

# CITY OF SAN PABLO, CALIFORNIA



## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**CITY OF SAN PABLO, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**PREPARED BY THE**  
**FINANCE DEPARTMENT**

COVER PHOTOS  
City of San Pablo Employees



CITY<sup>OF</sup> SAN PABLO

---

*City of New Directions*

**CITY OF SAN PABLO, CALIFORNIA**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2011**

**Table of Contents**

Page

**INTRODUCTORY SECTION:**

**Table of Contents** ..... i

Letter of Transmittal.....v

Organization Chart ..... xi

Elected Officials and Administrative Personnel ..... xii

GFOA Award ..... xiii

San Pablo General Plan Map ..... xiv

**FINANCIAL SECTION:**

**Independent Auditor’s Report on Basic Financial Statements**.....1

**Management’s Discussion and Analysis** .....3

**Basic Financial Statements:**

Government-wide Financial Statements:

Statement of Net Assets ..... 20

Statement of Activities..... 21

Fund Financial Statements:

Governmental Funds:

Balance Sheet ..... 24

Statement of Revenues, Expenditures, and Changes in Fund Balances..... 26

Reconciliation of the Net Change in Fund Balances – Total Governmental  
Funds with the Statement of Activities..... 28

CITY OF SAN PABLO, CALIFORNIA

Comprehensive Annual Financial Report  
For the Year Ended June 30, 2011

Table of Contents

Page

**FINANCIAL SECTION (Continued):**

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:

General Fund..... 29

Redevelopment Agency Low and Moderate Income Housing Fund..... 30

Economic Development Corporation ..... 31

Fiduciary Funds:

Statements of Fiduciary Net Assets ..... 34

Statement of Changes in Fiduciary Net Assets..... 35

Notes to Financial Statements ..... 37

**Supplemental Information:**

*Major Governmental Funds, Other Than General Fund and Special Revenue Funds:*

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual

Redevelopment Agency Projects Fund ..... 78

*Non-major Governmental Funds:*

Combining Balance Sheets ..... 82

Combining Statements of Revenues, Expenditures, and Changes  
in Fund Balances..... 86

Combining Statements of Revenues, Expenditures, and Changes  
in Fund Balances – Budget and Actual ..... 90

*Agency Funds:*

Combining Statement of Changes in Assets and Liabilities ..... 98

CITY OF SAN PABLO, CALIFORNIA

Comprehensive Annual Financial Report  
For the Year Ended June 30, 2011

Table of Contents

Page

**STATISTICAL SECTION:**

Net Assets by Component - Last Ten Fiscal Years.....	103
Changes in Net Assets - Last Ten Fiscal Years.....	104
Fund Balances of Governmental Funds - Last Ten Fiscal Years.....	105
Changes in Fund Balance of Governmental Funds – Last Ten Fiscal Years .....	106
Assessed and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years .....	108
Property Tax Rates - All Overlapping Governments - Last Ten Fiscal Years .....	109
Principal Property Taxpayers – Current Year and Nine Years Ago.....	110
Property Tax Levies and Collections – Last Ten Fiscal Years .....	111
Ratio of Outstanding Debt by Type – Last Ten Fiscal Years .....	112
Computation of Direct and Overlapping Debt .....	113
Computation of Legal Bonded Debt Margin.....	114
Bonded Debt Pledged Revenue Coverage, Redevelopment Agency Tax Allocation Bonds - Last Ten Fiscal Years .....	115
Town Center 1997 Reassessment Revenue Bonds - Continuing Disclosure .....	116
Oak Park 1998 Reassessment Revenue Bonds - Continuing Disclosure .....	117
Debt Service Coverage Schedule – Tenth Township and Legacy Project Areas.....	118
Demographic and Economic Statistics - Last Ten Fiscal Years .....	119
Principal Employers – Current Year and Nine Years Ago .....	120
Full-Time Equivalent City Government Employees by Function – Last Ten Fiscal Years .....	121
Operating Indicators by Function/Program.....	122
Capital Asset Statistics by Function/Program .....	123



CITY<sup>OF</sup> SAN PABLO

---

*City of New Directions*



# CITY OF SAN PABLO

One Alvarado Square  
13831 San Pablo Avenue  
San Pablo, CA 94806  
[www.ci.san-pablo.ca.us](http://www.ci.san-pablo.ca.us)

Phone 510.215.3020 • Fax 510.231.0223

## FINANCE DEPARTMENT

November 22, 2011

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

State law requires that all general-purpose local governments, within six months of the close of each fiscal year, publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants (CPA's). Pursuant to that requirement, we are pleased to submit the City of San Pablo's (City) Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011.

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

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

The City's financial statements for the fiscal year ended June 30, 2011 have been audited by Maze & Associates. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of San Pablo's financial statements for the fiscal year ended June 30, 2011, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

### **Profile of the Government**

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

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

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

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

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

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

### **Factors Affecting Financial Condition**

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

#### *Current Economic Conditions and Outlook:*

San Pablo covers an area of approximately three square miles. The City has an estimated population of 28,931 and a total assessed property valuation of \$1,305,342,977. The area is characterized as an older bedroom community that is almost completely built out. All development that is done is through the reuse of existing properties.

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

Doctors Medical Center San Pablo is operated by the West Contra Costa Healthcare District, a public agency. Serving the community for more than fifty years, Doctors Medical Center has a 189-bed hospital in San Pablo with the largest emergency department in the West County area and the second busiest in Contra Costa County. Besides emergency services, Doctors Medical Center offers a full range of health services, including a regional cancer treatment center, a well known cardiac center, hyperbaric medicine center and orthopedics.

San Pablo Lytton Casino is a Native American Casino in San Pablo and is open 24 hours daily. The property has one restaurant and offers both card games and electronic bingo machines. The City relies heavily on Casino business revenue to support general fund operations. As such San Pablo is unique in the region and is not subject to the same variations in taxes that impact neighboring cities. Casino business taxes comprised 58 % of general fund revenues for fiscal year 2010-11.

Utility user's tax increased in fiscal 2011 as the temporary reduction in rates which had been at 5% was restored to the voter approved amount of 7%. The 7% went into effect July 1, 2010.

Interest decreased as the annual rate on investments went from 0.65% to 0.48%. Additional decreases are expected as the rate is now less than .40%. Offsetting this decrease were the repayments from a loan issued during the fiscal year. If it was not for this loan repayment, the interest earning would have decreased. Sales taxes represent the other major general fund revenue. This year there was a 5% increase as it appears the slowdown in the economy has stopped.

Fiscal year 2011 saw a regression in the median price of houses, in that there was a decrease of -12.14% over 2010 when prices increased 6.87%. While this decrease is better than the -28.22% that was experienced in 2009, or the -54.60% that was experienced in 2008 it is still high. Current supplemental property taxes, which represent the change in property taxes when the property is sold, turned negative as the County Assessor continued refunding property taxes. This year over \$48,000 was refunded by the county. This is better than the \$560,000 that was experienced last year but it still indicates that the housing correction is continuing. When property taxes from all funds are included, property taxes equal 26% of revenue for all governmental funds.

*Major Initiatives:*

The City of San Pablo is an active and vibrant community, with a municipal government that is proactive and prepared to respond to changes which are occurring. In fiscal year 2010-11, the City began or continued work on several capital projects including the following:

- ★ 23<sup>rd</sup> Street traffic Calming
- ★ Rumrill Boulevard Bridge Replacement
- ★ El Portal Gateway
- ★ Wildcat Creek Trail
- ★ Wanlass Park
- ★ I-80 San Pablo Dam Road Interchange
- ★ Annual Slurry Seal Project
- ★ Helms Community Center

The Agency negotiated with Contra Costa County to sell approximately 3 acres of the former Circle S site. Construction has commenced to build a new medical clinic and parking garage for West County residents.

## **Long term Financial Planning**

The long term financial outlook for the City of San Pablo, less the Redevelopment Agency is positive. Beginning in FY 2009-10 the City began deferring capital project spending. Cost controls have been implemented and the City passed a Biennial Budget for FY 2011-13 that was balanced and did not need to use reserves. In February 2011 the City established the San Pablo Economic Development Corporation to provide physical, economic and educational development, redevelopment, and revitalization efforts within the City. A new West County Health Center is being built that will jump start the development of the former Circle S property.

Offsetting this positive outlook is the proposed dissolution of the Redevelopment Agency by the State of California. On June 28, 2011 the State of California enacted ABx1 26 which suspends all new redevelopment activities. Simultaneously ABx1 27 was enacted which allowed the Agency to avoid dissolution if a payment of \$4,438,301 is made by the City in 2012. Both of these laws have been appealed and a decision from the California Supreme Court is not expected until January 2012. In addition, the Redevelopment Agency has experienced a serious decrease in tax increment revenue from property taxes that will put new acquisitions on hold until the assessed valuation increases.

In 2013, the Redevelopment Agency's has a pass through agreement with the County will require the Agency to pay 100% of the property tax that is due to each taxing agencies from a current negotiated amount. The amount that will be due will increase substantially over the current amount.

The City is carefully looking at the changes occurring in the State of California and the effect they will have on the City. The City will continue to analyze this information and its effect on the City's long term financial position.

## **Awards**

The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of San Pablo for its comprehensive annual financial report for the fiscal year ended June 30, 2010. This was the fifteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

## **Acknowledgments**

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

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

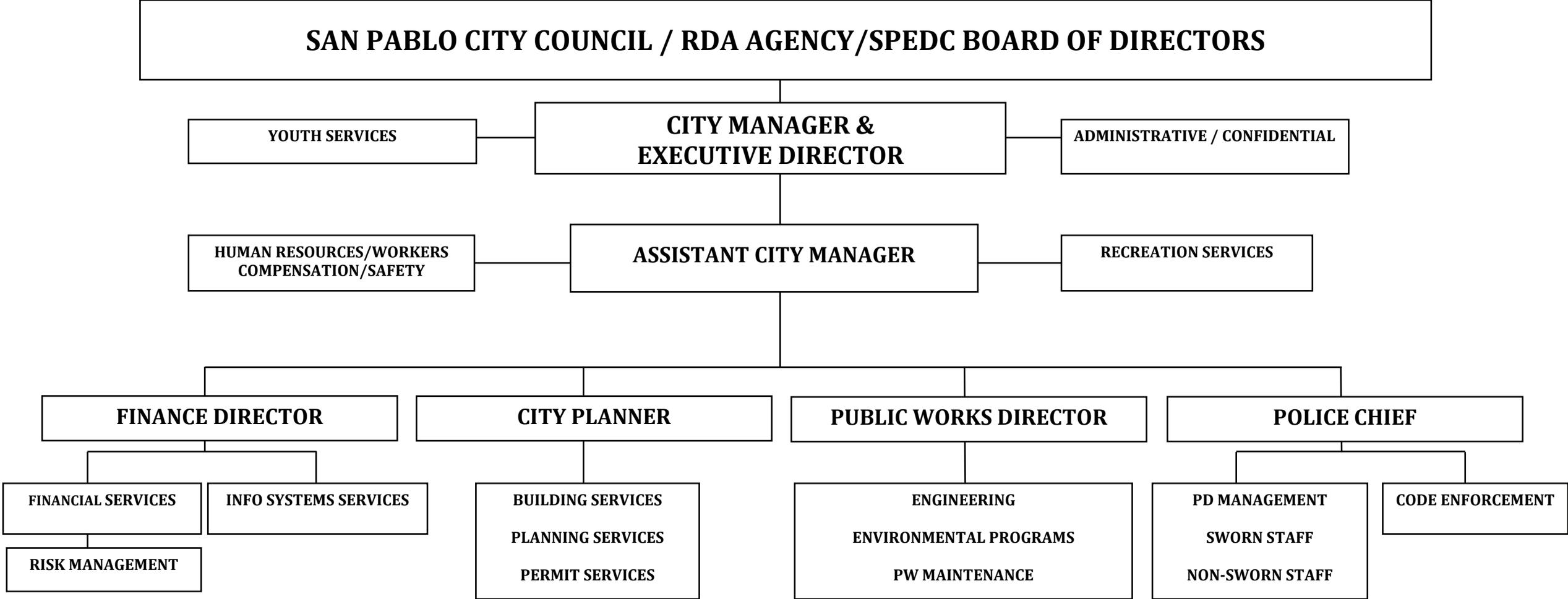
Sincerely,



CITY OF SAN PABLO  
Bradley J. Ward  
Finance Director

# CITY OF SAN PABLO

## ORGANIZATIONAL CHART



**CITY OF SAN PABLO**  
**ELECTED OFFICIALS AND**  
**ADMINISTRATIVE PERSONNEL**

**JUNE 30, 2011**

**ELECTED OFFICIALS**

Mayor	Paul V. Morris
Vice Mayor	Cecilia Valdez
Council Member	Arturo M. Cruz
Council Member	Genoveva Garcia-Calloway
Council Member	Leonard R. McNeil
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, 2010

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.



President

Executive Director

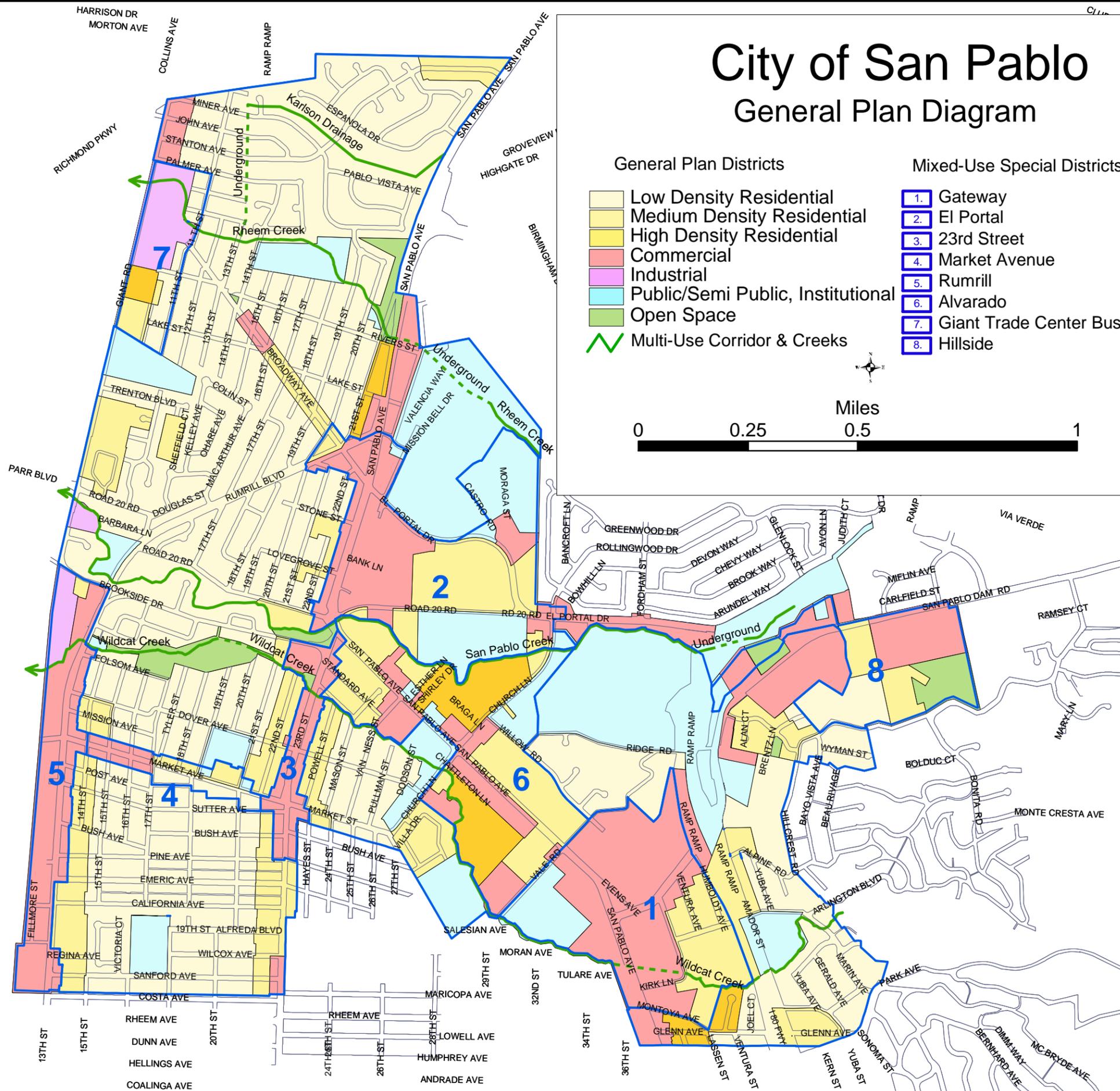
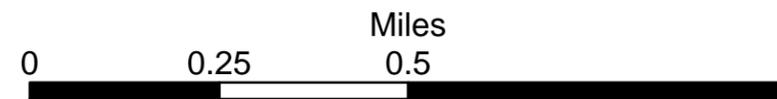
# City of San Pablo General Plan Diagram

## General Plan Districts

- Low Density Residential
- Medium Density Residential
- High Density Residential
- Commercial
- Industrial
- Public/Semi Public, Institutional
- Open Space
- Multi-Use Corridor & Creeks

## Mixed-Use Special Districts

- 1. Gateway
- 2. El Portal
- 3. 23rd Street
- 4. Market Avenue
- 5. Rumrill
- 6. Alvarado
- 7. Giant Trade Center Business Park
- 8. Hillside



## INDEPENDENT AUDITOR'S REPORT ON BASIC FINANCIAL STATEMENTS

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of San Pablo, California, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly in all material respects the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City at June 30, 2011 and the results of its operation and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with generally accepted accounting principles in the United States of America.

As disclosed in Note 17, the State of California adopted ABx1 26 on June 28, 2011, which suspends all new redevelopment activities except for limited specified activities as of that date and dissolves redevelopment agencies effective October 1, 2011. The State simultaneously adopted ABx1 27 which allows redevelopment agencies to avoid dissolution by opting into an "alternative voluntary redevelopment program" requiring specified substantial annual contributions to local schools and special districts. These conditions raise substantial doubt about the ability of the Redevelopment Agency of the City of San Pablo, a component unit of the City, to continue as a going concern. However, on August 11, 2011, the California Supreme Court issued a partial stay of ABx1 26 and a full stay of ABx1 27, but the partial stay did not include the section of ABx1 26 that suspends all new redevelopment activities. As a result, the accompanying financial statements have been prepared assuming that the Redevelopment Agency of the City of San Pablo will continue as a going concern. The activities of the Redevelopment Agency of the City of San Pablo are included in the Redevelopment Agency Low and Moderate Income Housing Fund, Redevelopment Agency Projects Fund, the Merged Project Area 1999 Subordinate Tax Allocation Bonds Debt Service Fund, 2001 Tax Allocation Bonds Tenth Township Project Area Debt Service Fund, 2004 Tax Allocation Bonds Legacy Project Area Debt Service Fund, 2004 Tax Allocation Bonds Tenth Township Project Area, and 2006 Subordinate Tax Allocation Bonds Tenth Township Project Area Debt Service Fund of the accompanying financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2011 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.

As of July 1, 2010, the City adopted the provisions of Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*. As discussed in Note 10 to the financial statements, the provisions of this statement affect the classification of fund balances reported in the financial statements.

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

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

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

A handwritten signature in cursive script that reads "Mary & Associates". The signature is written in dark ink and is positioned above the date.

November 22, 2011

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

### **FISCAL 2011 FINANCIAL HIGHLIGHTS**

In Fiscal Year 2011 the significant events which affected the City's financial statements included: sold two parcels of Land Held for Resale to Contra Costa County, transferred three parcels of Land Held for Resale from the Redevelopment Agency to the City, entered into a structured payment plan agreement with the Department of Finance to repay the County Supplemental Educational Revenue Augmentation Fund payment over a ten year period, established the Economic Development Corporation, secured funding of capital projects and increased bond reserves.

These events account for most of the Fiscal Year 2011 financial highlights which include the following:

#### *City-wide:*

- The City's total net assets increased \$5.5 million in fiscal 2011. At June 30, 2011, net assets totaled \$61.6 million.
- City-wide revenues include program revenues of \$5.9 million and general revenues of \$34.9 million, totaling \$40.8 million, a \$1.9 million increase from the prior year.
- Total City wide expenses were \$35.3 million, a \$12.4 million decrease from the prior year.

#### *Fund Level:*

- Governmental Fund balances increased \$2.1 million to \$65.4 million. Cash and investments increased \$2.5 million, restricted cash and investments increased \$1.7 million, notes receivable under Redevelopment Agency programs increased \$.1 million and land held for resale decreased \$3.4 million in fiscal 2011. Deferred revenue increased \$1.0 million, advance to other funds increased \$2.9 million and accounts payable decreased \$0.8 million.
- Governmental Fund revenues increased \$1.7 million to \$40.1 million in fiscal 2011.
- Governmental Fund expenditures decreased \$17.2 million to \$39.8 million in fiscal 2011, from fiscal 2010's level of \$57.0 million.
- General Fund revenues of \$23.6 million represent an increase of \$1.7 million from the fiscal 2010's revenues of \$21.9 million.
- General Fund balance of \$24.3 million at fiscal year end 2011 increased \$2.9 million from fiscal 2010's fund balance of \$21.4 million.

## **The Basic Financial Statements**

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

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

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

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

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

### *The City-wide Financial Statements*

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

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

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

### *Fund Financial Statements*

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

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

The City had four Major Funds in 2011 in addition to the General Fund: The Redevelopment Agency Low & Moderate Income Housing Fund, the Economic Development Corporation Fund, the Redevelopment Agency Projects Fund, and the Public Works Construction Fund each of which is discussed in detail below.

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

### *Fiduciary Statements*

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

## FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

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

### **Governmental Activities**

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

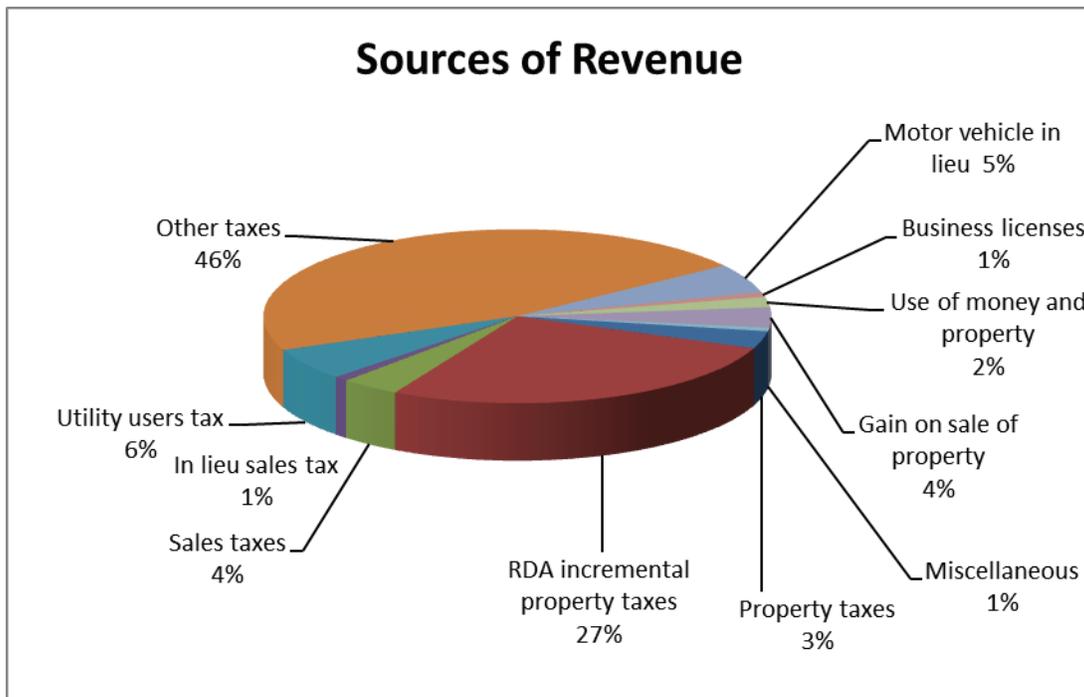
	Governmental Activities	
	2011	2010
Current and other assets	\$92.50	\$90.80
Capital assets	61.30	60.60
<b>Total assets</b>	<b>153.80</b>	<b>151.40</b>
Long-term debt outstanding	84.30	86.00
Other liabilities	8.00	9.30
<b>Total liabilities</b>	<b>92.30</b>	<b>95.30</b>
Net assets:		
Invested in capital assets, net of debt	40.00	25.10
Restricted	12.60	8.50
Unrestricted	9.00	22.50
<b>Total net assets</b>	<b>\$61.60</b>	<b>\$56.10</b>

The City's net assets increased \$5.5 million to \$61.6 million in 2011 from \$56.1 million in 2010. The Change in Net Assets is reflected in the Statement of Activities shown in Table 2 and is explained below:

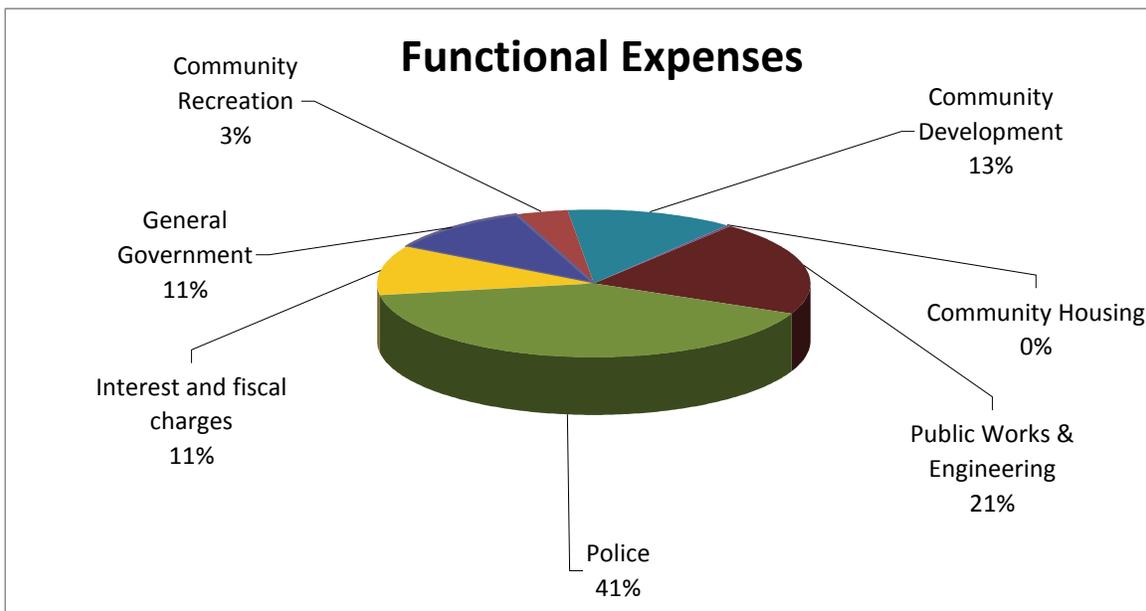
- \* Current and other assets increased \$1.7 million in 2011 for the following reasons:
  - (1) Cash and investments increased \$4.2 million in 2011 primarily due to the sale of property to Contra Costa County.
  - (2) Property held for resale decreased \$3.4 million as result of the sale to the County and reclassification to capital assets for parks and open space.
  - (3) Loans receivable increased \$1.1 million as a result of the loan made to the West Contra Costa Healthcare District for an outpatient clinic.
  - (4) The fair value of the derivative swap decreased \$0.7 million.
  - (5) Net OPEB asset increased \$0.2 million.
  - (6) Accounts Receivable increased by \$0.2 million.

- \* Capital assets increased \$.7 million in fiscal year 2011. This increase is attributable to \$3.8 million of additions to construction in progress projects less \$3.7 million of depreciation. The increase in construction in progress is primarily due to Rumrill Blvd Bridge (\$.6 million), San Pablo Avenue Overlay (\$.6 million), Broadway Traffic Calming (\$1.0 million), Wanlass Park (\$.4 million), Wildcat Creek Trail (\$.2 million) and 13 other new projects.
- \* Long-term debt decreased \$1.7 million due to debt repayments of \$3.1 million exceeded the issuance of the loan related to the Supplemental Educational Revenue Augmentation Fund payment (Note 8).
- \* Other liabilities decreased \$1.3 million and are attributable to \$.7 million decrease in Accounts Payable, \$.7 million decrease in the fair value of a derivative investment and an increase of \$.1 million in Claims Payable.
- \* Net assets invested in capital assets, net of related debt, increased \$14.9 million to \$40.0 million. This is the result of the net capital asset additions offset by current year repayments of debt used to purchase those assets.
- \* Restricted net assets increased \$4.10 million in fiscal 2011. Debt service increased \$1.7 million and Capital Projects decreased \$.6 million while restricted for economic development projects, a new item in 2011, increased \$3.0 million, as the result of the establishment of the Economic Development Corporation.
- \* Unrestricted net assets of \$9.0 million decreased \$13.5 million due to economic development projects discussed above and represent liquid assets available to finance day-to-day operations and other expenditures approved by City Council.

**Fiscal Year 2011 Government Activities**  
(see Table 2)



The Sources of Revenue Chart above shows \$9.4 million, or 27% of the City's fiscal 2011 revenue came from RDA incremental property taxes due to redevelopment efforts. Other taxes of \$16.2 million account for 46% of the City's revenues with these taxes coming primarily from Casino San Pablo.



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

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

**Table 2**  
**Changes in Governmental Net Assets**  
**(in Millions)**

	<i>Governmental Activities</i>	
	2011	2010
<b>Expenses</b>		
General government	\$3.90	\$3.70
Community:		
Recreation	1.30	1.30
Development	4.50	17.70
Housing	.10	.20
Public Works & Engineering	7.40	6.40
Police	14.40	14.50
Interest and fiscal charges	3.80	3.90
Total expenses	<u>35.40</u>	<u>47.70</u>
<b>Revenues</b>		
Program revenues:		
Charges for services	1.10	1.20
Operating contributions and grants	2.50	1.60
Capital grants	2.30	3.40
Total program revenues	<u>5.90</u>	<u>6.20</u>
General revenues:		
Taxes:		
Property taxes	1.10	1.10
Incremental (RDA) property taxes	9.40	9.80
Sales taxes	1.30	1.20
In lieu sales tax	.40	.50
Utility taxes	2.10	1.50
Other taxes	16.20	15.30
Business licenses (non-regulatory)	0.30	.30
Motor vehicle in lieu	1.90	1.90
Use of money and property	0.70	0.80
Gain on sale of property	1.30	0.00
Miscellaneous	.20	.30
Total general revenues	<u>34.90</u>	<u>32.70</u>
Total revenues	<u>40.80</u>	<u>38.90</u>
Change in net assets	5.40	(8.80)
Net Assets – Beginning	<u>56.10</u>	<u>64.90</u>
Net Assets – Ending	<u><u>\$61.50</u></u>	<u><u>\$56.10</u></u>

Table 2 shows total government revenues equaled \$40.8 million in fiscal 2011, an increase of \$1.9 million from 2010. Incremental property taxed decreased by \$.4 million due to declining assessed valuations. Capital grants decreased \$1.1 million due to the decreased availability of State and federal grants during the fiscal year. Gain on sale of property increased \$1.3 million due to the sale of the Circle S parcels to West Contra Costa County Health Service. Utilities Users' Taxes increased \$.6 million as a result of the rate increase effective July, 2010. All other revenue sources had small increases and decreases.

## Governmental Activities

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

**Table 3**  
**Governmental Activities**  
**(in Millions)**

	Net (Expense) Revenue From Services	
	2011	2010
General government	(\$3.80)	(\$3.70)
Community:		
Recreation	(1.00)	(1.10)
Development	(4.00)	(17.00)
Housing	0.10	(0.20)
Public Works & Engineering	(3.80)	(2.00)
Police	(12.90)	(13.60)
Interest and fiscal charges	(3.80)	(3.90)
<b>Totals</b>	<b>(\$29.40)</b>	<b>(\$41.50)</b>

- General Government net expenses increased \$.1 million in 2011. This increase is due to the addition of the Youth Services Department.
- Community Recreation net expenses decreased in 2011 by \$.1 million. This is mostly due to decreased program activity.
- Community Development net expenses decreased \$13.0 million in 2011. This decrease is attributable to a \$4.7 million decrease in SERAF payment requirement, \$4.0 million decrease in mobile home park relocation costs, \$.1 million decrease in pass through payments to the County and no adjustments were made to the value of property held for resale in fiscal 2011, compared to a market value decline of \$3.4 million recognized in fiscal 2010.
- Housing net expenses decreased \$.2 million due a decrease in housing activities.
- Public Works and Engineering net expenses increased \$1.8 million. This increase is due primarily to a decrease in funding of capital grants.
- Police net expenses decreased \$.7 million in 2011. This decrease is due to a salary decrease of \$.2 million and an increase of \$.5 million in grant funding.
- Interest and fiscal charges net expenses decreased \$.1 million in 2011 as a result of debt interest payments which decreased slightly.

## The City's Fund Financial Statements

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

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

	2011	2010
Total assets	\$90.40	\$85.20
Total liabilities	25.00	21.80
Total fund balances	65.40	63.40
Total revenues	40.10	38.40
Total expenditures	39.80	56.90
Total other financing sources (uses)	1.60	.00

At June 30, 2011, the City's governmental funds reported combined fund balances of \$65.4 million, a \$2.0 million increase from 2010. This balance is comprised of the following: General Fund increased \$2.9 million, Redevelopment Low and Moderate Fund increased \$1.6 million, Economic Development Corporation Fund, a new fund, increased \$3.0 million, Redevelopment Agency Projects Fund decreased \$13.4 million, Public Works Construction Fund increased \$6.8 million and Other Governmental Funds increased \$1.0 million, which are discussed in detail below:

- ⊗ The General Fund fund balance increased \$2.9 million vs. \$1.2 million in 2010 for a difference of \$1.7 million.
  - Revenue increased \$1.7 million due to increases of \$.6 million in utility users' tax as the result of a July 1, 2010 rate increase and \$.9 million in Other Taxes.
  - Expenditures increased \$1.1 million due to an increase of \$1.5 million in General Government and a decrease of \$.6 million in Police.
  - Transfers in from other funds increased \$0.2 million in 2011 related to the purchase of property held for resale from the Redevelopment Low and Moderate Income Housing Fund.
  - Transfers to fund capital projects decreased \$1.0 million in 2011.
- ⊗ The Redevelopment Low and Moderate Income Housing Fund fund balance increased \$1.6 million vs. \$1.0 million in 2010 for a difference of \$.6 million.
  - Expenditures decreased by \$.6 million due to a decrease in loan activities.
  - No adjustments were made to the value of property held in fiscal 2011, compared to \$.1 million in fiscal 2010.
  - Transfers to fund capital projects decreased \$.2 million and transfers to other funds increased \$.2 million related to the sale of land held for resale to the General Fund.
- ⊗ The Economic Development Corporation, a new fund in 2011, had a fund balance of \$3.0 million.
  - Transfers from the Redevelopment Agency to establish the fund and the General Fund to fund activities totaled \$3.3 million.
  - Expenditures totaled \$.2 million.
- ⊗ The Redevelopment Agency Projects Fund decreased \$13.4 million vs. \$18.8 million in 2010 for a difference of \$5.4 million.

- Incremental property taxes decreased \$2.2 million due to the decrease in assessed valuation (\$.3 million) and the Fund changed the method of funding the low and moderate income housing setaside from transfers out to a reduction of revenue (\$1.9m).
  - Development expenditures decreased \$4.5 million due to the completion of mobile home park relocations in the prior fiscal year.
  - Payment to the County for the Supplemental Educational Revenue Augmentation Fund decreased \$4.7 million due to a decrease in the required payment.
  - No adjustments were made to the value of property held in fiscal 2011, compared to \$3.4 million in fiscal 2010.
  - Debt service decreased \$1.8 million.
  - Proceeds from the sale of property increased \$1.3 million as the result of the sale of property to the County.
  - Issuance of long-term debt increased \$1.2 million due to the issuance of a loan from the State for the current year payment of the Supplemental Educational Revenue Augmentation Fund.
  - Land held for resale decreased \$.9 million due to transfers to the City for use as parks and open space.
  - Transfers to fund Public Works projects and the Economic Development Corporation increased \$6.4 million.
- ⊗ The Public Works Construction Fund increased \$6.9 million vs. a decreased of \$1.7 million in 2010 for a difference of \$8.6 million.
- Intergovernmental revenue increased \$.5 million due to an increase in grant funding.
  - Capital Outlay decreased \$5.0 million due to decreased project activities.
  - Net transfers in from other funds to cover projects were \$3.0 million more than 2010.
- ⊗ Other Governmental Funds increased \$1.0 million vs. a decrease of \$.2 million in 2010 for a difference of \$1.2 million.
- Net transfers in from other funds increased \$2.8 million.
  - Expenditures increased \$1.6 million due to the addition of a debt service fund, the 2004 Tax Allocation Bonds Tenth Township Project Area which had previously been reported as part of the Tenth Township Project Capital Projects Fund.

Other Financing Sources at the fund level increased \$1.6 million this year which was attributed to a one-time gain of \$1.3 million from the sale of the property, \$1.2 million from issuance of long-term debt and \$.9 million of transfers of land held for resale to parks and open space.

## *Analyses of Major Governmental Funds*

### **General Fund**

General Fund revenues increased \$1.7 million this fiscal year. This increase is comprised of an increase of \$.9 million in Casino San Pablo gaming tax revenue, an increase of \$.6 million in utility users tax and, and an increase of \$.5 million in use of money and property. The increases were offset by the following decreases: \$.3 million from licenses and permits and \$.2 million increase in sales tax in lieu.

General Fund expenditures increased \$1.1 million in fiscal year 2011. General Government increased \$1.5 million as the result of the issuance of a loan of \$1.5 million to the West Contra Costa Healthcare District, and Police decreased \$.6 million due to the early retirement of personnel and position vacancies. Recreation and Capital Outlay increased \$.1 million respectively.

At June 30, 2011, the General Fund Balance was \$24.3 million, \$24.0 million of which was unassigned.

### ***Budget Variations***

#### **Revenue**

The original budgeted amounts for General Fund revenues varied from final budgeted amounts by \$.1 million. At mid year it appeared that grant revenues were going to be more than originally budgeted by \$.2 million and utility users tax \$.1 million less than originally budgeted. The original budget figures were adjusted at mid year to reflect these expected fluctuations.

Actual revenue received was \$2.6 million higher than final budgeted amounts. The City budgets revenue conservatively due to the uncertainties in the economy and the effect these uncertainties could have on the City. The positive variance is comprised of \$1.6 million in other taxes, \$.6 million in utility users' tax, and \$.6 million combined in property taxes, sales taxes and use of money and property while the negative variance of \$.2 million resulted from in-lieu sales tax and fines and forfeitures.

Additional revenue received from Casino San Pablo represented the \$1.6 million positive variance in Other Taxes. Other Taxes was budgeted conservatively based on a declining economy. However, revenue from Casino San Pablo exceeded expectation and thus resulted in a substantial increase of Other Taxes.

The \$.6 million positive variance in utility users' tax was due to a 2% increase in the tax rate as of July 1, 2010. Property Taxes increased \$.1 million over budget as budgeted figures were conservative based on continually changing information received from the County. Use of money and property increased \$.4 million due to the loan repayments by the West County Healthcare District.

#### **Expenditures**

General Fund final budgeted expenditures were \$1.9 million higher than original budgeted figures. This variance is due to a \$1.5 million loan to the West County Healthcare District and \$.4 million for the Rumrill Bridge Replacement project.

The actual General Fund expenditures were less than final budget by \$1.3 million.

- ✧ General government - \$.3 million less than final budget due to unspent professional service budget.
- ✧ Recreation - \$.1 million less than final budget due to part time staffing not needed.
- ✧ Police - \$.9 million less than final budget due to strict control of overtime.

Net transfers out of the General Fund were budgeted at \$1.4 million however actual net transfers were only \$.8 million. The General Fund did not need to cover revenue shortfalls in other funds to the extent anticipated, thus the positive variance of \$.6 million.

### **Redevelopment Agency Projects**

The Redevelopment Agency Projects Fund revenues decreased \$2.2 million this fiscal year. Incremental Property Tax revenues decreased \$.3 million due to the decline in assessed values and \$1.9 million due to a change in the method of funding the low and moderate income housing setaside from transfers out to a reduction of revenue. Use of Money and Property decreased \$.1 million as cash balance for the Agency Projects Fund was down and interest rates declined, so interest earned decreased.

The Redevelopment Agency Projects Fund expenditures decreased \$14.4 million in fiscal year 2011. This decrease is due to the following factors:

- Community Development expenditures decreased \$4.5 million primarily due to a decrease of \$4.0 million in relocation expenditures since the mobile home park relocation was completed in fiscal 2010. Current year pass-through payments to the County decreased \$.1 million and professional service expenditures decreased \$.4 million.
- No adjustments were made to the value of property held in fiscal 2011, compared to the recognition of a \$3.4 million decline in the value of those properties in fiscal 2010.
- Supplemental Educational Revenue Augmentation Fund payment decreased \$4.7 million due to a decline in the required payment for fiscal year 2011. In addition, the Agency entered into a structured payment plan agreement with the Department of Finance for the fiscal year 2011 payment.
- Debt Service decreased \$1.8 million due to transfers of payments to 2004 Tax Allocation Bonds Tenth Township Project Area fund. The activities of this Fund had previously been reported as part of the Redevelopment Agency Projects Fund and are now reported in a separate debt service fund. Therefore, the activity was reported as debt service in fiscal year 2010 and as transfers out in fiscal year 2011.

### **Redevelopment Agency Low & Moderate Income Housing**

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

At the end of fiscal 2011, the outstanding balances of such loans were \$15.5 million, an increase of \$.1 million from fiscal 2010 from the addition of accrued unpaid interest on the loans. This balance includes \$.4 million of business development loans, loans of \$11.1 million for First Time Homebuyers, \$1.2 million to finance a 55 unit senior housing complex, \$1.5 million for construction of 82 low-income rental units for seniors and a \$1.7 million construction loan for 84 affordable rental units.

Principal payments and in many cases interest payments are deferred on these low and moderate income loans until the property is sold or re-financed, and are not considered revenues until they are received. Principal and interest on loans to non-profit developers of such properties typically are at below-market rates and payments are deferred for considerable periods of years to assist these non-profit organizations in their efforts to develop such housing. All these loans are secured by deeds of trust on the underlying property, and if the facilities constructed with these loans are not used for the purposes intended, the loans become due and payable immediately.

During the fiscal year ending June 30, 2010 the Redevelopment Agency approved an interfund advance of \$3.0 million to the Redevelopment Agency Projects Fund for the purpose of paying the Agency's share of the county wide Supplemental Education Revenue Augmentation fund (SERAF). In August 2011 the Agency approved a second interfund advance of \$2.9 million for the purpose of funding the full amount of the Agency's 2010 SERAF payment. These advances do not bear interest and must be repaid in five years. At the end of fiscal 2011, the outstanding balance of such advances was \$5.9 million.

During fiscal year 2011, the Agency entered into a lease agreement with the City under which one parcel of property held for resale was sold to the General Fund for \$1 which resulted in a transfer to the General Fund of \$.2 million. Under the terms of the lease agreement, the City has agreed to act as master developer of the property and maintain and prepare the property for development.

The Fund's fiscal year end Fund Balance of \$5.9 million is entirely restricted to fund future low and moderate income housing expenditures.

### **Public Works Construction Fund**

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

Revenue received in 2011 represents funding for projects from the State of California and from private utility companies in the amount of \$2.5 million, up \$.5 million from fiscal year 2010. Expenditures for fiscal year 2011 were \$4.5 million, down \$.5 million from fiscal year 2010. In fiscal year 2011, work was done on several projects, including Wanlass Park \$.4 million, San Pablo Avenue Overlay \$.5 million, Wildcat Creek Trail \$.2 million, Rumrill Blvd Bridge \$.6 million and Broadway Traffic Calming \$1.0 million. Other projects included San Pablo Avenue Specific Plan \$.4 million, Circle S demolition and mobile home removal \$.3 million, surveillance camera \$.1 million and road rehabilitation and traffic calming projects totaling \$1.0 million. Net transfers into the Public Works Construction Fund were \$8.8 million in fiscal year 2011, up \$3.0 million from fiscal year 2010.

### **Economic Development Corporation Fund**

Economic Development Corporation Fund was a new fund in fiscal 2011. The San Pablo Economic Development Corporation was established to provide physical, economic and educational development, redevelopment and revitalization efforts within the City. Net transfers of \$3.2 million into the Fund came from the Redevelopment Agency Projects Fund under the terms of an operating agreement with the Redevelopment Agency to assume responsibility for the development of and the implementation of the Redevelopment Project.

## Other Governmental Funds

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

## **CAPITAL ASSETS**

At the end of fiscal 2011 the cost of infrastructure and other capital assets recorded on the City's financial statements are shown in Table 5 below (further detail may be found in Note 7 to the financial statements):

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

	<u>2011</u>	<u>2010</u>
Land and land improvements	\$9.20	\$8.40
Construction in progress	14.40	17.30
Buildings and improvements	11.10	10.60
Machinery and equipment	1.70	2.30
Vehicles	2.60	2.60
Park and trail improvements	1.60	0.40
Sports fields	1.50	1.50
Roads & streets including sidewalks	55.90	52.00
Bridges	5.50	5.50
Street lights	0.40	0.40
Storm drains	1.90	1.90
Traffic signals	2.80	1.80
Trees	1.20	1.20
Less accumulated depreciation	<u>(48.50)</u>	<u>(45.30)</u>
<b>Totals</b>	<b><u>\$61.30</u></b>	<b><u>\$60.60</u></b>

The principal addition in fiscal 2011 was \$3.9 million to Roads and Streets. Construction in Progress projects of \$6.6 million were completed in fiscal 2011 and transferred to capital assets.

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

## **DEBT ADMINISTRATION**

Each of the City's debt issues is discussed in detail in Note 8 to the financial statements. In fiscal 2011, the City's debt comprised:

**Table 6**  
**Outstanding Debt**  
**(in Millions)**

	<u>Balance</u> <u>June 30, 2011</u>	<u>Balance</u> <u>June 30, 2010</u>
<b>Tenth Township Redevelopment Projects:</b>		
<b>Subordinate Tax Allocation Bonds Series 1999A</b>		
3.75-5.65%, due 12/01/2023	\$5.30	\$5.90
<b>Tax Allocation Revenue Bonds Series 2001</b>		
Current Interest Serial Bonds		
3.25-4.85%, due 12/01/2018	3.60	4.20
Current Interest Term Bonds		
5.00%, due 12/01/2029	2.30	2.30
Capital Appreciation Bonds		
5.66-5.68%, due 12/01/2029	5.10	4.80
<b>Tax Allocation Revenue Bonds Series 2004</b>		
2.00-5.00%, due 12/01/2032	28.10	28.60
<b>Subordinate Tax Allocation Bonds Series 2006</b>		
Variable rate, due 12/01/2032	33.00	34.50
<b>SERAF Loan</b>		
2%, due 5/10/2021	1.10	
Total Tenth Township Redevelopment Projects Debt	<u>78.50</u>	<u>80.30</u>
<b>Legacy Redevelopment Projects:</b>		
<b>Tax Allocation Revenue Bonds Series 2004</b>		
2.00-5.00%, due 12/01/2032	5.70	5.70
<b>SERAF Loan</b>		
2%, due 5/10/2021	0.10	
Total Legacy Redevelopment Projects Debt	<u>5.80</u>	<u>5.70</u>
Total Governmental Activity Debt	<u><u>\$84.30</u></u>	<u><u>86.00</u></u>

## **SPECIAL ASSESSMENT DISTRICT DEBT**

Special assessment districts in different parts of the City have also issued debt to finance infrastructure and facilities construction entirely in those districts. At June 30, 2011, a total of \$2.7 million in special assessment district debt was outstanding, issued by two special assessment districts. This debt is secured only by special assessments on the real property in the district issuing the debt, and is not the City's responsibility, although the City does act as these Districts' agent in the collection and remittance of assessments.

## **ECONOMIC OUTLOOK AND MAJOR INITIATIVES**

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

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, which suspends all new redevelopment activities except for limited specified activities as of that date and dissolves redevelopment agencies effective October 1, 2011. The State simultaneously adopted ABx1 27 which allows redevelopment agencies to avoid dissolution by opting into an “alternative voluntary redevelopment program” requiring substantial annual contributions to local schools and special districts.

On July 18, the California Redevelopment Association, the League of California Cities and others challenged the validity and constitutionality of ABx1 26 and 27 to the California Supreme Court. On August 11, 2011, as modified on August 17, 2011, the California Supreme Court agreed to hear the case and issued a partial stay of ABx1 26 and a full stay of ABx1 27, but the stay did not include the section of ABx1 26 that suspends all new redevelopment activities. It is anticipated that the Court will render its decision before January 15, 2012, the date the first voluntary program payment is due.

Please refer to Note 17 for further discussion on the potential consequences to the Agency from the decision of the Supreme Court.

## **CONTACTING THE CITY’S FINANCIAL MANAGEMENT**

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

<p style="text-align: center;"><b>STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES</b></p>
---

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

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

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

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

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

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

Both these Statements include the financial activities of the City, the Redevelopment Agency of the City of San Pablo, 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, 2011

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments available for operations (Note 3)	\$41,184,284
Restricted cash and investments (Note 3)	8,729,575
Interest receivable	292
Accounts receivable	1,485,586
Due from other governments	1,915,508
Prepays and deposits (Note 1G)	82,575
Employee loans receivable (Note 5A)	11,581
Loan receivable (Note 5B)	1,109,976
Notes receivable under	
Redevelopment Agency programs (Note 5C)	15,853,512
Net OPEB asset (Note 11C)	4,420,026
Deferred outflow of resources (Note 8F)	3,725,371
Property held for resale (Note 6)	13,989,884
Capital assets (Note 7)	
Land and construction in progress	23,630,742
Depreciable capital assets, net	<u>37,704,414</u>
Total assets	<u>153,843,326</u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	4,014,216
Claims payable (Note 13)	62,767
Interest payable	176,285
Derivative instrument (Note 8F)	3,725,371
Noncurrent liabilities (Note 8)	
Due within one year	35,035,000
Due in more than one year	<u>49,251,747</u>
Total liabilities	<u>92,265,386</u>
<b>NET ASSETS (Note 10)</b>	
Invested in capital assets, net of related debt	<u>39,968,889</u>
Restricted for:	
Capital projects	1,067,396
Economic development projects	3,039,712
Debt service	<u>8,553,582</u>
Total restricted net assets	<u>12,660,690</u>
Unrestricted net assets	<u>8,948,361</u>
Total net assets	<u><u>\$61,577,940</u></u>

See accompanying notes to financial statements

CITY OF SAN PABLO  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants	Governmental Activities
<b>Governmental Activities:</b>					
General Government	\$3,873,454	\$66,541			(\$3,806,913)
<b>Community:</b>					
Recreation	1,296,966	251,779			(1,045,187)
Development	4,482,336	332,055	\$152,897		(3,997,384)
Housing	86,761		48,976		(37,785)
Public Works & Engineering	7,379,061	106,798	1,140,367	\$2,304,659	(3,827,237)
Police	14,397,742	325,909	1,154,906		(12,916,927)
Interest and fiscal charges	3,813,714				(3,813,714)
<b>Total Governmental Activities</b>	<u>\$35,330,034</u>	<u>\$1,083,082</u>	<u>\$2,497,146</u>	<u>\$2,304,659</u>	<u>(29,445,147)</u>
<b>General revenues:</b>					
<b>Taxes:</b>					
Property taxes					1,129,241
Incremental property taxes					9,415,129
Sales taxes					1,313,493
In-lieu sales tax					316,486
Utility taxes					2,083,913
Other taxes					16,217,232
<b>Intergovernmental unrestricted:</b>					
Motor vehicle in lieu fees					1,881,451
Business licenses (nonregulatory)					313,623
Use of money and property					666,850
Miscellaneous					228,070
Gain on sale of property					1,327,416
<b>Total general revenues</b>					<u>34,892,904</u>
Change in Net Assets					5,447,757
Net Assets-Beginning					<u>56,130,183</u>
Net Assets-Ending					<u><u>\$61,577,940</u></u>

See accompanying notes to financial statements



**CITY**<sup>OF</sup> **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 2011. 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.

### **ECONOMIC DEVELOPMENT CORPORATION**

This fund accounts for the activities of the San Pablo Economic Development Corporation 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, 2011

	General	Redevelopment Agency Low and Moderate Income Housing	Economic Development Corporation	Redevelopment Agency Projects	Public Works Construction
<b>ASSETS</b>					
Cash and investments available for operations (Note 3)	\$23,257,433	\$72,575	\$3,052,149	\$2,757,757	\$10,936,995
Restricted cash and investments (Note 3)					
Interest receivable					
Accounts receivable	1,447,159	20,192		18,235	
Due from other governments	292,520				1,298,166
Due from other funds (Note 4C)	128,462				
Prepays and deposits (Note 1G)	82,575				
Advance to other fund (Note 4B)		5,865,000			
Employee loans receivable (Note 5A)	11,581				
Loan receivable (Note 5B)	1,109,976				
Notes receivable under					
Redevelopment Agency programs (Note 5C)		15,509,491		344,021	
Property held for resale (Note 6)	206,626			13,783,258	
<b>Total Assets</b>	<b>\$26,536,332</b>	<b>\$21,467,258</b>	<b>\$3,052,149</b>	<b>\$16,903,271</b>	<b>\$12,235,161</b>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$1,094,506		\$12,437	\$38,028	\$558,760
Due to other funds (Note 4C)					
Advance from other fund (Note 4B)				5,865,000	
Deferred revenue	1,109,976	\$15,509,491		254,733	225,200
<b>Total Liabilities</b>	<b>2,204,482</b>	<b>15,509,491</b>	<b>12,437</b>	<b>6,157,761</b>	<b>783,960</b>
<b>FUND BALANCES</b>					
Fund balance (Note 10)					
Nonspendable	94,156				
Restricted	206,626	5,957,767	3,039,712	10,745,510	
Assigned					11,451,201
Unassigned	24,031,068				
<b>TOTAL FUND BALANCES</b>	<b>24,331,850</b>	<b>5,957,767</b>	<b>3,039,712</b>	<b>10,745,510</b>	<b>11,451,201</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$26,536,332</b>	<b>\$21,467,258</b>	<b>\$3,052,149</b>	<b>\$16,903,271</b>	<b>\$12,235,161</b>

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:

- Long-term debt
- Claims payable
- Interest payable
- Compensated absences
- Net OPEB asset
- Accounts payable and accrued liabilities

**NET ASSETS OF GOVERNMENTAL ACTIVITIES**

See accompanying notes to financial statements

Other Governmental Funds	Total Governmental Funds
\$1,107,375	\$41,184,284
8,729,575	8,729,575
292	292
	1,485,586
324,822	1,915,508
	128,462
	82,575
	5,865,000
	11,581
	1,109,976
	15,853,512
	13,989,884
<u>\$10,162,064</u>	<u>\$90,356,235</u>

\$162,818	\$1,866,549
128,462	128,462
	5,865,000
	17,099,400
<u>291,280</u>	<u>24,959,411</u>

	94,156
9,881,134	29,830,749
	11,451,201
<u>(10,350)</u>	<u>24,020,718</u>
<u>9,870,784</u>	65,396,824
<u>\$10,162,064</u>	

61,335,156

17,099,400

(84,286,747)

(62,767)

(176,285)

(1,435,667)

4,420,026

(712,000)

\$61,577,940

CITY OF SAN PABLO  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2011

	General	Redevelopment Agency Low and Moderate Income Housing	Economic Development Corporation	Redevelopment Agency Projects	Public Works Construction
<b>REVENUES</b>					
Property taxes	\$291,311				
Incremental property taxes		\$1,903,187		\$7,511,942	
Sales taxes	1,233,959				
In-lieu sales tax	316,486				
Utility users tax	2,083,913				
Other taxes	16,217,232				
Licenses and permits					
Fines and forfeits	174,986			250	
Intergovernmental	2,135,890				\$2,530,517
Charges for services	380,465				
Use of money and property	666,058	80,210	\$521	360,715	
Miscellaneous	59,675			25	32,375
<b>Total Revenues</b>	<b>23,559,975</b>	<b>1,983,397</b>	<b>521</b>	<b>7,872,932</b>	<b>2,562,892</b>
<b>EXPENDITURES</b>					
Current:					
General Government	5,077,971				
Community:					
Recreation	1,281,164				
Development			171,363	1,965,712	
Housing		214,996			
Public Works & Engineering				393,303	
Police	13,211,016				
Supplemental Educational Revenue					
Augmentation Fund Payment (Note 16)				1,222,860	
Capital outlay	201,487				4,495,043
Debt service:					
Principal retirement				543	
Interest and fiscal charges				24,457	
<b>Total Expenditures</b>	<b>19,771,638</b>	<b>214,996</b>	<b>171,363</b>	<b>3,606,875</b>	<b>4,495,043</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>3,788,337</b>	<b>1,768,401</b>	<b>(170,842)</b>	<b>4,266,057</b>	<b>(1,932,151)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Gain from sale of property (Note 6)				1,327,416	
Property held for resale transferred to capital assets (Note 6)				(911,727)	
Issuance of long term debt (Note 8)				1,222,860	
Transfers in (Note 4A)	264,995		3,360,554		8,812,001
Transfers (out) (Note 4A)	(1,113,465)	(206,625)	(150,000)	(19,323,123)	(491)
<b>Total Other Financing Sources (Uses)</b>	<b>(848,470)</b>	<b>(206,625)</b>	<b>3,210,554</b>	<b>(17,684,574)</b>	<b>8,811,510</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,939,867</b>	<b>1,561,776</b>	<b>3,039,712</b>	<b>(13,418,517)</b>	<b>6,879,359</b>
Fund balances at beginning of period	21,391,983	4,395,991		24,164,027	4,571,842
<b>FUND BALANCES AT END OF PERIOD</b>	<b>\$24,331,850</b>	<b>\$5,957,767</b>	<b>\$3,039,712</b>	<b>\$10,745,510</b>	<b>\$11,451,201</b>

See accompanying notes to financial statements

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$837,930	\$1,129,241
	9,415,129
102,360	1,336,319
	316,486
	2,083,913
	16,217,232
313,623	313,623
	175,236
2,261,158	6,927,565
406,228	786,693
167,972	1,275,476
51,329	143,404
4,140,600	40,120,317
	5,077,971
	1,281,164
1,094,035	3,231,110
	214,996
2,519,381	2,912,684
898,865	14,109,881
	1,222,860
296,788	4,993,318
3,165,000	3,165,543
3,516,993	3,541,450
11,491,062	39,750,977
(7,350,462)	369,340
	1,327,416
	(911,727)
	1,222,860
9,228,877	21,666,427
(872,723)	(21,666,427)
8,356,154	1,638,549
1,005,692	2,007,889
8,865,092	63,388,935
\$9,870,784	\$65,396,824

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, 2011

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 \$2,007,889

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	4,664,166
Depreciation expense is deducted from fund balance	(3,727,872)
Capital asset retirements are deducted from fund balance	(179,846)

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	3,165,543
Capital appreciation bonds accretion	(274,437)
Proceeds from the issuance of long-term debt is deducted from fund balance	(1,222,860)

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):

Compensated absences	(120,261)
Claims payable	(17,342)
Interest payable	2,173
Deferred revenue	958,293
Net OPEB asset	192,311
	192,311

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$5,447,757

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$167,870	\$167,870	\$291,311	\$123,441
Sales taxes	1,100,000	1,100,000	1,233,959	133,959
In-lieu sales tax	450,000	450,000	316,486	(133,514)
Utility users tax	1,609,000	1,529,000	2,083,913	554,913
Other taxes	14,667,000	14,667,000	16,217,232	1,550,232
Fines and forfeits	230,000	230,000	174,986	(55,014)
Intergovernmental:				
Motor vehicle in lieu	1,927,000	1,927,000	1,881,451	(45,549)
Other	67,000	224,671	254,439	29,768
Charges for services	310,700	310,700	380,465	69,765
Use of money and property	292,000	292,000	666,058	374,058
Miscellaneous	20,200	20,200	59,675	39,475
<b>Total Revenues</b>	<b>20,840,770</b>	<b>20,918,441</b>	<b>23,559,975</b>	<b>2,641,534</b>
<b>EXPENDITURES</b>				
Current:				
General government	3,685,045	5,340,026	5,077,971	262,055
Community:				
Recreation	1,357,898	1,376,799	1,281,164	95,635
Public Works & Engineering				
Police	14,136,155	14,141,932	13,211,016	930,916
Capital outlay	10,000	197,020	201,487	(4,467)
<b>Total Expenditures</b>	<b>19,189,098</b>	<b>21,055,777</b>	<b>19,771,638</b>	<b>1,284,139</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,651,672</b>	<b>(137,336)</b>	<b>3,788,337</b>	<b>3,925,673</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of property	3,000	3,000		(3,000)
Transfers in	100,000	100,000	264,995	164,995
Transfers (out)	(1,500,665)	(1,500,665)	(1,113,465)	387,200
<b>Total Other Financing Sources (Uses)</b>	<b>(1,397,665)</b>	<b>(1,397,665)</b>	<b>(848,470)</b>	<b>549,195</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$254,007</b>	<b>(\$1,535,001)</b>	<b>2,939,867</b>	<b>\$4,474,868</b>
Fund balance at beginning of year			21,391,983	
<b>FUND BALANCE AT END OF YEAR</b>			<b>\$24,331,850</b>	

See accompanying notes to financial statements

CITY OF SAN PABLO  
REDEVELOPMENT AGENCY LOW AND MODERATE INCOME HOUSING FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$2,000,400	\$2,000,400	\$1,903,187	(\$97,213)
Use of money and property	10,000	10,000	80,210	70,210
Total Revenues	<u>2,010,400</u>	<u>2,010,400</u>	<u>1,983,397</u>	<u>(27,003)</u>
EXPENDITURES				
Current:				
Community:				
Housing	912,100	912,102	214,996	697,106
Total Expenditures	<u>912,100</u>	<u>912,102</u>	<u>214,996</u>	<u>697,106</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,098,300</u>	<u>1,098,298</u>	<u>1,768,401</u>	<u>670,103</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,000,000)	(1,000,000)	(206,625)	793,375
Total Other Financing Sources (Uses)	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>(206,625)</u>	<u>793,375</u>
NET CHANGE IN FUND BALANCE	<u>\$98,300</u>	<u>\$98,298</u>	1,561,776	<u>\$1,463,478</u>
Fund balance at beginning of year			<u>4,395,991</u>	
FUND BALANCE AT END OF YEAR			<u>\$5,957,767</u>	

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, 2011

	<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	\$50,063	\$50,063	\$521	(\$49,542)
Total Revenues	<u>50,063</u>	<u>50,063</u>	<u>521</u>	<u>(49,542)</u>
EXPENDITURES				
Current:				
Community development	127,076	279,876	171,363	108,513
Total Expenditures	<u>127,076</u>	<u>279,876</u>	<u>171,363</u>	<u>108,513</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(77,013)</u>	<u>(229,813)</u>	<u>(170,842)</u>	<u>58,971</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,334,554	3,184,554	3,360,554	176,000
Transfers out			<u>(150,000)</u>	<u>(150,000)</u>
Total Other Financing Sources (Uses)	<u>3,334,554</u>	<u>3,184,554</u>	<u>3,210,554</u>	<u>26,000</u>
NET CHANGE IN FUND BALANCE	<u>\$3,257,541</u>	<u>\$2,954,741</u>	3,039,712	<u>\$84,971</u>
Fund balance at beginning of year			<u>                    </u>	
FUND BALANCE AT END OF YEAR			<u>\$3,039,712</u>	

See accompanying notes to financial statements



**CITY**<sup>OF</sup> **SAN PABLO**

---

*City of New Directions*

<b>FIDUCIARY FUNDS</b>
------------------------

**FIDUCIARY FUNDS**

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

**RETIREE HEALTH SAVINGS PLAN TRUST FUND**

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

CITY OF SAN PABLO  
 FIDUCIARY FUNDS  
 STATEMENTS OF FIDUCIARY NET ASSETS  
 JUNE 30, 2011

	Retiree Health Savings Plan Trust Fund	Agency Funds
<b>ASSETS</b>		
Investments - Mutual Fund (Note 3)	\$5,331,869	
Restricted cash and investments (Note 3)		\$4,037,033
Interest receivable		305
Due from other governments		130,190
Total Assets	\$5,331,869	\$4,167,528
 <b>LIABILITIES</b>		
Accounts payable		\$208,051
Deposits held as agent for others		2,031,094
Due to bondholders		1,824,073
Due to the City of San Pablo		104,310
Total Liabilities		\$4,167,528
<b>NET ASSETS</b>		
Held in trust for OPEB benefits	\$5,331,869	

See accompanying notes to financial statements

CITY OF SAN PABLO  
 RETIREE HEALTH SAVINGS PLAN TRUST FUND  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2011

	Retiree Health Savings Plan Trust Fund
<b>ADDITIONS</b>	
Employer contributions	\$287,094
Net investment income	1,031,453
Total additions	1,318,547
<b>DEDUCTIONS</b>	
Premiums paid	287,094
Total deductions	287,094
Net change in net assets	1,031,453
<b>NET ASSETS HELD IN TRUST FOR OPEB BENEFITS</b>	
Beginning of year	4,300,416
End of year	\$5,331,869

See accompanying notes to financial statements



CITY<sup>OF</sup> SAN PABLO

---

*City of New Directions*

**CITY OF SAN PABLO**  
**Notes to Basic Financial Statements**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of San Pablo was incorporated as a general law city on April 27, 1948. San Pablo is a community of approximately 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.

**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 is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the Corporation. The financial activities of the Corporation are included in the Economic Development Special Revenue Fund.

**CITY OF SAN PABLO**  
**Notes to Basic Financial Statements**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Financial statements for the Redevelopment Agency and 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 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.

**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.

**CITY OF SAN PABLO**  
**Notes to Basic Financial Statements**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

**Economic Development Corporation** - This fund accounts for the activities of the San Pablo Economic Development Corporation 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 financial activities of the fund are excluded from the Government-wide financial statements, but are presented in the separate Fiduciary Fund financial statements.

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

**D. Basis of Accounting**

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

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

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

**CITY OF SAN PABLO**  
**Notes to Basic Financial Statements**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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

**F. Compensated Absences**

Compensated absences comprise unpaid vacation and certain compensated time off, which are accrued as earned. For all governmental funds amounts expected to be paid out for permanent liquidation are recorded as fund liabilities, the long-term portion is recorded in the statement of net assets. The liability for compensated absences is determined annually; the net increase in the liability was \$120,261 at June 30, 2011 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	\$1,315,406
Additions	1,003,690
Payments	(883,429)
Ending Balance	<u>\$1,435,667</u>
Due in One Year	<u>\$1,435,667</u>

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

**CITY OF SAN PABLO**  
**Notes to Basic Financial Statements**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 \$82,575 at June 30, 2011.

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.

**I. *New Funds***

The Economic Development Corporation Special Revenue Fund was created to account for the activities of the San Pablo Economic Development Corporation established to provide physical, economic and educational development, redevelopment and revitalization efforts within the City.

The 2004 Tax Allocation Revenue Bonds Tenth Township Project Area Debt Service Fund was established during fiscal year 2011 to account for principal and interest payments on the Tenth Township Redevelopment Project Area's share of the Tax Allocation Revenue Bonds Series 2004. The activities of the Fund had been previously reported with the Redevelopment Agency Projects Capital Projects Fund.

**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.

**CITY OF SAN PABLO**  
**Notes to Basic Financial Statements**

**NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING**

5. Formal budgetary integration is employed as a management control device during the year for all budgeted funds.
6. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all funds except 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 General Fund incurred capital outlay expenditures in excess of budget in the amount of \$4,467. The Redevelopment Agency Projects Fund incurred supplemental educational revenue augmentation fund payment and debt service expenditures in excess of budgets of \$36,095 and \$25,000, respectively. The Adjudicated Asset Seizures Special Revenue Fund and Law Enforcement Services Special Revenue Fund incurred police department expenditures in excess of budgets in the amounts of \$29,441 and \$778,688, respectively. 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. Individual investments are generally made by the City's fiscal agents as required under its debt issues, the City normally invests only in the California Local Agency Investment Fund pool administered by the State.

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

**CITY OF SAN PABLO**  
**Notes to Basic Financial Statements**

**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	\$41,184,284
Restricted cash and investments	<u>8,729,575</u>
Total City cash and investments	49,913,859
Restricted cash and investments in Fiduciary Funds (separate statement):	
Retiree Health Savings Plan Trust	5,331,869
Agency Funds	<u>4,037,033</u>
 Total cash and investments	 <u><u>\$59,282,761</u></u>

**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**

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

***D. Investments Authorized by Debt Agreements***

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

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

***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**

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

	Cash and Investments Available for Operations	Restricted Cash and Investments	Total	Maturity Date
<b>Investments:</b>				
Federal Instrumentalities:				
Federal National Mortgage Association	\$500,000		\$500,000	August 25, 2011
Federal National Mortgage Association	501,605		501,605	September 27, 2011
Federal Home Loan Mortgage Corporation	500,000		500,000	July 28, 2011
Federal Home Loan Mortgage Corporation	500,965		500,965	August 18, 2011
Federal Home Loan Mortgage Corporation	500,000		500,000	August 26, 2011
Federal Farm Credit Bank	500,000		500,000	October 25, 2011
Federal Farm Credit Bank	500,700		500,700	April 16, 2012
U.S. Treasury Notes	501,836		501,836	October 31, 2011
U.S. Treasury Notes	501,172		501,172	December 31, 2011
U.S. Treasury Notes	499,219		499,219	March 31, 2013
Local Agency Investment Fund	31,907,847	\$2,212,960	34,120,807	237 days average maturity
Wells Fargo Advantage Government Money Market Funds		10,553,648	10,553,648	4 days average maturity
Wells Fargo Advantage Treasury Plus Money Market Funds	1,067,398		1,067,398	26 days average maturity
Mutual Funds (Equities)		5,331,869	5,331,869	
<b>Cash with Banks and Petty Cash</b>	<b>3,203,542</b>		<b>3,203,542</b>	
Total Cash and Investments	<u>\$41,184,284</u>	<u>\$18,098,477</u>	<u>\$59,282,761</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, 2011 the average maturity was 237 days.

**CITY OF SAN PABLO**  
**Notes to Basic Financial Statements**

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

**G. Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The actual ratings as of June 30, 2011 for all Federal Agency Issues were AAA and Money Market funds were AAAM as provided by Standard and Poor's. As an external investment pool, the Local Agency Investment Fund was not rated as of June 30, 2011.

On August 5, 2011, Standard & Poor's Ratings Services (S&P) lowered its long-term credit rating on the United States of America from AAA to AA+. At the same time, S&P affirmed its A-1+ short-term rating on the United States of America.

On August 8, 2011, S&P lowered its issuer credit ratings on the senior debt issued by the Federal Farm Credit Banks (FFCB) from AAA to AA+, and lowered the senior issue ratings on Fannie Mae (FNMA) and Freddie Mac (FHLMC) from AAA to AA+. The A subordinated debt rating and the C rating on the preferred stock of these entities remained unchanged. Finally, S&P affirmed the short-term issue ratings for these entities at A-1+.

**NOTE 4 – INTERFUND TRANSACTIONS**

**A. Transfers Between Funds**

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

**CITY OF SAN PABLO**  
**Notes to Basic Financial Statements**

**NOTE 4 – INTERFUND TRANSACTIONS (Continued)**

Fund Receiving Transfers	Fund Making Transfers	Transfer Amount	
<b>Major Funds:</b>			
General Fund	Redevelopment Agency Low and Moderate Income Housing Special Revenue Fund	\$206,625	(A)
	Public Works Construction Capital Projects Fund	491	(B)
Economic Development Corporation Special Revenue Fund	General Fund	26,000	(C)
	Redevelopment Agency Projects Capital Project Fund	3,334,554	(C)
Public Works Construction Capital Projects Fund	General Fund	141,271	(D)/(E)
	Economic Development Corporation Special Revenue Fund	150,000	(D)
	Redevelopment Agency Projects Capital Project Fund	7,764,730	(D)
	Measure C/J Special Revenue Fund	756,000	(D)
<b>Non-Major Funds:</b>			
Gas Tax Special Revenue Fund	General Fund	296,194	(E)
Street Lighting and Landscaping Special Revenue Fund	General Fund	280,000	(E)
Development Services Special Revenue Fund	General Fund	370,000	(E)
1999 Subordinate Tax Allocation Bonds Debt Service Fund	Redevelopment Agency Projects Capital Project Fund	875,838	(F)
	2001 Tax Allocation Bonds Tenth Township Project Area Debt Service Fund	1,821	(F)
	2004 Tax Allocation Bonds Legacy Project Area Debt Service Fund	15,629	(F)
2001 Tax Allocation Bonds Tenth Township Project Area Debt Service Fund	Redevelopment Agency Projects Capital Project Fund	780,965	(F)
2004 Tax Allocation Bonds Legacy Project Area Debt Service Fund	Redevelopment Agency Projects Capital Project Fund	275,225	(F)
2004 Tax Allocation Bonds Tenth Township Project Area Debt Service Fund	Redevelopment Agency Projects Capital Project Fund	1,776,745	(F)
2006 Subordinate Tax Allocation Bonds Tenth Township Project Area Debt Service Fund	Redevelopment Agency Projects Capital Project Fund	4,515,066	(F)
	2001 Tax Allocation Bonds Tenth Township Project Area Debt Service Fund	99,273	(F)
The reasons for these transfers are set forth below:		<u>\$21,666,427</u>	

- (A) Transfer related to the purchase and sale of property. See Note 6
- (B) To close out a public works project.
- (C) Transfers to fund activities of the newly created Economic Development Corporation Fund.
- (D) Transfer amounts required to fund capital projects.
- (E) Transfer amounts to reduce or eliminate fund deficits.
- (F) Transfer amounts required to fund debt service payments.

**B. 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 June 30, 2011 was \$3,000,000.

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 June 30, 2011 was \$2,865,000.

**C. 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, 2011, the Law Enforcement Services Special Revenue Fund owed the General Fund \$128,462.

**CITY OF SAN PABLO**  
**Notes to Basic Financial Statements**

**NOTE 5 - LOANS AND NOTES RECEIVABLE**

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

**A. *Employee Loans Receivable***

Elected officials and full-time City employees are eligible to obtain an interest free loan up to \$2,500 to purchase a computer. All requests for loans are subject to review and approval by the Finance Director. Repayment of these loans is handled through payroll deductions, which are spread out equally over a two year period. Employees must pay off any outstanding balance of their loans upon ending employment with the City. As of June 30, 2011, 14 employees had \$11,581 in such loans.

**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, 2011, the total amount of principal outstanding was \$1,109,976.

**C. *Notes Receivable under Redevelopment Agency Programs***

The Agency engages in programs designed to encourage construction of or improvement to low-to-moderate income housing. Under these programs, grants or loans are provided under favorable terms to homeowners or developers who agree to expend these funds in accordance with the Agency's terms. The balances of the notes receivable arising from these programs at June 30, 2011 are set forth below:

Casa Adobe-Senior Citizen Units	\$1,182,495
Plaza Sobrante	105,793
Lotus Hotels, Inc.	89,288
Housing Initiative Program	11,072,907
Micro Loan Program	148,940
San Pablo Housing Investors	1,554,576
East Bay Asian Local Development Corporation	<u>1,699,513</u>
Total	<u><u>\$15,853,512</u></u>

**CITY OF SAN PABLO**  
**Notes to Basic Financial Statements**

**NOTE 5 - LOANS AND NOTES RECEIVABLE (Continued)**

**D. 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 1<sup>st</sup> thereafter, payments are to be made from "residual receipts" as defined in the agreement.

**E. Plaza Sobrante**

Under the terms of a Rehabilitation and Affordable Housing Subsidy Agreement dated October 28, 1996, the Redevelopment Agency loaned \$250,000 in June 1997 to fund the removal and abatement of certain hazardous materials and the rehabilitation and improvement of the roof and associated structural elements of certain real property on San Pablo Dam Road. The loan is secured by a deed of trust on the property and bears simple annual interest at an average rate equal to the rate of interest earned by the Agency on its funds deposited in the Local Agency Investment Fund for the prior twelve months. In May 1999, the Board of Directors of the Redevelopment Agency agreed to subordinate the lien of its deed of trust to the lien of a deed of trust securing indebtedness to the Mechanics Bank and to Cerda. In January 2003, the Board again agreed to subordinate the lien of its deed of trust to a new loan for the purpose of refinancing the existing first and second mortgages against the Property and approved a Subordination Agreement for that purpose. Principal and accrued interest owed at June 30, 2011 was \$105,793.

**F. Lotus Hotels, Inc.**

In fiscal 2000, the Agency sold land and buildings to Lotus Hotels, Inc. for \$235,000 in return for a first trust deed in that amount. The City also agreed to subordinate its trust deed to a construction loan obtained by Lotus Hotels, Inc. The first loan installment is due one year from the date of the issuance of the certificate of occupancy for the phase one hotel improvements on the site. The Certificate of Occupancy was issued November 9, 2001. Subsequent installments are due on the next nine anniversaries in ten equal installments with one final balance payment due one year later. The note carries 6% simple interest per annum for the first three years after the issuance of the certificate of occupancy, at which time it increases to the prime rate. At June 30, 2011, Lotus Hotels, Inc. owed principal of \$74,598 and interest of \$14,690 to the Agency.

**CITY OF SAN PABLO**  
**Notes to Basic Financial Statements**

**NOTE 5 - LOANS AND NOTES RECEIVABLE (Continued)**

**G. *Housing Initiative Program***

The Redevelopment Agency administers a Housing Initiative Program under which individuals may qualify for first-time home buyer, purchase rehabilitation, second and third trust deed home improvement, dilapidated unit purchase, or foreclosed unit purchase loans. During fiscal year 2011 the Agency made loans to 2 new participants and at June 30, 2011 loans outstanding under this Program totaled \$11,072,907.

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.

**H. *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 June 30, 2011, 3 loans were outstanding with a balance of \$148,940.

**I. *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 31<sup>st</sup> following the Completion Date, and then each January 31<sup>st</sup> thereafter; payments are to be made from fifty percent of "residual receipts" as defined in the agreement. As of June 30, 2011, principal of \$1,115,533 and interest of \$439,043 were owed to the Agency.

**CITY OF SAN PABLO**  
**Notes to Basic Financial Statements**

**NOTE 5 - LOANS AND NOTES RECEIVABLE (Continued)**

**J. *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 1<sup>st</sup> 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, 2011, EBALDC has drawn down \$1,199,513 of the supplemental project loan.

**NOTE 6 - PROPERTY HELD FOR RESALE AND DISPOSITION AND DEVELOPMENT AGREEMENT**

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

In October 2010 the Agency entered into a Disposition and Development Agreement with Contra Costa County (County) to sell two parcels of the Agency’s property held for resale for the purpose of constructing a two-story health center and a three-story parking structure as well as other improvements connecting the site to San Pablo Avenue. The two parcels were sold during fiscal year 2011 for \$3,861,444 and had a book value of \$2,534,028, which resulted in a gain from the sale of \$1,327,416. The Agency’s costs were limited to the relocation of an existing tenant, removing all above ground utility connections from the site and any administrative costs that are incurred in connection with the Agency’s duties under the agreement. The Agency has the right to repurchase the land if the County has not started construction of the project by October 14, 2013, subject to certain conditions in the agreement.

In March 2011, the Agency made required findings in accordance with Health and Safety Code Sections 33445 and 33490 to allow the conveyance of three parcels that had been recorded as property held for resale with a book value of \$911,727 to the City. The parcels include the former Burlington Northern Santa Fe property discussed in Note 15 along with two other parcels that will be used for parkland, open space, public facilities and other uses, and the City has recorded the parcels as Capital Assets.

**CITY OF SAN PABLO**  
**Notes to Basic Financial Statements**

**NOTE 6 - PROPERTY HELD FOR RESALE AND DISPOSITION AND DEVELOPMENT**  
**AGREEMENT (Continued)**

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 also contain a purchase option. The first lease for \$1 per year, with the option to purchase the land for \$1, is 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, is 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 will be forgiven by the Agency so long as the City proceeds with its actions to develop the properties discussed above.

Although the City has not yet determined whether it will 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 require that the sale be recorded in the year in which the agreement is 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 has recorded it as land held for resale, and a transfer in the amount of \$206,625 has been recorded between the General Fund and the Redevelopment Agency Low and Moderate Income Housing Fund, representing the difference between the cost of the property and the sales price.

The second lease transaction has been 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 remain as property held for resale in the Redevelopment Agency Project Fund.

Two of the above parcels owned by the Redevelopment Agency Project Fund are not vacant and the Agency receives rental payments from the existing tenants pursuant to lease or rental agreements. In conjunction with the lease to the City above, the Agency authorized an assignment and assumption of the Agency's rights and obligations under the lease or rental agreements with the existing tenants. Execution of the formal assignment and assumption agreements is in process.

As stated in Note 17, the suspension provisions of AB x1 26 require the State Controller to review redevelopment agency activities to determine whether an asset transfer between an agency and any public body occurred on or after January 1, 2011, and may require the State Controller to order the return of such assets to the redevelopment agency. The leases between the City and the Agency described above fall within the scope of this provision of AB x1 26.

**CITY OF SAN PABLO**  
**Notes to Basic Financial Statements**

**NOTE 7 - CAPITAL ASSETS**

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

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

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

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

	<u>Useful Lives</u> Years	<u>Capitalization</u> 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**

**NOTE 7 - CAPITAL ASSETS (Continued)**

**A. Capital Asset Additions and Retirements**

Capital assets recorded at June 30 comprise:

	Balance at June 30, 2010	Additions	Retirements	Transfers	Balance at June 30, 2011
<i>Governmental activities</i>					
Capital assets not being depreciated:					
Land and land improvements	\$8,423,391	\$911,727	(\$135,331)		\$9,199,787
Construction in progress	17,360,555	3,728,243	(48,307)	(\$6,609,536)	14,430,955
Total capital assets not being depreciated	<u>25,783,946</u>	<u>4,639,970</u>	<u>(183,638)</u>	<u>(6,609,536)</u>	<u>23,630,742</u>
Capital assets being depreciated:					
Buildings and improvements	10,558,296		(3,103)	530,715	11,085,908
Machinery and equipment	2,272,619		(549,482)		1,723,137
Vehicles	2,569,423	24,196			2,593,619
Park and trail improvements	430,808			1,144,811	1,575,619
Sports fields	1,506,986				1,506,986
Roads & streets including sidewalks	52,083,147		(24,402)	3,876,388	55,935,133
Bridges	5,486,753				5,486,753
Street lights	357,875		(27,661)	30,864	361,078
Storm drains	1,918,630		(30,108)		1,888,522
Traffic signals	1,760,004			1,026,758	2,786,762
Trees	1,227,462				1,227,462
Total capital assets being depreciated	<u>80,172,003</u>	<u>24,196</u>	<u>(634,756)</u>	<u>6,609,536</u>	<u>86,170,979</u>
Less accumulated depreciation for:					
Buildings and improvements	5,033,939	301,768	(3,103)		5,332,604
Machinery and equipment	1,822,901	107,427	(553,274)		1,377,054
Vehicles	1,525,740	244,478			1,770,218
Park and trail improvements	255,305	26,254			281,559
Sports fields	676,923	66,692			743,615
Roads & streets including sidewalks	28,142,920	2,714,961	(24,402)		30,833,479
Bridges	3,931,136	149,684			4,080,820
Street lights	336,395	3,333	(27,661)		312,067
Storm drains	1,668,056	17,679	(30,108)		1,655,627
Traffic signals	1,535,943	60,376			1,596,319
Trees	447,983	35,220			483,203
Total accumulated depreciation	<u>45,377,241</u>	<u>3,727,872</u>	<u>(638,548)</u>		<u>48,466,565</u>
Net capital assets being depreciated	<u>34,794,762</u>	<u>(3,703,676)</u>	<u>3,792</u>	<u>6,609,536</u>	<u>37,704,414</u>
Governmental activity capital assets, net	<u>\$60,578,708</u>	<u>\$936,294</u>	<u>(\$179,846)</u>		<u>\$61,335,156</u>

<b>CITY OF SAN PABLO</b> <b>Notes to Basic Financial Statements</b>
--

<b>NOTE 7 - CAPITAL ASSETS (Continued)</b>
--

Construction in progress comprised the following at June 30, 2011:

Project	Amount
Wanlass Park	\$6,719,468
El Portal Gateway Streetscape	3,747,167
Rumrill Boulevard Bridge	1,986,828
Gas Tank Replacement	405,383
Wildcat Creek Trail	381,669
I-80/San Pablo Dam Road Interchange	363,295
Shotspotter	294,975
23rd Street Traffic Calming	127,918
Surveillance Camera	125,000
Other	279,252
Total construction in progress	\$14,430,955

**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	\$158,526
Community Recreation	25,442
Community Development	95,048
Public Works	3,232,409
Police	216,447
Total depreciation expense	\$3,727,872

**CITY OF SAN PABLO**  
**Notes to Basic Financial Statements**

**NOTE 8 - LONG-TERM DEBT**

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

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

**A. Tax Allocation Bonds and Loan**

All of the long-term debt in the City's financial statements is comprised of Tax Allocation Bonds and a loan 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, 2010	Additions	Retirements	Balance June 30, 2011	Current Portion
<b>Tenth Township Redevelopment Projects:</b>						
<b>Subordinate Tax Allocation Bonds Series 1999A</b>						
3.75-5.65%, due 12/01/2023	\$9,850,000	\$5,905,000		\$585,000	\$5,320,000	\$610,000
<b>Tax Allocation Revenue Bonds Series 2001</b>						
Current Interest Serial Bonds						
3.25-4.85%, due 12/01/2018	7,855,000	4,175,000		495,000	3,680,000	520,000
Current Interest Term Bonds						
5.00%, due 12/01/2029	2,280,000	2,280,000			2,280,000	
Capital Appreciation Bonds						
5.66-5.68%, due 12/01/2029	12,055,000	4,774,993	\$274,437		5,049,430	
<b>Tax Allocation Revenue Bonds Series 2004</b>						
2.00-5.00%, due 12/01/2032	31,960,000	28,620,000		530,000	28,090,000	935,000
<b>Subordinate Tax Allocation Bonds Series 2006</b>						
Variable rate, due 12/01/2032	36,000,000	34,505,000		1,545,000	32,960,000	32,960,000
<b>SERAF Loan</b>						
2%, due 5/10/2021	1,083,520		1,083,520	481	1,083,039	
Total Tenth Township Redevelopment Projects Debt		<u>80,259,993</u>	<u>1,357,957</u>	<u>3,155,481</u>	<u>78,462,469</u>	<u>35,025,000</u>
<b>Legacy Redevelopment Projects:</b>						
<b>Tax Allocation Revenue Bonds Series 2004</b>						
2.00-5.00%, due 12/01/2032	5,795,000	5,695,000		10,000	5,685,000	10,000
<b>SERAF Loan</b>						
2%, due 5/10/2021	139,340		139,340	62	139,278	
Total Legacy Redevelopment Projects Debt		<u>5,695,000</u>	<u>139,340</u>	<u>10,062</u>	<u>5,824,278</u>	<u>10,000</u>
Total Governmental Activity Debt		<u><u>\$85,954,993</u></u>	<u><u>\$1,497,297</u></u>	<u><u>\$3,165,543</u></u>	<u><u>\$84,286,747</u></u>	<u><u>\$35,035,000</u></u>

**CITY OF SAN PABLO**  
**Notes to Basic Financial Statements**

**NOTE 8 - LONG-TERM DEBT (Continued)**

**B. Debt Service Requirements**

Debt service requirements are shown below.

For the Year Ending June 30	Principal (1)	Interest
2012	\$35,035,000	\$3,584,724
2013	2,555,000	3,435,786
2014	2,747,172	3,283,314
2015	1,983,815	3,120,703
2016	2,130,491	2,945,752
2017-2021	12,365,839	11,823,650
2022-2026	15,825,000	6,371,592
2027-2031	16,025,000	3,170,141
2032-2033	2,625,000	384,941
Total principal due	\$91,292,317	\$38,120,603

(1) Includes unaccreted discount totaling \$7,005,570

**C. 1999 Tax Allocation Bonds**

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

**D. 2001 Tax Allocation Revenue Bonds**

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

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

The 2001 Bonds Capital Appreciation Bonds unaccreted discount totaled \$7,005,570 and the outstanding balance increased \$274,437 due to the annual increase in accreted value. Principal and interest payments of \$2,635,000, \$2,355,000, \$2,355,000, \$1,570,000, \$1,570,000 and \$1,570,000 commence December 1, 2024 and continue through December 1, 2029.

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

**CITY OF SAN PABLO**  
**Notes to Basic Financial Statements**

**NOTE 8 - LONG-TERM DEBT (Continued)**

**E. 2004 Tax Allocation Revenue Bonds**

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

**F. 2006 Subordinate Tax Allocation Bonds**

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

The 2006 Subordinate Tax Allocation Bonds were originally issued as daily variable-rate demand obligations with municipal bond insurance from Ambac Assurance and a liquidity facility from Dexia Credit Local. The interest rate on the Bonds resets daily according to market conditions and is capped by California State law at 12%. During fiscal year 2008, the Agency substituted an irrevocable, direct-pay letter of credit issued by Union Bank of California for the Dexia liquidity facility in order to remarket the bonds at lower interest rates. The Union Bank letter of credit was valid through June 5, 2011 and it was amended during fiscal year 2011 and extended to June 5, 2012. One condition of the letter of credit extension required the Agency to establish a special reserve fund in the amount of \$1.7 million, which the Agency deposited with the fiscal agent on March 8, 2011. 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, 2011, and its short-term credit rating from Standard and Poor's was A-1 at June 30, 2011.

Although the Agency anticipates renewing the letter of credit prior to its expiration on June 5, 2012, 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, 2011 of 4.5237% is comprised of the variable rate paid to the bondholders (0.05%), plus the fixed rate paid to the swap counterparty (3.555%), less the variable rate received from the swap counterparty (0.2688%), 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%).

**CITY OF SAN PABLO**  
**Notes to Basic Financial Statements**

**NOTE 8 - LONG-TERM DEBT (Continued)**

*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, 2011, 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
\$32,960,000	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.

As of June 30, 2011, the fair value of the cash flow hedging derivative swap was in favor of the counterparty in the amount of (\$3,725,371), an increase of \$723,640 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 City has accounted for the change in fair value of the swap as a deferred outflow.

*Credit risk.* As of June 30, 2011, 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.

**CITY OF SAN PABLO**  
**Notes to Basic Financial Statements**

**NOTE 8 - LONG-TERM DEBT (Continued)**

*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, 2011, debt service requirements of the Agency's outstanding variable-rate Bonds and net swap payments, assuming current interest rates remain the same for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary. These payments below are included in the Debt Service Requirements at B. above:

For the Year Ending June 30	Variable-Rate Bonds			Total
	Principal	Interest (1)	Interest Rate Swap, Net (2)	
2012	\$32,960,000	\$183,774	\$1,514,236	\$34,658,010
2013			1,467,485	1,467,485
2014			1,427,558	1,427,558
2015			1,366,492	1,366,492
2016			1,284,847	1,284,847
2017-2021			5,213,874	5,213,874
2022-2026			2,571,930	2,571,930
2027-2031			1,336,854	1,336,854
2032-2033			259,363	259,363
Totals	<u>\$32,960,000</u>	<u>\$183,774</u>	<u>\$16,442,639</u>	<u>\$49,586,413</u>

- (1) Variable rate was 0.05% on June 30, 2011
- (2) Interest rate swap fixed rate, net of the variable rate received from the counterparty and associated fees was 4.5237% on June 30, 2011 (0.050% paid to bondholders, plus 3.555% fixed swap rate paid to counterparty, less 0.2688% variable rate received from counterparty, plus 1.10% credit fee and 0.0875% remarketing fee)

**CITY OF SAN PABLO**  
**Notes to Basic Financial Statements**

**NOTE 8 - LONG-TERM DEBT (Continued)**

**G. SERAF Loan**

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. As discussed in Note 16, 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%. Payments of principal and interest are due on an annual basis commencing May 10, 2011.

**H. 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 \$129,412,920 remaining debt service on the Bonds above, which is scheduled to occur in 2032. With the issuance of the 2006 Bonds, projected tax increment revenues are expected to provide coverage over debt service of 158% over the life of the four Bonds. For fiscal year 2011, pledged tax increment revenue amounted to \$7,612,747 which represented coverage of 113% over the \$6,706,993 of debt service.

**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, 2011, the balance of these districts' outstanding debt was as follows:

1998 Oak Park Reassessment Bonds	\$1,835,000
1997 Town Center Reassessment Bonds	820,000

**CITY OF SAN PABLO**  
**Notes to Basic Financial Statements**

**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.

**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 in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which requires the City to classify its fund balances 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.

**CITY OF SAN PABLO**  
**Notes to Basic Financial Statements**

**NOTE 10 – NET ASSETS AND FUND BALANCES (Continued)**

*Committed* fund balances have constraints imposed by formal action of the City Council which may be altered only by formal action 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. This category includes encumbrances; Nonspendables, 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**

**NOTE 10 – NET ASSETS AND FUND BALANCES (Continued)**

Detailed classifications of the City’s Fund Balances, as of June 30, 2011, are below:

Fund Balance Classifications	General Fund	Special Revenue		Capital Projects			Total
		Redevelopment Agency Low and Moderate Income Housing	Economic Development Corporation	Redevelopment Agency Projects	Public Works Construction	Other Governmental Funds	
<b>Nonspendable:</b>							
Items not in spendable form:							
Prepays and deposits	\$82,575						\$82,575
Employee loans receivable	11,581						11,581
<b>Total Nonspendable Fund Balances</b>	<b>94,156</b>						<b>94,156</b>
<b>Restricted for:</b>							
Redevelopment Low and Moderate Income Housing	206,626	\$5,957,767					6,164,393
Redevelopment and Economic Development Projects and Programs			\$3,039,712	\$10,745,510			13,785,222
Debt Service						\$8,729,867	8,729,867
Local Street and Road Improvements and Maintenance						148,045	148,045
Development Services						94	94
Law Enforcement						288,255	288,255
National Pollution Discharge Elimination System						219,211	219,211
Paratransit						411,791	411,791
Housing Grants						83,871	83,871
<b>Total Restricted Fund Balances</b>	<b>206,626</b>	<b>5,957,767</b>	<b>3,039,712</b>	<b>10,745,510</b>		<b>9,881,134</b>	<b>29,830,749</b>
<b>Assigned to:</b>							
Capital Projects:							
Street and Road Projects					\$4,879,971		4,879,971
Wildcat Creek Trail					870,487		870,487
Bridge Replacement					698,042		698,042
Park Improvements					1,208,834		1,208,834
Community Centers					1,356,730		1,356,730
San Pablo Archway and Monument Signage					865,471		865,471
Surveillance cameras					675,000		675,000
Pedestrian Safety					791,981		791,981
Other					104,685		104,685
<b>Total Assigned Fund Balances</b>					<b>11,451,201</b>		<b>11,451,201</b>
<b>Unassigned:</b>							
General fund	24,031,068						24,031,068
Other governmental fund deficit residuals						(10,350)	(10,350)
<b>Total Unassigned Fund Balances</b>	<b>24,031,068</b>					<b>(10,350)</b>	<b>24,020,718</b>
<b>Total Fund Balances</b>	<b>\$24,331,850</b>	<b>\$5,957,767</b>	<b>\$3,039,712</b>	<b>\$10,745,510</b>	<b>\$11,451,201</b>	<b>\$9,870,784</b>	<b>\$65,396,824</b>

**C. Fund Equity Deficit**

The Street Lighting and Landscaping Special Revenue Fund had deficit fund balance of \$10,350 as of June 30, 2011. The deficit will be eliminated by future revenues.

**CITY OF SAN PABLO**  
**Notes to Basic Financial Statements**

**NOTE 10 – NET ASSETS AND FUND BALANCES (Continued)**

**D. 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, 2011, the Budget Stabilization Fund balance, which is reported within the unassigned fund balance of the General Fund, had a balance of \$795,588.

The City established a Contingency Reserve with Resolution 2009-033, equal to six months of projected expenditures of the General Fund operating funds. As of June 30, 2011, the Contingency Reserve, which is reported within the unassigned fund balance of the General Fund, had a balance of \$9,350,000.

**NOTE 11 - PENSION PLANS**

**A. CALPERS Safety and Miscellaneous Employees Plans**

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS), an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City’s employees participate in the separate Safety (police) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The City’s labor contracts require it to pay employee contributions as well as its own. However, effective June 16, 2008, the City amended its Plans and the employees agreed to pay 3.3% of their contributions. The Plans’ provisions and benefits in effect at June 30, 2011 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	15.794%	7.963%
Actuarially required contributions	\$1,058,437	\$478,242

**CITY OF SAN PABLO**  
**Notes to Basic Financial Statements**

**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><b>Safety Plan</b></i>			
June 30, 2009	\$1,010,507	100%	\$0
June 30, 2010	973,783	100%	0
June 30, 2011	1,058,437	100%	0
<i><b>Miscellaneous Plan</b></i>			
June 30, 2009	\$455,764	100%	\$0
June 30, 2010	440,866	100%	0
June 30, 2011	478,242	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, 2009, 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 18 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**

**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
2007	\$7,986,055,176	\$6,826,599,459	\$1,159,455,717	85.5%	\$831,607,658	139.4%
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%

The City's Safety Plan represents approximately 0.69%, 0.62% and 0.63%, of the State-wide pool for the years ended June 30, 2009, 2008 and 2007, respectively, based on covered payroll of \$6,696,586, \$5,683,872 and \$5,250,599, 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
2007	\$1,315,454,361	\$1,149,247,298	\$166,207,063	87.4%	\$289,090,187	57.5%
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%

The City's Miscellaneous Plan represents approximately 1.69%, 1.55% and 1.67%, of the State-wide pool for the years ended June 30, 2009, 2008 and 2007, respectively, based on covered payroll of \$5,986,713, \$5,181,587 and \$4,823,369, 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 \$11,778 and the employee's required contributions of \$33,110 were made during the fiscal year ending June 30, 2011.

**CITY OF SAN PABLO**  
**Notes to Basic Financial Statements**

**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, 2011 there were 55 participants receiving these health care benefits.

The Plan provisions and benefits in effect at June 30, 2011 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**

**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, 2011, the City contributed \$297,401 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	\$217,670
Interest on net OPEB (obligation) asset	295,940
Adjustment to annual required contribution	<u>(408,520)</u>
Annual OPEB cost	105,090
Contributions made	<u>(297,401)</u>
(Decrease) increase in net OPEB obligations	(192,311)
Net OPEB obligation (asset) June 30, 2010	<u>(4,227,715)</u>
<b>Net OPEB obligation (asset) June 30, 2011</b>	<b><u><u>(\$4,420,026)</u></u></b>

**CITY OF SAN PABLO**  
**Notes to Basic Financial Statements**

**NOTE 11 - PENSION PLANS (Continued)**

The Plan's annual required contributions and actual contributions for the years ended June 30, 2009, 2010, and 2011 are set forth below:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2009	\$123,894	\$242,738	196%	(\$4,050,962)
6/30/2010	115,655	292,408	253%	(4,227,715)
6/30/2011	105,090	297,401	283%	(4,420,026)

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%

**NOTE 12 - DEFERRED COMPENSATION PLAN**

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

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

**CITY OF SAN PABLO**  
**Notes to Basic Financial Statements**

**NOTE 13 – RISK MANAGEMENT**

**A. *Municipal Pooling Authority (MPA)***

The City is a member of the Municipal Pooling Authority. 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
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, 2011, 2010 and 2009 the amount of settlements did not exceed insurance coverage.

**CITY OF SAN PABLO**  
**Notes to Basic Financial Statements**

**NOTE 13 – RISK MANAGEMENT (Continued)**

**B. Liability for Uninsured Claims**

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

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

	June 30	
	2011	2010
Beginning balance	\$45,425	\$42,912
Provision for current fiscal year claims	50,140	45,148
Change in provision for prior fiscal year claims	34,492	7,382
Claims paid	(67,290)	(50,017)
Ending balance	\$62,767	\$45,425

**NOTE 14 - JOINT POWERS AGREEMENTS**

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

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

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

**B. West Contra Costa Transportation Advisory Committee (WCCTAC)**

WCCTAC was established in 1990 to develop regional strategies and meet regional requirements established by Measure C and to cooperatively address West Contra Costa County transportation issues. The City’s payments to WCCTAC are in accordance with a formula under which each member Agency pays a proportionate share of the expenditures based on the number of voting members representing each Agency. The City has one voting member on the WCCTAC and pays 9.1% of the expenditures. For fiscal year 2010-2011, the dues paid to WCCTAC were \$42,772.

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

**CITY OF SAN PABLO**  
**Notes to Basic Financial Statements**

**NOTE 15 - COMMITMENTS AND CONTINGENCIES**

**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 Agency has undertaken. Under a Voluntary Cleanup Agreement with the California Department of Toxic Substances Control, the Agency plans to clean up the former Burlington Northern Santa Fe Property on Rumrill Boulevard to provide for future unrestricted land use. The property was owned by the Redevelopment Agency but conveyed to the City in fiscal year 2011 as discussed in Note 6. The Agency has started a Removal Action Work Plan (RAW), and the cost of the preferred alternative remediation is estimated to be \$712,000 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. Increments in the amount of \$564,501 were passed through to the County in fiscal 2011 and increments of \$6,605,948 have been passed through to date. Beginning in 2012, one hundred percent of the net property tax (property tax increment less debt service and low to moderate income set aside) must be passed through to certain county agencies.

**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, 2011 were \$2,865,977 in the Public Works Construction Fund and \$29,084 in the Gas Tax Special Revenue Fund.

**CITY OF SAN PABLO**  
**Notes to Basic Financial Statements**

**NOTE 16 – TAX INCREMENT SHIFT TO SUPPLEMENTAL EDUCATIONAL REVENUE  
AUGMENTATION FUND (SERAF)**

The State of California adopted AB26 4X in July 2009 which directed that a portion of the incremental property taxes received by redevelopment agencies, based on the property taxes received in fiscal year 2006-07, be paid instead to the County supplemental educational revenue augmentation fund (SERAF) in fiscal years 2009-10 and 2010-11. The State Department of Finance determines each agency's SERAF payment by November 15 of each year, and payments are due by May 10 of the applicable year. While the Agency can use any legally available funds to make the SERAF payments, the obligation to make the SERAF payment is subordinate to obligations to repay bonds.

The Agency paid its obligation that was due on May 10, 2010 in the amount of \$5,939,603. The Agency's obligation due May 10, 2011 was \$1,222,860, but the Agency did not make the payment. In compliance with Health and Safety Code Section 33691, the Agency made findings that the tax increment allocated to the Agency was necessary for the payments on existing indebtedness, the Agency has no other funds that can be used to pay this existing indebtedness, the Agency has no other funds to make the Agency's SERAF payment, the Agency has agreements that would be impaired if the Agency reduced the amount allocated to the Low and Moderate Income Housing Fund, and the City does not have resources available to assist the Agency with the SERAF payment. The Agency entered into a long term agreement with the State of California Department of Finance that allows the Agency to pay the SERAF obligation over a ten year period as discussed in Note 8G above.

The requirement to make the SERAF payment was challenged in court by an action filed by the California Redevelopment Association (CRA) and the SERAF was declared to be valid and enforceable by a judgment of the Sacramento County Superior court on May 4, 2010. The CRA has appealed the decision. Although it was anticipated that the Court of Appeal would render its decision before the May 10, 2011 SERAF payment was due, the CRA has not received any indication from the appeals court that a ruling in the lawsuit is forthcoming, and CRA continues to be actively engaged in the litigation.

**CITY OF SAN PABLO**  
**Notes to Basic Financial Statements**

**NOTE 17 – PROPOSED DISSOLUTION OF REDEVELOPMENT AGENCIES**

In an effort to balance its budget, the State of California enacted ABx1 26 on June 28, 2011, which suspends all new redevelopment activities except for limited specified activities as of that date and dissolves redevelopment agencies effective October 1, 2011. The State simultaneously enacted ABx1 27 which allows redevelopment agencies to avoid dissolution if the sponsoring community agrees to participate in an “alternative voluntary redevelopment program” requiring specified substantial annual contributions to local schools and special districts. If all sponsoring communities were to opt-in to the voluntary program, these contributions amount to an estimated \$1.7 billion for fiscal year 2012 and an estimated \$400 million in each succeeding year. If the sponsoring community fails to make the voluntary program payment, the redevelopment agency would become subject to the dissolution provisions of ABx1 26.

On July 18, 2011, the California Redevelopment Association, the League of California Cities and others challenged the validity and constitutionality of ABx1 26 and 27 to the California Supreme Court on grounds, including that the acts violate certain provisions of the California Constitution. On August 11, 2011, as modified on August 17, 2011, the California Supreme Court agreed to hear the case and issued a partial stay of both ABx1 26 and ABx1 27. The stay did not include the provisions of ABx1 26 that suspend all new redevelopment activities or the provisions of ABx1 27 that provide for the calculation and appeal of the voluntary program payments. It is anticipated that the Court will render its decision before January 15, 2012, the date the first voluntary program payment is due.

The suspension provisions of ABx1 26 prohibit 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. During the suspension period, an agency is required to prepare an Enforceable Obligation Payment Schedule no later than August 29, 2011, that allows it to continue to pay certain obligations. The Agency adopted its Enforceable Obligation Payment Schedule on August 22, 2011.

In addition, the suspension provisions require the State Controller to review the activities of all redevelopment 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 State Controller is required to order the asset returned to the redevelopment agency. The State Controller’s Office has not yet provided any information about the timing or the process for this statewide asset transfer review.

The Agency is currently subject to the suspension provisions as described above. These facts indicate that there is more than a remote possibility the Agency may not continue as a going concern beyond January 1, 2012. The continuation of the Agency beyond January 1, 2012 will initially depend upon whether the Supreme Court rules in favor of the petitioners. There are three possible consequences to the Agency from a decision of the Supreme Court, when it is rendered:

**CITY OF SAN PABLO**  
**Notes to Basic Financial Statements**

**NOTE 17 – PROPOSED DISSOLUTION OF REDEVELOPMENT AGENCIES (Continued)**

1. If the Supreme Court determines that both ABx1 26 and ABx1 27 are valid, then the City will consider whether it will enact an ordinance to opt-in to the alternative voluntary redevelopment program. If enacted, the City would be required to make annual payments to the County Auditor-Controller and the Agency would no longer be subject to the suspension provisions. It is anticipated that the City's annual remittances would be reimbursed by the Agency from tax increment revenues of both the Tenth Township and Legacy Project Areas. The State Department of Finance initially calculated the City's Voluntary Program payment for fiscal year 2012 to be \$4,438,301. The City filed an appeal of that amount in accordance with the provisions of Health and Safety Code Section 34194(b)(2)(L), and the State Department of Finance has informally reduced the remittance payment to \$3,150,220, pending the decision of the Supreme Court. In the opinion of the Agency's attorney, it is anticipated that subsequent legislation will be brought forward that may provide some hardship relief to the City and Agency from the required remittance payments.
2. If the Supreme Court determines that both ABx1 26 and ABx1 27 are valid and the City decides not to participate in the alternative voluntary redevelopment program, or if the Supreme Court determines that ABx1 26 is valid, but ABx1 27 is not valid, the Agency will continue to be subject to the suspension provisions and would be dissolved in accordance with certain provisions of ABx1 26. Prior to dissolution, any transfers of Agency assets subsequent to January 1, 2011 to the City and the Economic Development Corporation, including those discussed in Notes 5B, 7, 8 and 10C, that were not obligated to third parties or encumbered may be subject to the State Controller's review discussed above and required to be returned to the Agency. Upon dissolution, all assets and obligations of the Agency would be transferred to a successor agency.
3. If the Supreme Court determines that both ABx1 26 and ABx1 27 are invalid, the Agency would no longer be subject to the suspension provisions and would continue in existence under California Redevelopment Law as it existed prior to the enactment of ABx1 26 and ABx1 27.

As of November 22, 2011, the Supreme Court has not ruled on the case and the Agency is subject to the suspension provisions as discussed above.

<b>MAJOR GOVERNMENTAL FUNDS, OTHER THAN GENERAL FUND AND SPECIAL REVENUE FUNDS</b>
--

**REDEVELOPMENT AGENCY PROJECTS**

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

CITY OF SAN PABLO  
REDEVELOPMENT AGENCY PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Property taxes	\$7,852,600	\$7,511,942	(\$340,658)
Fines and forfeits		250	250
Use of money and property	362,000	360,715	(1,285)
Miscellaneous		25	25
	<u>8,214,600</u>	<u>7,872,932</u>	<u>(341,668)</u>
<b>EXPENDITURES</b>			
Current:			
Community:			
Development	2,825,574	1,965,712	859,862
Public Works & Engineering	407,440	393,303	14,137
Supplemental Educational Revenue			
Augmentation Fund Payment	1,186,765	1,222,860	(36,095)
Debt service:			
Principal		543	(543)
Interest and fiscal charges		24,457	(24,457)
	<u>4,419,779</u>	<u>3,606,875</u>	<u>812,904</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	<u>3,794,821</u>	<u>4,266,057</u>	<u>471,236</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Gain from sale of property		1,327,416	1,327,416
Loss on transfer of property		(911,727)	(911,727)
Issuance of long term debt		1,222,860	1,222,860
Transfers in	6,700,000		(6,700,000)
Transfers (out)	(20,462,084)	(19,323,123)	1,138,961
	<u>(13,762,084)</u>	<u>(17,684,574)</u>	<u>(3,922,490)</u>
<b>NET CHANGE IN FUND BALANCE</b>			
	<u>(\$9,967,263)</u>	<u>(13,418,517)</u>	<u>(\$3,451,254)</u>
Fund balance at beginning of year		<u>24,164,027</u>	
<b>FUND BALANCE AT END OF YEAR</b>		<u><u>\$10,745,510</u></u>	

## **NON-MAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

#### **GAS TAX**

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

#### **PUBLIC SAFETY**

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

#### **STREET LIGHTING AND LANDSCAPING**

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

#### **N.P.D.E.S.**

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

#### **DEVELOPMENT SERVICES**

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

#### **MEASURE C / J**

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

#### **ADJUDICATED ASSET SEIZURES**

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

<b>NON-MAJOR GOVERNMENTAL FUNDS (Continued)</b>
---

**PARATRANSIT**

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

**LAW ENFORCEMENT SERVICES**

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

**TRAFFIC CONGESTION RELIEF**

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

**HCD GRANT**

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

**DEBT SERVICE FUNDS**

**MERGED PROJECT AREA 1999 SUBORDINATE TAX ALLOCATION BONDS**

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

**2001 TAX ALLOCATION REVENUE BONDS TENTH TOWNSHIP PROJECT AREA**

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

**2004 TAX ALLOCATION REVENUE BONDS LEGACY PROJECT AREA**

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

**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<sup>OF</sup> SAN PABLO

---

*City of New Directions*

CITY OF SAN PABLO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2011

SPECIAL REVENUE FUNDS

	Gas Tax	Public Safety	Street Lighting and Landscaping	N.P.D.E.S.	Development Services	Measure C / J
<b>ASSETS</b>						
Cash and investments available for operations	\$23,597	\$49,833	\$47,616	\$221,113	\$20,399	\$25,718
Restricted cash and investments						
Interest receivable						
Due from other governments	98,219	7,197				
<b>Total Assets</b>	<b>121,816</b>	<b>57,030</b>	<b>47,616</b>	<b>221,113</b>	<b>20,399</b>	<b>25,718</b>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$81,166		\$57,966	\$1,902	\$20,305	
Due to other funds						
<b>Total Liabilities</b>	<b>81,166</b>		<b>57,966</b>	<b>1,902</b>	<b>20,305</b>	
<b>FUND BALANCES</b>						
Restricted	40,650	\$57,030		219,211	94	\$25,718
Committed						
Assigned						
Unassigned			(10,350)			
<b>Total Fund Balance (Deficit)</b>	<b>40,650</b>	<b>57,030</b>	<b>(10,350)</b>	<b>219,211</b>	<b>94</b>	<b>25,718</b>
<b>Total Liabilities and Fund Balances</b>	<b>121,816</b>	<b>57,030</b>	<b>47,616</b>	<b>221,113</b>	<b>20,399</b>	<b>25,718</b>

SPECIAL REVENUE FUNDS

DEBT SERVICE FUNDS

Adjudicated 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
\$121,149	\$413,270	\$19,132	\$81,677	\$83,871		\$4,615,067 260
		219,406				
<u>\$121,149</u>	<u>\$413,270</u>	<u>\$238,538</u>	<u>\$81,677</u>	<u>\$83,871</u>		<u>\$4,615,327</u>
	\$1,479	\$128,462				
	1,479	128,462				
\$121,149	411,791	110,076	\$81,677	\$83,871		\$4,615,327
<u>121,149</u>	<u>411,791</u>	<u>110,076</u>	<u>81,677</u>	<u>83,871</u>		<u>4,615,327</u>
<u>\$121,149</u>	<u>\$413,270</u>	<u>\$238,538</u>	<u>\$81,677</u>	<u>\$83,871</u>		<u>\$4,615,327</u>

(Continued)

CITY OF SAN PABLO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2011

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
<b>ASSETS</b>				
Cash and investments available for operations				\$1,107,375
Restricted cash and investments	\$566,372		\$3,548,136	8,729,575
Interest receivable	32			292
Due from other governments				324,822
	<u>\$566,404</u>	<u></u>	<u>\$3,548,136</u>	<u>\$10,162,064</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities				\$162,818
Due to other funds				128,462
	<u></u>	<u></u>	<u></u>	<u>291,280</u>
<b>FUND BALANCES</b>				
Restricted	\$566,404		\$3,548,136	9,881,134
Committed				
Assigned				
Unassigned				(10,350)
	<u>566,404</u>	<u></u>	<u>3,548,136</u>	<u>9,870,784</u>
Total Fund Balance (Deficit)	<u>566,404</u>	<u></u>	<u>3,548,136</u>	<u>9,870,784</u>
Total Liabilities and Fund Balances	<u>\$566,404</u>	<u></u>	<u>\$3,548,136</u>	<u>\$10,162,064</u>



CITY<sup>OF</sup> 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 FISCAL YEAR ENDED JUNE 30, 2011

SPECIAL REVENUE FUNDS

	Gas Tax	Public Safety	Street Lighting and Landscaping	N.P.D.E.S.	Development Services	Measure C / J
<b>REVENUES</b>						
Property taxes			\$837,930			
Sales tax		\$79,534				\$22,826
Licenses and permits					\$313,623	
Intergovernmental	\$806,254			\$334,113		
Charges for services	74,073			350	331,805	
Use of money and property						1,049
Miscellaneous	661		661			
<b>Total Revenues</b>	<u>880,988</u>	<u>79,534</u>	<u>838,591</u>	<u>334,463</u>	<u>645,428</u>	<u>23,875</u>
<b>EXPENDITURES</b>						
Current:						
Community:						
Development					997,328	
Public Works & Engineering	1,136,063		1,127,145	256,173		
Police						
Capital outlay	538		538			
Debt Service:						
Principal						
Interest and fiscal charges						
<b>Total Expenditures</b>	<u>1,136,601</u>		<u>1,127,683</u>	<u>256,173</u>	<u>997,328</u>	
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(255,613)</u>	<u>79,534</u>	<u>(289,092)</u>	<u>78,290</u>	<u>(351,900)</u>	<u>23,875</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	296,194	(100,000)	280,000		370,000	
Transfers (out)						(756,000)
<b>Total Other Financing Sources (Uses)</b>	<u>296,194</u>	<u>(100,000)</u>	<u>280,000</u>		<u>370,000</u>	<u>(756,000)</u>
<b>NET CHANGE IN FUND BALANCES</b>	40,581	(20,466)	(9,092)	78,290	18,100	(732,125)
Fund balances (deficits) at beginning of year	69	77,496	(1,258)	140,921	(18,006)	757,843
<b>FUND BALANCES (DEFICITS) AT END OF YEAR</b>	<u>\$40,650</u>	<u>\$57,030</u>	<u>(\$10,350)</u>	<u>\$219,211</u>	<u>\$94</u>	<u>\$25,718</u>

SPECIAL REVENUE FUNDS

DEBT SERVICE FUNDS

Adjudicated 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
	\$133,358	\$987,433				
\$573 50,007	2,132	32	\$421		\$4	\$111,511
50,580	135,490	987,465	421		4	111,511
	96,707					
34,041		864,824 295,712			585,000 308,292	495,000 287,888
34,041	96,707	1,160,536			893,292	782,888
16,539	38,783	(173,071)	421		(893,288)	(671,377)
		42,121			893,288	780,965 (101,094)
		42,121			893,288	679,871
16,539	38,783	(130,950)	421			8,494
104,610	373,008	241,026	81,256	\$83,871		4,606,833
\$121,149	\$411,791	\$110,076	\$81,677	\$83,871		\$4,615,327

(Continued)

CITY OF SAN PABLO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	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
<b>REVENUES</b>				
Property taxes				\$837,930
Sales tax				102,360
Licenses and permits				313,623
Intergovernmental				2,261,158
Charges for services				406,228
Use of money and property	\$13,812		\$38,438	167,972
Miscellaneous				51,329
Total Revenues	13,812		38,438	4,140,600
<b>EXPENDITURES</b>				
Current:				
Community:				
Development				1,094,035
Public Works & Engineering				2,519,381
Police				898,865
Capital outlay				296,788
Debt Service:				
Principal	10,000	\$530,000	1,545,000	3,165,000
Interest and fiscal charges	265,225	1,246,745	1,408,843	3,516,993
Total Expenditures	275,225	1,776,745	2,953,843	11,491,062
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	(261,413)	(1,776,745)	(2,915,405)	(7,350,462)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	275,225	1,776,745	4,614,339	9,228,877
Transfers (out)	(15,629)			(872,723)
Total Other Financing Sources (Uses)	259,596	1,776,745	4,614,339	8,356,154
<b>NET CHANGE IN FUND BALANCES</b>				
	(1,817)		1,698,934	1,005,692
Fund balances (deficits) at beginning of year	568,221		1,849,202	8,865,092
FUND BALANCES (DEFICITS) AT END OF YEAR	\$566,404		\$3,548,136	\$9,870,784



CITY<sup>OF</sup> 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 FISCAL YEAR ENDED JUNE 30, 2011

SPECIAL REVENUE FUNDS

	GAS TAX			PUBLIC SAFETY		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Sales tax				\$90,000	\$79,534	(\$10,466)
Licenses and permits						
Intergovernmental	\$516,000	\$806,254	\$290,254			
Charges for services	61,500	74,073	12,573			
Use of money and property						
Miscellaneous	500	661	161			
<b>Total Revenues</b>	<b>578,000</b>	<b>880,988</b>	<b>302,988</b>	<b>90,000</b>	<b>79,534</b>	<b>(10,466)</b>
EXPENDITURES						
Current:						
Community:						
Development						
Housing						
Public Works & Engineering	1,321,681	1,136,063	185,618			
Police						
Capital outlay	13,877	538	13,339			
Debt Service:						
Principal						
Interest and fiscal charges						
<b>Total Expenditures</b>	<b>1,335,558</b>	<b>1,136,601</b>	<b>198,957</b>			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(757,558)</u>	<u>(255,613)</u>	<u>501,945</u>	<u>90,000</u>	<u>79,534</u>	<u>(10,466)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	769,294	296,194	(473,100)		(100,000)	(100,000)
Transfers (out)				(100,000)		100,000
<b>Total Other Financing Sources (Uses)</b>	<b>769,294</b>	<b>296,194</b>	<b>(473,100)</b>	<b>(100,000)</b>	<b>(100,000)</b>	
NET CHANGE IN FUND BALANCES	<u>\$11,736</u>	<u>40,581</u>	<u>\$28,845</u>	<u>(\$10,000)</u>	<u>(20,466)</u>	<u>(\$10,466)</u>
Fund balances (deficit) at beginning of year		69			77,496	
FUND BALANCES (DEFICIT) AT END OF YEAR		<u>\$40,650</u>			<u>\$57,030</u>	

SPECIAL REVENUE FUNDS

STREET LIGHTING AND LANDSCAPING			N.P.D.E.S.			DEVELOPMENT SERVICES		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$840,000	\$837,930	(\$2,070)				\$303,000	\$313,623	\$10,623
			\$297,000	\$334,113 350	\$37,113 350	606,338	331,805	(274,533)
	661	661						
<u>840,000</u>	<u>838,591</u>	<u>(1,409)</u>	<u>297,000</u>	<u>334,463</u>	<u>37,463</u>	<u>909,338</u>	<u>645,428</u>	<u>(263,910)</u>
						1,156,300	997,328	158,972
1,338,171	1,127,145	211,026	345,730	256,173	89,557			
13,877	538	13,339						
<u>1,352,048</u>	<u>1,127,683</u>	<u>224,365</u>	<u>345,730</u>	<u>256,173</u>	<u>89,557</u>	<u>1,156,300</u>	<u>997,328</u>	<u>158,972</u>
<u>(512,048)</u>	<u>(289,092)</u>	<u>222,956</u>	<u>(48,730)</u>	<u>78,290</u>	<u>127,020</u>	<u>(246,962)</u>	<u>(351,900)</u>	<u>(104,938)</u>
543,048	280,000	(263,048)	63,552		(63,552)	124,771	370,000	245,229
<u>543,048</u>	<u>280,000</u>	<u>(263,048)</u>	<u>63,552</u>		<u>(63,552)</u>	<u>124,771</u>	<u>370,000</u>	<u>245,229</u>
<u>\$31,000</u>	<u>(9,092)</u>	<u>(\$40,092)</u>	<u>\$14,822</u>	78,290	<u>\$63,468</u>	<u>(\$122,191)</u>	18,100	<u>\$140,291</u>
	<u>(1,258)</u>			<u>140,921</u>			<u>(18,006)</u>	
	<u>(\$10,350)</u>			<u>\$219,211</u>			<u>\$94</u>	

(Continued)

CITY OF SAN PABLO  
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS  
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

SPECIAL REVENUE FUNDS

	MEASURE C / J			ADJUDICATED ASSET SEIZURES		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Sales tax	\$320,000	\$22,826	(\$297,174)			
Licenses and permits						
Intergovernmental						
Charges for services						
Use of money and property		1,049	1,049		\$573	\$573
Miscellaneous					50,007	50,007
<b>Total Revenues</b>	<b>320,000</b>	<b>23,875</b>	<b>(296,125)</b>		<b>50,580</b>	<b>50,580</b>
EXPENDITURES						
Current:						
Community:						
Development						
Housing						
Public Works & Engineering						
Police				\$4,600	34,041	(29,441)
Capital outlay						
Debt Service:						
Principal						
Interest and fiscal charges						
<b>Total Expenditures</b>				<b>4,600</b>	<b>34,041</b>	<b>(29,441)</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	320,000	23,875	(296,125)	(4,600)	16,539	21,139
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	(969,530)	(756,000)	213,530			
<b>Total Other Financing Sources (Uses)</b>	<b>(969,530)</b>	<b>(756,000)</b>	<b>213,530</b>			
NET CHANGE IN FUND BALANCES	<u>(\$649,530)</u>	<u>(732,125)</u>	<u>(\$82,595)</u>	<u>(\$4,600)</u>	<u>16,539</u>	<u>\$21,139</u>
Fund balances (deficit) at beginning of year		757,843			104,610	
FUND BALANCES (DEFICIT) AT END OF YEAR		<u>\$25,718</u>			<u>\$121,149</u>	

SPECIAL REVENUE FUNDS

PARATRANSIT			LAW ENFORCEMENT SERVICES			TRAFFIC CONGESTION RELIEF		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$130,282	\$133,358	\$3,076	\$982,436	\$987,433	\$4,997			
2,000	2,132	132		32	32		\$421	\$421
<u>132,282</u>	<u>135,490</u>	<u>3,208</u>	<u>982,436</u>	<u>987,465</u>	<u>5,029</u>		<u>421</u>	<u>421</u>
176,370	96,707	79,663						
			86,136	864,824	(778,688)			
			360,000	295,712	64,288			
<u>176,370</u>	<u>96,707</u>	<u>79,663</u>	<u>446,136</u>	<u>1,160,536</u>	<u>(714,400)</u>			
<u>(44,088)</u>	<u>38,783</u>	<u>82,871</u>	<u>536,300</u>	<u>(173,071)</u>	<u>(709,371)</u>		<u>421</u>	<u>421</u>
				42,121	42,121	<u>(\$207,987)</u>		<u>207,987</u>
				42,121	42,121	<u>(207,987)</u>		<u>207,987</u>
<u>(\$44,088)</u>	<u>38,783</u>	<u>\$82,871</u>	<u>\$536,300</u>	<u>(130,950)</u>	<u>(\$667,250)</u>	<u>(\$207,987)</u>	<u>421</u>	<u>\$208,408</u>
	<u>373,008</u>			<u>241,026</u>			<u>81,256</u>	
	<u>\$411,791</u>			<u>\$110,076</u>			<u>\$81,677</u>	

(Continued)

CITY OF SAN PABLO  
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS  
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	SPECIAL REVENUE FUND			DEBT SERVICE FUND		
	HCD GRANT			MERGED PROJECT AREA 1999 SUBORDINATE TAX ALLOCATION BONDS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Sales tax						
Licenses and permits						
Intergovernmental						
Charges for services						
Use of money and property					\$4	\$4
Miscellaneous						
Total Revenues					4	4
EXPENDITURES						
Current:						
Community:						
Development						
Housing	\$80,000		\$80,000			
Public Works & Engineering						
Police						
Capital outlay						
Debt Service:						
Principal				\$585,000	585,000	
Interest and fiscal charges				308,293	308,292	1
Total Expenditures	80,000		80,000	893,293	893,292	1
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(80,000)		80,000	(893,293)	(893,288)	5
OTHER FINANCING SOURCES (USES)						
Transfers in				893,293	893,288	(5)
Transfers (out)						
Total Other Financing Sources (Uses)				893,293	893,288	(5)
NET CHANGE IN FUND BALANCES	(80,000)		80,000			
Fund balances (deficit) at beginning of year		\$83,871				
FUND BALANCES (DEFICIT) AT END OF YEAR		\$83,871				

DEBT SERVICE FUNDS

2001 TAX ALLOCATION BONDS TENTH TOWNSHIP PROJECT AREA			2004 TAX ALLOCATION BONDS TENTH TOWNSHIP PROJECT AREA			2006 SUBORDINATE TAX ALLOCATION BONDS TENTH TOWNSHIP PROJECT AREA		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$75,000	\$111,511	\$36,511					\$38,438	\$38,438
<u>75,000</u>	<u>111,511</u>	<u>36,511</u>					<u>38,438</u>	<u>38,438</u>
495,000	495,000		\$530,000	\$530,000		\$1,545,000	1,545,000	
<u>287,889</u>	<u>287,888</u>	<u>1</u>	<u>1,521,972</u>	<u>1,246,745</u>	<u>\$275,227</u>	<u>1,663,585</u>	<u>1,408,843</u>	<u>254,742</u>
<u>782,889</u>	<u>782,888</u>	<u>1</u>	<u>2,051,972</u>	<u>1,776,745</u>	<u>275,227</u>	<u>3,208,585</u>	<u>2,953,843</u>	<u>254,742</u>
<u>(707,889)</u>	<u>(671,377)</u>	<u>36,512</u>	<u>(2,051,972)</u>	<u>(1,776,745)</u>	<u>275,227</u>	<u>(3,208,585)</u>	<u>(2,915,405)</u>	<u>293,180</u>
782,889	780,965	(1,924)	2,051,972	1,776,745	(275,227)	1,700,000	4,614,339	2,914,339
	<u>(101,094)</u>	<u>(101,094)</u>						
<u>782,889</u>	<u>679,871</u>	<u>(103,018)</u>	<u>2,051,972</u>	<u>1,776,745</u>	<u>(275,227)</u>	<u>1,700,000</u>	<u>4,614,339</u>	<u>2,914,339</u>
<u>\$75,000</u>	8,494	<u>(\$66,506)</u>				<u>(\$1,508,585)</u>	1,698,934	<u>\$3,207,519</u>
	<u>4,606,833</u>						<u>1,849,202</u>	
	<u>\$4,615,327</u>						<u>\$3,548,136</u>	



CITY<sup>OF</sup> SAN PABLO

---

*City of New Directions*

## AGENCY FUNDS

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

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

### TOWN CENTER SPECIAL ASSESSMENT DISTRICT

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

### OAK PARK SPECIAL ASSESSMENT DISTRICT

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

### COMMUNITY ORGANIZATIONS AND ACTIVITIES

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

### WEST CONTRA COSTA TRANSPORTATION ADVISORY COMMITTEE

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

CITY OF SAN PABLO  
 AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
<hr/> <u>Town Center Special Assessment District</u> <hr/>				
<u>Assets</u>				
Restricted cash and investments	\$768,618	\$377,458	\$370,807	\$775,269
<u>Liabilities</u>				
Due to bondholders	\$768,618	\$377,458	\$370,807	\$775,269
<hr/> <u>Oak Park Special Assessment District</u> <hr/>				
<u>Assets</u>				
Restricted cash and investments	\$1,041,288	\$457,056	\$449,540	\$1,048,804
<u>Liabilities</u>				
Due to bondholders	\$1,041,288	\$457,056	\$449,540	\$1,048,804
<hr/> <u>Community Organizations and Activities</u> <hr/>				
<u>Assets</u>				
Restricted cash and investments	\$656,426	\$186,976	\$296,266	\$547,136
Interest receivable	912		912	
Total Assets	\$657,338	\$186,976	\$297,178	\$547,136
<u>Liabilities</u>				
Accounts payable	\$6,901	\$67,411	\$6,901	\$67,411
Deposits held as agent for others	650,437	119,565	290,277	479,725
Total Liabilities	\$657,338	\$186,976	\$297,178	\$547,136

CITY OF SAN PABLO  
 AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
<u>West Contra Costa Transportation Advisory Committee</u>				
<u>Assets</u>				
Restricted cash and investments	\$1,652,270	\$1,254,080	\$1,240,526	\$1,665,824
Due from other governments	380,344	130,190	380,344	130,190
Interest receivable	2,703	305	2,703	305
Total Assets	<u>\$2,035,317</u>	<u>\$1,384,575</u>	<u>\$1,623,573</u>	<u>\$1,796,319</u>
<u>Liabilities</u>				
Accounts payable	\$98,437	\$140,640	\$98,437	\$140,640
Due to City	129,064	104,310	129,064	104,310
Deposits held as agent for others	1,807,816	1,139,625	1,396,072	1,551,369
Total Liabilities	<u>\$2,035,317</u>	<u>\$1,384,575</u>	<u>\$1,623,573</u>	<u>\$1,796,319</u>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Restricted cash and investments	\$4,118,602	\$2,275,570	\$2,357,139	\$4,037,033
Interest receivable	3,615	305	3,615	305
Due from other governments	380,344	130,190	380,344	130,190
Total Assets	<u>\$4,502,561</u>	<u>\$2,406,065</u>	<u>\$2,741,098</u>	<u>\$4,167,528</u>
<u>Liabilities</u>				
Accounts payable	\$105,338	\$208,051	\$105,338	\$208,051
Due to City	129,064	104,310	129,064	104,310
Deposits held as agent for others	2,458,253	1,259,190	1,686,349	2,031,094
Due to bondholders	1,809,906	834,514	820,347	1,824,073
Total Liabilities	<u>\$4,502,561</u>	<u>\$2,406,065</u>	<u>\$2,741,098</u>	<u>\$4,167,528</u>



CITY<sup>OF</sup> 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. Town Center 1997 Reassessment Revenue Bonds
  - b. Oak Park 1998 Reassessment Revenue Bonds
  - c. Debt Service Coverage Schedule

### ***Demographic and Economic Information***

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

1. Demographic and Economic Statistics
2. Principal Employers

### ***Operating Information***

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

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

### ***Sources***

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

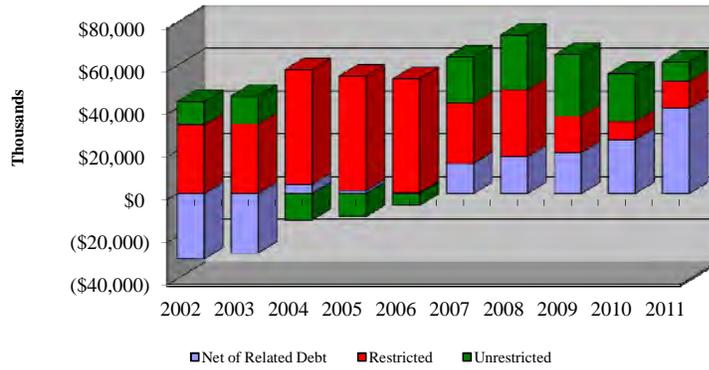


CITY<sup>OF</sup> SAN PABLO

---

*City of New Directions*

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

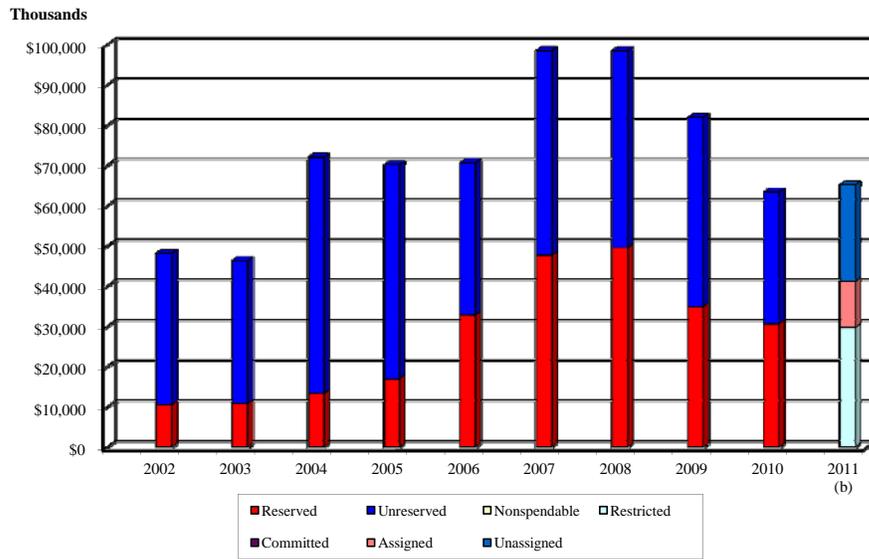


	Fiscal Year Ended June 30,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	(\$30,582,670)	(\$27,769,715)	\$4,217,407	\$1,338,446	\$391,982	\$14,162,898	\$17,233,098	\$19,236,798	\$25,129,231	\$39,968,889
Restricted	32,172,751	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
Unrestricted	10,904,480	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
<b>Total governmental activities net assets</b>	<u>\$12,494,561</u>	<u>\$17,891,056</u>	<u>\$45,606,869</u>	<u>\$44,209,506</u>	<u>\$48,223,727</u>	<u>\$63,839,965</u>	<u>\$74,170,903</u>	<u>\$64,947,312</u>	<u>\$56,130,183</u>	<u>\$61,577,940</u>

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

	Fiscal Year Ended June 30,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Expenses</b>										
Governmental Activities:										
General Government	\$4,014,394	\$4,616,174	\$4,295,995	\$6,247,087	\$5,061,400	\$2,632,986	\$2,993,404	\$3,200,437	\$3,746,905	\$3,873,454
Community										
Recreation	613,517	641,292	568,220	682,636	703,787	989,126	1,217,942	1,132,500	1,260,952	1,296,966
Development	4,245,494	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
Housing	440,240	502,613	1,334,075	316,338	2,456,860	228,296	194,708	554,770	244,168	86,761
Public Works & Engineering						5,674,920	5,892,638	6,424,687	6,390,441	7,379,061
Police	7,139,573	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
Interest and fiscal charges	2,713,525	2,610,389	4,188,138	3,336,076	3,281,931	4,498,283	4,220,723	4,035,250	3,894,561	3,813,714
Total Governmental Activities Expenses	19,166,743	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
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services:										
General Government	460,392	747,791	780,540	767,938	1,089,391	22,805	16,171	31,223	26,562	66,541
Community:										
Recreation	72,790	72,355	69,140	70,360	52,525	117,752	127,847	144,942	166,294	251,779
Development						556,322	444,499	438,378	588,719	332,055
Public Works & Engineering						130,443	157,591	57,724	118,661	106,798
Police	329,211	295,697	310,684	597,466	418,449	724,871	516,367	403,428	338,838	325,909
Operating Grants and Contributions	1,853,029	1,411,263	2,094,200	1,696,841	1,986,780	1,927,514	1,835,557	1,424,555	1,620,850	2,497,146
Capital Grants and Contributions	707,289	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
Total Government Activities Program Revenues	3,422,711	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
<b>Net (Expense)/Revenue</b>										
Governmental Activities	(15,744,032)	(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)
<b>General Revenues and Other</b>										
<b>Changes in Net Assets</b>										
Governmental Activities:										
Taxes:										
Property Taxes	1,437,245	1,493,059	1,447,370	1,384,587	1,387,577	1,389,901	1,235,060	1,302,668	1,099,009	1,129,241
Incremental Property Taxes	7,022,549	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
ERAF		(239,583)	(414,174)	(780,327)	(801,770)					
Sales Taxes	1,711,707	1,872,533	1,805,822	1,442,957	1,414,077	1,304,189	1,400,911	1,342,904	1,250,870	1,313,493
In-Lieu Sales Tax				402,175	367,240	396,968	411,506	472,411	456,357	316,486
Utility Users Tax	1,817,716	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
Other Taxes	3,614,460	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
Intergovernmental unrestricted:										
Motor Vehicle In-Lieu Fees	1,709,875	1,812,031	1,379,768	2,516,011	2,276,752	2,476,028	2,634,391	2,532,312	1,937,853	1,881,451
Business Licenses (nonregulatory)	252,289	274,508	299,715	280,518	290,935	326,195	296,836	327,507	321,824	313,623
Use of Money and Property	1,757,907	1,431,375	1,411,561	1,777,188	2,733,017	3,306,358	3,815,626	2,032,690	777,955	666,850
Gain on Sale of Property		289,010	275,668	56,981	315,000	497,534	13,275	6,091		1,327,416
Miscellaneous	128,278	176,729	152,099	143,876	285,471	378,792	204,549	266,488	251,332	228,070
Special item - transfer of loans and cash to County				(1,425,863)						
Total Governmental Activities	19,452,026	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
<b>Change in Net Assets</b>										
Governmental Activities	\$3,707,994	\$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

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



	Fiscal Year Ended June 30,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 (b)
General Fund										
Reserved	\$37,793	\$416,350	\$388,271	\$383,225	\$387,568	\$45,330	\$55,576	\$71,191	\$32,630	
Unreserved	12,783,284	13,854,183	14,203,812	13,634,482	12,989,007	18,012,835	17,378,837	20,125,976	21,359,353	
Nondspendable										\$94,156
Restricted										206,626
Unassigned										24,008,243
<b>Total General Fund</b>	<b>\$12,821,077</b>	<b>\$14,270,533</b>	<b>\$14,592,083</b>	<b>\$14,017,707</b>	<b>\$13,376,575</b>	<b>\$18,058,165</b>	<b>\$17,434,413</b>	<b>\$20,197,167</b>	<b>\$21,391,983</b>	<b>\$24,309,025 (a)</b>
All Other Governmental Funds										
Reserved	\$10,468,551	\$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	1,439,376	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	23,407,840	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
Assigned										11,451,201
Unassigned										(10,350)
<b>Total all other governmental funds</b>	<b>\$35,315,767</b>	<b>\$32,096,191</b>	<b>\$57,392,434</b>	<b>\$56,107,962</b>	<b>\$57,305,422</b>	<b>\$80,423,343</b>	<b>\$81,036,812</b>	<b>\$61,703,390</b>	<b>\$41,996,952</b>	<b>\$41,064,974 (a)</b>

(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)**

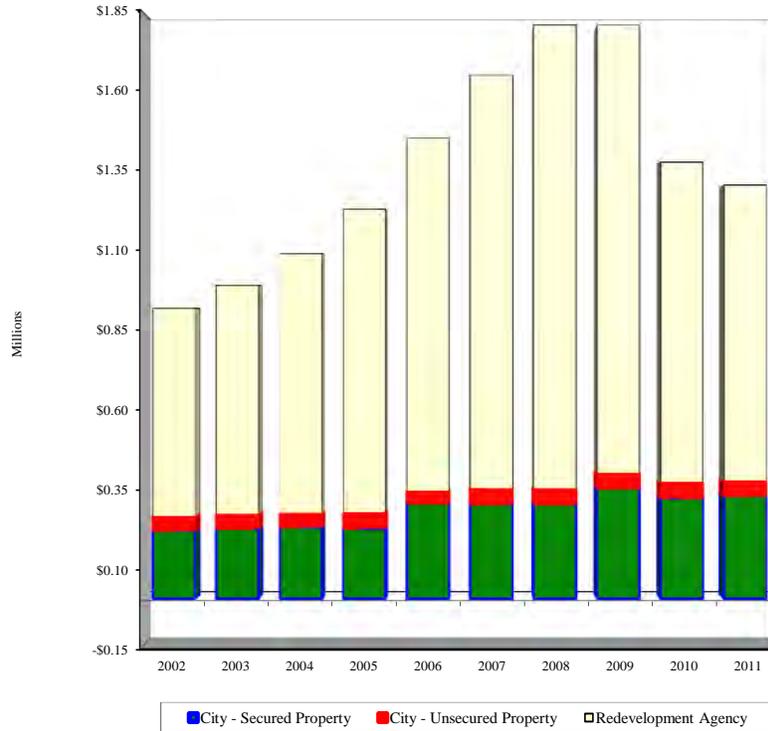
	Fiscal Year Ended June 30,				
	2002	2003	2004	2005	2006
<b>Revenues</b>					
Property taxes	\$1,437,245	\$1,493,059	\$1,447,370	\$1,384,587	\$1,387,577
Incremental property taxes	7,022,549	7,923,532	8,981,315	11,577,262	12,251,525
Less ERAF		(239,583)	(414,174)	(780,327)	(801,770)
Sales taxes	1,711,707	1,872,533	1,805,822	1,442,957	1,414,077
In-lieu sales tax				402,175	367,240
Utility users tax	1,817,716	1,959,355	1,989,816	2,053,248	2,158,865
Other taxes	3,614,460	3,654,479	3,591,499	3,820,413	9,866,947
Licenses and permits	252,289	274,508	299,715	280,518	290,935
Fines and forfeits	2,672	11,288	13,315	38,248	15,768
Intergovernmental	3,530,825	4,041,873	4,214,004	4,357,809	4,838,178
Charges for services	862,393	1,115,843	1,160,364	1,435,764	1,560,365
Use of money and property	3,382,073	2,302,048	4,224,175	2,544,289	3,373,908
Miscellaneous	125,606	165,441	414,818	302,606	269,703
<b>Total Revenues</b>	<b>23,759,535</b>	<b>24,574,376</b>	<b>27,728,039</b>	<b>28,859,549</b>	<b>36,993,318</b>
<b>Expenditures</b>					
<b>Current:</b>					
General government	3,739,321	4,318,395	4,111,331	6,075,454	5,153,650
Community					
Recreation	605,648	616,658	554,021	653,744	716,929
Development	3,983,957	5,003,018	2,696,836	6,083,560	3,871,099
Housing	843,745	1,330,272	2,984,044	849,562	1,320,060
Public Works & Engineering					
Police	6,973,316	7,123,169	7,870,063	9,600,575	15,512,360
Pass Through to County					
Supplemental Educational Revenue					
Augmentation Fund Payment					
Estimated reduction in value of land held for redevelopment					
Capital outlay	1,525,081	4,533,164	2,747,037	2,302,320	3,147,146
<b>Debt service:</b>					
Principal repayment	705,000	1,275,000	1,325,000	1,645,000	1,530,000
Interest and fiscal charges	2,536,309	2,433,830	3,709,542	3,145,231	3,079,872
<b>Total Expenditures</b>	<b>20,912,377</b>	<b>26,633,506</b>	<b>25,997,874</b>	<b>30,355,446</b>	<b>34,331,116</b>
Excess (deficiency) of revenues over (under) expenditures	2,847,158	(2,059,130)	1,730,165	(1,495,897)	2,662,202
<b>Other Financing Sources (Uses)</b>					
Transfers in	9,360,973	9,176,190	27,214,941	13,157,679	12,628,478
Transfers (out)	(9,360,973)	(9,176,190)	(27,214,941)	(13,157,679)	(12,628,478)
Proceeds or gain from sale of property		289,010	275,668	56,981	315,000
Loss from sale of property					(2,420,874)
Issuance of debt			37,755,000		
Premium on bonds			690,216		
Payments to refunded bond escrow			(14,833,256)		
Property held for resale transferred to capital assets					
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>289,010</b>	<b>23,887,628</b>	<b>56,981</b>	<b>(2,105,874)</b>
<b>Special Items</b>					
Transfer of loans receivable and cash to the county				(1,425,863)	
Reversal of deferred revenues to offset the loans				1,005,931	
				(419,932)	
<b>Change in Fund Balance</b>	<b>\$2,847,158</b>	<b>(\$1,770,120)</b>	<b>\$25,617,793</b>	<b>(\$1,858,848)</b>	<b>\$556,328</b>
<b>Debt service as a percentage of noncapital expenditures</b>					
	16.7%	16.8%	21.7%	17.1%	14.8%

**Fiscal Year Ended June 30,**

<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
\$1,738,546	\$1,584,784	\$1,310,791	\$1,104,259	\$1,129,241
14,959,091	15,434,058	14,675,932	9,751,633	9,415,129
1,304,189	1,400,911	1,342,904	1,893,530	1,336,319
396,968	411,506	472,411	456,357	316,486
1,594,338	1,632,823	1,366,676	1,512,840	2,083,913
12,649,876	13,531,030	14,891,478	15,332,960	16,217,232
326,195	296,836	327,507	321,824	313,623
400,117	333,832	248,344	253,830	175,236
5,276,263	5,454,369	5,368,548	5,792,474	6,927,565
1,098,195	884,505	784,975	980,009	786,693
4,165,686	4,339,988	2,217,675	904,473	1,275,476
276,206	178,633	237,809	135,070	143,404
<u>44,185,670</u>	<u>45,483,275</u>	<u>43,245,050</u>	<u>38,439,259</u>	<u>40,120,317</u>
2,462,270	3,502,819	3,092,038	3,608,932	5,077,971
956,875	1,188,497	1,107,073	1,232,619	1,281,164
4,215,123	6,723,506	10,911,000	8,120,814	3,231,110
518,764	4,192,021	5,778,117	680,286	214,996
2,947,864	3,569,382	3,266,892	3,173,331	2,912,684
10,589,624	15,246,567	13,504,115	14,281,329	14,109,881
			5,939,603	1,222,860
		12,520,417	3,486,168	
14,634,535	5,317,834	3,983,178	9,741,894	4,993,318
1,740,000	1,795,000	1,865,000	3,050,000	3,165,543
4,097,085	3,993,540	3,794,982	3,640,060	3,541,450
<u>42,162,140</u>	<u>45,529,166</u>	<u>59,822,812</u>	<u>56,955,036</u>	<u>39,750,977</u>
2,023,530	(45,891)	(16,577,762)	(18,515,777)	369,340
42,988,080	13,741,142	16,958,273	15,160,490	21,666,427
(42,988,080)	(13,741,142)	(16,958,273)	(15,160,490)	(21,666,427)
2,368,112	35,608	7,094	4,155	1,327,416
36,000,000				1,222,860
(12,592,131)				
				(911,727)
<u>25,775,981</u>	<u>35,608</u>	<u>7,094</u>	<u>4,155</u>	<u>1,638,549</u>
<u>\$27,799,511</u>	<u>(\$10,283)</u>	<u>(\$16,570,668)</u>	<u>(\$18,511,622)</u>	<u>\$2,007,889</u>

21.2%                      14.4%                      10.1%                      14.2%                      19.1%

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

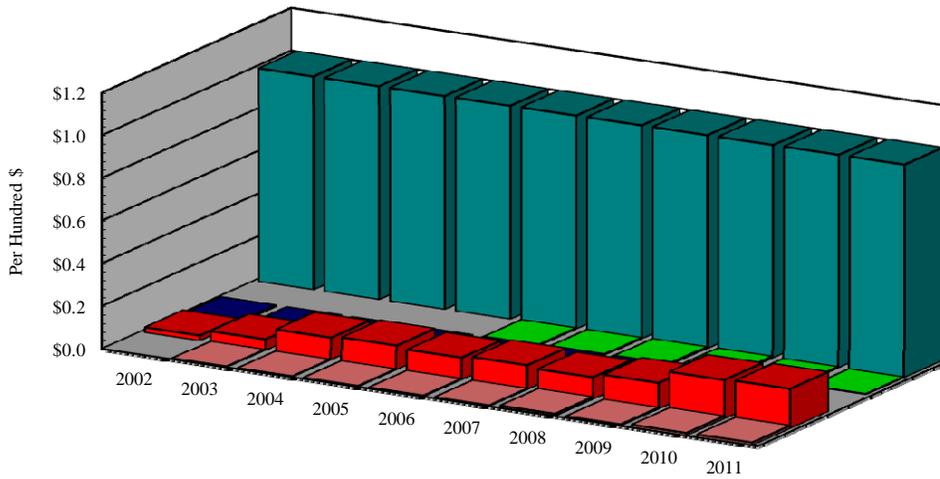


Fiscal Year	Value of City Property Subject to Local Tax Rate			Value of Redevelopment Agency Property Subject to Local Tax Rate			Total Assessed (a)	Estimated Full Market (a)	Total Direct Tax Rate (b)
	Secured Property	Unsecured Property	Total	Tenth Township	Legacy	Total			
2002	\$213,107,991	\$44,361,453	\$257,469,444	\$628,142,568	\$30,841,919	\$658,984,487	\$916,453,931	\$916,453,931	0.796%
2003	219,539,698	43,489,446	263,029,144	679,474,402	46,682,654	726,157,056	989,186,200	989,186,200	0.830%
2004	225,119,067	40,916,120	266,035,187	758,471,631	64,590,559	823,062,190	1,089,097,377	1,089,097,377	0.851%
2005	220,397,081	48,109,315	268,506,396	870,655,885	89,092,924	959,748,809	1,228,255,205	1,228,255,205	0.958%
2006	300,086,126	36,435,336	336,521,462	997,667,744	117,581,726	1,115,249,470	1,451,770,932	1,451,770,932	0.858%
2007	298,211,215	45,156,382	343,367,597	1,154,590,211	154,299,250	1,308,889,461	1,652,257,058	1,652,257,058	0.938%
2008	298,159,072	44,998,015	343,157,087	1,259,837,281	208,574,923	1,468,412,204	1,811,569,291	1,811,569,291	0.871%
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%

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**



Fiscal Year	Basic County Wide Levy	Bay Area Rapid Transit	East Bay Regional Park District	West Contra Costa Unified School District	Community College	Total
2002	\$1.0000		\$0.0072	\$0.0249		\$1.0321
2003	1.0000		0.0065	0.0526	\$0.0040	1.0631
2004	1.0000		0.0057	0.1064	0.0038	1.1159
2005	1.0000		0.0057	0.1153	0.0042	1.1252
2006	1.0000	\$0.0048	0.0057	0.1041	0.0047	1.1193
2007	1.0000	0.0050	0.0085	0.1143	0.0043	1.1321
2008	1.0000	0.0076	0.0080	0.1035	0.0108	1.1299
2009	1.0000	0.0090	0.0100	0.1230	0.0066	1.1486
2010	1.0000	0.0057	0.0108	0.1828	0.0126	1.2119
2011	1.0000	0.0031	0.0084	0.1869	0.0133	1.2117

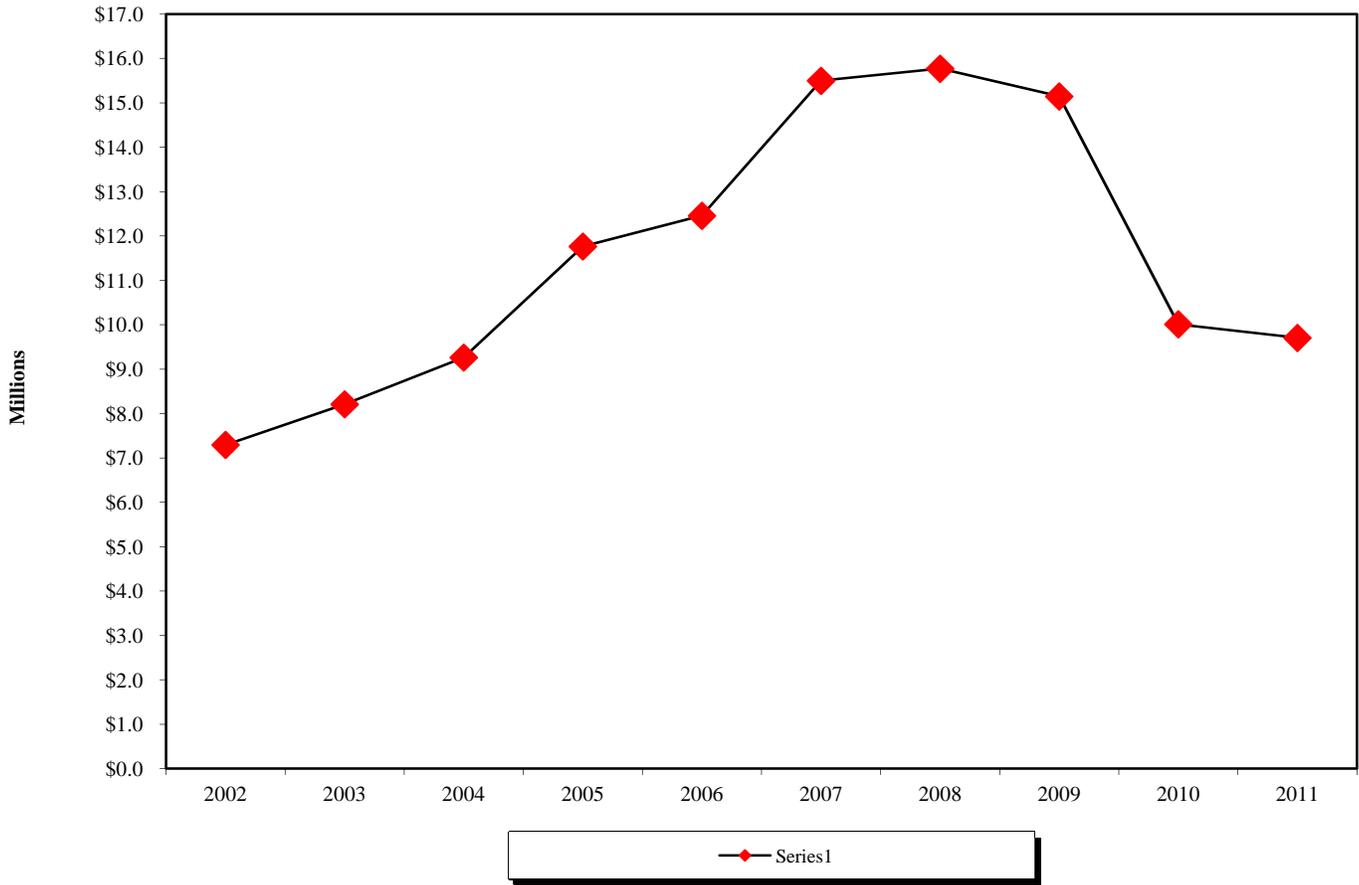
Source: HdL Coren & Cone, Contra Costa County Assessor

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

<u>Taxpayer</u>	<u>2010-2011</u>			<u>2001-2002</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Donahue Schriber Realty Group	\$20,894,319	1	1.6%			
San Pablo Retail Partners LLC	16,521,920	2	1.3%			
3002 Giant Road LLC	13,432,088	3	1.0%			
Save Mart Supermarkets	12,142,977	4	0.9%			
College Center Retail LLC	11,844,336	5	0.9%			
Public Storage Inc	10,176,652	6	0.8%			
Lucky Nocal Investor LLC	9,538,081	7	0.7%			
International Game Technology Inc.	9,039,062	8	0.7%			
Murray and Janet Gordon Trust	8,966,676	9	0.7%	\$7,681,189	8	0.8%
WEC 97K-31 Investment Trust	6,548,873	10	0.5%	6,327,060	9	0.7%
Sonoma Entertainment Investors				22,335,578	1	2.4%
El Portal LLC				17,600,716	2	1.9%
Princeton Plaza LLC				13,660,716	3	1.5%
West CCC Hospital District				12,962,375	4	1.4%
Tenet Healthsystem Hospital Inc				12,019,331	5	1.3%
EDI LLC				11,637,276	6	1.3%
Lucky Stores Inc.				7,977,053	7	0.9%
Fox and Lambrecht				5,166,358	10	0.6%
Subtotal	<u>\$119,104,984</u>		<u>9.1%</u>	<u>\$117,367,652</u>		<u>12.8%</u>
Total Net Assessed Valuation:						
Fiscal Year 2010-2011	\$1,305,342,977					
Fiscal Year 2001-2002	\$916,453,931					

Source: HdL Coren & Cone, Contra Costa County Assessor

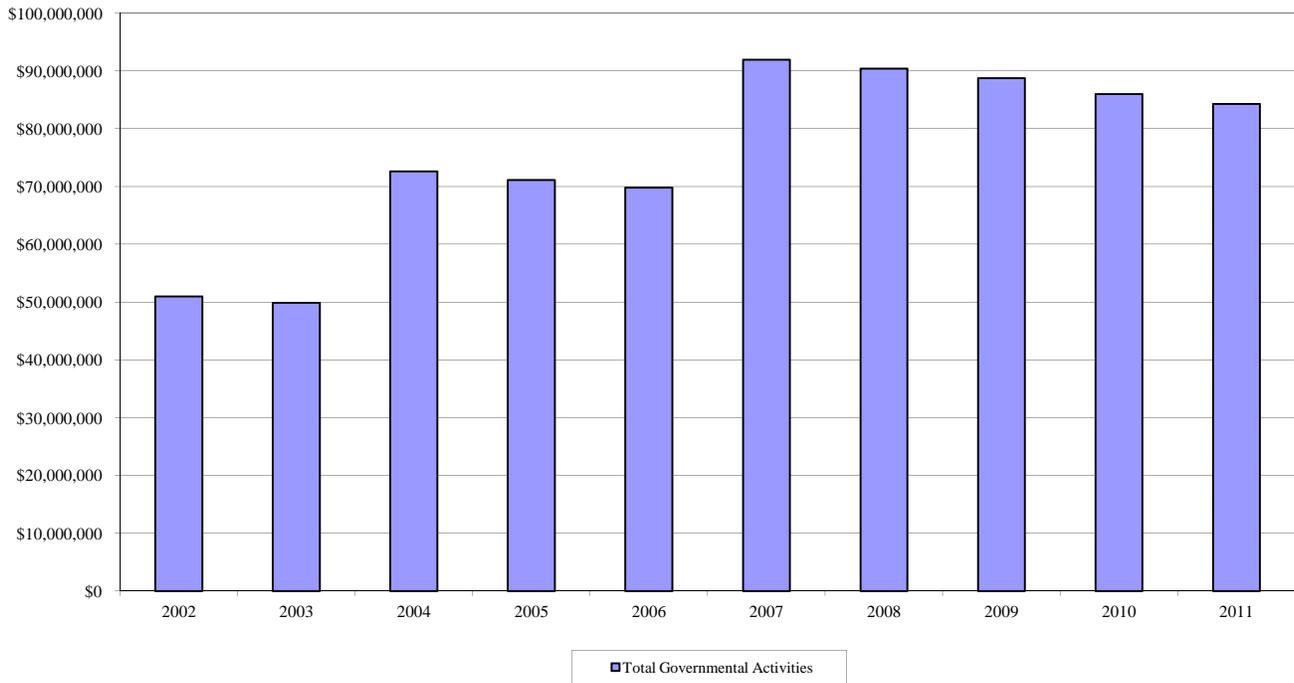
**CITY OF SAN PABLO  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**



<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>
2002	\$272,412	\$7,022,549	\$7,294,961	100%
2003	286,574	7,923,532	8,210,106	100%
2004	282,893	8,981,315	9,264,208	100%
2005	188,707	11,577,262	11,765,969	100%
2006	207,171	12,251,525	12,458,696	100%
2007	541,189	14,959,091	15,500,280	100%
2008	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%

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.

**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			
2002	\$50,963,628		\$50,963,628	3.76%	1,649
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

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

Sources: City of San Pablo  
California Employment Development Department

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

**CITY OF SAN PABLO  
COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
JUNE 30, 2011**

2010-11 Assessed Valuation	\$1,305,342,977
Less: Redevelopment Incremental Valuation	<u>936,881,606</u>
Adjusted Assessed Valuation	<u><u>\$368,461,371</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>\$2,655,000</u>	100.000%	<u>\$2,655,000</u>
Overlapping Debt:			
Bay Area Rapid Transit District	139,254,567	0.873%	1,215,482
Contra Costa County Pension Debt	399,984,000	0.873%	3,489,999
Contra Costa County Fire Pension Obligation	116,240,000	1.866%	2,168,495
Contra Costa Community College District	237,095,000	0.876%	2,077,150
East Bay Regional Park District	66,309,021	0.873%	578,777
West Contra Costa Unified School District	798,441,993	5.629%	44,940,657
<b>City of San Pablo</b>	<u><b>0</b></u>	100.000%	<u><b>0</b></u>
Total Overlapping Debt	<u>1,757,324,581</u>		<u>54,470,560</u>
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>	<u><u>\$1,759,979,581</u></u>		<u><u>\$57,125,560</u></u> (1)

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

RATIOS TO 2009-10 ADJUSTED ASSESSED VALUATION:

Direct Debt	0.72%
Total Direct and Overlapping Tax Assessment Debt	15.50%

Source: HdL Coren & Cone

**CITY OF SAN PABLO  
COMPUTATION OF LEGAL BONDED DEBT MARGIN  
JUNE 30, 2011**

ASSESSED VALUATION:

Secured property assessed value, net of exempt real property	<u>\$1,305,342,977</u>
---	------------------------

BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	<u>\$48,950,362</u>
---	---------------------

AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt	\$84,286,747
-------------------	--------------

Less Tax Allocation Bonds and SERAF Loan not subject to limit	<u>84,286,747</u>
--	-------------------

Amount of debt subject to limit	<u>0</u>
---------------------------------	----------

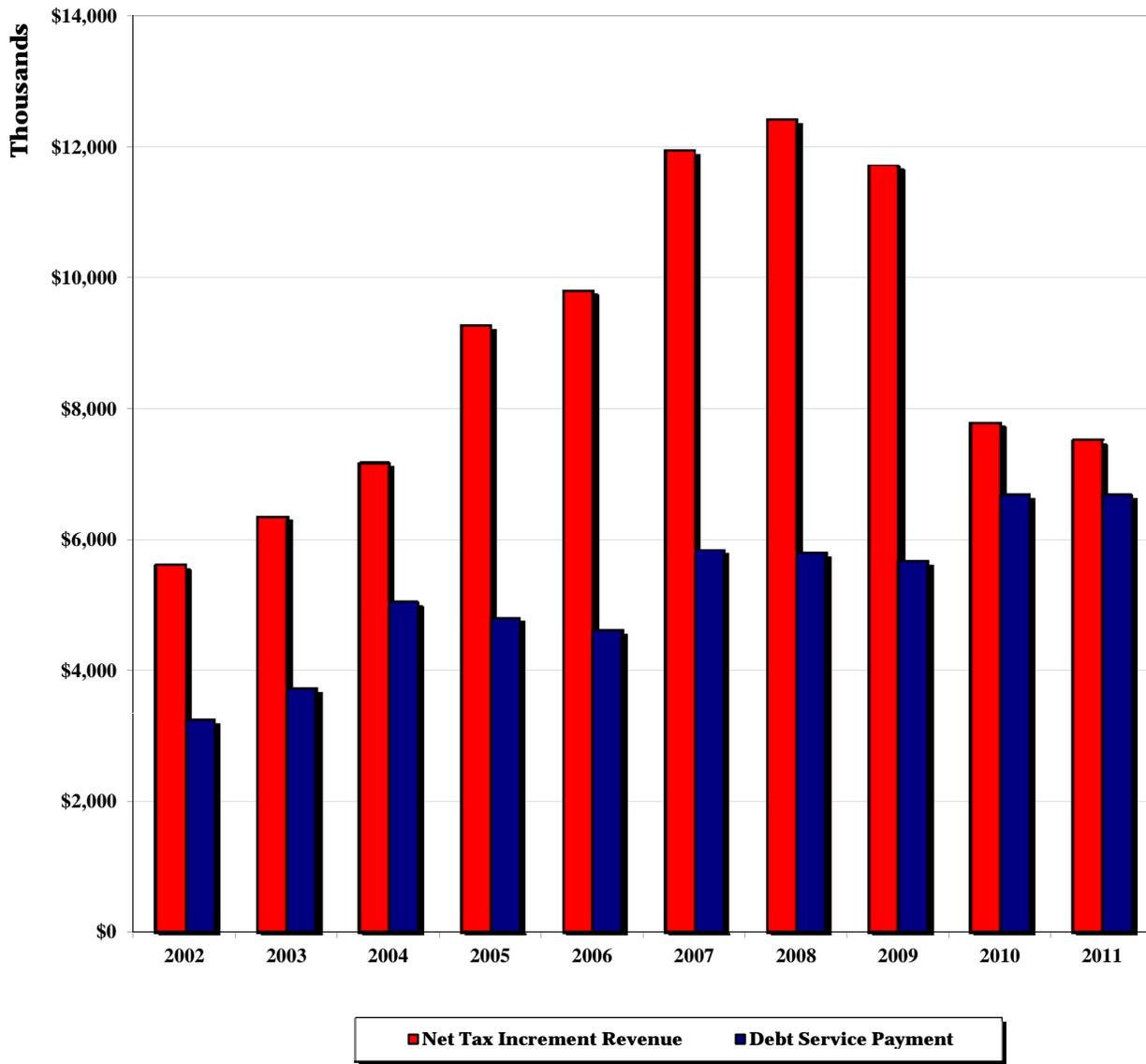
LEGAL BONDED DEBT MARGIN	<u><u>\$48,950,362</u></u>
--------------------------	----------------------------

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
2001	\$32,367,176	0	\$32,367,176	0.00%
2002	34,367,022	0	34,367,022	0.00%
2003	37,094,483	0	37,094,483	0.00%
2004	40,841,152	0	40,841,152	0.00%
2005	46,059,570	0	46,059,570	0.00%
2006	54,441,410	0	54,441,410	0.00%
2007	61,921,066	0	61,921,066	0.00%
2008	67,933,848	0	67,933,848	0.00%
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	48,950,362	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	
2002	\$7,022,549	\$1,419,361	\$5,603,188	\$705,000	\$2,536,309	\$3,241,309	1.73
2003	7,923,532	1,584,706	6,338,826	1,275,000	2,433,830	3,708,830	1.71
2004	8,981,315	1,813,446	7,167,869	1,325,000	3,709,542	5,034,542	1.42
2005	11,577,262	2,315,452	9,261,810	1,645,000	3,145,231	4,790,231	1.93
2006	12,251,525	2,450,280	9,801,245	1,530,000	3,079,872	4,609,872	2.13
2007	14,959,091	3,009,430	11,949,661	1,740,000	4,097,085	5,837,085	2.05
2008	15,434,058	3,021,571	12,412,487	1,795,000	3,993,540	5,788,540	2.14
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

CITY OF SAN PABLO  
TOWN CENTER  
1997 REASSESSMENT REVENUE BONDS  
CONTINUING DISCLOSURE REQUIRED BY SEC RULE 15c(2)-12(b)(5)  
JUNE 30, 2011

Town Center 1997 Reassessment Revenue Bonds

Reserve Fund:	Balance	\$367,088
	Requirement	\$367,076

City of San Pablo Limited Obligation Refunding Bonds, Town Center Assessment District, Principal Outstanding	\$820,000
--	-----------

Assessed value of parcels within Reassessment District	\$36,204,831
--	--------------

Delinquent parcels within Reassessment District	0
---	---

Foreclosure sales	\$0
-------------------	-----

Property owners responsible for more than 20% of Reassessment levy:	Lucky Stores Inc. San Pablo Retail Partners
---	--

Source: Trustee Statement and County Assessor

CITY OF SAN PABLO  
OAK PARK  
1998 REASSESSMENT REVENUE BONDS  
CONTINUING DISCLOSURE REQUIRED BY SEC RULE 15c(2)-12(b)(5)  
JUNE 30, 2011

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	\$1,835,000
Assessed value of parcels within Reassessment District	\$25,842,812
Delinquent parcels within Reassessment District	0
Foreclosure sales	\$0
Property owners responsible for more than 20% of Reassessment levy:	Donahue Schriber Realty Group

Source: Trustee Statement & County Assessor

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

**TENTH TOWNSHIP PROJECT AREA**

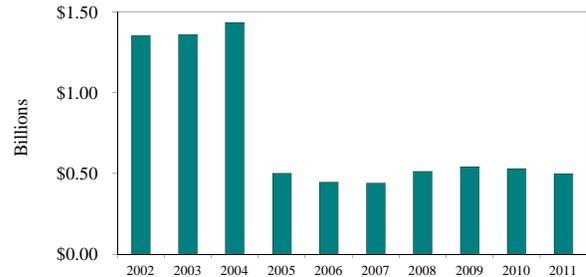
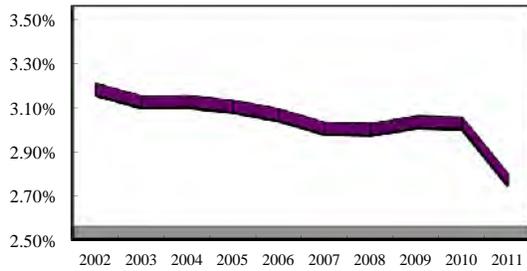
Fiscal Year	Gross Tax Revenues	Housing Set-Aside	Pledged Tax Revenues	Debt Service On				Total Debt Service	Debt Service Coverage
				1993 Bonds	1999 Bonds	2004 Tenth Township Bonds	2006 Bonds		
2002	\$6,758,359	(\$1,351,672)	\$5,406,687	\$2,005,228	\$730,778	\$423,779		\$3,159,785	1.71
2003	7,338,823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

**LEGACY PROJECT AREA**

Fiscal Year	Gross Tax Revenues	Housing Set Aside	Available Revenue	Debt Service on 2004 Legacy Bonds	Debt Service Coverage
2002	\$338,448	(\$67,690)	\$270,758	\$73,089	3.70
2003	584,709	(116,942)	467,767	31,625	14.79
2004	794,322	(160,195)	634,127	0	1.00
2005	1,132,101	(226,420)	905,681	0	1.00
2006	1,360,967	(272,193)	1,088,774	0	1.00
2007	1,860,196	(372,048)	1,488,148	334,225	4.45
2008	1,877,687	(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

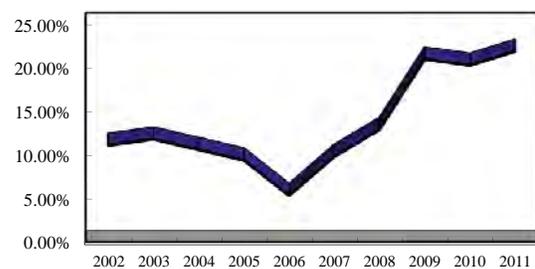
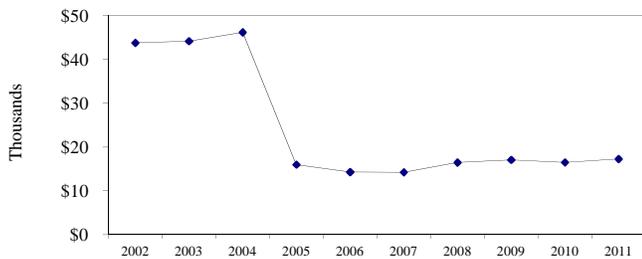
Sources: City of San Pablo Financial Statements

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



■ City Population as a % of County Population

■ Total Personal Income



◆ Per Capita Personal Income

■ Unemployment Rate (%)

<u>Fiscal Year</u>	<u>City Population</u>	<u>Total Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate (%)</u>	<u>Contra Costa County Population</u>	<u>City Population % of County</u>
2002	30,900	\$1,353,821,700 (a)	\$43,813 (b)	11.1%	981,600	3.15%
2003	30,750	1,358,904,000 (a)	44,192 (b)	11.8%	994,900	3.09%
2004	31,050	1,434,851,550 (a)	46,211 (b)	10.6%	1,003,900	3.09%
2005	31,344	501,315,936 (a)	15,994	9.4%	1,020,898	3.07%
2006	31,216	446,482,448 (a)	14,303	5.3%	1,029,377	3.03%
2007	30,965	441,498,970 (a)	14,258	9.8%	1,042,341	2.97%
2008	31,190	514,011,200 (a)	16,480	12.9%	1,051,674	2.97%
2009	31,808	543,217,024 (a)	17,078	21.0%	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 (c)	21.9% (c)	1,056,064	2.74%

NOTES: (a) Data not available. Calculated by multiplying City Population by Per Capita Personal Income  
 (b) Data not available for the City for 2002 to 2004, therefore data presented is for Contra Costa County  
 (c) Data not available for fiscal year 2011, therefore data presented is for calendar year 2010

Sources: California State Department of Finance  
 California Employment Development Department

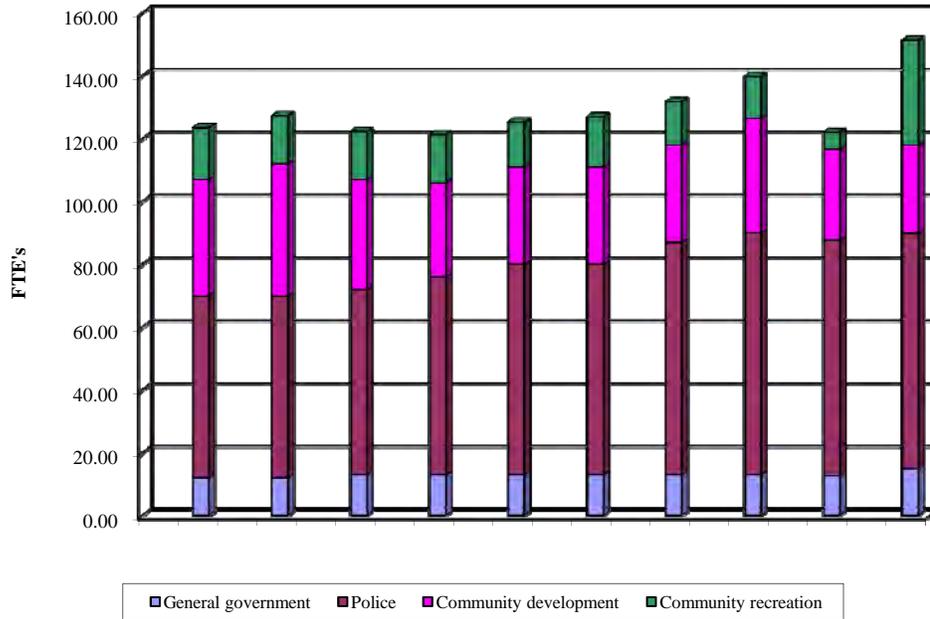
**CITY OF SAN PABLO**  
**Principal Employers**  
**Current Year and Nine Years Ago**

<b>Employer</b>	<b>2010-2011</b>			<b>2001-2002</b>		
	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
Doctor's Medical Center*	946	1	6.5%	699	1	N/A
Casino San Pablo	439	2	3.0%	390	2	N/A
Contra Costa College*	386	3	2.7%	295	3	N/A
City of San Pablo*	188	4	1.3%	190	4	N/A
Vale Care Center*	180	5	1.2%	142	5	N/A
Las Montana's	140	6	1.0%			
Creekside Health Care Center	124	7	0.9%			
San Pablo Health Care Center	119	8	0.8%	105	7	N/A
Raley's	88	9	0.6%	115	6	N/A
Food Maxx	78	10	0.5%	66	9	N/A
Albertson's (Lucky's)				77	8	N/A
San Pablo Supermarket				53	10	N/A
Subtotal	<u>2,688</u>		<u>18.5%</u>	<u>1,433</u>		<u>N/A</u>
Total City Day Population	<u>14,500</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**



	<b>Adopted for Fiscal Year June 30,</b>									
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Function</b>										
General government	12.00	12.00	13.00	13.00	13.00	13.00	13.00	13.00	12.70	14.88
Community development	37.00	42.00	35.00	30.00	31.00	31.00	31.00	36.50	28.86	28.22
Community recreation	16.50	15.25	15.25	15.25	14.25	15.90	13.75	13.30	5.35	33.33 *
Police	58.00	58.00	59.00	63.00	67.00	67.00	74.00	77.00	75.00	74.91
<b>Total</b>	<b>123.50</b>	<b>127.25</b>	<b>122.25</b>	<b>121.25</b>	<b>125.25</b>	<b>126.90</b>	<b>131.75</b>	<b>139.80</b>	<b>121.91</b>	<b>151.34</b>

Note:

\*Beginning in fiscal year 2011, includes the combined full-time equivalent of part-time employees.

**CITY OF SAN PABLO**  
**Operating Indicators by Function/Program**

Function/Program	Fiscal Years					
	2006	2007	2008	2009	2010	2011
<b>Police: (calendar year)</b>						
Police calls for Service	22,090	36,080	25,336	26,106	25,769	32,140
Crime Reports	8,142	8,948	7,502	6,352	6,178	5,925
Law violations:						
Major crimes: homicides/rape	7	18	16	22	13	9
Other major crimes: robbery/larceny	2,295	1,621	1,530	1,983	1,760	1,455
Arrests	1,803	1,989	2,083	1,539	1,729	1,688
Traffic collisions	512	420	455	323	391	396
Traffic citations	7,753	11,979	25,336	4,459	4,229	2,844
<b>Public Works:</b>						
Street resurfacing (miles)	N/A	N/A	5	8	14	14
Potholes repaired (square miles)	N/A	N/A	N/A	0.75	0.60	0.50
Street Sweeping (miles)	N/A	2,865	2,834	2,834	2,234	2,175
Volume of material removed (cubic yards)	N/A	912	898	878	880	880
<b>Storm Drains:</b>						
Catch basins cleaned	N/A	326	326	326	326	326
Volume of material removed (cubic yards)	N/A	470	25	23	29	71
<b>Community Development:</b>						
<b>Community Services:</b>						
Recreation class participants	740	1,229	1,444	1,211	1,331	2,479
Senior meals served	23,135	20,274	18,717	17,072	18,165	17,726
Rentals of Maple Hall	42	75	130	76	72	82
<b>Education:</b>						
<b>Enrollment:</b>						
Elementary schools (6)	3604	3,547	3,598	3,536	3,114	3,002
Middle Schools (1)	936	767	640	727	930	911
High Schools (1)	387	394	472	467	300	286

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

Source: Various City Departments

**Notes:**

(1) Wastewater services are provided by Contra Costa County



**CITY**<sup>OF</sup> **SAN PABLO**

---

*City of New Directions*