rate, due 12/01/2032	36,000,000	31,745,000		31,745,000	31,745,000
SERAF Loan 2%, due 5/10/2021	1,083,520	1,083,039		1,083,039	
Total Tenth Township Redevelopment Projects Debt		<u>75,351,758</u>	<u>120,921</u>	<u>75,472,679</u>	<u>34,290,000</u>
Legacy Redevelopment Projects:					
Tax Allocation Revenue Bonds Series 2004 2.00-5.00%, due 12/01/2032	5,795,000	5,675,000		5,675,000	10,000
SERAF Loan 2%, due 5/10/2021	139,340	139,278		139,278	
Total Legacy Redevelopment Projects Debt		<u>5,814,278</u>		<u>5,814,278</u>	<u>10,000</u>
Housing Successor Loans:					
2010 Loan	3,000,000	3,000,000		3,000,000	
2011 Loan	2,865,000	2,865,000		2,865,000	
Total Housing Successor Loans		<u>5,865,000</u>		<u>5,865,000</u>	
Total Successor Agency Debt		<u>\$87,031,036</u>	<u>\$120,921</u>	<u>\$87,151,957</u>	<u>\$34,300,000</u>

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 14 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

2. Debt Service Requirements

Debt service requirements are shown below for all long-term debt except the Housing Successor loans, because the ultimate repayment terms cannot be determined at this time as discussed in 8. below:

<u>For the Year Ending June 30</u>	<u>Principal (1)</u>	<u>Interest</u>
2013	\$34,300,000	\$3,456,518
2014	2,747,172	3,303,481
2015	1,983,815	3,140,007
2016	2,130,491	2,963,903
2017	3,142,201	2,788,015
2018-2022	10,633,638	10,820,744
2023-2027	17,855,000	5,551,180
2028-2032	13,870,000	2,593,543
2033	1,340,000	129,378
Total principal due	<u>\$88,002,317</u>	<u>\$34,746,769</u>

(1) Includes unaccreted discount totaling \$6,715,360

3. 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.

4. 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.

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 14 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

The 2001 Bonds Capital Appreciation Bonds unaccreted discount totaled \$6,715,360 and the outstanding balance increased \$290,210 due to the annual increase in accreted value (\$169,289 from July 1, 2011 to January 31, 2012 and \$120,921 from February 1, 2012 to June 30, 2012). 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.

5. 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.

6. 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 was valid through June 5, 2012 and it was amended during fiscal year 2012 and extended to June 5, 2013. The Agency is required to pay Union Bank an annual Letter of Credit Fee equal to 1.10% of the outstanding principal amount of the Bonds. In addition, the remarketing agent receives an annual Remarketing Fee equal to 0.0875% of the outstanding principal amount of the Bonds. Union Bank of California's long-term credit rating from Standard and Poor's was A+ at June 30, 2012, and its short-term credit rating from Standard and Poor's was A2 at June 30, 2012.

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 14 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

Although the Agency anticipates renewing the letter of credit prior to its expiration on June 5, 2013, the 2006 Subordinate Tax Allocation Bonds are subject to mandatory tender for purchase upon termination or expiration of the letter of credit, therefore the entire outstanding principal balance of these Bonds has been reported as due in one year.

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, 2012 of 4.5869% is comprised of the variable rate paid to the bondholders (0.15%), plus the fixed rate paid to the swap counterparty (3.555%), less the variable rate received from the swap counterparty (0.3056%), plus the letter of credit fee paid by the Agency to the letter of credit provider (1.10%), plus the remarketing fee paid to the remarketing agent (0.0875%).

Interest Rate Swap Agreement Derivative Instrument

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.

Terms. The terms, including the counterparty credit rating of the outstanding swap, as of June 30, 2012, 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	Termination Date
\$31,745,000	10/5/2006	Piper Jaffray Financial Products, Inc. (Morgan Stanley)	A2/A+	3.555%	64% of 30-day LIBOR plus 15 basis points	12/1/2032

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.

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 14 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

As of June 30, 2012, the fair value of the cash flow hedging derivative swap was in favor of the counterparty in the amount of \$6,325,006, a decrease of \$2,599,635 from the prior fiscal year. The fair value represents the maximum loss that would be recognized at the reporting date if the counterparty failed to perform as contracted. The Agency has accounted for the change in fair value of the swap as a deferred outflow.

Credit risk. As of June 30, 2012, the Agency was not exposed to credit risk on the outstanding swap because the swap had a negative 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.

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, 2012, 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 2. above:

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 14 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

For the Year Ending June 30	Variable-Rate Bonds		Interest Rate Swap, Net (2)	Total
	Principal	Interest (1)		
2013	\$31,745,000	\$500,540	\$1,455,414	\$33,700,954
2014			1,415,815	1,415,815
2015			1,355,251	1,355,251
2016			1,274,278	1,274,278
2017			1,211,717	1,211,717
2018-2022			4,642,882	4,642,882
2023-2027			2,195,933	2,195,933
2028-2032			1,159,141	1,159,141
2033			95,172	95,172
Totals	\$31,745,000	\$500,540	\$14,805,603	\$47,051,143

- (1) Variable rate was 0.15% on June 30, 2012
- (2) Interest rate swap fixed rate, net of the variable rate received from the counterparty and associated fees was 4.4369% on June 30, 2012 (3.555% fixed swap rate paid to counterparty, less 0.3056% variable rate received from counterparty, plus 1.10% credit fee and 0.0875% remarketing fee)

7. *SERAF Loan from State of California*

The State of California adopted AB26 4X in July 2009 which directs that a portion of the incremental property taxes received by the redevelopment agencies, be paid instead to the County supplemental educational revenue augmentation fund (SERAF) in fiscal years 2010 and 2011. The Agency did not have the resources to make the 2011 payment and instead was able to enter into a structured payment plan agreement with the State Department of Finance that allows the payment to the County to be made over a ten year period. The Tenth Township and Legacy Project Areas will pay 88.6% and 11.4% of the loan, respectively. The loan bears interest at a rate of 2%. Annual payments commence on May 10, 2011 with one principal and interest payment, followed by two interest-only payments, then payments of principal and interest May 10, 2014 through May 10, 2020, followed by one final principal payment on May 10, 2021.

8. *Supplemental Education Revenue Augmentation Fund Loans from Housing Successor*

During the fiscal year ending June 30, 2010 the Agency approved an interfund advance of \$3,000,000 from the Agency Low and Moderate Income Housing Fund to the Redevelopment Agency Projects Fund for the purpose of paying the Agency's share of the countywide Supplemental Education Revenue Augmentation Fund (SERAF).

In August 2011 the Agency approved a second interfund advance for the year ended June 30, 2011 of \$2,865,000 from the Agency Low and Moderate Income Housing Fund to the Redevelopment Agency Projects Fund for the purpose of funding the full amount of the Agency's 2010 SERAF payment.

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 14 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

The above loans had previously been reported as interfund advances within the Redevelopment Agency, but with the transfer of the Redevelopment Agency's liabilities to the Successor Agency, the advances are now reported as long-term debt of the Successor Agency. These loans were originally required to be repaid by June 30, 2015, however repayment is now contingent upon the Successor Agency receiving a Finding of Completion, as defined in Health and Safety Code Section 34179.6. After the Successor Agency receives a Finding of Completion, and under the provisions of Health and Safety Code Section 34191.4(b)(2)(A), the loans can be repaid by the Successor Agency. However, the Successor Agency must apply for approval of the loans by the Oversight Board including a finding that the loans were for legitimate redevelopment purposes. If the oversight board finds that the loans are an enforceable obligation, the loans are to be repaid in accordance with a defined schedule over a reasonable term of years. Repayment can not begin prior to fiscal year 2014 and the maximum annual repayment amount is limited based on calculations in the Code Section.

The second loan was approved after the effective date of the suspension provisions of AB x1 26, however it was established as an increase to the first loan. Although the loan may be subject to the asset transfer review discussed in Note 14 A above and potential rejection by the State of California Department of Finance, management believes that the second loan is an enforceable obligation of the Successor Agency and has therefore recorded it as a liability as of June 30, 2012.

9. *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 \$121,366,884 remaining debt service on the Bonds above, which is scheduled to occur in 2033. 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. With the dissolution of the Redevelopment Agency discussed above, Tax Increment is no longer distributed, and instead the Successor Agency receives payments from the County's Redevelopment Property Tax Trust Fund (RPTTF) that are to be used to fund debt service on the Bonds, with no distinction between housing and non-housing revenues. Using both property taxes received by the Redevelopment Agency prior to the dissolution and by the Successor Agency after the dissolution, net of the AB1484 True-up payment, total collections were \$6,523,963 which represented coverage of 95% of the \$6,867,015 of debt service. The Redevelopment Agency and Successor Agency used cash on hand to fund the excess of debt service over available property taxes.

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 14 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

F. COMMITMENTS AND CONTINGENCIES

1. State Approval of Enforceable Obligations

The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) semi-annually that contains all proposed expenditures for the subsequent six-month period. The ROPS is subject to the review and approval of the Oversight Board as well as the State Department of Finance. Although the State Department of Finance may not question items included on the ROPS in one period, they may question the same items in a future period and disallow associated activities. The amount, if any, of current obligations that may be denied by the State Department of Finance cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

2. State Asset Transfer Review

The activities of the former Redevelopment Agency and the Successor Agency are subject to further examination by the State of California and the amount, if any, of expenditures which may be disallowed by the State cannot be determined at this time. In addition, the State Controller's Office will be conducting a review of the propriety of asset transfers between the former Redevelopment Agency or the Successor Agency and any public agency that occurred on or after January 1, 2011 and the amount, if any, of assets that may be required to be returned to the Successor Agency cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

NOTE 15 - 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. The City was not required to make any contributions to WCCIWMA during fiscal year 2012. 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 2011-2012, 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
For the Year Ended June 30, 2012

NOTE 16 - COMMITMENTS AND CONTINGENCIES

A. *Litigation*

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.

B. *Pollution Remediation*

The City has one known pollution remediation project that the former Redevelopment Agency had undertaken. Under a Voluntary Cleanup Agreement with the California Department of Toxic Substances Control, the Redevelopment Agency had planned to clean up the former Burlington Northern Santa Fe Property on Rumrill Boulevard to provide for future unrestricted land use. The property was conveyed by the Redevelopment Agency to the City in fiscal year 2011 and, due to the dissolution of the Agency, the City assumed the remediation project. The City has started a Removal Action Work Plan (RAW), and although the initial cost of the preferred alternative remediation was estimated to be \$712,000, an updated RAW was obtained in August 2012 and the current estimated cost of the preferred alternative remediation is estimated to be \$1,220,000 but the final remediation method has not been determined. The City has recorded this amount as an accrued liability in the Statement of Net Assets, however this obligation is an estimate and is subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations.

C. *Federal and State Grant Programs*

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.

D. *Property Tax Increment Pass Through Agreements*

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. 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. During the period July 1, 2011 to January 31, 2012, the Agency made tax increment pass-through payments to the County in the amount of \$283,836 and total tax increment pass-through payments of \$6,889,784 have been passed through as of that date. With the dissolution of the Redevelopment Agency as discussed in Note 14, pass-through obligations are paid by the County beginning February 1, 2012.

CITY OF SAN PABLO
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 16 - COMMITMENTS AND CONTINGENCIES (Continued)

E. Encumbrances

The City uses an encumbrance system as an extension of normal budgetary accounting for governmental funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as restricted, committed or assigned fund balance, depending on the classification of the resources to be used to liquidate the encumbrance, since they do not constitute expenditures or liabilities. Outstanding encumbrances at year-end are automatically reappropriated for the following year. Unencumbered and unexpended appropriations lapse at year-end. Encumbrances outstanding as of June 30, 2012 were as follows:

	Amount
General Fund	\$20,215
Economic Development Corporation Special Revenue Fund	24,970
Public Works Construction Capital Projects Fund	1,479,609
Gas Tax Special Revenue Fund	37,374
Street Lighting and Landscaping Special Revenue Fund	9,900
Paratransit Special Revenue Fund	89,875



CITY^{OF} SAN PABLO

City of New Directions

**MAJOR GOVERNMENTAL FUNDS, OTHER THAN
GENERAL FUND AND SPECIAL REVENUE FUNDS**

REDEVELOPMENT AGENCY PROJECTS

This fund accounted 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 PERIOD JULY 1, 2011 TO JANUARY 31, 2012

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Property taxes	\$9,140,186	\$5,051,415	(\$4,088,771)
Use of money and property		169,060	169,060
Total Revenues	9,140,186	5,220,475	(3,919,711)
EXPENDITURES			
Current:			
Community:			
Development	287,000	395,641	(108,641)
Total Expenditures	287,000	395,641	(108,641)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	8,853,186	4,824,834	(4,028,352)
OTHER FINANCING SOURCES (USES)			
Transfers in		2,200,000	2,200,000
Transfers (out)	(8,831,810)	(5,376,641)	3,455,169
Total Other Financing Sources (Uses)	(8,831,810)	(3,176,641)	5,655,169
NET CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEM	21,376	1,648,193	1,626,817
EXTRAORDINARY ITEM			
Assets transferred to/liabilities assumed by the Successor Agency		(12,393,703)	(12,393,703)
NET CHANGE IN FUND BALANCE	\$21,376	(10,745,510)	(\$10,766,886)
Fund balance at beginning of year		10,745,510	
FUND BALANCE AT END OF YEAR			

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 / J

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

ASSET SEIZURES

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

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.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

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.

2004 TAX ALLOCATION REVENUE BONDS TENTH TOWNSHIP PROJECT AREA

This fund makes principal and interest payments on the Tenth Township 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

City of New Directions

CITY OF SAN PABLO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2012

SPECIAL REVENUE FUNDS

	Gas Tax	Public Safety	Street Lighting and Landscaping	N.P.D.E.S.	Development Services	Measure C / J
ASSETS						
Cash and investments available for operations	\$32,252	\$142,361	\$151,076	\$258,773	\$54,907	\$382,278
Due from other governments	92,948	7,335				
Total Assets	\$125,200	\$149,696	\$151,076	\$258,773	\$54,907	\$382,278
LIABILITIES						
Accounts payable and accrued liabilities	\$32,252		\$45,347	\$32	\$54,907	
Due to other funds						
Total Liabilities	32,252		45,347	32	54,907	
FUND BALANCES						
Restricted	92,948	\$149,696	105,729	258,741		\$382,278
Total Fund Balance	92,948	149,696	105,729	258,741		382,278
Total Liabilities and Fund Balances	\$125,200	\$149,696	\$151,076	\$258,773	\$54,907	\$382,278

SPECIAL REVENUE FUNDS

DEBT SERVICE FUNDS

Asset Seizures	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
\$270,091	\$477,140	\$107,727 65,654	\$143,569	\$91,923		
<u>\$270,091</u>	<u>\$477,140</u>	<u>\$173,381</u>	<u>\$143,569</u>	<u>\$91,923</u>		
\$146,280	\$1,452	\$126 64,694	\$143,569			
<u>146,280</u>	<u>1,452</u>	<u>64,820</u>	<u>143,569</u>			
\$123,811	475,688	108,561		\$91,923		
<u>123,811</u>	<u>475,688</u>	<u>108,561</u>		<u>91,923</u>		
<u>\$270,091</u>	<u>\$477,140</u>	<u>\$173,381</u>	<u>\$143,569</u>	<u>\$91,923</u>		

(Continued)

CITY OF SAN PABLO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2012

DEBT SERVICE FUNDS

	<u>2004 Tax Allocation Bonds Legacy Project Area</u>	<u>2004 Tax Allocation Bonds Tenth Township Project Area</u>	<u>2006 Subordinate Tax Allocation Bonds Tenth Township Project Area</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash and investments available for operations				\$2,112,097
Due from other governments				165,937
Total Assets				<u>\$2,278,034</u>
LIABILITIES				
Accounts payable and accrued liabilities				\$423,965
Due to other funds				64,694
Total Liabilities				<u>488,659</u>
FUND BALANCES				
Restricted				1,789,375
Total Fund Balance				<u>1,789,375</u>
Total Liabilities and Fund Balances				<u>\$2,278,034</u>



CITY OF SAN PABLO

City of New Directions

CITY OF SAN PABLO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

SPECIAL REVENUE FUNDS

	Gas Tax	Public Safety	Street Lighting and Landscaping	N.P.D.E.S.	Development Services	Measure C / J
REVENUES						
Property taxes			\$839,323			
Sales tax		\$92,666				\$377,621
Licenses and permits					\$299,047	
Intergovernmental	\$902,140			\$333,894		
Charges for services	52,486			977	289,569	
Use of money and property						1,765
Miscellaneous	7,703		5,571	4,250		
Total Revenues	962,329	92,666	844,894	339,121	588,616	379,386
EXPENDITURES						
Current:						
Community:						
Development					820,579	
Public Works & Engineering	1,379,794		919,588	299,591		
Police						
Capital outlay	10,304		10,148			
Debt Service:						
Principal						
Interest and fiscal charges						
Total Expenditures	1,390,098		929,736	299,591	820,579	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(427,769)	92,666	(84,842)	39,530	(231,963)	379,386
OTHER FINANCING SOURCES (USES)						
Transfers in	521,150		200,921		231,869	
Transfers (out)	(41,083)					(22,826)
Total Other Financing Sources (Uses)	480,067		200,921		231,869	(22,826)
NET CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEM	52,298	92,666	116,079	39,530	(94)	356,560
EXTRAORDINARY ITEM						
Assets transferred to/liabilities assumed by the Successor Agency						
NET CHANGE IN FUND BALANCES	52,298	92,666	116,079	39,530	(94)	356,560
Fund balances (deficits) at beginning of year	40,650	57,030	(10,350)	219,211	94	25,718
FUND BALANCES AT END OF YEAR	\$92,948	\$149,696	\$105,729	\$258,741		\$382,278

SPECIAL REVENUE FUNDS					DEBT SERVICE FUNDS	
Asset Seizures	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
	\$186,127	\$391,485				
\$664 15,490	2,421	(346)	\$441	\$476		\$33
16,154	188,548	391,139	441	476		33
	66,367		143,569			
13,492	81,110	420,515 92,233			\$610,000 146,542	520,000 138,933
13,492	147,477	512,748	143,569		756,542	658,933
2,662	41,071	(121,609)	(143,128)	476	(756,542)	(658,900)
	22,826	120,094	61,451	7,576	756,542	694,562 (37,175)
	22,826	120,094	61,451	7,576	756,542	657,387
2,662	63,897	(1,515)	(81,677)	8,052		(1,513)
						(4,613,814)
2,662	63,897	(1,515)	(81,677)	8,052		(4,615,327)
121,149	411,791	110,076	81,677	83,871		4,615,327
\$123,811	\$475,688	\$108,561		\$91,923		

(Continued)

CITY OF SAN PABLO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

	DEBT SERVICE FUNDS			
	2004 Tax Allocation Bonds Legacy Project Area	2004 Tax Allocation Bonds Tenth Township Project Area	2006 Subordinate Tax Allocation Bonds Tenth Township Project Area	Total Nonmajor Governmental Funds
REVENUES				
Property taxes				\$839,323
Sales tax				470,287
Licenses and permits				299,047
Intergovernmental				1,813,646
Charges for services				343,032
Use of money and property	\$3		\$39	5,496
Miscellaneous				33,014
Total Revenues	3		39	3,803,845
EXPENDITURES				
Current:				
Community:				
Development				886,946
Public Works & Engineering				2,742,542
Police				434,007
Capital outlay				193,795
Debt Service:				
Principal	10,000	\$935,000	1,215,000	3,290,000
Interest and fiscal charges	132,538	761,935	1,002,330	2,182,278
Total Expenditures	142,538	1,696,935	2,217,330	9,729,568
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(142,535)	(1,696,935)	(2,217,291)	(5,925,723)
OTHER FINANCING SOURCES (USES)				
Transfers in	142,539	1,696,935	2,125,005	6,581,470
Transfers (out)	(1,767)			(102,851)
Total Other Financing Sources (Uses)	140,772	1,696,935	2,125,005	6,478,619
NET CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEM	(1,763)		(92,286)	552,896
EXTRAORDINARY ITEM				
Assets transferred to/liabilities assumed by the Successor Agency	(564,641)		(3,455,850)	(8,634,305)
NET CHANGE IN FUND BALANCES	(566,404)		(3,548,136)	(8,081,409)
Fund balances (deficits) at beginning of year	566,404		3,548,136	9,870,784
FUND BALANCES AT END OF YEAR				\$1,789,375



CITY^{OF} SAN PABLO

City of New Directions

CITY OF SAN PABLO
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2012

SPECIAL REVENUE FUNDS

	GAS TAX			PUBLIC SAFETY		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Sales tax				\$85,000	\$92,666	\$7,666
Licenses and permits						
Intergovernmental	\$871,443	\$902,140	\$30,697			
Charges for services	45,000	52,486	7,486			
Use of money and property						
Miscellaneous		7,703	7,703			
Total Revenues	916,443	962,329	45,886	85,000	92,666	7,666
EXPENDITURES						
Current:						
Community:						
Development						
Housing						
Public Works & Engineering	1,637,338	1,379,794	257,544			
Police						
Capital outlay	10,239	10,304	(65)			
Debt Service:						
Principal						
Interest and fiscal charges						
Total Expenditures	1,647,577	1,390,098	257,479			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(731,134)	(427,769)	303,365	85,000	92,666	7,666
OTHER FINANCING SOURCES (USES)						
Transfers in	707,602	521,150	(186,452)			
Transfers (out)		(41,083)	(41,083)			
Total Other Financing Sources (Uses)	707,602	480,067	(227,535)			
NET CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEM	(23,532)	52,298	75,830	85,000	92,666	7,666
EXTRAORDINARY ITEM						
Assets transferred to/liabilities assumed by the Successor Agency						
NET CHANGE IN FUND BALANCES	(\$23,532)	52,298	\$75,830	\$85,000	92,666	\$7,666
Fund balances (deficit) at beginning of year		40,650			57,030	
FUND BALANCES AT END OF YEAR		\$92,948			\$149,696	

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)
\$838,000	\$839,323	\$1,323						
			\$332,130	\$333,894	\$1,764	\$320,000	\$299,047	(\$20,953)
				977	977	335,000	289,569	(45,431)
	5,571	5,571		4,250	4,250			
838,000	844,894	6,894	332,130	339,121	6,991	655,000	588,616	(66,384)
						1,042,791	820,579	222,212
1,014,985	919,588	95,397	356,089	299,591	56,498			
22,839	10,148	12,691						
1,037,824	929,736	108,088	356,089	299,591	56,498	1,042,791	820,579	222,212
(199,824)	(84,842)	114,982	(23,959)	39,530	63,489	(387,791)	(231,963)	155,828
176,910	200,921	24,011				373,907	231,869	(142,038)
176,910	200,921	24,011				373,907	231,869	(142,038)
(22,914)	116,079	138,993	(23,959)	39,530	63,489	(13,884)	(94)	13,790
<u>(\$22,914)</u>	116,079	<u>\$138,993</u>	<u>(\$23,959)</u>	39,530	<u>\$63,489</u>	<u>(\$13,884)</u>	(94)	<u>\$13,790</u>
	(10,350)			219,211			94	
	<u>\$105,729</u>			<u>\$258,741</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 YEAR ENDED JUNE 30, 2012

SPECIAL REVENUE FUNDS

	MEASURE C / J			PARATRANSIT		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Sales tax	\$337,621	\$377,621	\$40,000			
Licenses and permits						
Intergovernmental				\$185,952	\$186,127	\$175
Charges for services						
Use of money and property		1,765	1,765		2,421	2,421
Miscellaneous						
Total Revenues	337,621	379,386	41,765	185,952	188,548	2,596
EXPENDITURES						
Current:						
Community:						
Development				151,081	66,367	84,714
Housing						
Public Works & Engineering						
Police						
Capital outlay				171,010	81,110	89,900
Debt Service:						
Principal						
Interest and fiscal charges						
Total Expenditures				322,091	147,477	174,614
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	337,621	379,386	41,765	(136,139)	41,071	177,210
OTHER FINANCING SOURCES (USES)						
Transfers in					22,826	22,826
Transfers (out)		(22,826)	(22,826)			
Total Other Financing Sources (Uses)		(22,826)	(22,826)		22,826	22,826
NET CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEM	337,621	356,560	18,939	(136,139)	63,897	200,036
EXTRAORDINARY ITEM						
Assets transferred to/liabilities assumed by the Successor Agency						
NET CHANGE IN FUND BALANCES	\$337,621	356,560	\$18,939	(\$136,139)	63,897	\$200,036
Fund balances (deficit) at beginning of year		25,718			411,791	
FUND BALANCES AT END OF YEAR		\$382,278			\$475,688	

SPECIAL REVENUE FUND			DEBT SERVICE FUNDS					
LAW ENFORCEMENT SERVICES			MERGED PROJECT AREA 1999 SUBORDINATE TAX ALLOCATION BONDS			2001 TAX ALLOCATION BONDS TENTH TOWNSHIP PROJECT AREA		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$489,336	\$391,485	(\$97,851)						
	(346)	(346)					\$33	\$33
<u>489,336</u>	<u>391,139</u>	<u>(98,197)</u>					<u>33</u>	<u>33</u>
324,898	420,515	(95,617)						
	92,233	(92,233)						
			\$610,000	\$610,000		\$520,000	520,000	
			277,070	146,542	\$130,528	267,075	138,933	128,142
<u>324,898</u>	<u>512,748</u>	<u>(187,850)</u>	<u>887,070</u>	<u>756,542</u>	<u>130,528</u>	<u>787,075</u>	<u>658,933</u>	<u>128,142</u>
<u>164,438</u>	<u>(121,609)</u>	<u>(286,047)</u>	<u>(887,070)</u>	<u>(756,542)</u>	<u>130,528</u>	<u>(787,075)</u>	<u>(658,900)</u>	<u>128,175</u>
120,094	120,094		887,070	756,542	(130,528)	787,075	694,562	(92,513)
							(37,175)	(37,175)
<u>120,094</u>	<u>120,094</u>		<u>887,070</u>	<u>756,542</u>	<u>(130,528)</u>	<u>787,075</u>	<u>657,387</u>	<u>(129,688)</u>
284,532	(1,515)	(286,047)					(1,513)	(1,513)
							(4,613,814)	(4,613,814)
<u>\$284,532</u>	<u>(1,515)</u>	<u>(\$286,047)</u>					<u>(4,615,327)</u>	<u>(\$4,615,327)</u>
	110,076						4,615,327	
	<u>\$108,561</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 YEAR ENDED JUNE 30, 2012

DEBT SERVICE FUNDS

	2004 TAX ALLOCATION BONDS TENTH TOWNSHIP PROJECT AREA			2006 SUBORDINATE TAX ALLOCATION BONDS TENTH TOWNSHIP PROJECT AREA		
	Budget	Actual	Variance	Budget	Actual	Variance
			Positive (Negative)			Positive (Negative)
REVENUES						
Property taxes						
Sales tax						
Licenses and permits						
Intergovernmental						
Charges for services						
Use of money and property					\$39	\$39
Miscellaneous						
Total Revenues					39	39
EXPENDITURES						
Current:						
Community:						
Development						
Housing						
Public Works & Engineering						
Police						
Capital outlay						
Debt Service:						
Principal	\$935,000	\$935,000		\$1,215,000	1,215,000	
Interest and fiscal charges	1,494,972	761,935	\$733,037	1,727,456	1,002,330	725,126
Total Expenditures	2,429,972	1,696,935	733,037	2,942,456	2,217,330	725,126
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,429,972)	(1,696,935)	733,037	(2,942,456)	(2,217,291)	725,165
OTHER FINANCING SOURCES (USES)						
Transfers in	2,429,972	1,696,935	(733,037)	2,942,456	2,125,005	(817,451)
Transfers (out)						
Total Other Financing Sources (Uses)	2,429,972	1,696,935	(733,037)	2,942,456	2,125,005	(817,451)
NET CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEM					(92,286)	(92,286)
EXTRAORDINARY ITEM						
Assets transferred to/liabilities assumed by the Successor Agency					(3,455,850)	(3,455,850)
NET CHANGE IN FUND BALANCES					(3,548,136)	(\$3,548,136)
Fund balances (deficit) at beginning of year					3,548,136	
FUND BALANCES AT END OF YEAR						

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 YEAR ENDED JUNE 30, 2012

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
<hr/> <u>Town Center Special Assessment District</u> <hr/>				
<u>Assets</u>				
Restricted cash and investments	\$775,269	\$120,027	\$895,296	
<u>Liabilities</u>				
Due to bondholders	\$775,269	\$120,027	\$895,296	
<hr/> <u>Oak Park Special Assessment District</u> <hr/>				
<u>Assets</u>				
Restricted cash and investments	\$1,048,804	\$457,536	\$458,538	\$1,047,802
<u>Liabilities</u>				
Due to bondholders	\$1,048,804	\$457,536	\$458,538	\$1,047,802
<hr/> <u>Community Organizations and Activities</u> <hr/>				
<u>Assets</u>				
Restricted cash and investments	\$547,136	\$300,467	\$195,594	\$652,009
Accounts receivable		29,924		29,924
Total Assets	\$547,136	\$330,391	\$195,594	\$681,933
<u>Liabilities</u>				
Accounts payable	\$67,411	\$15,675	\$67,411	\$15,675
Deposits held as agent for others	479,725	314,716	128,183	666,258
Total Liabilities	\$547,136	\$330,391	\$195,594	\$681,933

CITY OF SAN PABLO
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2012

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
<u>West Contra Costa Transportation Advisory Committee</u>				
<u>Assets</u>				
Restricted cash and investments	\$1,665,824	\$1,187,980	\$1,033,019	\$1,820,785
Due from other governments	130,190	324,100	130,190	324,100
Interest receivable	305	305	305	305
Total Assets	<u>\$1,796,319</u>	<u>\$1,512,385</u>	<u>\$1,163,514</u>	<u>\$2,145,190</u>
<u>Liabilities</u>				
Accounts payable	\$140,640	\$515,773	\$140,640	\$515,773
Due to City	104,310		26,934	77,376
Deposits held as agent for others	1,551,369	996,612	995,940	1,552,041
Total Liabilities	<u>\$1,796,319</u>	<u>\$1,512,385</u>	<u>\$1,163,514</u>	<u>\$2,145,190</u>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Restricted cash and investments	\$4,037,033	\$2,066,010	\$2,582,447	\$3,520,596
Interest receivable	305	30,229	305	30,229
Due from other governments	130,190	324,100	130,190	324,100
Total Assets	<u>\$4,167,528</u>	<u>\$2,420,339</u>	<u>\$2,712,942</u>	<u>\$3,874,925</u>
<u>Liabilities</u>				
Accounts payable	\$208,051	\$531,448	\$208,051	\$531,448
Due to City	104,310		26,934	77,376
Deposits held as agent for others	2,031,094	1,311,328	1,124,123	2,218,299
Due to bondholders	1,824,073	577,563	1,353,834	1,047,802
Total Liabilities	<u>\$4,167,528</u>	<u>\$2,420,339</u>	<u>\$2,712,942</u>	<u>\$3,874,925</u>



CITY OF **SAN PABLO**

City of New Directions

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. Oak Park 1998 Reassessment Revenue Bonds
 - b. 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

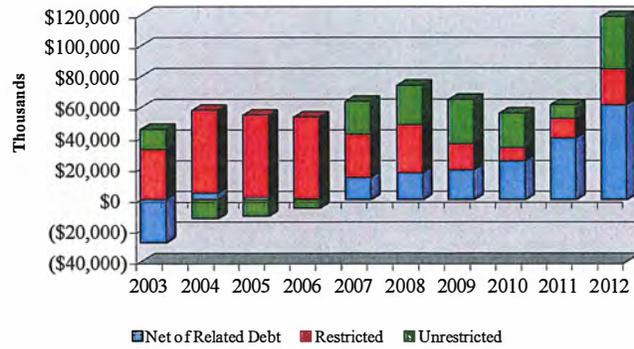
Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.



CITY^{OF} SAN PABLO

City of New Directions

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



	Fiscal Year Ended June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	(\$27,769,715)	\$4,217,407	\$1,338,446	\$391,982	\$14,162,898	\$17,233,098	\$19,236,798	\$25,129,231	\$39,968,889	\$61,548,129
Restricted	32,555,089	53,814,033	53,602,869	53,323,336	28,234,327	31,346,751	17,023,526	8,544,531	12,660,690	23,252,245
Unrestricted	13,105,682	(12,424,571)	(10,731,809)	(5,491,591)	21,442,740	25,591,054	28,686,988	22,456,421	8,948,361	33,879,184
Total governmental activities net assets	\$17,891,056	\$45,606,869	\$44,209,506	\$48,223,727	\$63,839,965	\$74,170,903	\$64,947,312	\$56,130,183	\$61,577,940	\$118,679,558

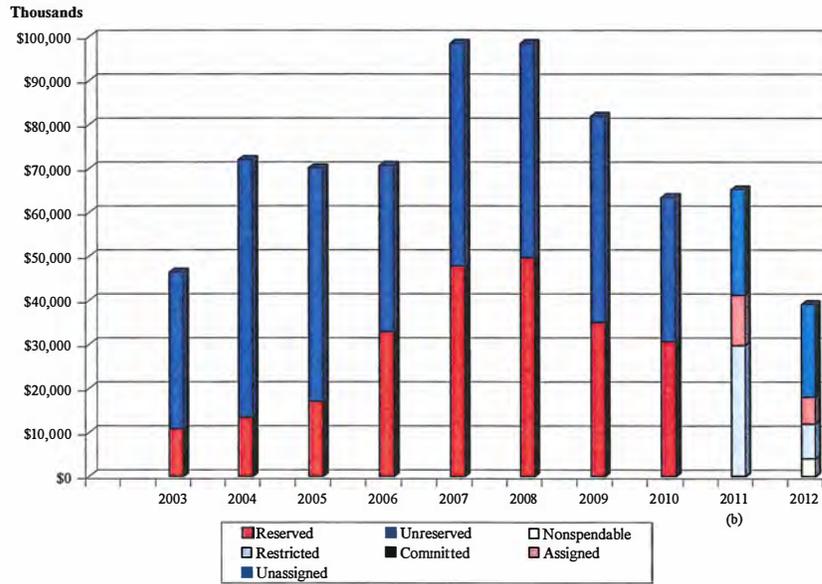
CITY OF SAN PABLO
Changes in Net Assets
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental Activities:										
General Government	\$4,616,174	\$4,295,995	\$6,247,087	\$5,061,400	\$2,632,986	\$2,993,404	\$3,200,437	\$3,746,905	\$3,873,454	\$4,041,867
Community										
Recreation	641,292	568,220	682,636	703,787	989,126	1,217,942	1,132,500	1,260,952	1,296,966	1,141,266
Development	3,216,316	3,498,886	8,047,233	6,190,032	4,140,354	6,428,706	23,541,394	17,744,655	4,482,336	2,062,972
Housing	502,613	1,334,075	316,338	2,456,860	228,296	194,708	554,770	244,168	86,761	6,937
Public Works & Engineering					5,674,920	5,892,638	6,424,687	6,390,441	7,379,061	7,447,687
Police	7,633,771	8,316,795	9,899,191	15,399,999	10,772,050	14,078,285	13,573,473	14,471,506	14,397,742	13,676,212
Interest and fiscal charges	2,610,389	4,188,138	3,336,076	3,281,931	4,498,283	4,220,723	4,035,250	3,894,561	3,813,714	2,175,282
Total Governmental Activities Expenses	19,220,555	22,202,109	28,528,561	33,094,009	28,936,015	35,026,406	52,462,511	47,753,188	35,330,034	30,552,223
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	747,791	780,540	767,938	1,089,391	22,805	16,171	31,223	26,562	66,541	113,227
Community:										
Recreation	72,355	69,140	70,360	52,525	117,752	127,847	144,942	166,294	251,779	204,475
Development					556,322	444,499	438,378	588,719	332,055	289,569
Public Works & Engineering					130,443	157,591	57,724	118,661	106,798	85,258
Police	295,697	310,684	597,466	418,449	724,871	516,367	403,428	338,838	325,909	303,410
Operating Grants and Contributions	1,411,263	2,094,200	1,696,841	1,986,780	1,927,514	1,835,557	1,424,555	1,620,850	2,497,146	2,158,891
Capital Grants and Contributions	1,512,916	550,399	749,567	1,015,449	1,793,276	1,649,247	1,521,513	3,383,502	2,304,659	3,095,927
Total Government Activities Program Revenues	4,040,022	3,804,963	3,882,172	4,562,594	5,272,983	4,747,279	4,021,763	6,243,426	5,884,887	6,250,757
Net (Expense)/Revenue	(15,180,533)	(18,397,146)	(24,646,389)	(28,531,415)	(23,663,032)	(30,279,127)	(48,440,748)	(41,509,762)	(29,445,147)	(24,301,466)
Governmental Activities										
General Revenues and Other										
Changes in Net Assets										
Governmental Activities:										
Taxes:										
Property Taxes	1,493,059	1,447,370	1,384,587	1,387,577	1,389,901	1,235,060	1,302,668	1,099,009	1,129,241	1,345,016
Incremental Property Taxes	7,923,532	8,981,315	11,577,262	12,251,525	14,959,091	15,434,058	14,675,932	9,751,633	9,415,129	5,051,415
ERAF	(239,583)	(414,174)	(780,327)	(801,770)						
Sales Taxes	1,872,533	1,805,822	1,442,957	1,414,077	1,304,189	1,400,911	1,342,904	1,250,870	1,313,493	1,396,988
In-Lieu Sales Tax			402,175	367,240	396,968	411,506	472,411	456,357	316,486	421,134
Utility Users Tax	1,959,355	1,989,816	2,053,248	2,158,865	1,594,338	1,632,823	1,366,676	1,512,840	2,083,913	2,339,064
Transient Occupancy Taxes (a)										309,167
Franchise Taxes (a)										540,565
Payment in Lieu of taxes (a)										1,757,473
Other Taxes	3,654,479	3,591,499	3,820,413	9,866,947	12,649,876	13,531,030	14,891,478	15,332,960	16,217,232	85,790
Intergovernmental unrestricted:										
Motor Vehicle In-Lieu Fees	1,812,031	1,379,768	2,516,011	2,276,752	2,476,028	2,634,391	2,532,312	1,937,853	1,881,451	1,688,305
Business Licenses (nonregulatory)	274,508	299,715	280,518	290,935	326,195	296,836	327,507	321,824	313,623	15,800,631
Use of Money and Property	1,431,375	1,411,561	1,777,188	2,733,017	3,306,358	3,815,626	2,032,690	777,955	666,850	394,790
Gain on Sale of Property	289,010	275,668	56,981	315,000	497,534	13,275	6,091		1,327,416	
Miscellaneous	176,729	152,099	143,876	285,471	378,792	204,549	266,488	251,332	228,070	344,653
Special item - transfer of loans and cash to County			(1,425,863)							
Extraordinary item - assets transferred to/liabilities assumed by Successor Agency										49,928,093
Total Governmental Activities	20,647,028	20,920,459	23,249,026	32,545,636	39,279,270	40,610,065	39,217,157	32,692,633	34,892,904	81,403,084
Change in Net Assets	\$5,466,495	\$2,523,313	(\$1,397,363)	\$4,014,221	\$15,616,238	\$10,330,938	(\$9,223,591)	(\$8,817,129)	\$5,447,757	\$57,101,618
Governmental Activities										

(a) Included in Other Taxes prior to fiscal year 2012.

(b) Includes business licenses previously included in Other Taxes.

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



	Fiscal Year Ended June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011 (b)	2012
General Fund										
Reserved	\$416,350	\$388,271	\$383,225	\$387,568	\$45,330	\$55,576	\$71,191	\$32,630		
Unreserved	13,854,183	14,203,812	13,634,482	12,989,007	18,012,835	17,378,837	20,125,976	21,359,353		
Nonspendable									\$94,156	\$4,024,921
Restricted									206,626	
Assigned										20,215
Unassigned									24,008,243	21,100,922
Total General Fund	<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>	<u>\$20,197,167</u>	<u>\$21,391,983</u>	<u>\$0</u>	<u>\$25,146,058</u> (a)
All Other Governmental Funds										
Reserved	\$10,409,941	\$13,012,019	\$16,603,584	\$32,450,547	\$47,633,407	\$49,546,081	\$34,879,869	\$30,555,643		
Unreserved, reported in:										
Special revenue funds	1,389,448	1,963,053	549,853	915,850	1,366,884	1,385,761	1,570,804	1,829,801		
Capital project funds	20,296,802	42,417,362	38,954,525	23,939,025	31,423,052	30,104,970	25,252,717	9,611,508		
Restricted									\$29,624,123	\$7,862,952
Assigned									11,451,201	6,112,651
Unassigned									(10,350)	
Total all other governmental funds	<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>	<u>\$61,703,390</u>	<u>\$41,996,952</u>	<u>\$41,064,974</u>	<u>\$13,975,603</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.
(b) The City implemented the provisions of GASB Statement 54 in fiscal year 2011.

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

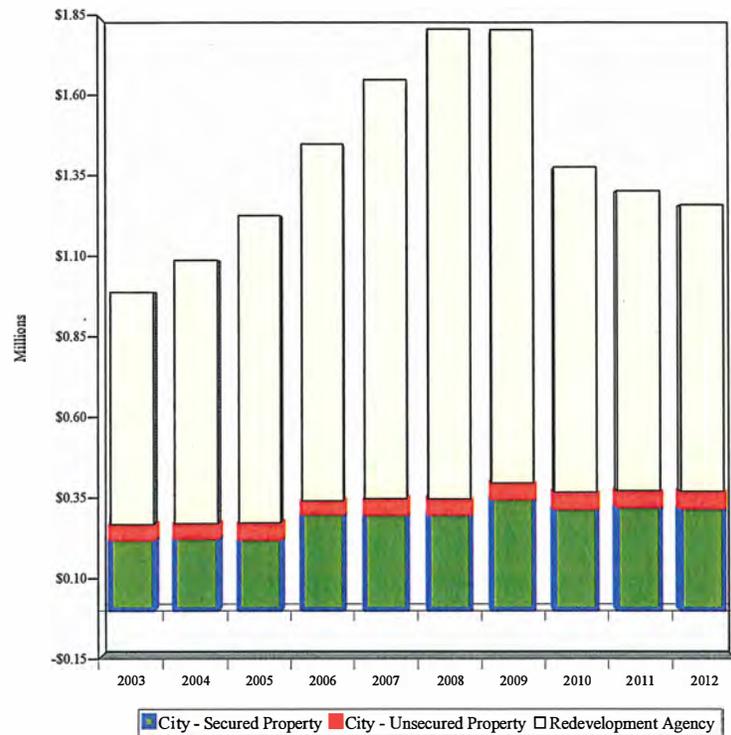
	Fiscal Year Ended June 30,				
	2003	2004	2005	2006	2007
Revenues					
Property taxes	\$1,493,059	\$1,447,370	\$1,384,587	\$1,387,577	\$1,738,546
Incremental property taxes	7,923,532	8,981,315	11,577,262	12,251,525	14,959,091
Less ERAF	(239,583)	(414,174)	(780,327)	(801,770)	
Sales taxes	1,872,533	1,805,822	1,442,957	1,414,077	1,304,189
In-lieu sales tax			402,175	367,240	396,968
Utility users tax	1,959,355	1,989,816	2,053,248	2,158,865	1,594,338
Business license tax (a)					
Other taxes	3,654,479	3,591,499	3,820,413	9,866,947	12,649,876
Licenses and permits	274,508	299,715	280,518	290,935	326,195
Fines and forfeits	11,288	13,315	38,248	15,768	400,117
Intergovernmental	4,041,873	4,214,004	4,357,809	4,838,178	5,276,263
Charges for services	1,115,843	1,160,364	1,435,764	1,560,365	1,098,195
Use of money and property	2,302,048	4,224,175	2,544,289	3,373,908	4,165,686
Miscellaneous	165,441	414,818	302,606	269,703	276,206
Total Revenues	24,574,376	27,728,039	28,859,549	36,993,318	44,185,670
Expenditures					
Current:					
General government	4,318,395	4,111,331	6,075,454	5,153,650	2,462,270
Community					
Recreation	616,658	554,021	653,744	716,929	956,875
Development	5,003,018	2,696,836	6,083,560	3,871,099	4,215,123
Housing	1,330,272	2,984,044	849,562	1,320,060	518,764
Public Works & Engineering					2,947,864
Police	7,123,169	7,870,063	9,600,575	15,512,360	10,589,624
Pass Through to County					
Supplemental Educational Revenue Augmentation Fund Payment					
Estimated reduction in value of land held for redevelopment					
Capital outlay	4,533,164	2,747,037	2,302,320	3,147,146	14,634,535
Debt service:					
Principal repayment	1,275,000	1,325,000	1,645,000	1,530,000	1,740,000
Interest and fiscal charges	2,433,830	3,709,542	3,145,231	3,079,872	4,097,085
Total Expenditures	26,633,506	25,997,874	30,355,446	34,331,116	42,162,140
Excess (deficiency) of revenues over (under) expenditures	(2,059,130)	1,730,165	(1,495,897)	2,662,202	2,023,530
Other Financing Sources (Uses)					
Transfers in	9,176,190	27,214,941	13,157,679	12,628,478	42,988,080
Transfers (out)	(9,176,190)	(27,214,941)	(13,157,679)	(12,628,478)	(42,988,080)
Proceeds or gain from sale of property	289,010	275,668	56,981	315,000	2,368,112
Loss from sale of property				(2,420,874)	
Issuance of debt		37,755,000			36,000,000
Premium on bonds		690,216			
Payments to refunded bond escrow		(14,833,256)			(12,592,131)
Property held for resale transferred to capital assets					
Total Other Financing Sources (Uses)	289,010	23,887,628	56,981	(2,105,874)	25,775,981
Special Items					
Transfer of loans receivable and cash to the county			(1,425,863)		
Reversal of deferred revenues to offset the loans			1,005,931		
Extraordinary Items					
Assets transferred to Housing Successor					
Assets transferred to/liabilities assumed by Successor Agency/Housing Successor					
Total Special and Extraordinary Items	0	0	(419,932)	0	0
Change in Fund Balance	(\$1,770,120)	\$25,617,793	(\$1,858,848)	\$556,328	\$27,799,511
Debt service as a percentage of noncapital expenditures					
	16.8%	21.7%	17.1%	14.8%	21.2%

(a) Included in Other Taxes prior to fiscal year 2012.

(b) The Redevelopment Agency was dissolved on January 31, 2012.

Fiscal Year Ended June 30,				
2008	2009	2010	2011	2012
\$1,584,784	\$1,310,791	\$1,104,259	\$1,129,241	\$1,345,016
15,434,058	14,675,932	9,751,633	9,415,129	5,051,415 (b)
1,400,911	1,342,904	1,893,530	1,336,319	1,774,609
411,506	472,411	456,357	316,486	421,134
1,632,823	1,366,676	1,512,840	2,083,913	2,339,064
				15,501,584
13,531,030	14,891,478	15,332,960	16,217,232	2,692,995
296,836	327,507	321,824	313,623	299,047
333,832	248,344	253,830	175,236	160,779
5,454,369	5,368,548	5,792,474	6,927,565	6,732,431
884,505	784,975	980,009	786,693	733,972
4,339,988	2,217,675	904,473	1,275,476	1,070,834
178,633	237,809	135,070	143,404	125,916
45,483,275	43,245,050	38,439,259	40,120,317	38,248,796
3,502,819	3,092,038	3,608,932	5,077,971	4,051,309
1,188,497	1,107,073	1,232,619	1,281,164	1,045,283
6,723,506	10,911,000	8,120,814	3,231,110	1,776,767
4,192,021	5,778,117	680,286	214,996	6,937
3,569,382	3,266,892	3,173,331	2,912,684	3,039,965
15,246,567	13,504,115	14,281,329	14,109,881	13,601,625
		5,939,603	1,222,860	
	12,520,417	3,486,168		
5,317,834	3,983,178	9,741,894	4,993,318	8,925,221
1,795,000	1,865,000	3,050,000	3,165,543	3,290,000
3,993,540	3,794,982	3,640,060	3,541,450	2,182,278
45,529,166	59,822,812	56,955,036	39,750,977	37,919,385
(45,891)	(16,577,762)	(18,515,777)	369,340	329,411
13,741,142	16,958,273	15,160,490	21,666,427	15,145,921
(13,741,142)	(16,958,273)	(15,160,490)	(21,666,427)	(15,145,921)
35,608	7,094	4,155	1,327,416	
			1,222,860	
			(911,727)	
35,608	7,094	4,155	1,638,549	0
				5,865,000
				(32,469,574)
0	0	0	0	(26,604,574)
(\$10,283)	(\$16,570,668)	(\$18,511,622)	\$2,007,889	(\$26,275,163)
14.4%	10.1%	14.2%	19.1%	18.6%

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

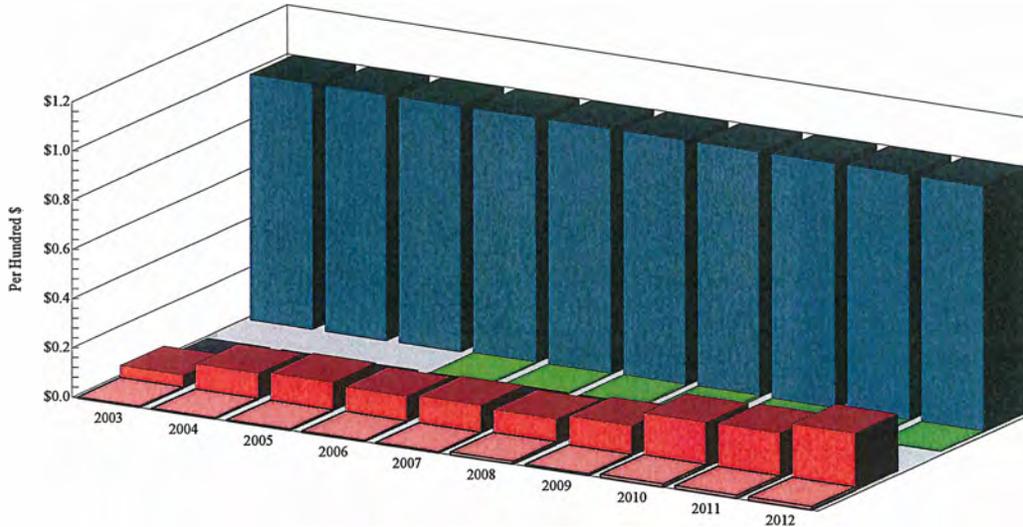


Fiscal Year	Value of City Property Subject to Local Tax Rate			Value of Redevelopment Agency Property Subject to Local Tax Rate			Total Assessed (a)	Estimated Full Market (a)	Total Direct Tax Rate (b)
	Secured Property	Unsecured Property	Total	Tenth Township	Legacy	Total			
2003	\$219,539,698	\$43,489,446	\$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%
2009	346,890,514	45,660,517	392,551,031	1,222,217,550	194,668,521	1,416,886,071	1,809,437,102	1,809,437,102	0.837%
2010	315,643,724	47,360,647	363,004,371	926,984,713	88,794,964	1,015,779,677	1,378,784,048	1,378,784,048	0.726%
2011	322,164,784	46,296,587	368,461,371	854,184,022	82,697,584	936,881,606	1,305,342,977	1,305,342,977	0.744%
2012	317,570,213	49,107,847	366,678,060	819,841,729	74,886,120	894,727,849	1,261,405,909	1,261,405,909	0.716%

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**



Direct and Overlapping Rates

■ Community College	■ West Contra Costa Unified School District
■ East Bay Regional Park District	■ Bay Area Rapid Transit
■ Basic County Wide Levy	

Fiscal Year	Basic County Wide Levy (a)	Bay Area Rapid Transit	East Bay Regional Park District	West Contra Costa Unified School District	Community College	Total Direct and Overlapping Rates (b)	City's Share of 1% Levy per Prop 13 (c)	Redevelopment Agency Rate (d)	Total Direct Rate (e)
2003	\$1.00000		\$0.00650	\$0.05260	\$0.00400	\$1.06310	\$0.09828	\$1.00650	\$0.74999
2004	1.00000		0.00570	0.10640	0.00380	1.11590	0.09828	1.00570	0.77007
2005	1.00000		0.00570	0.11530	0.00420	1.12520	0.09828	1.00570	0.79362
2006	1.00000	\$0.00480	0.00570	0.10410	0.00470	1.11930	0.09828	1.00570	0.81544
2007	1.00000	0.00500	0.00850	0.11430	0.00430	1.13210	0.09828	1.00850	0.83751
2008	1.00000	0.00760	0.00800	0.10350	0.01080	1.12990	0.09828	1.00800	0.85082
2009	1.00000	0.00900	0.01000	0.12300	0.00660	1.14860	0.09828	1.01000	0.84696
2010	1.00000	0.00570	0.01080	0.18280	0.01260	1.21190	0.09828	1.01080	0.80472
2011	1.00000	0.00310	0.00840	0.18690	0.01330	1.21170	0.09828	1.00840	0.78904
2012	1.00000	0.00410	0.00710	0.23220	0.01440	1.25780	0.09828	1.00710	0.78177

Source: HdL Coren & Cone, Contra Costa County Assessor

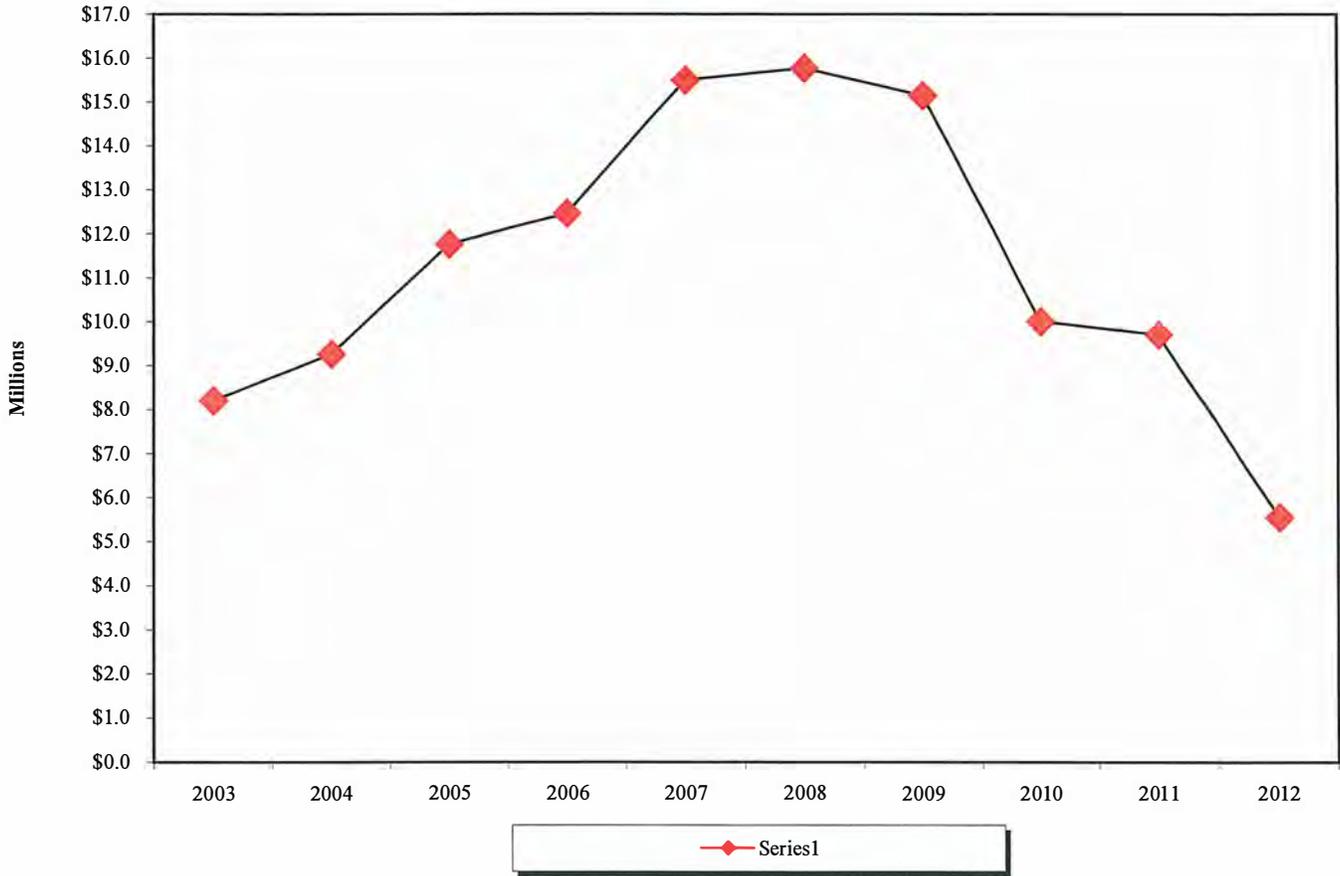
- (a) In 1978, California voters passed Proposition 13 which set the property tax rate at a 1% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the, 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.
- (b) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all City property owners.
- (c) City's share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the City. ERAF general fund tax shifts may not be included in tax ratio figures.
- (d) Redevelopment Agency (RDA) rate is based on the largest RDA tax rate area (TRA) and includes only rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values.
- (e) Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information.

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

Taxpayer	2011-2012			2002-2003		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Donahue Schriber Realty Group	\$17,557,830	1	1.4%			
San Pablo Retail Partners LLC	16,646,323	2	1.3%			
3002 Giant Road LLC	13,533,229	3	1.1%			
Save Mart Supermarkets	12,601,990	4	1.0%			
College Center Retail LLC	11,871,803	5	0.9%			
Public Storage Inc	10,244,210	6	0.8%			
Lucky Nocal Investor LLC	10,063,436	7	0.8%			
Murray and Janet Gordon Trust	9,034,192	8	0.7%	\$7,834,810	8	0.8%
International Game Technology Inc.	8,291,496	9	0.7%			
WEC 97K-31 Investment Trust	6,598,185	10	0.5%	6,453,600	9	0.7%
Signature at Abella				20,150,002	1	2.0%
Sonoma Entertainment Investors				17,334,708	2	1.8%
Princeton Plaza LLC				13,933,928	3	1.4%
West CCC Hospital District				13,221,618	4	1.3%
Tenet Healthsystem Hospital Inc				12,281,495	5	1.2%
EDI LLC				11,870,015	6	1.2%
Lucky Stores Inc.				7,930,824	7	0.8%
Richard and Susann Fishman Trust				6,112,360	10	0.6%
Subtotal	<u>\$116,442,694</u>		<u>9.2%</u>	<u>\$117,123,360</u>		<u>11.8%</u>
Total Net Assessed Valuation:						
Fiscal Year 2011-2012	\$1,261,405,909					
Fiscal Year 2002-2003	\$989,186,200					

Source: HdL Coren & Cone, Contra Costa County Assessor

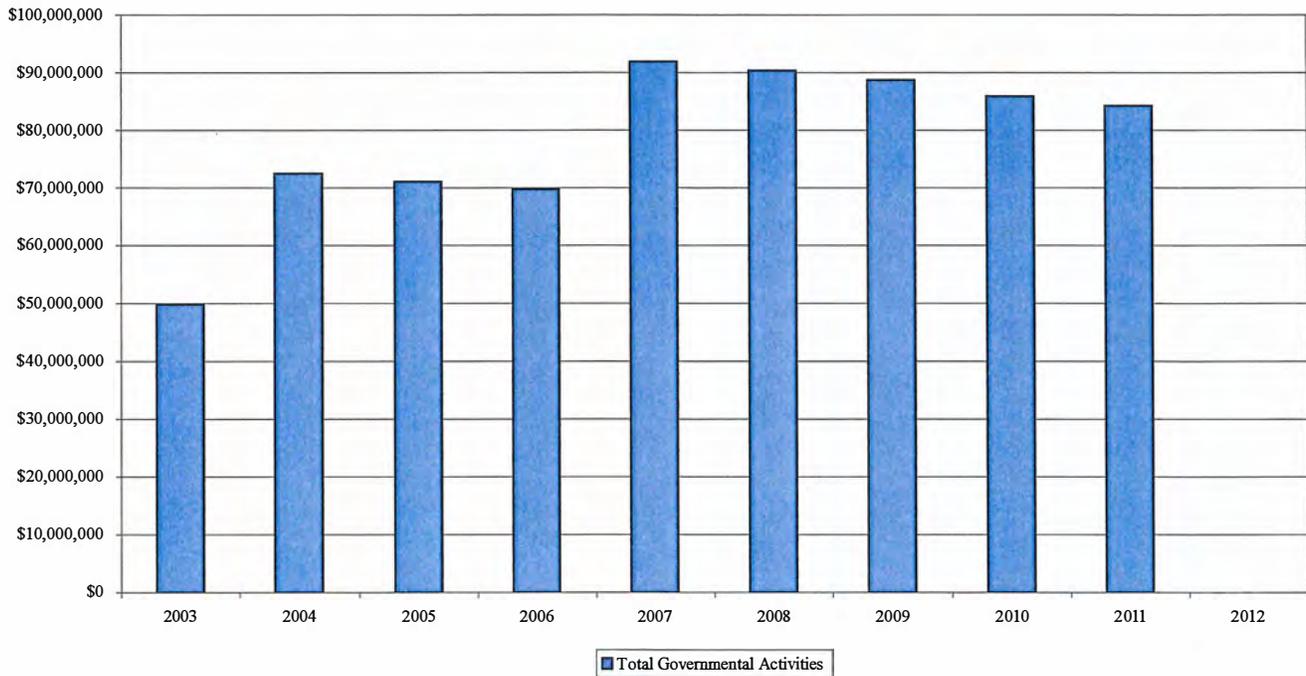
**CITY OF SAN PABLO
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**



<u>Fiscal Year</u>	<u>City Property Tax Levied and Collected (1)</u>	<u>Redevelopment Agency Property Tax Levied and Collected</u>	<u>Total Property Tax Levied and Collected (2)</u>	<u>Percent of Total Tax Collections to Tax Levy</u>
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	388,457	15,434,058	15,772,515	100%
2009	472,141	14,675,932	15,148,073	100%
2010	260,080	9,751,633	10,011,713	100%
2011	291,311	9,415,129	9,706,440	100%
2012	505,693	5,051,415	(3) 5,557,108	100%

- NOTES:
- (1) Excludes Street Lighting and Landscaping, N.P.D.E.S. and Oak Park Maintenance District Property Tax.
 - (2) 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.
 - (3) The Redevelopment Agency was dissolved on January 31, 2012.

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



Fiscal Year	Governmental Activities		Total Governmental Activities	Percentage of Personal Income (a)	Per Capita (a)
	Tax Allocation Bonds	SERAF Loan			
2003	\$49,864,131		\$49,864,131	3.67%	1,622
2004	72,569,721		72,569,721	5.06%	2,337
2005	71,120,978		71,120,978	14.19%	2,269
2006	69,798,514		69,798,514	15.63%	2,236
2007	91,927,978		91,927,978	20.82%	2,969
2008	90,365,056		90,365,056	17.58%	2,897
2009	88,745,472		88,745,472	16.34%	2,790
2010	85,954,993		85,954,993	15.82%	2,702
2011	83,064,430	\$1,222,317	84,286,747	16.85%	2,913
2012	0 (b)	0 (b)	0	0.00%	0

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.

(b) The Redevelopment Agency was dissolved as of January 31, 2012 and its debt assumed by a Successor Agency as of February 1, 2012.

**CITY OF SAN PABLO
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2012**

2011-12 Assessed Valuation	\$1,261,405,909
Less: Redevelopment Incremental Valuation	<u>894,727,849</u>
Adjusted Assessed Valuation	<u><u>\$366,678,060</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
Direct Debt:			
City of San Pablo Special Assessment District 1915 Act Bonds	<u>\$1,485,000</u>	100.000%	<u>\$1,485,000</u>
Overlapping Debt:			
Bay Area Rapid Transit District	138,808,740	0.846%	1,173,803
Contra Costa County Pension Debt	358,495,000	0.846%	3,031,528
Contra Costa County Lease Revenue Bonds	328,808,976	0.846%	2,780,493
Contra Costa County Fire Pension Obligation	111,595,000	1.834%	2,046,387
Contra Costa Community College District	266,535,000	0.849%	2,262,891
East Bay Regional Park District	57,086,933	0.846%	482,742
West Contra Costa Unified School District	1,064,168,850	5.365%	57,091,739
City of San Pablo	<u>0</u>	100.000%	<u>0</u>
Total Overlapping Debt	<u>2,325,498,499</u>		<u>68,869,583</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	<u><u>\$2,326,983,499</u></u>		<u><u>\$70,354,583</u></u> (1)

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

<u>RATIOS TO 2011-12 ADJUSTED ASSESSED VALUATION:</u>	
Direct Debt	0.40%
Total Direct and Overlapping Tax Assessment Debt	19.19%

Source: HdL Coren & Cone

**CITY OF SAN PABLO
COMPUTATION OF LEGAL BONDED DEBT MARGIN
JUNE 30, 2012**

ASSESSED VALUATION:

Secured property assessed value, net of exempt real property	\$1,261,405,909
---	-----------------

BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	\$47,302,722
---	--------------

AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt	\$0
Less Tax Allocation Bonds and SERAF Loan not subject to limit	0

Amount of debt subject to limit	0
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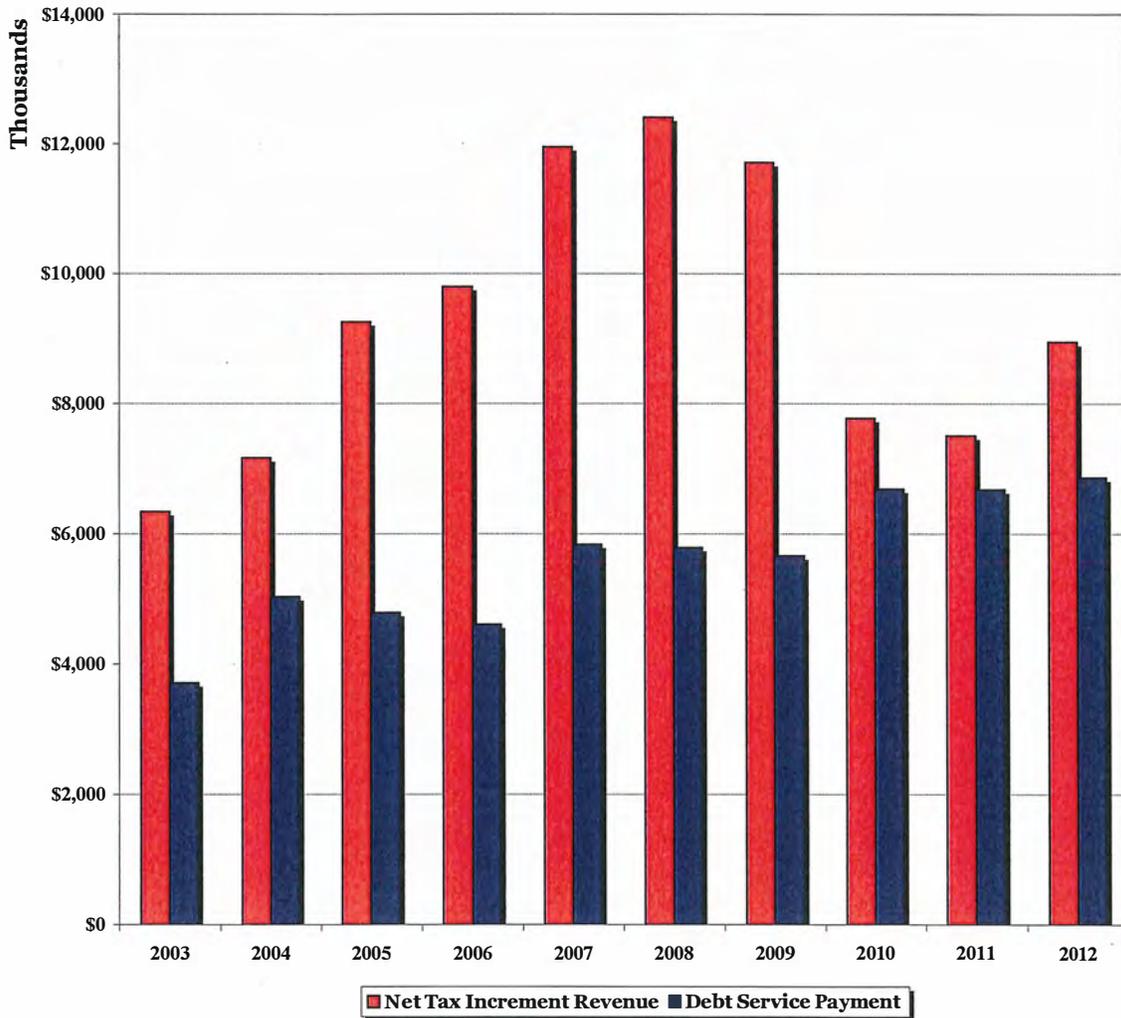
LEGAL BONDED DEBT MARGIN	\$47,302,722
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Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
2002	\$34,367,022	\$0	\$34,367,022	0.00%
2003	37,094,483	0	37,094,483	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%
2009	67,853,891	0	67,853,891	0.00%
2010	51,704,402	0	51,704,402	0.00%
2011	48,950,362	0	48,950,365	0.00%
2012	47,302,722	0	47,302,722	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	
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
2009	14,675,932	2,965,190	11,710,742	1,865,000	3,794,982	5,659,982	2.07
2010	9,751,633	1,972,660	7,778,973	3,050,000	3,640,060	6,690,060	1.16
2011	9,415,129	1,903,187	7,511,942	3,165,000	3,516,993	6,681,993	1.12
2012	8,952,532	0 (b)	8,952,532	3,290,000	3,577,017	6,867,017 (c)	1.30

- (a) The Redevelopment Agency was dissolved effective January 31, 2012 and its liabilities were assumed by a Successor Agency effective February 1, 2012. Includes tax increment collected by the former Redevelopment Agency and property taxes collected by the Successor Agency.
- (b) The Redevelopment Agency was not required to make the low and moderate income housing set-aside during fiscal year 2012.
- (c) Includes debt service paid by both the former Redevelopment Agency and the Successor Agency.

CITY OF SAN PABLO
OAK PARK
1998 REASSESSMENT REVENUE BONDS
CONTINUING DISCLOSURE REQUIRED BY SEC RULE 15c(2)-12(b)(5)
JUNE 30, 2012

Oak Park 1998 Reassessment Revenue Bonds

Reserve Fund:	Balance	\$457,583
	Requirement	\$457,568

City of San Pablo Limited Obligation Refunding Bonds, Oak Park Assessment District, Principal Outstanding	\$1,485,000
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Assessed value of parcels within Reassessment District	\$17,918,303
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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:	Donahue Schriber Realty Group
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Source: Trustee Statement & County Assessor

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

TENTH TOWNSHIP PROJECT AREA

Fiscal Year	Gross Tax Revenues	Housing Set-Aside	Pledged Tax Revenues	Debt Service On			2006 Bonds	Total Debt Service	Debt Service Coverage
				1993 Bonds	1999 Bonds	2004 Tenth Township Bonds			
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
2009	12,802,280	(2,560,456)	10,241,824	0	900,438	2,991,021	1,562,362	5,453,821	1.88
2010	9,051,332	(1,810,386)	7,240,946	0	897,782	2,553,326	2,963,452	6,414,560	1.13
2011	8,594,963	(1,737,391)	6,857,572	0	893,292	2,559,633	2,953,843	6,406,768	1.07
2012	8,529,190 (a)	0 (b)	8,529,190	0	887,070	2,942,173	2,762,899	6,592,142 (c)	1.29

LEGACY PROJECT AREA

Fiscal Year	Gross Tax Revenues	Housing Set Aside	Available Revenue	Debt Service on 2004 Legacy Bonds	Debt Service Coverage
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	1,877,687	(375,537)	1,502,150	201,163	7.47
2009	2,023,668	(404,734)	1,618,934	206,161	7.85
2010	811,369	(162,274)	649,095	275,500	2.36
2011	820,166	(165,796)	654,370	275,225	2.38
2012	423,342 (a)	0 (b)	423,342	274,875 (c)	1.54

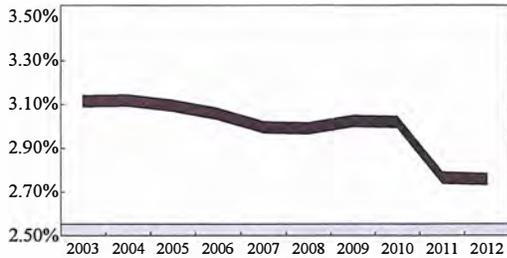
(a) The Redevelopment Agency was dissolved effective January 31, 2012 and its liabilities were assumed by a Successor Agency effective February 1, 2012. Includes tax increment collected by the former Redevelopment Agency and property taxes collected by the Successor Agency. After January 31, 2012, the distinction between the property taxes collected by the Tenth Township and Legacy Project Areas was not provided, therefore property taxes of \$3,901,117 collected by the Successor Agency have been reported in the Tenth Township Project Area total.

(b) The Redevelopment Agency was not required to make the low and moderate income housing set-aside during fiscal year 2012.

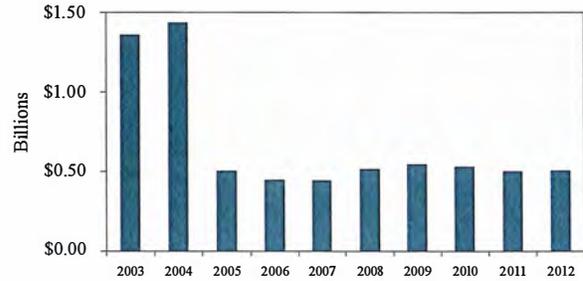
(c) Includes debt service paid by both the former Redevelopment Agency and the Successor Agency.

Sources: City of San Pablo Financial Statements

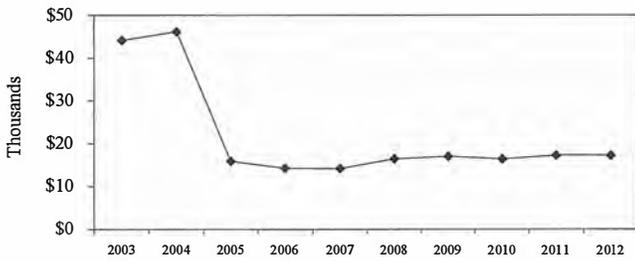
**CITY OF SAN PABLO
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**



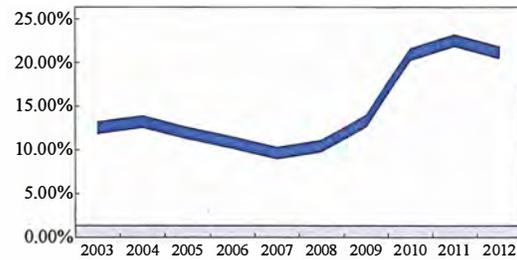
■ City Population as a % of County Population



■ Total Personal Income



◆ Per Capita Personal Income



■ Unemployment Rate (%)

Fiscal Year	City Population	Total Personal Income	Per Capita Personal Income	Unemployment Rate (%)	Contra Costa County Population	City Population % of County
2003	30,750	\$1,358,904,000 (a)	\$44,192 (b)	11.9%	994,900	3.09%
2004	31,050	1,434,851,550 (a)	46,211 (b)	12.6%	1,003,900	3.09%
2005	31,344	501,315,936 (a)	15,994	11.3%	1,020,898	3.07%
2006	31,216	446,482,448 (a)	14,303	10.2%	1,029,377	3.03%
2007	30,965	441,498,970 (a)	14,258	9.0%	1,042,341	2.97%
2008	31,190	514,011,200 (a)	16,480	9.8%	1,051,674	2.97%
2009	31,808	543,217,024 (a)	17,078	12.7%	1,060,435	3.00%
2010	32,131	530,514,941 (a)	16,511	20.3%	1,072,953	2.99%
2011	28,931	500,216,990 (a)	17,290	21.9%	1,056,064	2.74%
2012	29,105	503,632,920	17,304 (c)	20.5% (c)	1,065,117	2.73%

NOTES: (a) Data not available. Calculated by multiplying City Population by Per Capita Personal Income
 (b) Data not available for the City for 2003 to 2004, therefore data presented is for Contra Costa County
 (c) Data not available for fiscal year, therefore data presented is for prior calendar year

Sources: California State Department of Finance
 California Employment Development Department

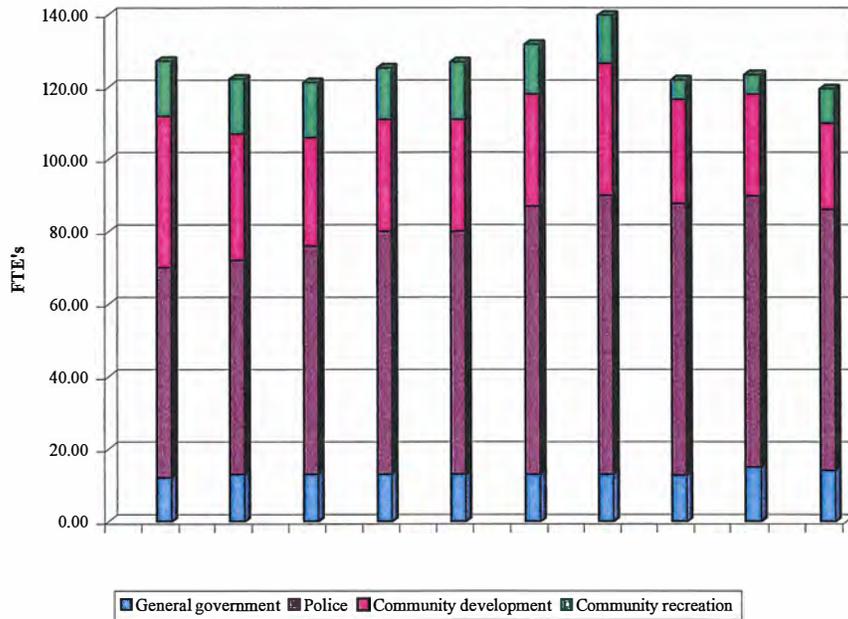
CITY OF SAN PABLO
Principal Employers
Current Year and Nine Years Ago

<u>Employer</u>	<u>2011-2012</u>			<u>2002-2003</u>		
	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Doctor's Medical Center*	973	1	6.9%	463	1	N/A
Contra Costa College*	693	2	4.9%	258	3	N/A
Casino San Pablo	475	3	3.4%	380	2	N/A
Vale Care Center*	261	4	1.8%	142	5	N/A
City of San Pablo*	191	5	1.4%	167	4	N/A
San Pablo Health Care Center	161	6	1.1%			
Creekside Health Care Center	127	7	0.9%			
West County Health Center *	120	8	0.9%			
Food Maxx	92	9	0.7%	62	9	N/A
Raley's	82	10	0.6%	95	7	N/A
Brookvue Care Center*				105	6	N/A
Albertson's (Lucky's)				87	8	N/A
San Pablo Supermarket				45	10	N/A
Subtotal	<u>3,175</u>		<u>22.5%</u>	<u>1,804</u>		<u>N/A</u>
Total City Day Population	<u>14,100</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 June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Function										
General government	12.00	13.00	13.00	13.00	13.00	13.00	13.00	12.70	14.88	14.00
Community development	42.00	35.00	30.00	31.00	31.00	31.00	36.50	28.86	28.22	24.00
Community recreation	15.25	15.25	15.25	14.25	15.90	13.75	13.30	5.35	5.39	9.50
Police	58.00	59.00	63.00	67.00	67.00	74.00	77.00	75.00	74.91	72.00
Total	127.25	122.25	121.25	125.25	126.90	131.75	139.80	121.91	123.40	119.50

CITY OF SAN PABLO
Operating Indicators by Function/Program

Function/Program	Fiscal Years						
	2006	2007	2008	2009	2010	2011	2012
Police: (calendar year)							
Police calls for Service	22,090	36,080	25,336	26,106	25,769	32,140	26,009
Crime Reports	8,142	8,948	7,502	6,352	6,178	5,925	5,887
Law violations:							
Major crimes: homicides/rape	7	18	16	22	13	9	12
Other major crimes: robbery/larceny	2,295	1,621	1,530	1,983	1,760	1,455	1,601
Arrests	1,803	1,989	2,083	1,539	1,729	1,688	1,496
Traffic collisions	512	420	455	323	391	396	440
Traffic citations	7,753	11,979	25,336	4,459	4,229	2,844	2,980
Public Works:							
Street resurfacing (miles)	N/A	N/A	5	8	14	14	0
Potholes repaired (square miles)	N/A	N/A	N/A	0.75	0.60	1	13
Street Sweeping (miles)	N/A	2,865	2,834	2,834	2,234	2,175	2,700
Volume of material removed (cubic yards)	N/A	912	898	878	880	880	965
Storm Drains:	N/A						
Catch basins cleaned	N/A	326	326	326	326	326	236
Volume of material removed (cubic yards)	N/A	470	25	23	29	71	9
Community Development:							
Community Services:							
Recreation class participants	740	1,229	1,444	1,211	1,331	2,479	2,594
Senior meals served	23,135	20,274	18,717	17,072	18,165	17,726	16,975
Rentals of Maple Hall	42	75	130	76	72	82	71
Education:							
Enrollment:							
Elementary schools (6)	3,604	3,547	3,598	3,536	3,114	3,002	3,110
Middle Schools (1)	936	767	640	727	930	911	1,660
High Schools (1)	387	394	472	467	300	286	400

Source: Various City Departments

Notes:

N/A denotes information not available.

CITY OF SAN PABLO
Capital Asset Statistics by Function/Program

Function/Program	Fiscal Years						
	2006	2007	2008	2009	2010	2011	2012
Police:							
Police stations	1	1	1	1	1	1	1
Police patrol units	23	16	28	23	23	21	23
Community Development:							
Miles of streets	98	48	48	48	48	48	48
Street lights	150	167	182	182	182	182	182
Traffic Signals	25	25	25	25	25	25	25
Roadway Landscaping:							
Landscaped median acreage	N/A	1	1	1	1	1	1
Street trees	N/A	800	800	800	800	800	800
Community Recreation:							
Community services:							
City parks	5	5	6	6	6	6	6
City parks acreage	28	28	28	28	28	28	31.5
Playgrounds	2	2	4	4	4	4	5
Event center	1	0	0	0	0	0	0
Historic house	1	3	2	3	3	3	3
City trails	1	1	1	1	1	1	1
City trails miles	1	1	1	1	1	1	1
Community centers	2	1	1	1	1	1	1
Senior centers	2	2	2	2	2	2	2
Baseball/softball diamonds	1	2	3	3	3	3	3
Soccer/football fields	4	4	6	6	6	6	6
Wastewater (1)							
Miles of storm drains	17	17	17	17	17	17	17

Source: Various City Departments

Notes:

(1) Wastewater services are provided by Contra Costa County