

City of San Pablo, California

Fiscal Year Ended June 30, 2014

Comprehensive Annual Financial Report

Prepared by the Finance Department





CITY^{OF} SAN PABLO

City of New Directions



CITY OF SAN PABLO, CALIFORNIA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014**

PREPARED BY THE
FINANCE DEPARTMENT

COVER PHOTOS
SAN PABLO COMMUNITY CENTER



CITY^{OF} SAN PABLO

City of New Directions

CITY OF SAN PABLO, CALIFORNIA

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CITY^{OF} **SAN PABLO**

City of New Directions



Letter of Transmittal

January 28, 2015

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

State law requires all general-purpose local governments to publish a complete set of financial statements, presented in conformity with Generally Accepted Accounting Principles (GAAP) within six months of the close of each fiscal year. Therefore, we are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the City of San Pablo, California for the fiscal year ended June 30, 2014. Responsibility for both the accuracy of the data and the completeness and fairness of the information—including all disclosures—rests with the City. To the best of the City staff's knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of the operations of the various entities of the City of San Pablo. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. Generally accepted accounting principles require that management provide a narrative introduction overview and analysis to accompany the basic financial statements in the form of a Management Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

INTERNAL CONTROLS

Accounting for all of the City's activities is centralized under the Finance Department. The department has been delegated the responsibility for maintaining the integrity of the City's recorded financial data. The Finance Department, in conjunction with the City's management team, is also responsible for establishing and maintaining an internal control structure designed to ensure that the City's assets are protected from loss, theft or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met, while recognizing that this assurance is not absolute. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by management. City administration believes the existing internal control systems are adequate to provide reasonable assurance that the City's assets are safeguarded against loss and that the financial records are reliable for preparing financial statements and maintaining accountability for assets. This belief is supported by the City's "unmodified" auditor's report issued in 2014.

INDEPENDENT AUDIT

The City Council is responsible for: 1) assuring the City administration fulfills its responsibilities in the preparation of the financial statements; and 2) engaging certified public accountants with whom the City Council reviews the scope of the audits and the accounting principles to be applied in financial reporting. The Government Code of the State of California requires general law cities, which includes the City of San Pablo, to have its financial statements audited by an independent certified public accountant.

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Accordingly, this year's audit was completed by the accounting firm of Maze & Associates. The firm was engaged by the City Council to render an opinion on the City's financial statements in accordance with auditing standards generally accepted in the United States of America. To ensure complete independence, Maze & Associates Corporation has full and complete access to meet with the City Council and to discuss the results of their assessment of the adequacy of internal accounting controls and the quality of financial reporting. The auditor's report on the basic financial statements is the first item in the accompanying Financial Section.

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

PROFILE OF SAN PABLO

The City of San Pablo was incorporated in 1948 as a general law city under the laws of the State of California. Located in West Contra Costa County off Interstate 80, San Pablo is just minutes away from the Bay Area cultural centers of Berkeley, Oakland and San Francisco. The City is governed by a five member City Council, under the Council-Manager form of government. As of January 1, 2014, the City had a population of approximately 29,465 and encompassed 2.6 square miles. The City maintains a 2014/15 Total Operating Funds Budget of \$29.2 million with 158.35 full-time equivalents (FTE's).

Over the years, the City has become a thriving residential and business community. San Pablo is home to Contra Costa Community College and is fortunate to have a wealth of community resources, including a library, computer education center, a childcare facility, and a career center. Many multilingual nonprofits, like First 5 and Lao Family Community Development, round out the diverse support services offered to residents. The City also offers youth programs and senior services to meet a variety of needs and interests, in addition to being recognized nationally and regionally for innovative and cutting-edge programs. Historically one of the oldest Spanish settlements in the region, San Pablo's city hall with fountains and plazas reflects that heritage.



The City provides a full range of services including: Police, Public Works, Economic Development, Planning, Building, Engineering and Inspection, Parks and Recreation and General Administrative services. Each of these services is funded through the City's annual budget process and can be found in this document.



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BUDGET POLICIES / PROCESS

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

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

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

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

ECONOMIC OUTLOOK

The City can be characterized as an older community that is almost completely built out. During the last ten years, the City population has remained relatively constant. Since that time, the City has seen very little residential development activity and property valuations have fallen substantially from their peak in 2007/2008. However, with the improving economy, the median sales prices of San Pablo homes have increased 39.3% and 20.3% in 2013 and 2014 respectively, with a total increase in sales price by 79.0% from their low in 2011. In general, the recession had far greater impacts in communities such as San Pablo's, which experienced high property appreciation during the previous decade. Significantly, foreclosure rates across the county are now approaching their pre-recession norm. Because of increased property values, property taxes, one of the General Fund's top revenue sources, grew dramatically in fiscal year (FY) 2013/14, but still falls far short of previous high-values recorded in FY 2007/08.

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As the local economy continues to improve, regional unemployment rates continue to drop. The unemployment rate for Contra Costa County was only 5.7% for November 2014, giving residents more incentive to go back to shopping. Contra Costa County sales increased by 5.3% over the same time period last year, while San Pablo sales were up 5.8% after factoring out reported aberrations. While most statewide agencies suffered double digit percentage declines during the recession, San Pablo stayed flat or experienced minor increases, in large part due to the fact that the City never had a sales tax base that depended on large ticket items, such as vehicle sales or big box retail. In this context, sales tax revenue is projected to increase slowly and steadily as the economy continues to improve and as businesses continue to view San Pablo as an attractive market.

Despite the recovering economy, interest rates continue to be at all-time low or near record-low levels, thus keeping investment income at very low levels. The low interest rates and subsequent low returns are not expected to change in the short term. This low interest rate environment will have a more significant negative impact on San Pablo in particular, because of the large cash reserves maintained to meet reserve policy requirements. Only a few short years ago, the City was able to earn nearly 5% on its cash reserves. Over the next two years, rates of return are expected to remain in the 0.2 – 1.0% range.

In December 2012, the City received its first tax receipts from Measure Q, a voter-approved sales tax measure passed in June 2012. Projected to generate \$1,045,000 in its first full year of collection, actuals of \$1,322,784 outperformed estimates in FY 2013/14 by \$277,784. As a general—not special—tax, these revenues flow into the general fund and are not limited to specific uses. They are, however, designed to augment City economic development efforts, programming for youth services, and enhancing police activities.



During and immediately after the Great Recession, the City made a concerted effort to lower expenditures in the near- and long-term, including reduced employee benefits and labor givebacks. During the last budget cycle, this strategy paid off as the City was able to propose a balanced budget without the need to dip further into reserve accounts. This was especially significant, since the City was able to fund capital projects at \$2 million annually, despite the loss of approximately \$3 million in annual revenue with the dissolution of the redevelopment agency. To ensure San Pablo's continued positive prognosis, the City will need to continue on this path of prudent fiscal practices to ensure the ability to meet future obligations, including increased pension costs, capital outlays and, emergency medical services, etc.

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FINANCIAL OUTLOOK

Improved Financial Management: The City has developed a solid financial management system comprised of several key components, including conservative budgeting and spending practices; fiscal policies and procedures to guide future action with adequate cash reserve requirements to weather coming financial storms, future liabilities and unexpected emergencies; and regular short-term and long-term budgetary performance reviews and monitoring;. These actions have resulted in the following:

- Net increases to fund balance for the past several years, leading to healthy cash reserves. In 2014, the net increase to the General Fund balance was \$8,779,294.
- Adoption of the “Fiscal Resiliency Reserve Policy” in October 2013 which created additional framework, usage, and payback requirements when dipping into cash reserves. Perhaps most importantly, however, the policy created designated cash reserves to fund known large expenditures, which have not yet materialized, such as vehicle replacements, OPEB liabilities, capital projects, etc. These designated reserves are updated annually.



- Introduction of the Chameleon budgeting system in July 2013 with monthly financial reports prepared for budget managers citywide, in addition to the City’s Five-Year Financial Plan.

- Completion of labor negotiations in July 2014 in which all bargaining groups accepted modest and sustainable salary increases of 2.0% per year for three years.

Other Post-Employment Benefits (OPEB): Governmental Accounting Standards Board (GASB) Statement No. 45 was established in 2004 and requires the City to report the costs of OPEB as the employee earns the benefit, rather than as the benefit is paid. While there is no requirement that the City pre-fund, or set aside the full Annual Required Contribution (A.R.C.) on an annual basis, the City Council established a funding strategy which includes pay-as-you-go financing plus an additional amount to pre-fund benefits. Pre-funding OPEB obligations is projected to provide the City with savings over the long-term, as pre-funding contributions will be invested on a long-term basis until they are needed to pay for OPEB obligations. Pre-funding will ultimately allow for investment income, rather than City contributions, to provide the majority of funds needed to cover OPEB obligations in the future. This funding strategy has resulted in the City having plan assets of \$7,250,081 as of June 30, 2014, and thus reducing the Annual Required Contribution (ARC) to \$196,633 for Fiscal Year 2015.

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Major Initiatives – Implementing Our Work Plan

SERVICES FOR FAMILIES AND YOUTH

In 2010, the City created the Youth Services Program to develop services for Families and Youth. Youth Services is committed to the healthy development of youth and is focused on developing positive opportunities, programs and partnerships that will provide children and youth with skills, knowledge, support and resources leading to healthy and productive lives. In 2012, the City of San Pablo government structure was revised and Youth Services became a division in the Community Services Department. Youth Services programs, services and initiatives support a community where government, families, schools, law enforcement, and organizations work together to create an environment conducive to support young people, their learning and their success.

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

Youth Futures Task Force: The Youth Futures Task Force (YFTF) is modeled on the successful history of the Mayor’s Gang Prevention Task Force (MGPTF) in the City of San José and the recent efforts of Santa Rosa’s MGPTF. These two municipalities have successfully implemented youth violence prevention/gang intervention strategies in their communities and reinforce the concept that collaborative efforts spanning from a broad spectrum of



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community partners ensure that a large number of stakeholders accept responsibility and accountability for the safety, health and welfare of its youth, families, and communities. The City of San Pablo is committed to the healthy development of our youth within a context of community safety and security. The Youth Futures Task Force calls for various agencies and systems, including government agencies, law enforcement, social services agencies, educational, grass-root, and faith-based organizations to work together to achieve a more innovative, integrated, team-oriented approach in working with youth at great risk of committing intentional acts of violence and/or engaging in behaviors related to the gang lifestyle. In 2015, the YFTF is expanding its focus to better align with the Full Service Community Schools Initiative enabling the City to prevent violence while also supporting and enhancing programming that meets the needs of the whole child. The service areas for 2015-2019 are Community Schools Coordination, Out of School Time, Violence Prevention and Intervention, and Youth Leadership and Development.

San Pablo Team for Youth: San Pablo Team for Youth (TFY) was created as the funding arm of the Youth Futures Task Force and provides grant opportunities to public and non-profit agencies to expand and/or enhance prevention and intervention programs/services to youth exhibiting high-risk behaviors, including those that are gang-related. TFY is the funding mechanism for developing and deploying youth services that support the mission of San Pablo's Youth Futures Task Force. In 2015, TFY will become the funding arm for the Community Schools Initiative.

Childhood Obesity Prevention Task Force: The San Pablo City Council hosted its first Childhood Obesity Prevention Task Force meeting in March 2012 to bring awareness to the growing childhood obesity epidemic in the community. Representatives from over 20 agencies/programs -including County, City, non-profit, community-based and faith-based agencies, schools, and medical organizations attended. The convening of the Task Force represented the first step towards strengthening partnerships in the fight against the growing childhood obesity epidemic in the community. Since then, the Task Force worked collaboratively with stakeholders to develop a Community Action Plan (CAP) that was adopted by City Council on April 10, 2014. The CAP focused on increasing community awareness of the obesity epidemic, increasing accessibility to healthy food and physical activity opportunities, and expanding healthy eating active living programs. The Community Action Plan identifies program and policy priority areas, which will guide collaborative efforts towards a healthier San Pablo. In November 2014, the Council approved a \$50,000 funding allocation to support the implementation of health and physical activity programming for residents, focusing on children and young adults.

COMMUNITY ENGAGEMENT

A pillar for any community is the ability to engage its residents in worthwhile community activities. 2014 turned out to be a banner year for the City of San Pablo as the National Civic League announced San Pablo as a winner of the 2014 All-America City Award, the country's most prestigious award for outstanding, community-based civic accomplishments. Created in 1949, the All-America City Award is the oldest community recognition program in the



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nation. This year's awards had a special focus on successful efforts to address the underlying conditions that affect the health of our communities.

The City of San Pablo submitted an application listing three examples of successful community exchange, civic engagement, collaboration, and innovation. The projects in the application were the Health Element & the Childhood Obesity Prevention Task Force, the San Pablo Economic Development Corporation (SPEDC), and the San Pablo Police Department's Community Partnership Programs.

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

Government Outreach: The City's website provides access to City services and City officials, 24-hours a day, 7-days a week, from the comfort and convenience of home. Through this system, residents can report graffiti, street lights that may be out of service, and can also post questions and/or concerns that will then be routed to the appropriate staff person for response.

Neighborhood Engagement Team (N.E.T.): The Neighborhood Engagement Team is comprised of City Staff from various departments. The intent of this team is to provide a "Mobile City Hall" that is accessible to all residents. The N.E.T. booth is set up at various City events to distribute information about City Hall services. Most recently the N.E.T. was present at an Easter egg hunt, summer Farmer's Markets, a Halloween/Open House event, and a 4th of July celebration.

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

Community Outreach - New Methods: Since November 2012, the City Council has maintained a contract with a social media professional services provider to administer all City social media accounts to actively promote City activities, programs and services. Community engagement vis-à-vis social media such as the City's Facebook page and Twitter account continues to rise exponentially.

ECONOMIC DEVELOPMENT

The City of San Pablo works cooperatively with the San Pablo Economic Development Corporation (SPEDC), a 501(c) (3), to develop programs aimed at eliminating barriers to employment, business attraction/enhancement and site development.

These efforts are geared toward creating local jobs for San Pablo residents and reducing the unemployment rate, which at 11.8% in September 2014 is certainly an improvement over the last few years, but is still considerably higher than the rest of



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Contra Costa County. This task has proven more difficult in the wake of the elimination of the Redevelopment Agency, but through partnerships and refocusing available resources, the City continues to see progress in this effort. Indeed, the City’s partnership with the SPEDC in its progressive tattoo-removal program, “Removing Barriers,” has garnered international attention.

FISCAL STABILITY

Compensation & Labor Negotiation Strategy: This initiative attempts to implement a fiscally responsible cost reduction and containment strategy which will allow the City to remain competitive in recruiting and retaining valuable employees while allowing for long-term fiscal sustainability for the City. With this framework, management staff met with employee labor groups throughout the spring of 2014 to develop labor agreements which were set to expire on June 30, 2014 for both public safety and non-public safety employees. With the help of City Council members and city employees and their respective bargaining units, the City was able to eliminate retiree medical benefits for elected officials, as well as reduce the City’s long-term retiree medical costs for employees. Ultimately, labor agreements were struck which called for modest and sustainable salary increases of 2.0% per year for the next three years. Coupled with previous concessions in which employees contribute 10.3% or 12.3% of their salary depending on job title to fund a significant portion of their retirement cost, the City is now in a good place to maintain fiscal stability, while remaining an attractive and desirable place to work.

Fee Study for Planning, Building, and Public Works: In July of 2011 the City contracted with an outside consultant to review and analyze the City’s Planning, Building, and Public Works fee structure to determine: (1) an appropriate fee structure which will allow the City to recover the costs of providing specific services to the public; (2) that a proposed fee structure is reasonable when compared to other local agencies; and (3) whether or not the City has established a fee for all provided services. The new fees were adopted by the City Council in April of 2012 and the fees went into effect on July 2, 2012. As a result, General Fund revenues in the Charges for Service category nearly doubled from \$390,940 in FY 2011/12 to \$674,404 in FY 2012/13, and experienced significant gains of 37% in FY 2013/14 to \$921,802.

INFRASTRUCTURE

Redevelopment Agency: For decades, most California cities, including San Pablo, relied on local redevelopment agencies as a tool to revitalize blighted areas and provide funding for much needed infrastructure projects. This practice ended on January 31, 2012 when the Redevelopment Agency (RDA) was required by the State to be dissolved. With the dissolution of the RDA, the City has had to secure alternative funding projects that were previously funded through Redevelopment. As a strategy, the City has used general fund revenues, and federal, state and local grants to fund such projects.

The City, acting as Successor Agency to the RDA is now in the final phase of “clean-up” and various RDA unwind procedures. In September 2013, the City obtained its Finding of Completion validating that its RDA payment obligations were met. Going forward, this status allows the Successor Agency to spend the remainder of the bond proceeds as well as provide flexibility for the disposition / use of the real property transferred from the Redevelopment Agency to the Successor Agency.

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On June 3, 2014 and September 4, 2014, the City’s Successor Agency completed a refinancing of outstanding Redevelopment Agency bond debt. By combining multiple issues of bond debt into Series 2014A and Series 2014B Tax Allocation Bonds (TAB’s), the Successor Agency was able to issue bonds totaling \$54,565,000, which saved taxpayers over \$5,000,000 in debt service payments. While most of the savings was realized by the State, this transaction helped the City consolidate loan payments and simplify loan administration.

CAPITAL PROJECTS

San Pablo Community Center (PW 535): The City of San Pablo and the SPEDC worked with Noll & Tam Architects and Planners to design and construct the San Pablo Community Center at Helms Middle School. Together they celebrated the grand opening of the San Pablo Community Center (SPCC) on June 5, 2014. Community Center is a 10,500 square foot facility that includes a large multi-purpose space with a kitchen, two smaller meeting/class rooms, a teen lounge, a computer room, and a fitness room. Located on a 20,000 square foot site adjacent to the Helms Middle School, the City partnered with the West Contra Costa Unified School District City to



develop a ground lease and a joint use agreement for the exterior fields and the gymnasium when school is not in session. The Community Center, however, is entirely a City operated facility. The project was funded using a variety of sources, including a New Market Tax Credits grant application and grant funds from the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Proposition 84). The facility is LEED-certified (Leadership in Energy and Environmental Design, an internationally-recognized green building certification system).



Day-lighting Wildcat Creek at Davis Park (PW 579): The Wildcat Creek Day-lighting Project restored the underground section of Wildcat Creek to a natural above-ground state (for many years, the creek had flowed through a concrete box culvert located under the baseball field). The creek is now relocated to a natural, open (“day-lighted”) creek channel along the northern boundary of the Park with a paved walking trail installed next to the creek. The project also includes new and improved ball field lighting and a reorientation of the baseball and soccer fields. As part of the creek restoration project, the City also installed a new pedestrian

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bridge across Wildcat Creek, west of the Brookside Avenue entrance. These improvements were based on the City’s 2007 Davis Park Master Plan. The formal ribbon cutting ceremony was held on May 18, 2013.

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

Rumrill Sports Park (Former BNSF Site): The former Burlington Northern & Santa Fe (BNSF) Railroad Corporation yard was sold to the City of San Pablo and is being developed into a much-needed multi-use



sports park (Rumrill Sports Park) for the residents of the City. The park will have three youth soccer fields and smaller practice field available for youth leagues, pick-up games, and practices. The park will also contain a picnic/barbeque area, play area, office/restrooms and on-site parking. The fields will be lighted for night use. This park concept was developed through a series of community outreach meetings, in which the residents of San Pablo identified the need for more open space structured for youth play.

Because the park is located on an old rail yard site, the dirt was contaminated and had to be addressed. Working with environmental consultants Ninyo & Moore and the State of California’s Department of Toxic Substance Control (DTSC), the City developed a Removal Action Workplan (RAW) to clean the site. Once approved, construction contractor O.C. Jones & Sons, Inc. began working on the remediation of the contaminated dirt in late August 2014. Swinerton Construction Management is overseeing park construction which is expected to continue through the spring with completion planned in late spring or early summer of 2015.

The City received \$6.96 million in funding for the project as follows:

- State of California Proposition 84 Statewide Parks Program: \$3,000,000
- New Markets Tax Credits \$2,817,360
- Environmental Protection Agency Grant \$600,000
- East Bay Regional Park Measure WW \$425,538
- Department of Resources, Recycling and Recovery (Cal Recycle) Grant \$125,064

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Municipal Solar Project: The Municipal Solar Project is a 325.62 kW-DC solar installation at City Hall, the Police Department and the Church Lane Senior Center. The project was initially developed in collaboration with the four member cities (San Pablo, El Cerrito, Albany and Piedmont) of the Small Cities Climate Action Partnership with funding from the United States Environmental Protection Agency.



The cities jointly requested qualified, design-build proposals for site bundles in each respective jurisdiction. Real Goods Solar Inc. (RGS) was awarded the construction contract at a final approved cost of \$1,703,995. The City received a 15-year, 1% interest rate loan from the California Energy Commission to cover \$1,150,000 of the project costs with the balance coming from the City's General Fund. In addition, the City has reserved California Solar Initiative Rebates totaling \$250,000 to be disbursed over the first five years. The Project will offset 24% of the City's total electricity usage and reduce greenhouse gas emissions by 18%, thus helping the City reach its Climate Action Plan goals. Construction of the project was completed in early 2014, and electric vehicle charging stations became operational later that fall.

Wildcat Creek Trail Project: This project involves the construction of a paved pedestrian / bicycle trail along the north bank of Wildcat Creek between Davis Park and 23rd Street (approximately 900 lineal feet). The trail will be an extension of the existing trail system from Davis Park to the Bay, and a crucial link in the future Wildcat Creek Regional Trail connecting the Bay and Ridge Trails. Included in the project scope is a pocket park at the trail head on 23rd Street, and lighting and creek restoration along the trail. Funding sources include a Transportation Development Act (TDA) grant, Environmental Enhancement and Mitigation Program grant, Bay Trail Project grant, and Redevelopment Agency Bond Proceeds. The project is currently under construction.

Development of Plaza San Pablo: The City is working to develop the site at Plaza San Pablo, formerly known as Circle S. Plans for roads, lighting and other infrastructure needs are currently underway. One aspect of the plan includes finalizing a deal to lease the site that the current Walgreen's Drug Store occupies on the corner of San Pablo Avenue and Church Lane and convert it into a modern branch library for the City. Lease documents have been signed, and building design is complete and has been approved by City Council. The City will then facilitate the move of Walgreen's to another site at Circle S. The project is estimated to cost approximately \$5 million.

Renovation/Remodel of City Hall: Buildings 2 and 5 at City Hall are currently in the planning phases for a complete remodel and renovation, which would allow the City to enlarge the City Council Conference Room, expand the Information Technology office space to include the rest of the first floor of Building 2, relocate the Finance Department to the upstairs of Building 2 and relocate the City Attorney's Office to

Letter of Transmittal

Building 5. All office space would also be retrofitted to comply with current Americans with Disabilities Act (ADA) construction requirements. This project is estimated to cost approximately \$1.5 million.

Undergrounding of Utilities on El Portal West: The City took the lead in preparing plans and construction documents which are now complete. The City will front the money for construction of the \$950,000 project, and the utility companies will reimburse the City for their portions of the cost, estimated to be \$850,000. Requests for proposals will go out in spring 2014 with construction planned to begin in summer 2014.

Overlay or Road Resurfacing Projects: The City has been busy repairing 3.3 miles of City streets with road overlays and resurfacings. Public Works Project 528 was completed in December 2014 and included the overlay of portions of San Pablo Avenue (from San Pablo Dam Road to Tulare) and Emeric (from Rumrill to San Pablo Avenue). Total project cost was \$987,548 and was partially covered by grant funds of \$454,000. Public Works Project 595 includes road resurfacing on 15 different City streets. This project is still in construction with completion projected for spring 2015 at a total cost of approximately \$2,260,000.

INFRASTRUCTURE / TRANSPORTATION

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

I-80 ICM: The City has participated in this project through its membership in the West Contra Costa Transportation Advisory Committee (WCCTAC). This project would implement advanced traffic management along I-80 from the Carquinez Bridge to the MacArthur Maze, San Pablo Avenue, and the major arterials that connect the two. This project includes adaptive ramp metering; lane-use signals on the freeway; variable advisory speeds; and special traffic signal timing to handle diversion to local streets due to freeway incidents as well as trailblazer signs to direct diverted traffic back onto the freeway downstream of incidents.



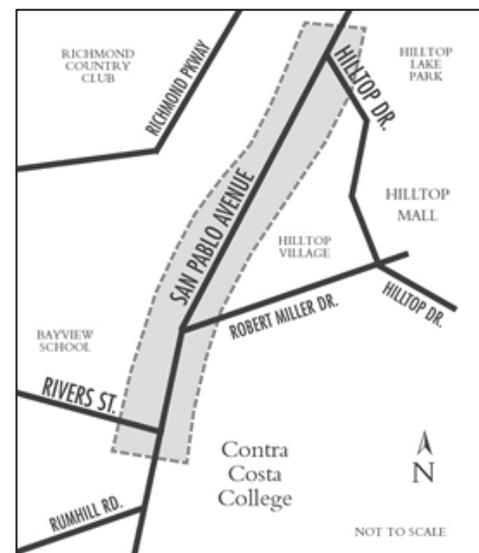
The project also includes traffic signal priority for buses, traveler information, and traffic surveillance and monitoring. This is a multi-agency project involving the jurisdictions along the corridor, CalTrans, transit agencies, and regional agencies. In 2014, construction of the project was completed as well as an agreement amongst all of the involved agencies that the Transportation Authorities for both Alameda and Contra Costa Counties would be responsible for system operations, maintenance, and management. Major funding for this \$90 million project came from local sales tax measures in Contra Costa and Alameda and from State Proposition 1B funding.

Letter of Transmittal

Wayfinding Sign Planning and Installation: The West Contra Costa Transportation Advisory Commission (WCCTAC) secured a grant from the Metropolitan Transportation Commission to develop wayfinding signs to transit centers in West Contra Costa and other major destinations. San Pablo participated in the development of the plan, and this phase of the project is now complete. The City was later able to secure \$330,000 in necessary funding to install the signs through Contra Costa’s Measure J transportation sales tax. The construction contract for installation was approved in December 2014.

Complete Streets Plan: The San Pablo Avenue Complete Streets Study will focus on improving multimodal access, safety and connections along the San Pablo corridor by identifying needs and prioritizing improvements that will facilitate pedestrian, bicycle and transit trips. At the heart of this process is a public outreach effort that will bring together surrounding residents, business owners, partner agencies, and other key stakeholders to ensure that the final plan recommendations are both relevant to, and supported by, the local community. This study is being funded by a CalTrans Environmental Justice Transportation Planning Grant. A Request for Proposal process to secure the design consultant will begin in spring 2015.

Major Interchange Improvements: The cities of San Pablo and Richmond are co-sponsors of this project, which involves replacement and widening of the San Pablo Dam Road overcrossing, relocation of the McBryde Avenue access from westbound I-80, relocation of the El Portal access to westbound I-80, realignment of Amador Street, and replacement of the I-80/Riverside Avenue pedestrian overcrossing serving Riverside Elementary School. Design of this \$113 million project is now complete with construction being separated into phases. Phase One construction is scheduled to begin in summer 2015 using \$29 million in funding secured in part from the Contra Costa Measure J transportation sales tax. Phase Two construction is not ready yet as funding is still being secured. The project, managed by the Contra Costa Transportation Authority (CCTA), includes a public outreach component with design input from the community.



PUBLIC SAFETY

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

Graffiti Abatement Team: The Graffiti Abatement Team aggressively investigates incidents of graffiti by obtaining search and arrest warrants and by deploying plainclothes officers to apprehend offenders caught in the act. The Team upgraded the technology for graffiti sensors and cameras.

Letter of Transmittal

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

G.R.E.A.T. Program: Y.E.S. officers teach the Gang Resistance Education and Training (G.R.E.A.T.) program to San Pablo sixth graders. G.R.E.A.T. is a school-based, law enforcement, officer-instructed classroom program that teaches life skills and encourages student participation. In order to graduate, the students in the program must complete a community project. At the end of each school year, the top students from the G.R.E.A.T. program are recognized at our annual Community Awards Dinner. The purpose of the event is to bring our community closer, create stronger police/community understanding and recognize positive efforts of our youth.

G.R.E.A.T. Summer Program: This is a two week summer program staffed by police and school resource officers. The program accepts local youths and provides them with a classroom course of life skills instruction. The students are taken on a three-day/two-night camping trip with members of the police department who volunteer their time to provide a positive and structured camping experience.

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



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

Letter of Transmittal

Community Emergency Response Team: The Community Emergency Response Team (CERT) is a training program that provides basic disaster response skills to assist neighborhood volunteers in offering vital support to family, associates, and local community members while they await help from first responders due to large-scale emergencies. This 20-hour FEMA-approved course is offered in a classroom setting followed by hands-on exercises discussing the following topics:

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



Listos: Listos is a basic emergency and disaster readiness public education program with a grass-roots approach that specifically targets Spanish-speaking populations. Listos' culturally appropriate Spanish language curriculum uses the strengths and bonds within the Latino community to educate and prepare its members for emergencies or disasters.

Homicide Clearance Rates: The San Pablo Police Department has historically enjoyed a high homicide clearance rate when compared to the national average. The Detective Division is comprised of highly trained and motivated individuals with a proven track record of conducting in-depth criminal investigations. Using a collaborative approach, investigators work closely with our Gang Unit and other local agencies to solve unsolved murder cases. Recent history confirms the Department's reputation. From January 1, 2013 through December 31, 2014, the City experienced five homicides, clearing all but one.

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

Shot Spotter: The Shot Spotter Gunshot Location System uses a system of acoustic sensors, designed to detect, locate and report gunshots at various locations within the City.

Letter of Transmittal

SPECIAL PROJECTS / TECHNOLOGY

The Information Technology Division has four major projects to accomplish. These projects are to upgrade the Computer Room, upgrade the Network Servers, upgrade the Network Backup System, and upgrade the Network Anti-Virus Software. The Computer Room upgrade will be occurring once Building 2 has been renovated. This will require the expanded area to be wired for power, data communications, alarms, fire suppression, air conditioning, and power backup. The Network Servers are reaching end-of-life and are being replaced along with upgrading their Operating Systems and Services. Our Network Backup System Vendor has gone downhill and no longer effectively provides the granular-level backup we require to retrieve selective data. We are shifting to an “appliance” based backup system that we are implementing. Microsoft has stopped promoting their Network Endpoint Anti-Virus solution. We are replacing this Microsoft Application with a new Anti-Virus Solution.

STRATEGIC PLANNING / SPECIAL PROJECTS

Rumrill Complete Streets: The City received a \$250,000 Department of Transportation grant to complete a multi-jurisdictional plan on Rumrill Blvd. between the Contra Costa Community College, and thru the City of Richmond to their Bart Station. The purpose of the plan is to identify public improvements to increase walking, bicycling, access to public transportation.

San Pablo Avenue Specific Plan: San Pablo Avenue is a regional thoroughfare that extends through the City of San Pablo and much of the East Bay Area. The character of the Avenue, quality of its environment, and the role that it plays varies from one community to another. In the City of San Pablo, the Avenue is the City’s primary arterial, and is home to the City’s major public facilities and community destinations. Most importantly, the Avenue is the primary route for the majority of transit lines that pass through the City. Because of its prominence within San



Pablo, the character and design of San Pablo Avenue play an important role in shaping the community’s perception of the City. Hence, in 2011 the City adopted a Specific Plan for San Pablo Avenue. The Plan is aimed at improving the quality of development and establishing design standards to help redefine this corridor as a major local and regional destination for residents, workers, students, and visitors. The Plan also provides vision and policies for how the Avenue can become a vibrant, accessible, and sustainable mixed-use corridor. Most recently the City received a \$5M construction grant for Complete Streets improvements to increase bicycling, walking, and access to public transportation. Additionally, the City

Letter of Transmittal

received a \$174,000 economic development grant to brand and market San Pablo as the medical arm of the East Bay.

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

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of San Pablo for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. 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. City staff believes that its current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program requirements and will again submit its CAFR to the GFOA to determine eligibility for another certificate.



Letter of Transmittal

ACKNOWLEDGEMENTS

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

Respectfully submitted,

A black ink signature of Matt Rodriguez, consisting of several loops and a long horizontal stroke.

Matt Rodriguez
City Manager

A blue ink signature of J. Kelly Sessions, featuring a large loop and a horizontal stroke.

J. Kelly Sessions
Finance Manager



Letter of Transmittal

CITY OF SAN PABLO
ELECTED OFFICIALS AND
ADMINISTRATIVE PERSONNEL
JULY 1, 2014

ELECTED PERSONNEL

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

ADMINISTRATIVE PERSONNEL

City Manager	Matt Rodriguez
City Attorney	Brian M. Libow
Assistant City Manager (Interim)	Walter N. Schuld
Assistant to the City Manager/Economic Development	Charles Ching
Assistant to the City Manager/Personnel	Tina Gallegos
Chief of Police	Lisa Rosales
City Engineer	Barbara Hawkins
Community Services Manager	Greg Dwyer
Development Services Manager	Michele Rodriguez
Finance Manager	J. Kelly Sessions
Information Technology Manager	Larry Johnson
Public Works Manager/Parks and Maintenance	Mike Heller



Government Finance Officers Association

**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, 2013

Executive Director/CEO

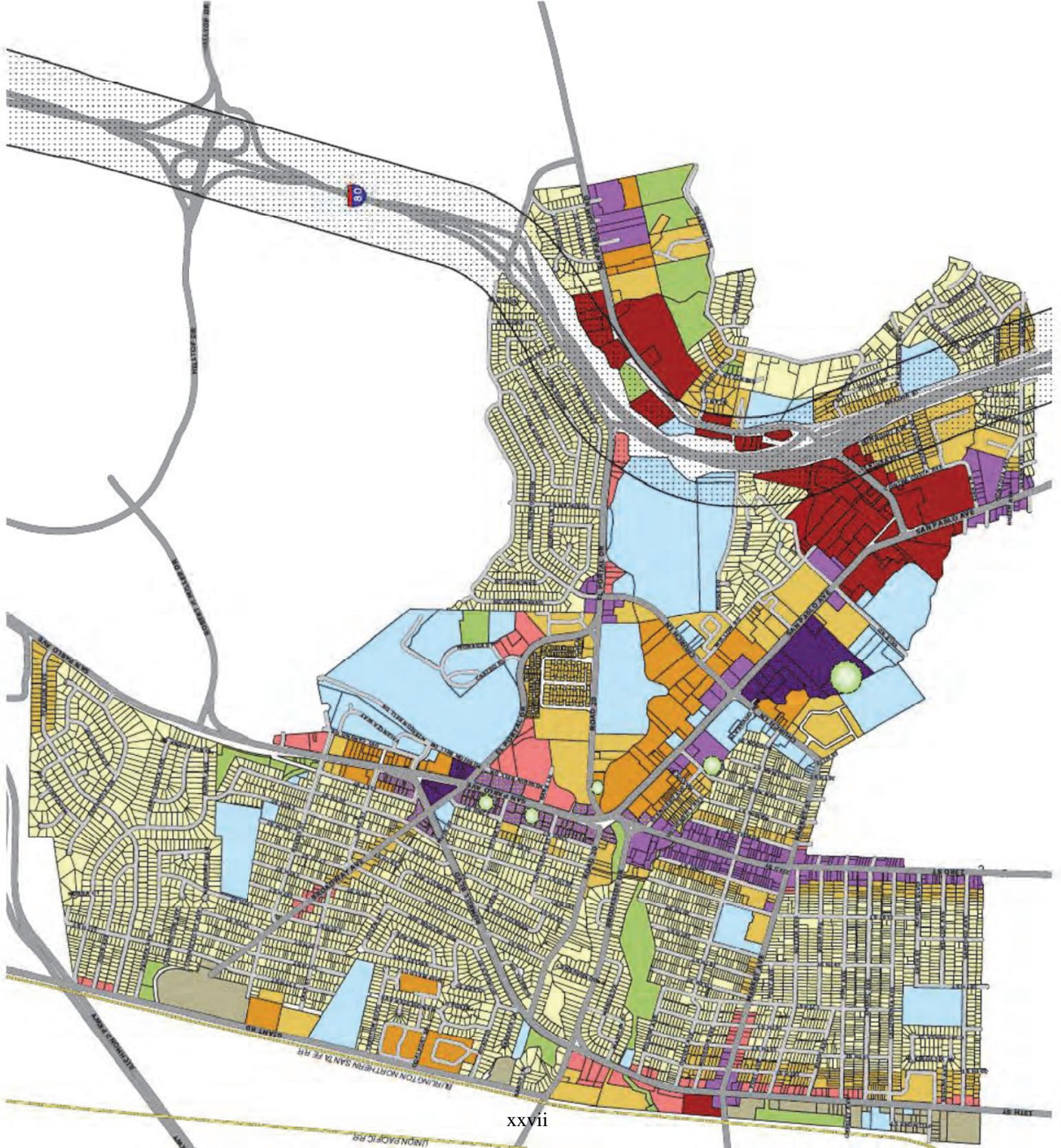
Figure 3-2

General Plan Land Use Diagram

- Mixed Use Centers*
- Residential Mixed Use
- Commercial Mixed Use
- Regional Commercial
- Neighborhood Commercial
- High Density Residential
- Medium Density Residential
- Low Density Residential
- Industrial Mixed Use
- Public/Institutional
- Parks/Recreation
- Potential Park Location

Air Quality Health Risk Overlay

- Major Roads
- Minor Roads
- Railroads



*Please see the General Plan for designation description.



0 0.25 Miles



CITY^{OF} SAN PABLO

City of New Directions

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information and discretely presented component unit of the City of San Pablo, California, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information and discretely presented component unit of the City as of June 30, 2014, and the respective changes in financial position and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 13, pursuant to ABx1 26 adopted by the State of California which was validated by the California Supreme Court on December 28, 2011, the Redevelopment Agency of the City of San Pablo was dissolved and its assets turned over to and liabilities assumed by Successor Agencies effective January 31, 2012. Prior to the Redevelopment Agency dissolution, the Agency board approved two agreements which obligated it to repay certain advances to the Low and Moderate Income Housing Fund. The assets of the Low and Moderate Income Housing Fund were transferred to the City as Housing Successor to the Redevelopment Agency on February 1, 2012, which included these advances. These advances have been recorded as liabilities of the Successor Agency as management believes these amounts are valid obligations. Repayment of these agreements is subject to certain administrative procedures and review and approval by the California Department of Finance and as a result any amount disallowed is not determinable at this time.

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

The emphasis of these matters does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory Section, Supplemental Information and Statistical Section listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pleasant Hill, California
January 28, 2015



CITY^{OF} SAN PABLO

City of New Directions

Management's Discussion and Analysis

This discussion and analysis of the City of San Pablo's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the Letter of Transmittal, the Basic Financial Statements and the accompanying Notes to the Basic Financial Statements.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$132.8 million. Of this amount, \$49.3 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$13.0 million primarily because revenues exceeded expenditures by \$8.8 million in the General Fund and \$4.7 million in the Public Works Construction Funds plus the net of capital assets transactions and other adjustments.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$50.8 million, an increase of \$14.8 million from the prior fiscal year. This growth is due to increased business license tax of \$0.9 million, grants of \$5.2 million for the San Pablo Community Center, and reductions in capital outlay of \$8.7 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The Government-Wide Financial Statements present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the City, including infrastructure, as well as all liabilities. Additionally, certain eliminations have occurred in regards to inter-fund activity, payables and receivables.

The Statement of Net Position and the Statement of Activities report information about the City. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid. In addition, these two statements report the City's net positions and changes in them. Over time, increases or decreases in the City's net positions are one indicator of whether their financial health is improving or deteriorating. Other factors to consider are changes in the City's property tax base and the condition of the City's roads. Currently the City's roads are rated "good" by the Metropolitan Transportation Commission. In order to maintain this status, the City will need to increase its expenditure from the General Fund.

Management's Discussion and Analysis

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 the City's activities.

The City had two Major Funds in 2014 in addition to the General Fund: the Low and Moderate Income Housing Assets Fund and the Public Works Construction Fund.

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

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

Non-Major Governmental Funds. Non-Major Governmental Funds are comprised of Special Revenue Funds which are established by State law to account for specific revenues that are legally restricted to expenditures for particular purposes.

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

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



Management’s Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This analysis focuses on the net position and changes in net position of the City, presented in the City-wide Statement of Net Position and Statement of Activities that follow (the City has no proprietary activities).

The City’s net position increased by \$13.0 million in 2014, from \$119.8 million to \$132.8 million. This year over year upturn comes from the change in net position as recorded in the Statement of Activities and which flows through the Statement of Net Position. Net position increased as a result of many transactions: services charges increased by \$0.3 million; continuing transactions related to the dissolution of the Redevelopment Agency increased property tax distributions by \$0.3 million; sales tax increased by \$0.7 million in FY 2013/14, primarily due to the first full year of collections for Measure Q; Casino revenue increased by \$0.9 million; the transfer of assets to the Successor Agency from the previous fiscal year was reversed, netting \$1.5 million to the City; capital grants increased by \$5.2 million, primarily from Proposition 84 (\$2.6 million) and Measure WW (\$0.6 million) and a grant from the Natural Resources Agency for the daylighting of the creek at Davis Park (\$1.9 million); other miscellaneous revenue increases of \$.7 million; in addition to expenditure decreases in 2014 by \$1.1 million.

A portion of the City’s net position represents resources which are subject to external restrictions on use. This restricted amount is \$24.8 million as of June 30, 2014. The remaining balance of unrestricted net assets of \$49.3 million may be used to meet the City’s ongoing obligations to citizens and creditors.

Governmental Net Position at June 30

	Government Activities	
	2014	2013
Current and Other Assets	\$ 78,440,997	\$ 64,080,379
Capital Assets	68,623,009	60,286,124
Total Assets	\$ 147,064,006	\$ 124,366,503
Current Liabilities	4,319,019	4,562,378
Long-Term Liabilities	9,906,655	
Total Liabilities	\$ 14,225,674	\$ 4,562,378
Net Position:		
Net Investment in Capital Assets	\$ 58,716,354	\$ 60,286,124
Restricted	24,793,010	23,589,889
Unrestricted	49,328,968	35,928,112
Total Net Position	\$ 132,838,332	\$ 119,804,125



Management’s Discussion and Analysis

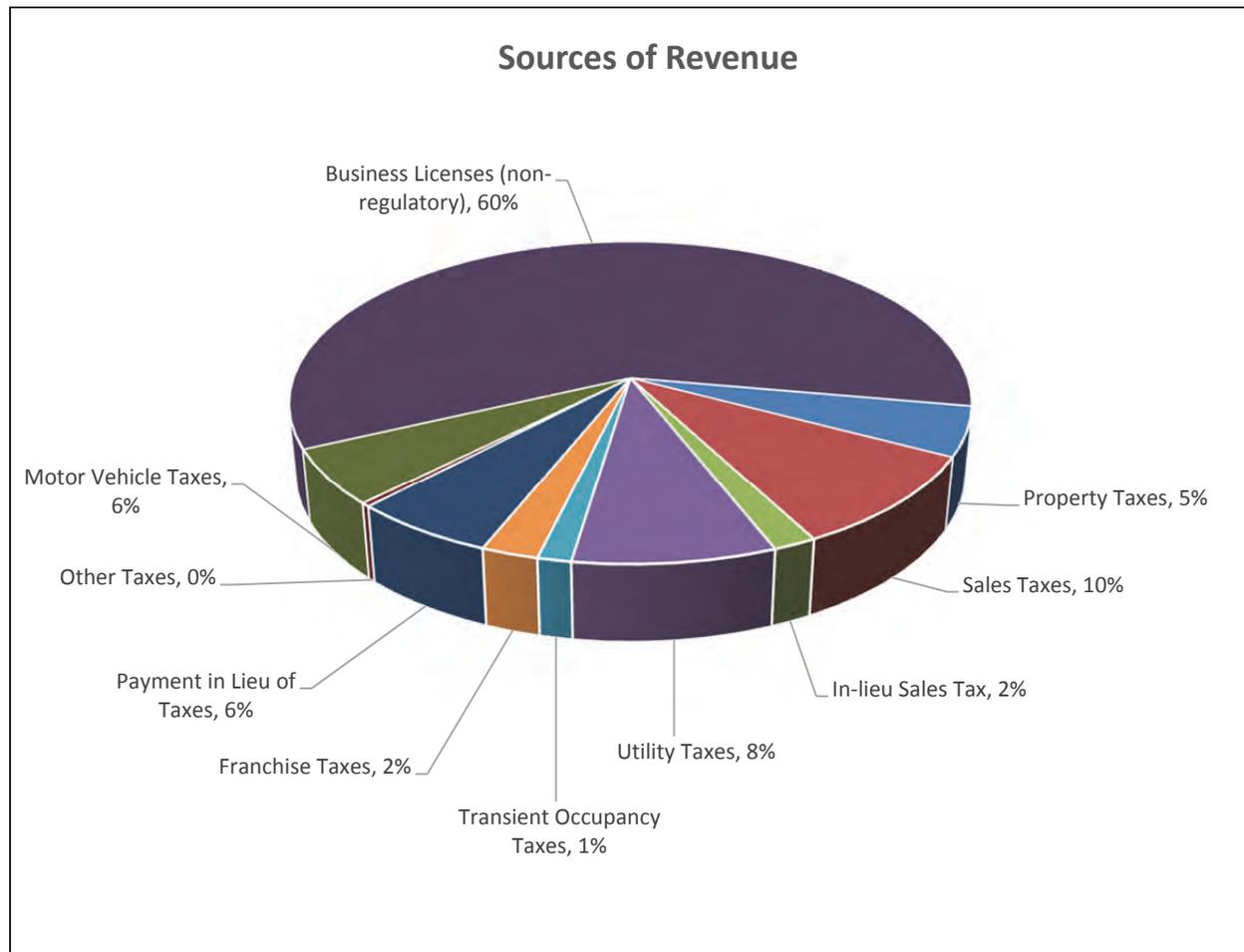
Changes in Governmental Net Position at June 30

Revenues:	2014	2013
Program revenues		
Charges for Services	\$ 1,885,952	\$ 1,621,377
Operating Contributions and Grants	1,962,725	1,930,939
Capital Grants	7,078,669	1,846,299
 General Revenues:		
Property Tax	1,515,310	1,229,599
Sales Taxes	2,912,396	2,253,736
In-lieu Sales Tax	548,465	468,552
Utility Taxes	2,553,955	2,473,792
Transient Occupancy Taxes	424,570	356,177
Franchise Taxes	719,358	627,473
Payment in Lieu of Taxes	1,828,490	1,792,638
Other Taxes	114,542	109,928
Motor Vehicle Taxes	1,713,415	1,654,714
Business Licenses (non-regulatory)	18,291,111	17,388,179
Investment Earnings	246,226	238,115
Miscellaneous	320,447	167,902
Total Revenues	42,115,631	34,159,420
 Expenses		
General Government	5,918,919	5,680,263
Community:		
Recreation	1,306,695	1,342,621
Development	1,115,441	1,176,592
Housing	12,100	13,600
Public Works & Engineering	7,304,089	8,064,981
Police	14,959,000	15,393,927
Total Expenses	30,616,244	31,671,984
 Extraordinary/Special Item-Asset transfer to/from SA	1,534,820	(1,176,610)
 Change in Net Position	13,034,207	1,310,826
Net Position 7/1	119,804,125	118,493,299
Net Position 6/30	\$ 132,838,332	\$ 119,804,125

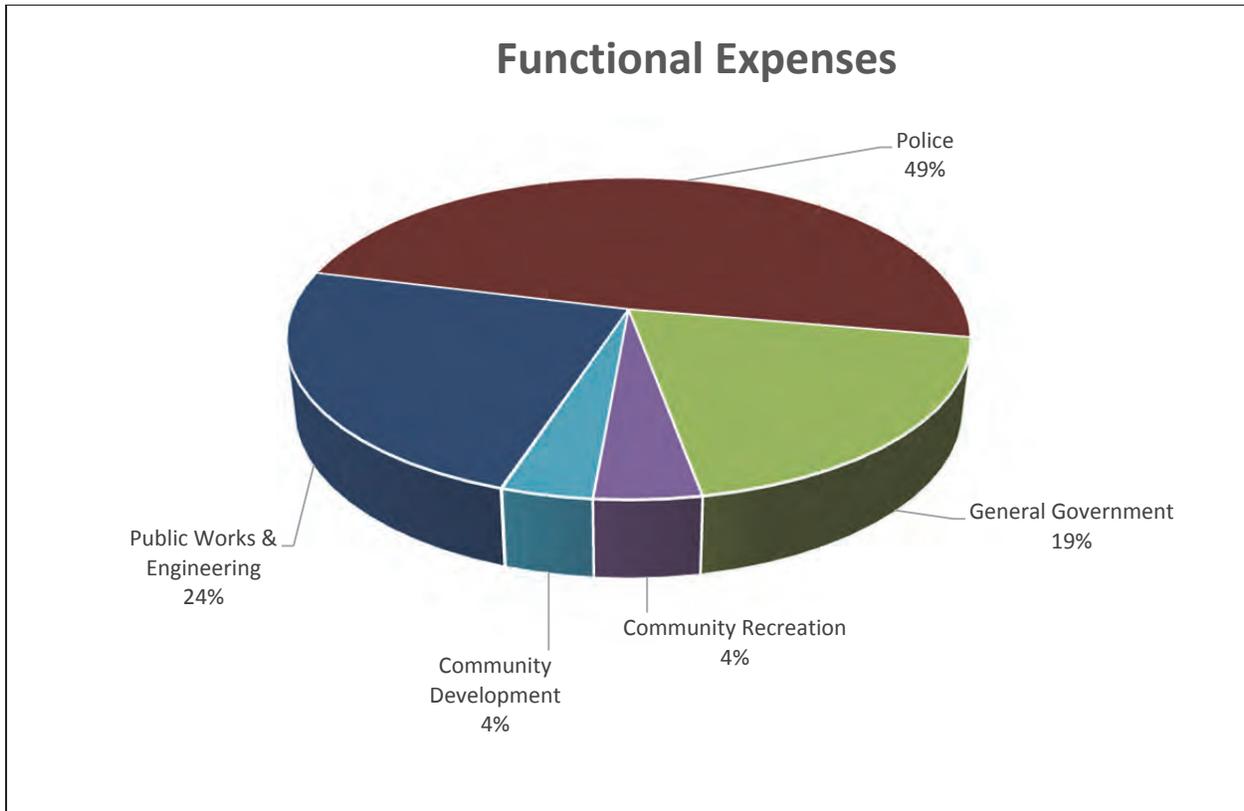
Management’s Discussion and Analysis

The cost of all Governmental activities this year was \$30.6 million. Net expenses, as shown in the Statement of Activities, were \$19.7 million. A portion of the cost for these activities was paid either by those directly benefitting from the programs through service charges (\$1.9 million), by other governments and organizations that subsidized certain programs with operating grants and contributions (\$2.0 million), or capital grants and contributions (\$7.1 million). Overall, the City received \$10.9 million in governmental program revenues.

Total resources available during the year to finance governmental operations were \$163.4 million, consisting of net assets at July 1, 2013 of \$119.8 million, program revenues of \$10.9 million, general revenues of \$31.2 million and special item of \$1.5 million. Total Governmental activities during the year were \$30.6 million, thus net position increased from \$119.8 million to \$132.8 million, a net increase of \$13.0 million.



Management’s Discussion and Analysis



As shown in the Sources of Revenue chart on the opposite page, Business Licenses accounted for 60% of the City’s Fiscal Year 2014 revenue, which came primarily from Casino San Pablo. Sales taxes accounted for 10%, which included the voter-approved Measure Q increase of one-half percent.

On the year, Functional Expenses totaled \$30.6 million, a decrease of \$1.1 million from the previous year. Likewise, all Functional Expense categories decreased from the previous year with the exception of General Government expenses which increased by \$0.2 million to 19% of total expenses. The reduced expense levels from last year include Police, which decreased by \$0.4 million to 49% of total expenses; Public Works and Engineering, which decreased by \$0.8 million to 24% of total expenses; and Recreation and Community Development, which decreased by 3% and 5% respectively, each at 4% of total expenses.

Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

At year end, the City's General Fund had a balance of \$32.3 million. This represents an increase of \$8.8 million compared to 2013. The increase can be attributed to the \$12.1 million in excess of revenues over expenditures, which were offset by a transfer of \$3.4 million to capital projects. Total General Fund revenues increased by \$5.3 million over the previous fiscal year due to several factors: the continuing revenue related to dissolution of the Redevelopment Agency resulted in additional property tax distributions of \$0.3 million; Measure Q sales tax was up by \$0.6 million with FY 2013/14 being the first full year of collection; Casino revenue increased by \$0.9 million; capital grants from Proposition 84 increased by \$2.6 million; and Measure WW rose by \$0.6 million.

The Low and Moderate Income Housing Assets Fund had a fund balance of \$7.3 million. During Fiscal Year 2014, the Department of Finance approved the transfer of one parcel with a book value of \$358,000 from the Successor Agency to the Housing Successor. The parcel will be developed as part of the Plaza San Pablo project.

The Public Works Construction Fund balance increased \$4.7 million as a result of the completion of \$2.6 million in projects offset by project grant funding of \$3.5 million, transfers from the General Fund of \$2.5 million, and loan proceeds for the Solar Panel project of \$1.1 million.

Other Governmental Funds increased \$0.8 million primarily due to a 5% increase in revenue and an 8% decrease in expenditures. Public Works & Engineering experienced the largest spending decrease due to a vacancy in the Public Works Director position for approximately half of the fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City adopts a biennial budget every other year at which time revenues are projected for the first year of the budget and the same figures are repeated for the second year. The fiscal year ending June 30, 2014 was the first year of the two-year budget process. Differences between the actual results and the original General Fund budget and the final General Fund budget are as follows:

Sales Taxes. In June 2012, the voters passed Measure Q, which increased the sales tax base by 0.5%. The City amended the projection for the increase conservatively, and actuals received were \$317,453 over the amended budget.

Business License. Because the nationwide economic recovery has been slow, the City budgeted conservatively for Business License Tax, which primarily comes from Casino San Pablo, thinking that perhaps there would be a slowdown in Casino revenue. A slowdown never did materialize, such that casino revenue ended the year with a positive variance of totaled \$3.2 million, or 22% over budget.

Other Taxes. The Hotel Occupancy Tax and Franchise Tax attributed to the increase. Hotel occupancy rates were up, contributing approximately \$175,000 over budget, plus the City did not budget for the additional revenue generated by the restructuring of the Franchise Tax Agreement for solid waste services with Republic Sanitary Service. The positive variance equaled \$384,396, or 14% over budgeted figures.



Management’s Discussion and Analysis

Charges for Service. With a budget of \$405,000 and revenues of \$921,802, actuals received more than doubled the budget. This difference is due to the fact that the City did not budget for development fees for the San Pablo Community Center. These fees account for basically all \$516,802 in excess revenues over budget.

Intergovernmental/Other. The City received unbudgeted grant funds totaling \$3.2 million. \$2.6 million of this revenue was for construction of the San Pablo Community Center, and another \$0.6 million was from a State of California Proposition 84 grant.

Expenditures. Expenditures totaling \$22.2 million were 2% less than original budgeted figures and 10% less than the final budgeted figures of \$24.5 million, resulting in a spending gap \$2.3 million. \$1.1 million of this gap is attributable to salary and benefit savings, because of many position vacancies throughout the year and conservative budgeting practices of the City. The City experienced savings of \$0.6 million in the Supplies and Services category, due primarily to unspent funds for professional services of \$0.2 million and savings in the cost of utilities of \$0.1 million. All departments, especially Police, were very careful to spend only what was needed.

Transfers. Final budgeted figures for transfers out were \$3.3 million, which were in line with what was actually transferred.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The capital assets of the City are those assets which are used in the performance of the City’s functions. At June 30, 2014, capital assets net of accumulated amortization and depreciation of the Governmental activities totaled \$68.6 million. Amortization and depreciation on capital assets is recognized in the Government-Wide financial statements. Refer to Note 6 of this report for detailed information regarding capital assets. The City has elected to use the amortization and depreciation method as allowed by GASB Statement No. 34 for infrastructure reporting.

	Original Cost	Accumulated Depreciation	Book Value
Capital Assets - Governmental:			
Land and land improvements	\$6,353,985		\$6,353,985
Construction in progress	9,174,252		9,174,252
Buildings and improvements	16,945,756	\$4,871,031	12,074,725
Machinery and equipment	2,424,722	1,379,636	1,045,086
Vehicles	2,772,721	2,176,459	596,262
Park and trail improvements	11,255,522	1,565,182	9,690,340
Sports fields	1,506,986	984,401	522,585
Roads & streets including sidewalks	69,697,323	38,554,369	26,142,954
Bridges	5,486,753	4,373,705	1,113,048
Street lights	361,078	321,342	39,736
Storm drains	1,884,059	1,687,473	196,586
Traffic signals	2,863,183	1,860,279	1,002,904
Trees	1,227,462	556,916	670,546
Total Capital Assets - Governmental	\$126,953,802	\$58,330,793	\$68,623,009

Management's Discussion and Analysis

Debt Administration. As of February 1, 2012, the outstanding debt of the former Redevelopment Agency was transferred to the Successor Agency, which is presented as a Private Purpose Trust Fund on the Statement of Fiduciary Net Position.

The City entered into an agreement with the San Pablo Economic Development Corporation (SPEDC) in December 2012 to lease the San Pablo Community Center. Construction of the Community Center was completed in June 2014. Prior to the completion of construction, the lease was accounted for as an operating lease. With the completion of construction, the lease has been converted into a capital lease, and using the \$8,764,917 final cost of the project, the City recorded a lease payable in that amount while the SPEDC recorded a lease receivable in the same amount. The imputed interest rate on the lease is 3.32% and lease payments are due semi-annually each June 30 and December 31 through the year 2053.

On February 8, 2013, the City entered into a 15-year, 1.0% interest rate loan agreement with the California Energy Resources Conservation and Development Commission to borrow \$1,141,738 for various solar panel projects at the City Hall complex. Principal and interest payments are payable semiannually with the first loan payment due December 22, 2015 and the last due in December 2029.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In following best management practices, the City takes a very conservative approach relative to the assumptions built into the two-year budget. On both the revenue and expenditure sides, Year 2 of the budget is essentially the same as Year 1. In this way, as revenues are increasing in the second year of the budget—assuming that the economy is growing—budget discipline is maintained by forcing expenditures to remain at Year 1 levels for supplies and services, while adjusting for increased labor costs. This helps create a structural surplus of funding in Year 2 at a minimum that goes to fund balance.

On the revenue side, adopted budget figures are based on actual year end projections for Fiscal Year 2013, while taking into account previous year totals, local economic conditions and other real world considerations. These projections are then used for both Fiscal Years 2014 and 2015, as revenue estimates remain essentially the same. Indeed, the FY 2015 revenue estimate is actually lower than the FY 2014 estimate by approximately \$90,000. Moreover, key assumptions made for Fiscal Year 2015 include a slowly improving economy that will most likely result in modest increases in sales and property tax revenues, but which are not significant enough to change revenue estimates from one year to the next.

Additionally, the City takes an extremely conservative approach to budgeting for Casino revenues, which at \$17.9 million, are the City's largest revenue source, comprising 52% of the General Fund. To mitigate this risk and dependence on a single revenue source, the City budgets at figures that are generally at least 5% less than previous fiscal year actuals, even though Casino revenues have increased year over year by at least 5% for several years running. Indeed, the City budgeted for this revenue source at \$14.7 million in both Fiscal Years 2014 and 2015.

Management's Discussion and Analysis

The same conservative approach holds true for essentially all revenue sources: Fiscal Year 2015 revenues are budgeted at \$29.8 million, slightly lower than the \$29.9 million budgeted for FY 2014, again building in a structural surplus in Year 2. One revenue source in particular is expected to increase significantly during the course of Fiscal Year 2015: sales tax. Measure K, a 0.25% sales tax measure for emergency medical services, was approved by voters in June 2014 and Measure K sales tax receipts began flowing into the City in December 2014; the City expects to receive approximately \$300,000 in FY 2015.

On the expenditure side, all job positions are conservatively budgeted at top step, including vacancies. New positions added during the course of the two-year budget cycle are fully funded in the fiscal year in which they are added and in all subsequent years. A 2.0% cost of living adjustment (COLA) for all full-time employees is added as well, in accordance with labor contracts approved in July 2014. Additionally, all increasing employee benefit costs are updated annually and added to each fiscal year's budget for such things as increases to pension costs, medical and dental insurance rates, retiree health benefit costs, etc.

To address any fiscal uncertainties, the City adopted the Fiscal Resiliency Reserve Policy. In addition to the current Catastrophic Reserve budgeted at 50% of General Operating Fund revenues and the Budget Stabilization Reserve budgeted at 5.0% of General Operating Fund expenditures, this reserve policy establishes the General Fund Designated Reserves which will allow the City to prefund some of the larger expenses, including such things as CalPERS retirement rate increases, unfunded liabilities such as compensated absences, and vehicle replacements, etc. Additionally, the policy establishes the Future Capital Projects Reserves for funding large capital projects in the absence of RDA funding. The City Manager's Contingency Account also plays a role in paying for unbudgeted and unforeseen expenses that arise during the normal course of business.

In Fiscal Year 2014, the San Pablo Community Center was opened. This is a major project that will impact City operations and community livability for many years to come. At a total cost of \$9.5 million including land value and hard and soft construction costs, this project was funded through a City partnership with the SPEDC and private lenders accessing the New Market Tax Credits program. Situated on land leased from the West Contra Costa Unified School District, this new facility greatly enhances recreational opportunities and community events held here in San Pablo. With construction complete, the City's Recreation Department moved their offices to the new center to facilitate program operation. The new facility also allows the department to increase recreational program offerings to help offset the cost of additional staff required to operate the complex.

A second project that will impact the San Pablo community for generations to come is the Rumrill Sports Park. The former Burlington Northern & Santa Fe (BNSF) Railroad Corporation yard was sold to the City for development into a much-needed multi-use sports park. The park will have three youth soccer fields and one smaller practice field available for youth leagues, pick-up games, and practices. The park will also contain a picnic/barbeque area, play area, office/restrooms and on-site parking. The fields will be lighted for night use. This park concept was developed through a series of community outreach meetings, in which the residents of San Pablo identified the need for more open space structured for youth play. Construction began in August 2014 and is expected to continue through the spring with completion.



Management's Discussion and Analysis

expected in late spring or early summer of 2015. The City secured funding of approximately \$7.0 million, including \$2.8 million from the New Markets Tax Credits program and \$1.5 million in grants.

The dissolution of all redevelopment agencies statewide continues to impact San Pablo activities as the City now must rely on General Fund revenues to fund capital projects rather than by using RDA bond proceeds. As evidence of the changed environment, all assets of the former RDA were transferred to the Local Successor Agency which continues to unwind and dissolve all RDA financial and contractual obligations. Staff has met regularly with the State Department of Finance to ensure that all related transfers are done appropriately and in compliance with State law. The City expects the final unwinding activities to be complete late in calendar year 2015.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. Questions about this report should be directed to the Finance Department, located at 13831 San Pablo Avenue, San Pablo, California 94806.



CITY^{OF} SAN PABLO

City of New Directions

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

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

The Statement of Net Position summarizes the financial position of all of the City’s Governmental Activities in a single column. The City’s Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds that present the financial position of the primary government. This column is followed by a column that displays the discretely presented component unit.

The Statement of Activities reports increases and decreases in the City’s net position. 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 or discretely presented component unit and the Change in Net Position is computed and reconciled with the Statement of Net Position.

Both these Statements include the financial activities of the City and the City of San Pablo Joint Powers Financing Authority. The balances and the activities of the discretely present component unit of the San Pablo Economic Development Corporation are included in these statements as separate columns.

CITY OF SAN PABLO
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government	Component Unit
	Governmental Activities	Economic Development Corporation
ASSETS		
Cash and investments available for operations (Note 3)	\$42,451,287	\$979,860
Restricted cash (Note 3)	1,230,114	1,411,988
Accounts receivable, net	2,228,628	799
Due from other governments, net	246,557	
Prepays and deposits (Note 1H)	37,431	9,130
Employee loans receivable (Note 5A)	7,788	
Notes receivable under Redevelopment		
Agency programs, net (Note 5C)	21,270,314	
Helms Community Center Leveraged Loan (Note 5J)	6,510,080	
Helms Community Center Lease Receivable (Note 7)		8,764,917
Property held for resale (Note 1I)	358,210	
Net OPEB asset (Note 10C)	4,100,588	
Capital assets (Note 6):		
Land and construction in progress	15,528,237	
Depreciable capital assets, net	53,094,772	7,964
Total assets	147,064,006	11,174,658
LIABILITIES		
Accounts payable and accrued liabilities	4,283,216	605,584
Claims payable (Note 12)	28,144	
Unearned revenue	7,659	500,000
Long-term debt (Note 7):		
Due in more than one year	9,906,655	9,306,000
Total liabilities	14,225,674	10,411,584
NET POSITION (Note 9)		
Net investment in capital assets	58,716,354	1,419,952
Restricted for:		
Capital projects	2,863,097	
Low and moderate income housing	21,929,913	
Economic development projects	(656,878)	(656,878)
Total restricted net position	24,793,010	(656,878)
Unrestricted net position	49,328,968	
Total net position	\$132,838,332	\$763,074

See accompanying notes to financial statements

CITY OF SAN PABLO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants	Primary Government	Component Unit
					Governmental Activities	Economic Development Corporation
Primary Government:						
Governmental Activities:						
General Government	\$5,918,919	\$522,654			(\$5,396,265)	
Community:						
Recreation	1,306,695	236,757			(1,069,938)	
Development	1,115,441	561,699	\$226,249		(327,493)	
Housing	12,100		64,076		51,976	
Public Works & Engineering	7,304,089	168,230	1,319,073	\$7,078,669	1,261,883	
Police	14,959,000	396,612	353,327		(14,209,061)	
Total Governmental Activities	<u>\$30,616,244</u>	<u>\$1,885,952</u>	<u>\$1,962,725</u>	<u>\$7,078,669</u>	<u>(19,688,898)</u>	
Component Unit:						
Economic Development Corporation	<u>\$606,996</u>		<u>\$394,310</u>			<u>(\$212,686)</u>
General revenues:						
Taxes:						
Property taxes					1,515,310	
Sales taxes					2,912,396	
In-lieu sales tax					548,465	
Utility taxes					2,553,955	
Transient occupancy taxes					424,570	
Franchise taxes					719,358	
Payment in lieu of taxes					1,828,490	
Business licenses (nonregulatory)					18,291,111	
Other taxes					114,542	
Intergovernmental unrestricted:						
Motor vehicle in lieu fees					1,713,415	
Use of money and property					246,226	63,556
Miscellaneous					320,447	
Special item:						
Assets transferred from the Successor Agency (Notes 11 and 6A)					1,534,820	
Total general revenues and special item					<u>32,723,105</u>	<u>63,556</u>
Change in Net Position					13,034,207	(149,130)
Net Position-Beginning					<u>119,804,125</u>	<u>912,204</u>
Net Position-Ending					<u>\$132,838,332</u>	<u>\$763,074</u>

See accompanying notes to financial statements



CITY^{OF} SAN PABLO

City of New Directions

FUND FINANCIAL STATEMENTS

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

The funds described below were determined to be Major Funds by the City for fiscal 2014. 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.

LOW AND MODERATE INCOME HOUSING ASSETS

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

PUBLIC WORKS CONSTRUCTION

This fund accounts for major City capital improvement projects.

CITY OF SAN PABLO
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014

	General	Low and Moderate Income Housing Assets	Public Works Construction	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments available for operations (Note 3)	\$31,224,120	\$208,854	\$7,789,633	\$3,228,680	\$42,451,287
Restricted cash and investments (Note 3)			1,230,114		1,230,114
Accounts receivable	2,045,573		182,853	202	2,228,628
Due from other governments	1,013,437		16,057	17,063	1,046,557
Prepays and deposits (Note 1H)	37,431				37,431
Employee loans receivable (Note 5A)	7,788				7,788
Agency programs, net (Note 5C)		21,270,314			21,270,314
Helms Community Center Leveraged Loan (Note 5J)			6,510,080		6,510,080
Property held for resale (Note 1I)		358,210			358,210
Total Assets	\$34,328,349	\$21,837,378	\$15,728,737	\$3,245,945	\$75,140,409
LIABILITIES					
Accounts payable and accrued liabilities	\$1,207,023		\$128,334	\$290,313	\$1,625,670
Unearned revenue			7,659		7,659
Total Liabilities	1,207,023		135,993	290,313	1,633,329
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - due from other governments	800,000				800,000
Unavailable revenue - loans and notes receivable		\$15,405,315	6,510,080		21,915,395
Total Deferred Inflows of Resources	800,000	15,405,315	6,510,080		22,715,395
FUND BALANCES					
Fund balance (Note 9)					
Nonspendable	45,219				45,219
Restricted		6,432,063		2,955,632	9,387,695
Assigned	763,614		9,082,664		9,846,278
Unassigned	31,512,493				31,512,493
TOTAL FUND BALANCES	32,321,326	6,432,063	9,082,664	2,955,632	50,791,685
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$34,328,349	\$21,837,378	\$15,728,737	\$3,245,945	
Amounts reported for Governmental Activities in the Statement of Net Position 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.					68,623,009
NON-CURRENT REVENUES					
Revenues which are unavailable on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities.					21,915,395
LONG TERM ASSETS AND LIABILITIES					
The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:					
Accrued liabilities					(1,500,000)
Claims payable					(28,144)
Compensated absences					(1,157,546)
Net OPEB asset					4,100,588
Long term debt					(9,906,655)
NET POSITION OF GOVERNMENTAL ACTIVITIES					\$132,838,332

See accompanying notes to financial statements

CITY OF SAN PABLO
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

	General	Low and Moderate Income Housing Assets	Public Works Construction	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$677,924			\$837,386	\$1,515,310
Sales taxes	2,807,739			464,299	3,272,038
In-lieu sales tax	548,465				548,465
Utility users tax	2,553,955				2,553,955
Business license tax	17,951,434				17,951,434
Other taxes	3,064,960				3,064,960
Licenses and permits				339,677	339,677
Fines and forfeits	178,497				178,497
Intergovernmental	5,193,600		\$3,505,228	1,767,684	10,466,512
Charges for services	921,802			700,645	1,622,447
Use of money and property	278,252	\$131,194	79,317	5,514	494,277
Miscellaneous	137,496	2,441	63,900	61,926	265,763
Total Revenues	34,314,124	133,635	3,648,445	4,177,131	42,273,335
EXPENDITURES					
Current:					
General Government	5,798,844				5,798,844
Community:					
Recreation	1,173,065				1,173,065
Development				1,097,422	1,097,422
Housing		12,100			12,100
Public Works & Engineering	299,397			2,854,579	3,153,976
Police	14,742,477			116,276	14,858,753
Capital outlay	154,467		2,610,722	147,336	2,912,525
Total Expenditures	22,168,250	12,100	2,610,722	4,215,613	29,006,685
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	12,145,874	121,535	1,037,723	(38,482)	13,266,650
OTHER FINANCING SOURCES (USES)					
Issuance of loan (Note 7)			1,141,738		1,141,738
Transfers in (Note 4A)			2,537,604	1,366,580	3,904,184
Transfers (out) (Note 4A)	(3,366,580)			(537,604)	(3,904,184)
Total Other Financing Sources (Uses)	(3,366,580)		3,679,342	828,976	1,141,738
NET CHANGE IN FUND BALANCES BEFORE SPECIAL ITEM	8,779,294	121,535	4,717,065	790,494	14,408,388
SPECIAL ITEM:					
Property transferred from Successor Agency (Note 11)		358,210			358,210
NET CHANGE IN FUND BALANCES	8,779,294	479,745	4,717,065	790,494	14,766,598
Fund balances at beginning of period	23,542,032	5,952,318	4,365,599	2,165,138	36,025,087
FUND BALANCES AT END OF PERIOD	\$32,321,326	\$6,432,063	\$9,082,664	\$2,955,632	\$50,791,685

See accompanying notes to financial statements

CITY OF SAN PABLO
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2014

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 Position 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 \$14,766,598

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	2,506,006
Depreciation expense is deducted from fund balance	(4,110,648)
Capital assets acquired under capital lease	8,764,917
Capital assets transferred from the Successor Agency	1,176,610

LONG-TERM DEBT PROCEEDS AND PAYMENTS

Debt proceeds provide current financial resources to governmental funds. However, it increases long-term liabilities in the Statement of Net Position.	(1,141,738)
Capital assets acquired under a capital lease is deducted from fund balance	(8,764,917)

NON-CURRENT ITEMS

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

Accrued liabilities	(100,000)
Compensated absences	181,158
Claims payable	(3,126)
Unavailable revenue - loans and notes receivable	(157,704)
Net OPEB asset	(82,949)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$13,034,207

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$344,067	\$344,067	\$677,924	\$333,857
Sales taxes	2,490,286	2,490,286	2,807,739	317,453
In-lieu sales tax	520,714	520,714	548,465	27,751
Utility users tax	2,440,000	2,440,000	2,553,955	113,955
Business license tax	14,750,000	14,750,000	17,951,434	3,201,434
Other taxes	2,680,564	2,680,564	3,064,960	384,396
Fines and forfeits	490,000	490,000	178,497	(311,503)
Intergovernmental:				
Motor vehicle in lieu	1,680,346	1,680,346	1,713,415	33,069
Other	112,000	213,020	3,480,185	3,267,165
Charges for services	405,000	405,000	921,802	516,802
Use of money and property	299,038	299,038	278,252	(20,786)
Miscellaneous	10,000	10,000	137,496	127,496
Total Revenues	26,222,015	26,323,035	34,314,124	7,991,089
EXPENDITURES				
Current:				
General government	5,252,149	6,296,448	5,798,844	497,604
Community:				
Recreation	1,565,239	1,620,622	1,173,065	447,557
Public Works & Engineering	449,603	439,603	299,397	140,206
Police	15,519,974	15,562,724	14,742,477	820,247
Capital outlay		589,571	154,467	435,104
Total Expenditures	22,786,965	24,508,968	22,168,250	2,340,718
EXCESS OF REVENUES OVER EXPENDITURES	3,435,050	1,814,067	12,145,874	10,331,807
OTHER FINANCING SOURCES (USES)				
Transfers in		393,571		(393,571)
Transfers (out)	(3,117,610)	(3,699,181)	(3,366,580)	332,601
Total Other Financing Sources (Uses)	(3,117,610)	(3,305,610)	(3,366,580)	(60,970)
NET CHANGE IN FUND BALANCE	\$317,440	(\$1,491,543)	8,779,294	\$10,270,837
Fund balance at beginning of year			23,542,032	
FUND BALANCE AT END OF YEAR			\$32,321,326	

See accompanying notes to financial statements



CITY^{OF} SAN PABLO

City of New Directions

FIDUCIARY FUNDS

FIDUCIARY FUNDS

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

RETIREE HEALTH SAVINGS PLAN TRUST FUND

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

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY

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

CITY OF SAN PABLO
FIDUCIARY FUNDS
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2014

	Retiree Health Savings Plan Trust Fund	Successor Agency to the Redevelopment Agency Private-Purpose Trust	Agency Funds
ASSETS			
Investments - Mutual Fund (Note 3)	\$7,250,081		
Restricted cash and investments (Note 3)		\$10,676,705	\$2,266,411
Interest receivable		293	
Loans receivable (Note 13B)		152,649	
Property held for resale (Note 13C)		9,919,252	
Due from other governments			95,131
Capital assets (Note 13D):			
Land and construction in progress		2,819,393	
Depreciable capital assets, net		1,431,855	
Total Assets	7,250,081	25,000,147	\$2,361,542
DEFERRED OUTFLOW OF RESOURCES			
Deferred amount on refunding of debt (Note 13E)		4,636,687	
LIABILITIES			
Accounts payable		750	\$102,113
Deposits held as agent for others			2,259,429
Long-term obligations (Note 13E):			
Due in one year		2,765,987	
Due in more than one year		78,549,238	
Total Liabilities		81,315,975	\$2,361,542
NET POSITION (DEFICIT) HELD IN TRUST FOR OPEB BENEFITS AND OTHER GOVERNMENTS			
	\$7,250,081	(\$51,679,141)	

See accompanying notes to financial statements

CITY OF SAN PABLO
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Retiree Health Savings Plan Trust Fund</u>	<u>Successor Agency to the Redevelopment Agency Private-Purpose Trust</u>
ADDITIONS		
Property taxes		\$4,695,660
Employer contributions	\$375,417	
Net investment income	1,178,335	148,697
Other		300
	<u>1,553,752</u>	<u>4,844,657</u>
DEDUCTIONS		
Premiums paid	375,417	
Community Development		3,212,154
Assets transferred to the City (Notes 6A and 13C)		1,534,820
Depreciation		86,497
Debt service:		
Interest and fiscal charges		3,931,553
	<u>375,417</u>	<u>8,765,024</u>
Total deductions	<u>375,417</u>	<u>8,765,024</u>
Change in net position	1,178,335	(3,920,367)
NET POSITION (DEFICIT) HELD IN TRUST FOR OPEB BENEFITS AND OTHER GOVERNMENTS		
Beginning of year	<u>6,071,746</u>	<u>(47,758,774)</u>
End of year	<u><u>\$7,250,081</u></u>	<u><u>(\$51,679,141)</u></u>

See accompanying notes to financial statements



CITY^{OF} SAN PABLO

City of New Directions

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

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 29,105 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. Each discretely presented component unit, on the other hand, is reported in a separate column in the basic financial statements to emphasize it is legally separate from the government.

PRIMARY GOVERNMENT

The financial statements of the primary government of the City of San Pablo include the activities of the City as well as the City of San Pablo Joint Powers Financing Authority, which is controlled by and dependent on the City. While it is a separate legal entity, its financial activities are integral to those of the City. The financial activities have been aggregated and merged (termed "blended") with those of the primary government of the City in the accompanying financial statements.

Blended Component Unit

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 former 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 Authority does not issue separate financial statements.

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. The Plan does not issue separate financial statements.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

DISCRETELY PRESENTED COMPONENT UNIT

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 entered into a Service Agreement with the City under which the City will perform the necessary services on an independent contractor basis to eliminate blight, provide affordable housing, improve the public realm, facilitate public and private developments, stimulate economic development, and create jobs. The Corporation was controlled by the City and had the same governing body as the City, which also performs all accounting and administrative functions for the Corporation. The Corporation was governed by a board of directors consisting of the members of the City Council.

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

However, for the period May 16, 2012 through September 1, 2012 the Corporation's operations remained financially integrated with those of the City and City staff continued to provide accounting, administrative and managerial services for the Corporation. As a result of this financial integration, the Corporation continued to be reported as a component unit of the City through September 1, 2012, and the financial activities of the Corporation were previously reported in the Economic Development Special Revenue Fund through that date.

Effective September 1, 2012, the City transferred assets and liabilities of the Corporation to the Corporation's own administrative staff, and all accounting and managerial functions of the Corporation are now performed by its own staff. However, the City continues to provide the primary funding for the activities of the Corporation. Therefore, the financial activities of the Corporation are discretely presented in the Economic Development Corporation Component Unit column of the Statement of Net Position and the Statement of Activities. Separate financial statements for the Corporation may be obtained by contacting the San Pablo Economic Development Corporation, 13830 San Pablo Avenue, Suite D, San Pablo, CA 94806.

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.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government (the City) and its blended and discretely presented 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 and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may select other governmental funds it believes should be presented as major funds.

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

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

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

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

The City also reports the following fiduciary fund types:

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

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

D. Basis of Accounting

The **City-wide and fiduciary fund financial statements** are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

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

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position 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. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the accumulated decrease in the fair value of hedging derivatives reported in the fiduciary statement of net position. An accumulated decrease in the fair value of hedging derivatives is equal to the fair value of the associated derivative instrument liability so long as the instrument is deemed effective under the provisions of GASB Statement No. 53.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of financial position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from due from other governments, and loans and notes receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

F. 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.

G. 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 position. The liability for compensated absences is determined annually; the net decrease in the liability was \$181,158 at June 30, 2014 and was allocated to the General Government, Community Development, 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	\$1,338,704
Additions	854,872
Payments	<u>(1,036,030)</u>
Ending Balance	<u>\$1,157,546</u>
Due in One Year	<u>\$1,157,546</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
For the Year Ended June 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. *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 \$37,431 at June 30, 2014.

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.

I. *Property Held for Resale*

Land parcels held for resale 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 July 2013 the Successor Agency approved the transfer of “Block E” of the Site to the City as Housing Successor, which was subsequently approved by the Department of Finance. Therefore, the parcel with a carrying value of \$358,210 was transferred to the Low and Moderate Income Housing Assets Special Revenue Fund during fiscal year 2014, which has been reported as a Special Item.

J. *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.

K. *Closed Fund*

The Oak Park Special Assessment District Agency Fund was closed as of June 30, 2014.

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.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING (Continued)

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 Manager are authorized to transfer any unencumbered appropriations within a department. The legally adopted budget requires that expenditures not exceed total appropriations at the department level within each fund.
5. Formal budgetary integration is employed as a management control device during the year for all budgeted funds.
6. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all funds except the Low and Moderate Income Housing Assets, Measure C/J, Traffic Congestion Relief and HCD Grant Special Revenue Funds. 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 Asset Seizures Special Revenue Fund incurred police expenditures in excess of budget in the amount of \$13,148. The excess was the result of unanticipated expenditures; however sufficient resources were available within the fund to finance the excess.

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 invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system.

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

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

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.

Primary Government Cash and Investments	
Cash and investments available for operations	\$42,451,287
Restricted cash and investments	1,230,114
Component Unit Cash and Investments	
Cash and investments available for operations	979,860
Restricted cash and investments	1,411,988
Fiduciary Funds Cash and Investments	
Restricted cash and investments	
in Fiduciary Funds (separate statement):	
Retiree Health Savings Plan Trust	7,250,081
Successor Agency to the Redevelopment	
Agency Private Purpose Trust	10,676,705
Agency Funds	<u>2,266,411</u>
Total cash and investments	<u><u>\$66,266,446</u></u>

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 3 - CASH AND INVESTMENTS (Continued)

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	20%	No Limit
Medium Term Notes	5 years	A/A2	30%	5%
Negotiable Certificates of Deposit	5 years	FDIC Insured	30%	5%
Non-Negotiable Certificates of Deposit	5 years	FDIC Insured	30%	5%
Commercial Paper	270 Days	A/A-1	25%	5%
Banker's Acceptances	180 days	A-1/P-1	30%	5%
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%	10%

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 3 - CASH AND INVESTMENTS (Continued)

D. Investments Authorized by Debt Agreements

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

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

E. Investments Authorized for Economic Development Corporation

Economic Development Corporation investments conform with the California Government Code.

F. Investments Authorized for the Retiree Health Savings Plan Trust

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

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 3 - CASH AND INVESTMENTS (Continued)

G. Interest Rate Risk

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

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

	Cash and Investments Available for Operations	Restricted Cash and Investments	Total	Maturity Date or Earliest Call Date	Credit Rating
<i>City Investments:</i>					
<i>Federal Instrumentalities:</i>					
Federal National Mortgage Association		\$1,000,000	\$1,000,000	August 9, 2014 (callable quarterly)	AA+
Federal National Mortgage Association	\$501,590		501,590	March 4, 2015	AA+
Federal National Mortgage Association	500,375		500,375	March 14, 2017	AA+
Federal National Mortgage Association	501,470		501,470	September 20, 2017	AA+
Federal National Mortgage Association	1,002,750		1,002,750	September 20, 2017	AA+
Federal National Mortgage Association	1,001,800		1,001,800	September 20, 2017	AA+
Federal National Mortgage Association	2,005,372		2,005,372	March 5, 2018	AA+
Federal National Mortgage Association	509,250		509,250	April 24, 2018	AA+
Federal Farm Credit Bank	1,001,080		1,001,080	June 17, 2016	AA+
Federal Farm Credit Bank	554,515		554,515	January 17, 2017	AA+
Federal Home Loan Bank	1,035,850		1,035,850	September 9, 2016	AA+
Federal Home Loan Bank	999,700		999,700	September 13, 2017	AA+
Federal Home Loan Mortgage Association	1,000,000		1,000,000	September 27, 2017	AA+
U.S. Treasury Note	502,148		502,148	August 31, 2016	AA+
U.S. Treasury Note	998,125		998,125	November 15, 2016	AA+
U.S. Treasury Note	1,002,188		1,002,188	January 31, 2017	AA+
U.S. Treasury Note	997,188		997,188	March 15, 2017	AA+
<i>Medium Term Notes:</i>					
Pfizer Inc.	1,066,750		1,066,750	March 15, 2015	AA
General Electric	1,002,660		1,002,660	October 9, 2015	AA+
Union Bank NA	1,047,940		1,047,940	June 6, 2016	A+
Walt Disney Company	1,107,510		1,107,510	September 15, 2016	A
Toyota Motor Credit	1,027,790		1,027,790	September 15, 2016	AA-
Colgate-Palm Company	503,540		503,540	January 15, 2017	AA-
Exxon Mobile Corporation	1,000,000		1,000,000	March 15, 2017	AAA
Berkshire Hathaway Finance Corporation	1,018,830		1,018,830	May 15, 2017	AA
IBM Corporation	1,138,850		1,138,850	September 14, 2017	AA-
Wal-Mart Stores, Inc.	500,215		500,215	April 11, 2018	AA
Apple Inc.	991,620		991,620	May 3, 2018	AA+
<i>Commercial Paper:</i>					
Barclays US Funding	997,783		997,783	March 20, 2015	A-1
Local Agency Investment Fund	17,818,732	7,867,982	25,686,714	232 days average maturity	Not Rated
Wells Fargo Advantage Government Money Market Funds		3,728,885	3,728,885	37 days average maturity	AAA
Wells Fargo Advantage Treasury Plus Money Market Funds	10,556		10,556	1 day average maturity	AAA
<i>Retiree Health Savings Plan Trust:</i>					
Vantage Point MP Long Term Growth Mutual Fund (Equities)		7,250,082	7,250,082		
<i>Cash with Banks and Petty Cash - City of San Pablo</i>					
	(894,890)	1,576,362	681,472		
<i>Cash with Banks - Economic Development Corporation</i>					
	979,860	1,411,988	2,391,848		
Total Cash and Investments	<u>\$43,431,147</u>	<u>\$22,835,299</u>	<u>\$66,266,446</u>		

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 3 - CASH AND INVESTMENTS (Continued)

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the authority 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, 2014 the average maturity was 232 days.

H. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The actual ratings for the City's investments as of June 30, 2014 are included in the above table.

NOTE 4 – INTERFUND TRANSACTIONS

A. Transfers Between Funds

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

Fund Receiving Transfers	Fund Making Transfers	Transfer Amount	
Major Fund:			
Public Works Construction Capital Projects Fund	General Fund	\$2,000,000	(A)
	Measure C/J Special Revenue Fund	537,604	(A)
Non-Major Funds:			
Gas Tax Special Revenue Fund	General Fund	594,655	(B)
Street Lighting and Landscaping Special Revenue Fund	General Fund	493,984	(B)
N.P.D.E.S. Special Revenue Fund	General Fund	76,785	(B)
Development Services Special Revenue Fund	General Fund	201,156	(B)
		<u>\$3,904,184</u>	

The reasons for these transfers are set forth below:

- (A) Transfer amounts required to fund capital projects
- (B) Transfer to cover revenue shortage

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 5 - LOANS AND NOTES RECEIVABLE

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

A. *Employee Loans Receivable*

Elected officials and full-time City employees are eligible to obtain an interest free loan up to \$3,000 to purchase a computer. All requests for loans are subject to review and approval by the Finance Manager. Repayment of these loans is handled through payroll deductions, which are spread out equally for up to two years. Employees must pay off any outstanding balance of their loans upon ending employment with the City. As of June 30, 2014, 6 employees had \$7,788 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. Principal and interest payments in the amount of \$45,633 commencing September 2010 were due the first of every month. The loan matured on August 1, 2013, at which time all unpaid interest and principal was due and paid in full.

C. *Notes Receivable under Redevelopment Agency Programs*

The Agency engaged in programs designed to encourage construction of or improvement to low-to-moderate income housing. Under these programs, grants or loans are provided under favorable terms to homeowners or developers who agree to expend these funds in accordance with the Agency's terms. With the dissolution of the Redevelopment Agency as discussed in Note 13, the City agreed to become the successor to the Redevelopment Agency's housing activities and as a result the Low and Moderate Income Housing Asset Fund assumed the loans receivable of the Redevelopment Agency's Low and Moderate Income Housing Fund as of February 1, 2012. The balances of the notes receivable in the Low and Moderate Income Housing Asset Fund at June 30, 2014 are set forth below:

Supplemental Education Revenue Augmentation Fund	\$5,865,000
Casa Adobe-Senior Citizen Units	1,168,745
Housing Initiative Program	10,922,126
San Pablo Housing Investors	1,618,864
East Bay Asian Local Development Corporation	1,695,579
Lao Family Community Development	530,122
Subtotal	<u>21,800,436</u>
Less: Allowance for conditional grant	<u>(530,122)</u>
Total	<u><u>\$21,270,314</u></u>

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 5 - LOANS AND NOTES RECEIVABLE (Continued)

D. Supplemental Education Revenue Augmentation Fund Loans

During the fiscal year ending June 30, 2010 the Agency approved an interfund advance of \$3,000,000 from the Agency Low and Moderate Income Housing Fund to the Redevelopment Agency Projects Fund for the purpose of paying the Agency's share of the countywide Supplemental Education Revenue Augmentation Fund (SERAF). This loan does not bear interest and was to be repaid in five years. With the dissolution of the Agency effective February 1, 2012, the Successor Agency assumed the obligation to repay the advance and has recorded a loan payable to the Low and Moderate Income Housing Asset Fund subject to revised repayment terms as discussed in Note 13 below. The balance of the loan at June 30, 2014 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's 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 was to be repaid in five years. With the dissolution of the Agency effective February 1, 2012, the Successor Agency assumed the obligation to repay the advance and has recorded a loan payable to the Low and Moderate Income Housing Asset Fund as discussed in Note 13 below. The balance of the loan at June 30, 2014 was \$2,865,000.

These loans were previously reported as interfund advances. However, the liability has been assumed by the Successor Agency following the dissolution of the former Agency. The State of California Department of Finance has stated that repayment of the loans cannot begin prior to fiscal year 2014-2015 and the maximum annual repayment amount is limited by Health and Safety Code Section 34176(e)(6), as discussed in Note 13. The loans are offset with unavailable revenue.

E. Casa Adobe - Senior Citizen Units

Under the terms of a Disposition and Development Agreement dated June 5, 1989 between the Redevelopment Agency and the Developer, Ecumenical Association for Housing (EAH)-San Pablo, the Agency loaned EAH-San Pablo the amount of \$824,670 to purchase land and construct the Casa Adobe 55-unit housing complex for low income senior citizens.

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

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 5 - LOANS AND NOTES RECEIVABLE (Continued)

F. *Housing Initiative Program*

The Redevelopment Agency administered a Housing Initiative Program under which individuals may qualify for first-time home buyer, purchase rehabilitation, second and third trust deed home improvement, dilapidated unit purchase, or foreclosed unit purchase loans. At June 30, 2014 loans outstanding under this Program totaled \$10,922,126.

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 administered 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.

G. *San Pablo Housing Investors*

Under the terms of an Owner Participation Agreement dated January 6, 2003, the Agency made two loans to San Pablo Housing Investors in fiscal 2004 for the construction of eighty-two low-income rental units for seniors. The first loan of \$99,690 was used for City development fees, and the second loan of \$1,100,000 for construction. The loans carry simple interest rates per annum of 6% and 5.7%, respectively, with loan payments due within twenty years of the Completion Date. The project was completed on June 30, 2003. Payments begin on January 31st following the Completion Date, and then each January 31st thereafter; payments are to be made from fifty percent of "residual receipts" as defined in the agreement. As of June 30, 2014, San Pablo Housing Investors owed principal of \$1,098,651 and interest of \$520,213.

H. *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 two onsite non-rent restricted management units, with associated parking and common area spaces. The loan does not bear interest and must be repaid in full no later than 55 years from the date of the agreement. Commencing on May 1, 2008 and on each May 1st thereafter, payments are to be made in an amount equal to seventy-five percent of "residual receipts" as defined in the agreement.

On August 16, 2005, an amendment to the Owner Participation Agreement provided EBALDC with a supplemental project loan of up to \$1,200,000. Proceeds will facilitate the original construction project. Repayment terms of this additional loan are the same as the terms of the original loan. As of June 30, 2014, EBALDC has drawn down \$1,695,579 of the supplemental project loan.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 5 - LOANS AND NOTES RECEIVABLE (Continued)

I. Lao Family Community Development

Under the terms of an Affordable Housing Subsidy Agreement dated December 20, 1993, the Agency made a loan of \$82,500 to Lao Family Community Development, Inc. (Lao) for the development of a 32-unit apartment building with three of the units being affordable to moderate income persons. The loan bears interest at the rate of 6.06%, compounded annually. The agreement was amended on January 22, 1996 to provide an additional subsidy of \$75,000 which bears interest at the rate of 6.83%, compounded annually and increased the affordable units to 15. Both loans are repayable from “residual receipts” as defined in the agreement, and loans are due immediately upon the sale, assignment or transfer of the property without the consent of the Agency, or the expiration of the 30-year affordability covenant. However, unless the Agency directs otherwise, repayment of the loans is to be made to Contra Costa County under the terms of an Intercreditor Agreement; therefore, the City has accounted for this loan as a conditional grant and provided a reserve against the outstanding balance of the loans. As of June 30, 2014, the balance of the loans, including accrued interest, was \$530,122.

J. Helms Community Center Leveraged Loan

The New Markets Tax Credit Program (NMTC Program) was established by Congress in 2000 to spur new or increased investments in operating businesses and real estate projects located in low-income communities. The City, in partnership with JP Morgan Chase Bank, has entered into various agreements which provide for the construction of the Helms Community Center by the Economic Development Corporation (EDC). Pursuant to NMTC Program requirements, several financial intermediaries controlled by the Bank have been established to finance this project which is estimated to cost \$9.5 million. As required under the agreements with these entities, the City has loaned the EDC \$6,510,080 and contributed \$227,744 to the project, and the bank has loaned EDC funds to pay for the remaining project costs. In addition, the City and EDC have signed a lease agreement under which the City will lease the Community Center from the EDC.

The City’s loan bears simple interest of 1% and is payable in semi-annual interest-only payments from December 30, 2012 through December 20, 2022; thereafter principal and interest payments are due until June 1, 2049. As of June 30, 2014, the balance of the loan was \$6,510,080.

Related transactions with the EDC

Of the loan proceeds provided by the City and the Bank, EDC reimbursed the City \$1,031,606 during fiscal year 2013 for costs previously incurred for the above project.

Concurrent with the above agreements, the City and EDC signed a development agreement, with an amendment executed in October 2013, under which EDC has agreed to pay the City monthly development fees of \$21,200 with a final payment of \$218,670 upon project completion, which occurred in June 2014. During the year ended June 30, 2014, the City had received \$461,155 in development fees, and to date the City has received \$653,300.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 6 - CAPITAL ASSETS

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

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

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

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

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

The Economic Development Corporation has assigned the following useful lives to its capital assets: Vehicles, 5 years.

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

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 6 - CAPITAL ASSETS (Continued)

A. Governmental Capital Asset Additions and Retirements

Capital assets recorded at June 30 comprise:

	Balance at June 30, 2013	Additions	Retirements	Transfers	Transfers from Successor Agency	Balance at June 30, 2014
<i>Governmental activities</i>						
Capital assets not being depreciated:						
Land and land improvements	\$4,942,375	\$235,000			\$1,176,610	\$6,353,985
Construction in progress	14,326,892	2,249,103		(\$7,401,743)		9,174,252
Total capital assets not being depreciated	<u>19,269,267</u>	<u>2,484,103</u>		<u>(7,401,743)</u>	<u>1,176,610</u>	<u>15,528,237</u>
Capital assets being depreciated:						
Buildings and improvements	8,415,839	8,529,917				16,945,756
Machinery and equipment	2,344,061	80,661				2,424,722
Vehicles	2,631,479	176,242	(\$35,000)			2,772,721
Park and trail improvements	8,880,066			2,375,456		11,255,522
Sports fields	1,506,986					1,506,986
Roads & streets including sidewalks	59,747,457			4,949,866		64,697,323
Bridges	5,486,753					5,486,753
Street lights	361,078					361,078
Storm drains	1,884,059					1,884,059
Traffic signals	2,786,762			76,421		2,863,183
Trees	1,227,462					1,227,462
Total capital assets being depreciated	<u>95,272,002</u>	<u>8,786,820</u>	<u>(35,000)</u>	<u>7,401,743</u>		<u>111,425,565</u>
Less accumulated depreciation for:						
Buildings and improvements	4,682,987	188,044				4,871,031
Machinery and equipment	1,126,782	252,854				1,379,636
Vehicles	2,004,373	207,086	(35,000)			2,176,459
Park and trail improvements	977,368	587,814				1,565,182
Sports fields	904,182	80,219				984,401
Roads & streets including sidewalks	35,970,861	2,583,508				38,554,369
Bridges	4,281,025	92,680				4,373,705
Street lights	318,250	3,092				321,342
Storm drains	1,675,376	12,097				1,687,473
Traffic signals	1,781,574	78,705				1,860,279
Trees	532,367	24,549				556,916
Total accumulated depreciation	<u>54,255,145</u>	<u>4,110,648</u>	<u>(35,000)</u>			<u>58,330,793</u>
Net capital assets being depreciated	<u>41,016,857</u>	<u>4,676,172</u>		<u>7,401,743</u>		<u>53,094,772</u>
Governmental activity capital assets, net	<u>\$60,286,124</u>	<u>\$7,160,275</u>			<u>\$1,176,610</u>	<u>\$68,623,009</u>

During fiscal year 2013, the State Department of Finance (DOF) denied the prior year transfer of certain land parcels from the former Redevelopment Agency to the City and required the transfer of those parcels totaling \$1,176,610 to the Successor Agency, which was reported as a transfer to the Successor Agency during the year ended June 30, 2013. On June 12, 2014, the DOF reversed this decision with the approval of the Successor Agency's Long-Range Property Management Plan (LRPMP). On July 7, 2014, the Oversight Board of the Successor Agency authorized the reconveyance of the parcels totaling \$1,176,610 from the Successor Agency back to the City for governmental use, which has been reported as a transfer above and as a Special Item in the Statement of Activities.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 6 - CAPITAL ASSETS (Continued)

Construction in progress comprised the following at June 30, 2014:

Project	Amount
Rumrill Boulevard Bridge	\$4,797,290
I-80/San Pablo Dam Road Interchange	3,363,297
Municipal Solar Projects	1,570,915
Slurry Seal Project FY10/11	917,485
Surveillance Cameras	744,504
23rd Street Traffic Calming	619,086
Wildcat Creek Trail	564,015
BNSF on Rumrill Boulevard	556,490
Entry Monument and Signage	387,188
Circle S Infrastructure Improvements	192,638
Slurry Seal Project FY11/12	144,584
Other	343,047
Total construction in progress	<u><u>\$14,200,539</u></u>

B. Economic Development Corporation's Capital Assets

The following is a summary of the Economic Development Corporation's changes in capital assets for the fiscal year ended June 30, 2014:

	Balance at June 30, 2013	Additions	Retirements	Transfers	Balance at June 30, 2014
Capital assets not being depreciated:					
Land	\$235,000		(\$235,000)		
Construction in progress	2,700,756	\$5,829,161		(\$8,529,917)	
Total capital assets not being depreciated	<u>2,935,756</u>	<u>5,829,161</u>	<u>(235,000)</u>	<u>(8,529,917)</u>	
Capital assets being depreciated:					
Building			(8,268,830)	8,268,830	
Furniture and fixtures			(261,087)	261,087	
Vehicles	13,274				\$13,274
Total capital assets being depreciated	<u>13,274</u>		<u>(8,529,917)</u>	<u>8,529,917</u>	<u>13,274</u>
Less accumulated depreciation for:					
Vehicles	2,655	2,655			5,310
Total accumulated depreciation	<u>2,655</u>	<u>2,655</u>			<u>5,310</u>
Net capital assets being depreciated	<u>10,619</u>	<u>(2,655)</u>	<u>(8,529,917)</u>	<u>8,529,917</u>	<u>7,964</u>
Capital assets, net	<u><u>\$2,946,375</u></u>	<u><u>\$5,826,506</u></u>	<u><u>(\$8,764,917)</u></u>		<u><u>\$7,964</u></u>

Included in the Corporation's retirement of capital assets is the conversion of the Helms Community Center Project to a capital lease with the City.

C. 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.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 6 - CAPITAL ASSETS (Continued)

D. 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:

Governmental Activities:	
General Government	\$66,815
Community Recreation	133,630
Community Development	16,009
Public Works	3,656,376
Police	<u>237,818</u>
Total depreciation expense	<u><u>\$4,110,648</u></u>
 Discretely Presented Component Unit:	
Economic Development Corporation	<u><u>\$2,655</u></u>

NOTE 7 – 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. The City's long-term debt is recorded only in the government-wide financial statements.

In governmental fund types, debt discounts and issuance costs are recognized in the current period.

A. Current Year Transactions and Balances

The City's debt issues and transactions are shown below and discussed in detail thereafter.

	<u>Original Issue Amount</u>	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Balance June 30, 2014</u>
Capital Lease:				
Helms Community Center 3.32%, due 12/31/2053	\$8,764,917		\$8,764,917	\$8,764,917
Loan:				
Solar Loan 1.0%, due 12/22/2029	1,141,738		<u>1,141,738</u>	<u>1,141,738</u>
Total City Debt			<u><u>\$9,906,655</u></u>	<u><u>\$9,906,655</u></u>

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 7 – LONG-TERM DEBT (Continued)

Helms Community Center Capital Lease

The City entered into an agreement with the Economic Development Corporation in December 2012 to lease the Helms Community Center. Construction of the Community Center, as discussed in Note 5J, was completed in June 2014. Prior to the completion of construction, the lease was accounted for as an operating lease. With the completion of construction, the lease has been converted to a capital lease and using the final cost of the project of \$8,764,917, the City recorded a lease payable in that amount and the Economic Development Corporation recorded a lease receivable in the same amount. The imputed interest rate on the lease is 3.32% and lease payments are due semi-annually each June 30 and December 31 through 2053.

Debt service requirements are shown below for the capital lease:

Fiscal Year Ended June 30	Payments Due
2015	\$85,000
2016	85,000
2017	85,000
2018	85,000
2019	86,000
2020-2024	1,558,666
2025-2029	1,936,141
2030-2034	2,244,520
2035-2039	2,602,011
2040-2044	3,016,444
2045-2049	3,496,887
2050-2054	3,617,808
Total Payments	18,898,477
Less Imputed Interest	(10,133,560)
Principal	\$8,764,917

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 7 – LONG-TERM DEBT (Continued)

Solar Panel Loan

The City executed a loan agreement with California Energy Commission on March 3, 2013 to fund the installation of solar panels at five San Pablo facilities, in the amount of \$1,141,738. The associated projects started in July 2013 and the proceeds from the loan were drawn down during the year ended June 30, 2014. The loan bears interest of 1.00% and is due in 29 semi-annual installments of \$42,932 from December 22, 2015 through December 22, 2029.

Debt service requirements are shown below for the loan payable:

Fiscal Year Ended June 30	Principal	Interest
2016	\$59,982	\$25,882
2017	75,233	10,631
2018	75,988	9,876
2019	76,750	9,114
2020-2024	395,406	33,914
2025-2029	415,661	14,659
2030	42,718	214
Total	<u>\$1,141,738</u>	<u>\$104,290</u>

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 7 – LONG-TERM DEBT (Continued)

B. EDC Note Payable

On December 12, 2012, the EDC entered into two loan agreements with New Markets Community Capital XI, LLC (NMCC). The first and second loans are for \$6,510,080 and \$2,795,920, respectively. Under the terms of the agreements, the loans bear interest of 1.360% and are payable in semi-annual interest-only payments due June 20 and December 20 until fiscal year 2022. Beginning on June 20, 2023, the EDC will begin making principal payments along with interest semi-annually, with a final payment due on December 1, 2052. At June 30, 2014, the outstanding balances on the loans were \$6,510,080 and \$2,795,920, respectively.

Debt service requirements are shown below for the EDC’s notes payable:

<u>For the Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2015		\$126,562
2016		126,562
2017		126,562
2018		126,562
2019		126,562
2020-2024	\$408,634	689,834
2025-2029	1,349,332	561,048
2030-2034	1,443,945	466,435
2035-2039	1,545,193	365,187
2040-2044	1,653,541	256,839
2045-2049	1,769,486	140,894
2050-2052	1,135,869	25,524
Total	<u>\$9,306,000</u>	<u>\$3,138,571</u>

NOTE 8 - 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. On March 2, 2014, the debt was redeemed and paid in full.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 9 – NET POSITION 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 Position is measured on the full accrual basis while Fund Balance is measured on the modified accrual basis, as explained in Note 1D.

A. *Net Position*

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

Net investment in capital assets describes the portion of Net Position 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 Position 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 Position 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 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
For the Year Ended June 30, 2014

NOTE 9 – NET POSITION 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 by Resolution of the City Council. Encumbrances and nonspendable amounts subject to Council commitments are included along with spendable resources.

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Council or its designee, the Finance Manager, and may be changed at the discretion of the City Council or the Finance Manager.

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

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 9 – NET POSITION AND FUND BALANCES (Continued)

Detailed classifications of the City’s fund balances, as of June 30, 2014, are below:

Fund Balance Classifications	General Fund	Special Revenue Low and Moderate Income Housing Assets	Capital Projects Public Works Construction	Other Governmental Funds	Total
Nonspendable:					
Items not in spendable form:					
Advance	\$37,431				\$37,431
Employee loans receivable	7,788				7,788
Total Nonspendable Fund Balances	45,219				45,219
Restricted for:					
Redevelopment Low and Moderate Income Housing		\$6,432,063			6,432,063
Economic Development Projects Programs					
Street Lighting and Landscaping				\$356,817	356,817
Local Street and Road Improvements and Maintenance				1,058,561	1,058,561
Law Enforcement				631,202	631,202
National Pollution Discharge Elimination System				302,120	302,120
Paratransit				514,397	514,397
Housing Grants				92,535	92,535
Total Restricted Fund Balances		6,432,063		2,955,632	9,387,695
Assigned to:					
Capital Projects:					
Street and Road Projects			\$2,889,446		2,889,446
Wildcat Creek Trail			828,686		828,686
Bridge Replacement			348,272		348,272
Surveillance cameras			106,180		106,180
Solar Projects			1,274,718		1,274,718
Circle S Infrastructure Improvements			1,230,114		1,230,114
Other	763,614		2,405,248		3,168,862
Total Assigned Fund Balances	763,614		9,082,664		9,846,278
Unassigned:					
General fund	31,512,493				31,512,493
Total Unassigned Fund Balances	31,512,493				31,512,493
Total Fund Balances	\$32,321,326	\$6,432,063	\$9,082,664	\$2,955,632	\$50,791,685

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 9 – NET POSITION AND FUND BALANCES (Continued)

C. Stabilization and Contingency Arrangements

The City adopted a Fiscal Resiliency Policy with Resolution 2013-159, which established four types of reserves to address unanticipated, one-time needs as follows:

Catastrophic Reserve: To assist with expenses due to severe, natural, financial, or legal calamities including earthquakes, floods, disruptions in casino income, major legal judgments against the City and would be funded with fifty percent of the annual Total Operating Funds Budget, including transfers to CIP. The Catastrophic Reserve can only be used upon adoption of a Statement of Findings and/or a Declaration of Emergency subject to City Council approval and must be repaid within three fiscal years.

Budget Stabilization Reserve: To replace the prior Budget Stabilization Fund to serve as a budget balancing tool to counteract the impacts of economic downturns and declining revenues in the economic cycle, and the funds would be used for unforeseen, unplanned, one-time expenses that assist the City in developing fiscal resiliency, and the reserve will be funded with the equivalent of five percent of the annual Total Operating Funds budget, including transfers to CIP. The use of the Budget Stabilization Reserve requires approval of the Budget Services Ad-Hoc Subcommittee in addition to a Statement of Findings by the City Council and all uses must be repaid in the following fiscal year to prevent long-term structural deficits.

General Fund Designated Reserves: Identified within the Total Operating Funds and “designated” or earmarked by City Council for particular future uses as a way to prefund large expenditures, including but not limited to replacement of large capital equipment, information technology systems, facilities and infrastructure maintenance and replacement, accrued employee leave costs, PERS rate increases, workers' compensation costs, general liability costs, etc.

Future Capital Projects Reserves: Specific fund balances designated within the Total Operating Funds by City Council for future capital projects that Council determines to be in the best, long-term interests of the City.

The required balance of each reserve for the year ended June 30, 2014, and the actual balance for each as of June 30, 2014, which are reported within the unassigned fund balance of the General Fund follows:

	Required Beginning Balance	Balance as of June 30, 2014
Catastrophic	\$14,587,185	\$14,587,185
Budget Stabilization	1,458,718	611,540
Designated	4,229,504	4,229,504
Future Capital Projects	2,721,521	2,719,369
Unassigned Fund Balance		<u>9,364,895</u>
Total General Fund		
Unassigned Fund Balance		<u><u>\$31,512,493</u></u>

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 10 - 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 sworn safety employees hired on or before January 1, 2013 to pay 12.3% of the contributions, consisting of the 9.0% statutorily-required employee share plus 3.3% of the employer share, and all other employees hired on or before January 1, 2013 to pay 10.3% of the contributions, consisting of the 8.0% statutorily-required employee share plus 2.3% of the employer share. Sworn safety and all other employees hired on or after January 1, 2013 are statutorily required to pay the employee share of 11.5% and 6.25%, respectively. The Plans' provisions and benefits in effect at June 30, 2014 are summarized as follows:

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 10 - PENSION PLANS (Continued)

Safety:

Hire date	Before January 1, 2013	On or after January 1, 2013
Benefit Formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50-57
Monthly benefits, as a % of annual salary	3.0%	2.0%-2.7%
Required employee contribution rates	12.30%	11.50%
Required employer contribution rates	22.85%	11.50%

Miscellaneous:

Hire date	Before January 1, 2013	On or after January 1, 2013
Benefit Formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a % of annual salary	2.0% -2.5%	1.0% -2.5%
Required employee contribution rates	10.30%	6.25%
Required employer contribution rates	12.36%	6.25%

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the City must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarially accrued liability. The City uses the actuarially determined percentages of payroll to calculate and pay contributions to CALPERS. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all contributions required by CALPERS, for the last three fiscal years were as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<i>Safety Plan</i>			
June 30, 2012	\$1,316,888	100%	0
June 30, 2013	1,374,694	100%	0
June 30, 2014	1,413,352	100%	0
<i>Miscellaneous Plan</i>			
June 30, 2012	\$610,980	100%	0
June 30, 2013	623,493	100%	0
June 30, 2014	655,550	100%	0

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 10 - PENSION PLANS (Continued)

CALPERS uses the market related value method of valuing the Plan's assets. For the most recent actuarial report, as of June 30, 2012, an investment rate of return of 7.5% is assumed, including inflation at 2.75%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over 19 years for the Safety Plan and 19 years for the Miscellaneous Plan. Investment gains and losses are accumulated as they are realized and amortized over a rolling thirty-year period.

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

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

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:

3% @ 50 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
2010	\$10,165,475,166	\$8,470,235,152	\$1,695,240,014	83.3%	\$955,980,815	177.3%
2011	10,951,745,049	9,135,654,246	1,816,090,803	83.4%	949,833,090	191.2%
2012	11,724,021,480	9,854,787,710	1,869,233,770	84.1%	947,734,809	197.2%

The City's Safety Plan represents approximately 0.55%, 0.71%, and 0.68%, of the 3% @ 50 State-wide pool for the years ended June 30, 2012, 2011 and 2010, respectively, based on covered payroll of \$5,226,617, \$6,701,514, and \$6,517,083 for those years.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 10 - PENSION PLANS (Continued)

2.5% @ 55 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
2010	\$1,972,910,641	\$1,603,482,152	\$369,428,489	81.3%	\$352,637,380	104.8%
2011	2,135,350,204	1,724,200,585	411,149,619	80.7%	350,121,750	117.4%
2012	2,254,622,362	1,837,489,422	417,132,940	81.5%	339,228,272	123.0%

The City's Miscellaneous Plan represents approximately 1.59%, 1.72% and 1.67%, of the 2.5% @ 55 State-wide pool for the years ended June 30, 2012, 2011 and 2010, respectively, based on covered payroll of \$5,385,666, \$6,005,798 and \$5,878,208 for those years.

Actuarial data is not yet available for the 2.7% @ 57 Safety and 2.0% @ 62 Miscellaneous State-wide pools.

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

B. Public Agency Retirement System

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

The City's part-time, seasonal and temporary employees are covered under the Public Agency Retirement System (PARS), a defined contribution plan, which requires these employees to contribute 6% and the City to contribute 1.5% of the employees pay plus administration costs. The City's required contributions of \$6,596 and the employee's required contributions of \$31,456 were made during the fiscal year ending June 30, 2014.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 10 - 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, 2014 there were 65 participants receiving these health care benefits.

The Plan provisions and benefits in effect at June 30, 2014 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:				
Basic		Retirement under CALPERS		
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) (C)	\$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 (D)	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) Subject to minimum contributions under the Public Employees Medical and Hospital Care Act (PEMHCA) should statutory minimums exceed the rates noted

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

The City elected to establish an irrevocable trust to provide a funding mechanism for the postemployment benefits (OPEB). The activities of the Trust are accounted for in the Retiree Health Savings Plan Trust Fund.

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

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 10 - 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, 2011 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, 2014, the City contributed \$375,417 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	\$325,356
Interest on net OPEB obligation (asset)	(313,765)
Adjustment to annual required contribution	446,775
Annual OPEB cost	458,366
Contributions made	(375,417)
(Decrease) increase in net OPEB obligation	82,949
Net OPEB obligation (asset) June 30, 2013	(4,183,537)
Net OPEB obligation (asset) June 30, 2014	(\$4,100,588)

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 10 - PENSION PLANS (Continued)

The Plan's annual required contributions and actual contributions for the years ended June 30, 2012, 2013, and 2014 are set forth below:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2012	\$184,210	\$326,083	177%	(\$4,561,899)
6/30/2013	702,765	324,403	46%	(4,183,537)
6/30/2014	458,366	375,417	82%	(4,100,588)

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]
7/1/2008	\$5,051,901	\$4,386,044	\$665,857	115.18%	\$13,455,712	4.9%
7/1/2011	6,129,795	6,067,235	62,560	101.03%	12,707,312	0.5%
7/1/2014	7,457,704	7,020,530	437,174	106.23%	13,498,697	3.2%

NOTE 11 - DEFERRED COMPENSATION PLAN

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

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

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 12 – RISK MANAGEMENT

A. *Municipal Pooling Authority (MPA)*

The City is a member of the Municipal Pooling Authority. The Authority provides coverage against the following types of loss risks under the terms of a joint-powers agreement with the City and several other cities and governmental agencies as follows:

Type of Coverage (Deductible)	Coverage Limits
Liability (\$10,000)	\$29,000,000
Cyber Liability (\$50,000)	2,000,000
Public Entity Pollution Liability (\$100,000)	1,000,000
Vehicle - Physical Damage (\$3,000 for police vehicles, \$2,000 for all others)	250,000
Worker's Compensation (no deductible)	Statutory Limit
Government Crime Coverage (\$10,000)	1,000,000
Employment Liability Program (\$100,000)	1,000,000
Property	
All Risk (\$25,000)	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, 2014, 2013 and 2012 the amount of settlements did not exceed insurance coverage.

B. *Liability for Uninsured Claims*

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

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 12 – RISK MANAGEMENT (Continued)

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

	June 30	
	2014	2013
Beginning balance	\$25,018	\$63,178
Provision for current fiscal year claims	24,882	25,094
Change in provision for prior fiscal year claims	19,209	(32,125)
Claims paid	(40,965)	(31,129)
Ending balance	\$28,144	\$25,018

NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES

A. REDEVELOPMENT DISSOLUTION

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

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

In addition, ABx1 26 and AB1484 direct the State Controller to review the activities of all redevelopment agencies and successor agencies to determine whether an asset transfer between an agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the legislation purports to require the State Controller to order the asset returned to the redevelopment agency. The State Controller’s Office completed its asset transfer review during fiscal year 2013 and required the City to make a payment of \$213,606 to the Successor Agency to return funds spent on a project the State determined were incurred subsequent to January 1, 2011. The City made the payment to the Successor Agency during fiscal year 2013.

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

Under the provisions of AB 1484, the City can elect to become the Housing Successor and retain the housing assets. The City initially declined to become the Housing Successor, however after other agencies refused to assume the responsibility, the City elected to become the temporary Housing Successor and on February 1, 2012, certain housing assets were transferred to the City’s Low and Moderate Income Housing Asset Special Revenue Fund. On February 18, 2014, the Council passed a resolution which will allow the City to operate as the temporary Housing Successor until such time when another agency takes up this responsibility.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

**NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY
ACTIVITIES (Continued)**

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

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

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

AB1484 required the Successor Agency to complete two due diligence reviews – one for the low and moderate income housing assets of the Successor Agency (Housing DDR), and a second for all other balances of the Successor Agency (Non-housing DDR). The due diligence reviews are to calculate the balance of unencumbered balances as of June 30, 2012 available to be remitted to the County for disbursement to taxing entities. The Successor Agency submitted both due diligence reviews to the State Department of Finance for review and approval. The Department of Finance approved the Housing DDR and the Successor Agency remitted the unencumbered balance of \$137,054 to the County in July 2013. The Department of Finance did not initially approve the Non-housing DDR, which indicated that the Successor Agency did not have any unencumbered balances, and the State made adjustments to the Non-housing DDR and instead made a demand for the return of funds totaling \$4,614,196. The Successor Agency disputed the demand and requested a meet and confer with the State and the State adjusted the demand to zero. The Successor Agency received its Finding of Completion on September 16, 2013.

Cash and investments of the Successor Agency as of June 30, 2014 are discussed in Note 3 above. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2014.

B. LOANS RECEIVABLE

The Successor Agency assumed the non-housing loans receivable of the Redevelopment Agency as of February 1, 2012. The Redevelopment Agency engaged in programs designed to encourage construction of or improvement to low-to-moderate income housing. Under these programs, grants or loans were provided under favorable terms to homeowners or developers who agreed to expend these funds in accordance with the Agency’s terms. The balances of the notes receivable arising from these programs at June 30, 2014 are set forth below:

Plaza Sobrante	\$55,272
Micro Loan Program	<u>97,377</u>
Total	<u><u>\$152,649</u></u>

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

**NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY
ACTIVITIES (Continued)**

C. PROPERTY HELD FOR RESALE

The Successor Agency assumed the property held for resale of the Redevelopment Agency as of February 1, 2012. The Redevelopment Agency had purchased parcels of land as part of its efforts to develop or redevelop blighted properties within the Redevelopment areas. Such land parcels are accounted for at the lower of cost or net realizable value or agreed-upon sales price if a disposition agreement has been made with a developer.

Included in the property held for resale is the Circle S Project Site, and in July 2013 the Successor Agency approved the transfer of “Block E” of the Site to the City as Housing Successor, which was subsequently approved by the Department of Finance. Therefore, the parcel with a carrying value of \$358,210 was transferred to the City during fiscal year 2014.

D. CAPITAL ASSETS

The Successor Agency assumed the capital assets of the Redevelopment Agency as of February 1, 2012. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The Successor Agency’s policy is to capitalize all assets with costs exceeding certain minimum thresholds and with useful lives exceeding two years.

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

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

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

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

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

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

**NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY
ACTIVITIES (Continued)**

Capital assets recorded at June 30 comprise:

	Balance at June 30, 2013	Additions	Transfers to City (Note 6A)	Balance at June 30, 2014
Capital assets not being depreciated:				
Land and land improvements	\$3,996,003		(\$1,176,610)	\$2,819,393
Total capital assets not being depreciated	<u>3,996,003</u>		<u>(1,176,610)</u>	<u>2,819,393</u>
Capital assets being depreciated:				
Buildings and improvements	2,630,082			2,630,082
Machinery and equipment	92,202			92,202
Vehicles	145,213			145,213
Total capital assets being depreciated	<u>2,867,497</u>			<u>2,867,497</u>
Less accumulated depreciation for:				
Buildings and improvements	1,146,676	\$65,752		1,212,428
Machinery and equipment	92,202			92,202
Vehicles	110,267	20,745		131,012
Total accumulated depreciation	<u>1,349,145</u>	<u>86,497</u>		<u>1,435,642</u>
Net capital assets being depreciated	<u>1,518,352</u>	<u>(86,497)</u>		<u>1,431,855</u>
Capital assets, net	<u>\$5,514,355</u>	<u>(\$86,497)</u>	<u>(\$1,176,610)</u>	<u>\$4,251,248</u>

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

**NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY
ACTIVITIES (Continued)**

E. LONG-TERM OBLIGATIONS

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

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond discount and gross of the applicable premium. Any differences between refunded debt and the debt issued to refund it is amortized over the remaining life of either the refunded debt or the refunding debt, whichever is shorter. The deferred charge on refunding is reported as a deferred outflow or deferred inflow of resources, as applicable. Bond issuance costs, other than prepaid insurance, are expensed in the year incurred.

I. Tax Allocation Bonds and Loans

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

	Original Issue Amount	Balance June 30, 2013	Additions	Retirements	Refunding	Balance June 30, 2014	Current Portion
Tax Allocation Bonds:							
Subordinate Tax Allocation Bonds Series 1999A 3.75-5.65%, due 12/01/2023	\$9,850,000	\$4,065,000		\$685,000		\$3,380,000	\$725,000
Tax Allocation Revenue Bonds Series 2001 Current Interest Serial Bonds 3.25-4.85%, due 12/01/2018	7,855,000	2,625,000		560,000	\$2,065,000		
Current Interest Term Bonds 5.00%, due 12/01/2029	2,280,000	2,280,000			2,280,000		
Capital Appreciation Bonds 5.66-5.68%, due 12/01/2029	12,055,000	5,646,529	\$324,527		3,837,533	2,133,523	
Tax Allocation Revenue Bonds Series 2004 2.00-5.00%, due 12/01/2027	37,755,000	31,455,000		1,420,000	15,345,000	14,690,000	600,000
Subordinate Tax Allocation Bonds Series 2006 Variable rate, due 12/01/2032	36,000,000	30,870,000		910,000	29,960,000		
SERAF Loan 2%, due 5/10/2021	1,222,860	1,222,317				1,222,317	165,987
Tax Allocation Refunding Bonds Series 2014A 2.00-5.00%, due 6/15/2031 Premium	47,595,000		47,595,000 6,429,385			47,595,000 6,429,385	1,275,000
Total Tax Allocation Bonds		<u>78,163,846</u>	<u>54,348,912</u>	<u>3,575,000</u>	<u>53,487,533</u>	<u>75,450,225</u>	<u>2,765,987</u>
Housing Successor Loans:							
2010 Loan	3,000,000	3,000,000				3,000,000	
2011 Loan	2,865,000	2,865,000				2,865,000	
Total Housing Successor Loans		<u>5,865,000</u>				<u>5,865,000</u>	
Total Successor Agency Debt		<u>\$84,028,846</u>	<u>\$54,348,912</u>	<u>\$3,575,000</u>	<u>53,487,533</u>	<u>\$81,315,225</u>	<u>\$2,765,987</u>

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

**NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY
ACTIVITIES (Continued)**

2. Debt Service Requirements

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

For the Year Ending June 30	Principal (1)	Interest
2015	\$2,765,987	\$2,525,298
2016	2,380,491	2,416,852
2017	4,387,201	2,423,985
2018	3,548,945	2,262,518
2019	2,870,724	2,202,574
2020-2024	22,158,969	8,779,721
2025-2029	26,230,000	4,539,625
2030-2031	6,845,000	447,250
Total	\$71,187,317	\$25,597,823

(1) Includes unaccreted discount totaling \$2,166,477

3. 1999 Tax Allocation Bonds

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

4. 2001 Tax Allocation Revenue Bonds

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

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

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

**NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY
ACTIVITIES (Continued)**

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.

On June 1, 2014, the Agency issued 2014 Series A Refunding Tax Allocation Bonds in the amount of \$47,595,000 to refund \$4,345,000 of the Current Interest Serial Bonds, and defease \$3,837,533 of the Capital Appreciation Bonds.

After these refunding amounts, the 2001 Bonds Capital Appreciation Bonds unaccreted discount totaled \$2,166,477 and the outstanding balance increased \$324,527 due to the annual increase in accreted value. Principal and interest payments of \$940,000, \$840,000, \$840,000, \$560,000, \$560,000 and \$560,000 commence December 1, 2024 and continue through December 1, 2029.

5. 2004 Tax Allocation Revenue Bonds

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

On June 1, 2014, the Agency issued 2014 Series A Refunding Tax Allocation Bonds in the amount of \$47,595,000 to refund \$15,345,000 of the 2004 Tax Allocation Revenue Bonds.

6. 2006 Subordinate Tax Allocation Bonds

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

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

**NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY
ACTIVITIES (Continued)**

The 2006 Subordinate Tax Allocation Bonds were originally issued as daily variable-rate demand obligations with municipal bond insurance from Ambac Assurance and a liquidity facility from Dexia Credit Local. The interest rate on the Bonds resets daily according to market conditions and is capped by California State law at 12%. During fiscal year 2008, the Agency substituted an irrevocable, direct-pay letter of credit issued by Union Bank of California for the Dexia liquidity facility in order to remarket the bonds at lower interest rates. The Union Bank letter of credit was valid through June 5, 2012 and it was amended during fiscal year 2012 and extended to June 5, 2013. The letter of credit was amended during fiscal year 2013 and 2014 and extended to September 5, 2014. 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.

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. The combination of variable rate bonds and a floating-to-fixed interest rate swap agreement effectively created a synthetic fixed-rate obligation for the Agency.

On June 1, 2014, the Agency issued 2014 Series A Refunding Tax Allocation Bonds in the amount of \$47,595,000 to refund the remaining \$29,960,000 of the 2006 Subordinate Tax Allocation Bonds. In addition, the interest rate swap agreement was terminated with the issuance of the 2014 Series A Refunding Tax Allocation Bonds through a swap termination payment of \$4,018,000.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

**NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY
ACTIVITIES (Continued)**

7. 2014 Tax Allocation Bonds, Series A, Forward Delivery Agreement and Series B

On June 1, 2014, the Agency issued \$47,595,000 in 2014 Tax Allocation Bonds, Series A. The proceeds of these bonds, secured by property tax revenues in the Redevelopment Property Tax Trust Fund, were used to refund and defease the outstanding 2001 Tax Allocation Revenue Serial and Term Bonds, a portion of the 2001 Tax Allocation Revenue Capital Appreciation Bonds, a portion of the 2004 Tax Allocation Revenue Bonds and the outstanding balance of the 2006 Subordinate Tax Allocation Bonds. The refunding reduces the total debt service payments over 19 years by \$4,048,958 and results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$4,034,727. The 2006 Bonds were called on June 27, 2014 and the outstanding balance of the defeased 2001 and 2004 Bonds was \$21,531,556 as of June 30, 2014.

The 2014A Bonds are secured by the Successor Agency's property tax revenues in the Redevelopment Property Tax Trust Fund. Annual principal payments on the 2014A Bonds are due December 15, and semi-annual interest payments are due June 15 and December 15, through 2031.

With the issuance of the 2014A Bonds, on June 3, 2014 the Successor Agency entered into a Forward Delivery Bond Purchase Agreement with the Underwriter for the subsequently issued Series 2014B Refunding Bonds. Under the terms of the Agreement, the Underwriter agrees to purchase from the Successor Agency all of the 2014B Bonds.

On September 4, 2014, the Successor Agency issued the 2014 Series B Tax Allocation Bonds in the principal amount of \$6,970,000. The proceeds of these bonds, secured by property tax revenues in the Redevelopment Property Tax Trust Fund, are to be used to refund the total amount outstanding the 1999A Tax Allocations Bonds and a portion of the 2004 Tax Allocation Bonds.

8. SERAF Loan from State of California

The State of California adopted AB26 4X in July 2009 which directs that a portion of the incremental property taxes received by the redevelopment agencies, be paid instead to the County Supplemental Educational Revenue Augmentation Fund (SERAF) in fiscal years 2010 and 2011. The Agency did not have the resources to make the 2011 payment and instead was able to enter into a structured payment plan agreement with the State Department of Finance that allows the payment to the County to be made over a ten-year period. The Tenth Township and Legacy Project Areas will pay 88.6% and 11.4% of the loan, respectively. The loan bears interest at a rate of 2%. Annual payments commence on May 10, 2011 with one principal and interest payment, followed by two interest-only payments, then payments of principal and interest May 10, 2014 through May 10, 2020, followed by one final principal payment on May 10, 2021. However, during fiscal year 2014, the State rejected the Successor Agency's payment of principal and interest on May 10, 2014. Therefore, the payment that was due on May 10, 2014 will be paid in fiscal year 2015.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

**NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY
ACTIVITIES (Continued)**

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

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

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.

The above loans had previously been reported as interfund advances within the Redevelopment Agency, but with the transfer of the Redevelopment Agency's liabilities to the Successor Agency, the advances are now reported as long-term debt of the Successor Agency, payable to the Low and Moderate Income Housing Asset Fund of the City of San Pablo, serving as the Housing Successor to the former Agency, pursuant to Health and Safety Code Section 34176(d). These loans were originally required to be repaid by June 30, 2015, however, repayment is now governed by Health and Safety Code Section 34176(e)(6). The State of California Department of Finance has stated that repayment cannot begin prior to fiscal year 2014-2015, and the maximum annual repayment amount is limited based on calculations in Health and Safety Code Section 34176(e)(6).

10. *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 and 2014A Bonds are subordinated to those Bonds. The pledge of all future tax increment revenues ends upon repayment of \$96,785,140 remaining debt service on the Bonds above, which is scheduled to occur in 2031. With the issuance of the 2014A Bonds, projected tax increment revenues are expected to provide coverage over debt service of 149% - 241% over the life of the outstanding Bonds. With the dissolution of the Redevelopment Agency discussed above, Tax Increment is no longer distributed, and instead the Successor Agency receives payments from the County's Redevelopment Property Tax Trust Fund (RPTTF) that are to be used to fund debt service on the Bonds, with no distinction between housing and non-housing revenues.

Beginning in fiscal year 2012, under the provisions of the laws dissolving the Redevelopment Agency, the Successor Agency only receives the funds necessary to fulfill its approved obligations. Total tax increment available for distribution to the Successor Agency and other taxing entities for fiscal year 2014 calculated by the County Auditor-Controller was \$8,094,033, and the total received by the Successor Agency for fiscal year 2014 debt service was \$4,695,660, which represented coverage of 63% of the \$7,503,553 of debt service. The lesser tax distribution was deemed sufficient, because the Agency had other revenues/resources available to direct towards debt service.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

**NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY
ACTIVITIES (Continued)**

With the issuance of the 2014A Bonds in June 2014, the Successor Agency entered into a Custody Agreement with the Contra Costa County Auditor-Controller and the Bond trustee, Wells Fargo Bank, under which the County will remit all amounts payable under the Recognized Obligation Payment Schedule (ROPS) to the Bond trustee. Upon receipt of funds from the County, the Bond trustee uses the funds to first pay the debt service on the Senior Bonds, followed by the debt service for the Subordinate Bonds. Any funds remaining on deposit with the Bond trustee after the debt service payments are then transferred to the Successor Agency for payment of its other non-debt-service obligations.

F. COMMITMENTS AND CONTINGENCIES

State Approval of Enforceable Obligations

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

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. The City was not required to make any contributions to WCCIWMA during fiscal year 2014. 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 2013-2014, the dues paid to WCCTAC were \$25,482.

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

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

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 former Redevelopment Agency had undertaken. Under a Voluntary Cleanup Agreement with the California Department of Toxic Substances Control, the Redevelopment Agency had planned to clean up the former Burlington Northern Santa Fe Property on Rumrill Boulevard to provide for future unrestricted land use. The property was conveyed by the Redevelopment Agency to the City in fiscal year 2011 and, due to the dissolution of the Agency, the City assumed the remediation project. The City had started a Removal Action Work Plan (RAW), and although the initial cost of the preferred alternative remediation was estimated to be \$712,000, an updated RAW was obtained in August 2012 and the current estimated cost of the preferred alternative remediation is estimated to be \$1,220,000. The final RAW was obtained in May 2013, and the preferred alternative remediation is \$1,220,000. In addition, the City expects to incur costs associated with the project of approximately \$280,000. The City has recorded an accrued liability of \$1,500,000 in the Statement of Net Position, 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. *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, 2014 were as follows:

	Amount
General Fund	\$763,614
Public Works Construction Capital Projects Fund	1,067,687
Gas Tax Special Revenue Fund	117,055
Street Lighting and Landscaping Special Revenue Fund	104,411
Development Services Special Revenue Fund	39,543
NPDES Special Revenue Fund	18,000
Paratransit Special Revenue Fund	5,146



CITY^{OF} SAN PABLO

City of New Directions

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

GAS TAX

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

PUBLIC SAFETY

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

STREET LIGHTING AND LANDSCAPING

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

N.P.D.E.S.

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

DEVELOPMENT SERVICES

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

MEASURE C / J

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

ASSET SEIZURES

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

PARATRANSIT

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

LAW ENFORCEMENT SERVICES

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

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

TRAFFIC CONGESTION RELIEF

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

HCD GRANT

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



CITY^{OF} SAN PABLO

City of New Directions

CITY OF SAN PABLO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2014

SPECIAL REVENUE FUNDS

	Gas Tax	Public Safety	Street Lighting and Landscaping	N.P.D.E.S.	Development Services	Measure C / J
ASSETS						
Cash and investments available for operations	\$284,966	\$344,817	\$369,765	\$301,985	\$342,603	\$517,404
Accounts receivable				202		
Due from other governments		8,236				
Total Assets	\$284,966	\$353,053	\$369,765	\$302,187	\$342,603	\$517,404
LIABILITIES						
Accounts payable and accrued liabilities	\$38,454		\$12,948	\$67	\$48,914	
Due to other funds						
Total Liabilities	38,454		12,948	67	48,914	
FUND BALANCES						
Restricted	246,512	\$353,053	356,817	302,120	293,689	\$517,404
Total Fund Balance	246,512	353,053	356,817	302,120	293,689	517,404
Total Liabilities and Fund Balances	\$284,966	\$353,053	\$369,765	\$302,187	\$342,603	\$517,404

SPECIAL REVENUE FUNDS

Asset Seizures	Paratransit	Law Enforcement Services	Traffic Congestion Relief	HCD Grant	Total Nonmajor Governmental Funds
\$96,459	\$514,884	\$218,737	\$144,525	\$92,535	\$3,228,680
		8,827			202
					17,063
<u>\$96,459</u>	<u>\$514,884</u>	<u>\$227,564</u>	<u>\$144,525</u>	<u>\$92,535</u>	<u>\$3,245,945</u>
\$45,874	\$487		\$143,569		\$290,313
<u>45,874</u>	<u>487</u>		<u>143,569</u>		<u>290,313</u>
50,585	514,397	\$227,564	956	\$92,535	2,955,632
<u>50,585</u>	<u>514,397</u>	<u>227,564</u>	<u>956</u>	<u>92,535</u>	<u>2,955,632</u>
<u>\$96,459</u>	<u>\$514,884</u>	<u>\$227,564</u>	<u>\$144,525</u>	<u>\$92,535</u>	<u>\$3,245,945</u>

CITY OF SAN PABLO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

SPECIAL REVENUE FUNDS

	Gas Tax	Public Safety	Street Lighting and Landscaping	N.P.D.E.S.	Development Services	Measure C / J
REVENUES						
Property taxes			\$837,386			
Sales tax		\$104,657				\$359,642
Licenses and permits					\$339,677	
Intergovernmental	\$977,361			\$341,712		
Charges for services	82,830			21,500	596,315	
Use of money and property						3,105
Miscellaneous	25,348		1,647	750	28,061	
Total Revenues	1,085,539	104,657	839,033	363,962	964,053	362,747
EXPENDITURES						
Current:						
Community:						
Development					871,815	
Public Works & Engineering	1,437,053		952,291	465,235		
Police						
Capital outlay	410		127,032			
Total Expenditures	1,437,463		1,079,323	465,235	871,815	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(351,924)	104,657	(240,290)	(101,273)	92,238	362,747
OTHER FINANCING SOURCES (USES)						
Transfers in	594,655		493,984	76,785	201,156	
Transfers (out)						(537,604)
Total Other Financing Sources (Uses)	594,655		493,984	76,785	201,156	(537,604)
NET CHANGE IN FUND BALANCES	242,731	104,657	253,694	(24,488)	293,394	(174,857)
Fund balances (deficits) at beginning of year	3,781	248,396	103,123	326,608	295	692,261
FUND BALANCES AT END OF YEAR	\$246,512	\$353,053	\$356,817	\$302,120	\$293,689	\$517,404

SPECIAL REVENUE FUNDS

Asset Seizures	Paratransit	Law Enforcement Services	Traffic Congestion Relief	HCD Grant	Total Nonmajor Governmental Funds
					\$837,386
					464,299
	\$247,828	\$200,783			339,677
					1,767,684
\$226	1,456		\$443	\$284	700,645
6,120					5,514
6,346	249,284	200,783	443	284	61,926
					4,177,131
	225,607				1,097,422
28,889		87,387			2,854,579
		19,894			116,276
28,889	225,607	107,281			147,336
					4,215,613
(22,543)	23,677	93,502	443	284	(38,482)
					1,366,580
					(537,604)
					828,976
(22,543)	23,677	93,502	443	284	790,494
73,128	490,720	134,062	513	92,251	2,165,138
\$50,585	\$514,397	\$227,564	\$956	\$92,535	\$2,955,632

CITY OF SAN PABLO
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2014

	SPECIAL REVENUE FUNDS					
	GAS TAX			PUBLIC SAFETY		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Sales tax					\$104,657	\$104,657
Licenses and permits						
Intergovernmental	\$938,666	\$977,361	\$38,695			
Charges for services	64,500	82,830	18,330			
Use of money and property						
Miscellaneous		25,348	25,348			
Total Revenues	<u>1,003,166</u>	<u>1,085,539</u>	<u>82,373</u>		<u>104,657</u>	<u>104,657</u>
EXPENDITURES						
Current:						
Community:						
Development						
Housing						
Public Works & Engineering	1,604,899	1,437,053	167,846			
Police						
Capital outlay	<u>10,239</u>	<u>410</u>	<u>9,829</u>			
Total Expenditures	<u>1,615,138</u>	<u>1,437,463</u>	<u>177,675</u>			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(611,972)</u>	<u>(351,924)</u>	<u>260,048</u>		<u>104,657</u>	<u>104,657</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	594,655	594,655				
Transfers out						
Total Other Financing Sources (Uses)	<u>594,655</u>	<u>594,655</u>				
NET CHANGE IN FUND BALANCES	<u><u>(\$17,317)</u></u>	<u>242,731</u>	<u><u>\$260,048</u></u>		<u>104,657</u>	<u><u>\$104,657</u></u>
Fund balances (deficit) at beginning of year		<u>3,781</u>			<u>248,396</u>	
FUND BALANCES AT END OF YEAR		<u><u>\$246,512</u></u>			<u><u>\$353,053</u></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)
\$835,000	\$837,386	\$2,386						
			\$343,184	\$341,712	(\$1,472)	\$270,000	\$339,677	\$69,677
				21,500	21,500	588,500	596,315	7,815
	1,647	1,647		750	750		28,061	28,061
<u>835,000</u>	<u>839,033</u>	<u>4,033</u>	<u>343,184</u>	<u>363,962</u>	<u>20,778</u>	<u>858,500</u>	<u>964,053</u>	<u>105,553</u>
						1,077,716	871,815	205,901
1,196,450	952,291	244,159	638,876	465,235	173,641			
140,839	127,032	13,807						
<u>1,337,289</u>	<u>1,079,323</u>	<u>257,966</u>	<u>638,876</u>	<u>465,235</u>	<u>173,641</u>	<u>1,077,716</u>	<u>871,815</u>	<u>205,901</u>
<u>(502,289)</u>	<u>(240,290)</u>	<u>261,999</u>	<u>(295,692)</u>	<u>(101,273)</u>	<u>194,419</u>	<u>(219,216)</u>	<u>92,238</u>	<u>311,454</u>
493,984	493,984		15,815	76,785	60,970	201,156	201,156	
<u>493,984</u>	<u>493,984</u>		<u>15,815</u>	<u>76,785</u>	<u>60,970</u>	<u>201,156</u>	<u>201,156</u>	
<u>(\$8,305)</u>	253,694	<u>\$261,999</u>	<u>(\$279,877)</u>	(24,488)	<u>\$255,389</u>	<u>(\$18,060)</u>	293,394	<u>\$311,454</u>
	103,123			326,608			295	
	<u>\$356,817</u>			<u>\$302,120</u>			<u>\$293,689</u>	

(Continued)

CITY OF SAN PABLO
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2014

	SPECIAL REVENUE FUNDS					
	MEASURE C / J			ASSET SEIZURES		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Sales tax	\$307,831	\$359,642	\$51,811			
Licenses and permits						
Intergovernmental						
Charges for services						
Use of money and property	3,370	3,105	(265)		\$226	\$226
Miscellaneous					6,120	6,120
Total Revenues	<u>311,201</u>	<u>362,747</u>	<u>51,546</u>		<u>6,346</u>	<u>6,346</u>
EXPENDITURES						
Current:						
Community:						
Development						
Housing						
Public Works & Engineering						
Police				\$15,741	28,889	(13,148)
Capital outlay				29,745		29,745
Total Expenditures				<u>45,486</u>	<u>28,889</u>	<u>16,597</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>311,201</u>	<u>362,747</u>	<u>51,546</u>	<u>(45,486)</u>	<u>(22,543)</u>	<u>22,943</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers out	(848,805)	(537,604)	311,201			
Total Other Financing Sources (Uses)	<u>(848,805)</u>	<u>(537,604)</u>	<u>311,201</u>			
NET CHANGE IN FUND BALANCES	<u>(\$537,604)</u>	(174,857)	<u>\$362,747</u>	<u>(\$45,486)</u>	(22,543)	<u>\$22,943</u>
Fund balances (deficit) at beginning of year		692,261			73,128	
FUND BALANCES AT END OF YEAR		<u>\$517,404</u>			<u>\$50,585</u>	

SPECIAL REVENUE FUNDS

PARATRANSIT			LAW ENFORCEMENT SERVICES		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$195,000	\$247,828	\$52,828	\$156,894	\$200,783	\$43,889
	1,456	1,456			
<u>195,000</u>	<u>249,284</u>	<u>54,284</u>	<u>156,894</u>	<u>200,783</u>	<u>43,889</u>
347,491	225,607	121,884			
			102,037	87,387	14,650
			<u>19,894</u>	<u>19,894</u>	
<u>347,491</u>	<u>225,607</u>	<u>121,884</u>	<u>121,931</u>	<u>107,281</u>	<u>14,650</u>
<u>(152,491)</u>	<u>23,677</u>	<u>176,168</u>	<u>34,963</u>	<u>93,502</u>	<u>58,539</u>
<u>(\$152,491)</u>	23,677	<u>\$176,168</u>	<u>\$34,963</u>	93,502	<u>\$58,539</u>
	<u>490,720</u>			<u>134,062</u>	
	<u>\$514,397</u>			<u>\$227,564</u>	



CITY^{OF} 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.

OAK PARK SPECIAL ASSESSMENT DISTRICT

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

COMMUNITY ORGANIZATIONS AND ACTIVITIES

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

WEST CONTRA COSTA TRANSPORTATION ADVISORY COMMITTEE

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

CITY OF SAN PABLO
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2014

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
<hr/> <u>Oak Park Special Assessment District</u> <hr/>				
<u>Assets</u>				
Restricted cash and investments	\$1,052,684	\$170,752	\$1,223,436	
<u>Liabilities</u>				
Due to bondholders	\$1,052,684	\$170,752	\$1,223,436	
<hr/> <u>Community Organizations and Activities</u> <hr/>				
<u>Assets</u>				
Restricted cash and investments	\$723,869	\$67,875	\$5,713	\$786,031
Total Assets	\$723,869	\$67,875	\$5,713	\$786,031
<u>Liabilities</u>				
Accounts payable	\$95,907	\$94,843	\$95,907	\$94,843
Deposits held as agent for others	627,962	(26,968)	(90,194)	691,188
Total Liabilities	\$723,869	\$67,875	\$5,713	\$786,031
<hr/> <u>West Contra Costa Transportation Advisory Committee</u> <hr/>				
<u>Assets</u>				
Restricted cash and investments	\$1,512,586	\$851,814	\$884,020	\$1,480,380
Due from other governments	255,449	95,131	255,449	95,131
Total Assets	\$1,768,035	\$946,945	\$1,139,469	\$1,575,511
<u>Liabilities</u>				
Accounts payable	\$55,724	\$7,270	\$55,724	\$7,270
Deposits held as agent for others	1,712,311	939,675	1,083,745	1,568,241
Total Liabilities	\$1,768,035	\$946,945	\$1,139,469	\$1,575,511
<hr/> <u>Totals - All Agency Funds</u> <hr/>				
<u>Assets</u>				
Restricted cash and investments	\$3,289,139	\$1,090,441	\$2,113,169	\$2,266,411
Due from other governments	255,449	95,131	255,449	95,131
Total Assets	\$3,544,588	\$1,185,572	\$2,368,618	\$2,361,542
<u>Liabilities</u>				
Accounts payable	\$151,631	\$102,113	\$151,631	\$102,113
Deposits held as agent for others	2,340,273	912,707	993,551	2,259,429
Due to bondholders	1,052,684	170,752	1,223,436	
Total Liabilities	\$3,544,588	\$1,185,572	\$2,368,618	\$2,361,542

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 wellbeing have changed over time:

1. Net Position by Component
2. Changes in Net Position
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 - Debt Service Coverage Schedule

Demographic and Economic Information

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

1. Demographic and Economic Statistics
2. Principal Employers

Operating Information

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

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

Sources

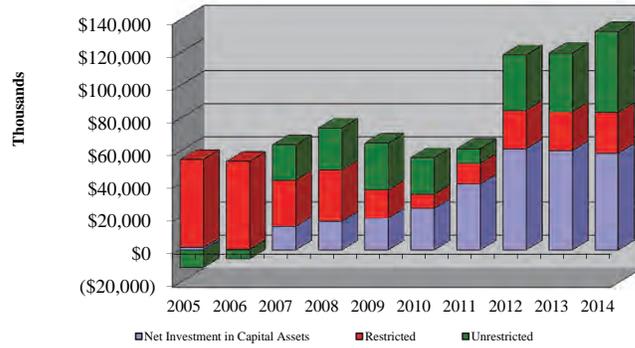
Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.



CITY^{OF} SAN PABLO

City of New Directions

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



	Fiscal Year Ended June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013 (A)	2014
<i>Governmental activities</i>										
Net investment in capital assets	\$1,338,446	\$391,982	\$14,162,898	\$17,233,098	\$19,236,798	\$25,129,231	\$39,968,889	\$61,548,129	\$60,286,124	\$58,716,354
Restricted	53,602,869	53,323,336	28,234,327	31,346,751	17,023,526	8,544,531	12,660,690	23,252,245	23,589,889	24,793,010
Unrestricted	(10,731,809)	(5,491,591)	21,442,740	25,591,054	28,686,988	22,456,421	8,948,361	33,879,184	35,928,112	49,328,968
Total governmental activities net position	<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>	<u>\$118,679,558</u>	<u>\$119,804,125</u>	<u>\$132,838,332</u>

(A) The City implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position."

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

	Fiscal Year Ended June 30,				
	2005	2006	2007	2008	2009
Expenses					
Governmental Activities:					
General Government	\$6,247,087	\$5,061,400	\$2,632,986	\$2,993,404	\$3,200,437
Community					
Recreation	682,636	703,787	989,126	1,217,942	1,132,500
Development	8,047,233	6,190,032	4,140,354	6,428,706	23,541,394
Housing	316,338	2,456,860	228,296	194,708	554,770
Public Works & Engineering			5,674,920	5,892,638	6,424,687
Police	9,899,191	15,399,999	10,772,050	14,078,285	13,573,473
Interest and fiscal charges	3,336,076	3,281,931	4,498,283	4,220,723	4,035,250
Total Governmental Activities Expenses	28,528,561	33,094,009	28,936,015	35,026,406	52,462,511
Program Revenues					
Governmental Activities:					
Charges for Services:					
General Government	767,938	1,089,391	22,805	16,171	31,223
Community:					
Recreation	70,360	52,525	117,752	127,847	144,942
Development			556,322	444,499	438,378
Public Works & Engineering			130,443	157,591	57,724
Police	597,466	418,449	724,871	516,367	403,428
Operating Grants and Contributions	1,696,841	1,986,780	1,927,514	1,835,557	1,424,555
Capital Grants and Contributions	749,567	1,015,449	1,793,276	1,649,247	1,521,513
Total Government Activities Program Revenues	3,882,172	4,562,594	5,272,983	4,747,279	4,021,763
Net (Expense)/Revenue					
Governmental Activities	(24,646,389)	(28,531,415)	(23,663,032)	(30,279,127)	(48,440,748)
General Revenues and Other					
Changes in Net Position					
Governmental Activities:					
Taxes:					
Property Taxes	1,384,587	1,387,577	1,389,901	1,235,060	1,302,668
Incremental Property Taxes	11,577,262	12,251,525	14,959,091	15,434,058	14,675,932
ERAF	(780,327)	(801,770)			
Sales Taxes	1,442,957	1,414,077	1,304,189	1,400,911	1,342,904
In-Lieu Sales Tax	402,175	367,240	396,968	411,506	472,411
Utility Users Tax	2,053,248	2,158,865	1,594,338	1,632,823	1,366,676
Transient Occupancy Taxes (a)					
Franchise Taxes (a)					
Payment in Lieu of taxes (a)					
Business Licenses (nonregulatory)	280,518	290,935	326,195	296,836	327,507
Other Taxes	3,820,413	9,866,947	12,649,876	13,531,030	14,891,478
Intergovernmental unrestricted:					
Motor Vehicle In-Lieu Fees	2,516,011	2,276,752	2,476,028	2,634,391	2,532,312
Use of Money and Property	1,777,188	2,733,017	3,306,358	3,815,626	2,032,690
Gain on Sale of Property	56,981	315,000	497,534	13,275	6,091
Miscellaneous	143,876	285,471	378,792	204,549	266,488
Special item - transfer of loans and cash to County	(1,425,863)				
Special item - assets transferred from Successor Agency					
Extraordinary item - assets transferred to/liabilities assumed by Successor Agency					
Total Governmental Activities	23,249,026	32,545,636	39,279,270	40,610,065	39,217,157
Change in Net Position					
Governmental Activities	(\$1,397,363)	\$4,014,221	\$15,616,238	\$10,330,938	(\$9,223,591)

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

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

(c) The City implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position."

Fiscal Year Ended June 30,

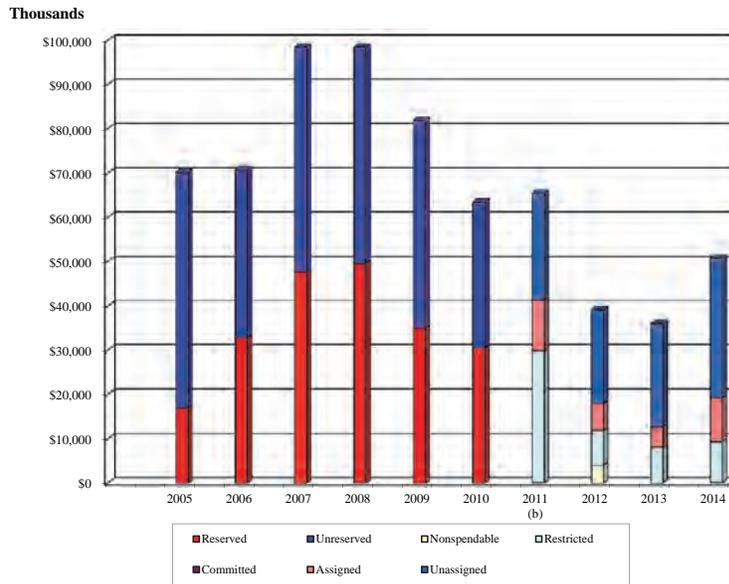
<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013(c)</u>	<u>2014</u>
\$3,746,905	\$3,873,454	\$4,041,867	\$5,680,263	\$5,918,919
1,260,952	1,296,966	1,141,266	1,342,621	1,306,695
17,744,655	4,482,336	2,062,972	1,176,592	1,115,441
244,168	86,761	6,937	13,600	12,100
6,390,441	7,379,061	7,447,687	8,064,981	7,304,089
14,471,506	14,397,742	13,676,212	15,393,927	14,959,000
3,894,561	3,813,714	2,175,282		
<u>47,753,188</u>	<u>35,330,034</u>	<u>30,552,223</u>	<u>31,671,984</u>	<u>30,616,244</u>
26,562	66,541	113,227	218,312	522,654
166,294	251,779	204,475	245,934	236,757
588,719	332,055	289,569	527,404	561,699
118,661	106,798	85,258	143,158	168,230
338,838	325,909	303,410	486,569	396,612
1,620,850	2,497,146	2,158,891	1,930,939	1,962,725
3,383,502	2,304,659	3,095,927	1,846,299	7,078,669
<u>6,243,426</u>	<u>5,884,887</u>	<u>6,250,757</u>	<u>5,398,615</u>	<u>10,927,346</u>
<u>(41,509,762)</u>	<u>(29,445,147)</u>	<u>(24,301,466)</u>	<u>(26,273,369)</u>	<u>(19,688,898)</u>
1,099,009	1,129,241	1,345,016	1,229,599	1,515,310
9,751,633	9,415,129	5,051,415		
1,250,870	1,313,493	1,396,988	2,253,736	2,912,396
456,357	316,486	421,134	468,552	548,465
1,512,840	2,083,913	2,339,064	2,473,792	2,553,955
		309,167	356,177	424,570
		540,565	627,473	719,358
		1,757,473	1,792,638	1,828,490
321,824	313,623	15,800,631	17,388,179 (b)	18,291,111
15,332,960	16,217,232	85,790	109,928	114,542
1,937,853	1,881,451	1,688,305	1,654,714	1,713,415
777,955	666,850	394,790	238,115	246,226
	1,327,416			
251,332	228,070	344,653	167,902	320,447
				1,534,820
		49,928,093	(1,176,610)	
<u>32,692,633</u>	<u>34,892,904</u>	<u>81,403,084</u>	<u>27,584,195</u>	<u>32,723,105</u>
<u>(\$8,817,129)</u>	<u>\$5,447,757</u>	<u>\$57,101,618</u>	<u>\$1,310,826</u>	<u>\$13,034,207</u>



CITY^{OF} SAN PABLO

City of New Directions

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



	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011 (b)	2012	2013	2014
General Fund										
Reserved	\$383,225	\$387,568	\$45,330	\$55,576	\$71,191	\$32,630				
Unreserved	13,634,482	12,989,007	18,012,835	17,378,837	20,125,976	21,359,353				
Nonspendable							\$94,156	\$4,024,921	\$28,503	\$45,219
Restricted							206,626			
Assigned								20,215	227,579	763,614
Unassigned							24,008,243	21,100,922	23,285,950	31,512,493
Total General Fund	<u>\$14,017,707</u>	<u>\$13,376,575</u>	<u>\$18,058,165</u>	<u>\$17,434,413</u>	<u>\$20,197,167</u>	<u>\$21,391,983</u>	<u>\$24,309,025</u>	<u>\$25,146,058</u>	<u>\$23,542,032</u>	<u>\$32,321,326</u> (a)
All Other Governmental Funds										
Reserved	\$16,603,584	\$32,450,547	\$47,633,407	\$49,546,081	\$34,879,869	\$30,555,643				
Unreserved, reported in:										
Special revenue funds	549,853	915,850	1,366,884	1,385,761	1,570,804	1,829,801				
Capital project funds	38,954,525	23,939,025	31,423,052	30,104,970	25,252,717	9,611,508				
Restricted							\$29,624,123	\$7,862,952	\$8,117,456	\$9,387,695
Assigned							11,451,201	6,112,651	4,365,599	9,082,664
Unassigned							(10,350)			
Total all other governmental funds	<u>\$56,107,962</u>	<u>\$57,305,422</u>	<u>\$80,423,343</u>	<u>\$81,036,812</u>	<u>\$61,703,390</u>	<u>\$41,996,952</u>	<u>\$41,064,974</u>	<u>\$13,975,603</u>	<u>\$12,483,055</u>	<u>\$18,470,359</u> (a)

(a) The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis.
(b) The City implemented the provisions of GASB Statement 54 in fiscal year 2011.

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

	Fiscal Year Ended June 30,				
	2005	2006	2007	2008	2009
Revenues					
Property taxes	\$1,384,587	\$1,387,577	\$1,738,546	\$1,584,784	\$1,310,791
Incremental property taxes	11,577,262	12,251,525	14,959,091	15,434,058	14,675,932
Less ERAF	(780,327)	(801,770)			
Sales taxes	1,442,957	1,414,077	1,304,189	1,400,911	1,342,904
In-lieu sales tax	402,175	367,240	396,968	411,506	472,411
Utility users tax	2,053,248	2,158,865	1,594,338	1,632,823	1,366,676
Business license tax (a)					
Other taxes	3,820,413	9,866,947	12,649,876	13,531,030	14,891,478
Licenses and permits	280,518	290,935	326,195	296,836	327,507
Fines and forfeits	38,248	15,768	400,117	333,832	248,344
Intergovernmental	4,357,809	4,838,178	5,276,263	5,454,369	5,368,548
Charges for services	1,435,764	1,560,365	1,098,195	884,505	784,975
Use of money and property	2,544,289	3,373,908	4,165,686	4,339,988	2,217,675
Miscellaneous	302,606	269,703	276,206	178,633	237,809
Total Revenues	28,859,549	36,993,318	44,185,670	45,483,275	43,245,050
Expenditures					
Current:					
General government	6,075,454	5,153,650	2,462,270	3,502,819	3,092,038
Community					
Recreation	653,744	716,929	956,875	1,188,497	1,107,073
Development	6,083,560	3,871,099	4,215,123	6,723,506	10,911,000
Housing	849,562	1,320,060	518,764	4,192,021	5,778,117
Public Works & Engineering			2,947,864	3,569,382	3,266,892
Police	9,600,575	15,512,360	10,589,624	15,246,567	13,504,115
Pass Through to County					
Supplemental Educational Revenue Augmentation Fund Payment					
Estimated reduction in value of land held for redevelopment					12,520,417
Capital outlay	2,302,320	3,147,146	14,634,535	5,317,834	3,983,178
Debt service:					
Principal repayment	1,645,000	1,530,000	1,740,000	1,795,000	1,865,000
Interest and fiscal charges	3,145,231	3,079,872	4,097,085	3,993,540	3,794,982
Total Expenditures	30,355,446	34,331,116	42,162,140	45,529,166	59,822,812
Excess (deficiency) of revenues over (under) expenditures	(1,495,897)	2,662,202	2,023,530	(45,891)	(16,577,762)
Other Financing Sources (Uses)					
Transfers in	13,157,679	12,628,478	42,988,080	13,741,142	16,958,273
Transfers (out)	(13,157,679)	(12,628,478)	(42,988,080)	(13,741,142)	(16,958,273)
Proceeds or gain from sale of property	56,981	315,000	2,368,112	35,608	7,094
Loss from sale of property		(2,420,874)			
Issuance of debt			36,000,000		
Premium on bonds					
Payments to refunded bond escrow			(12,592,131)		
Property held for resale					
transferred to capital assets					
Total Other Financing Sources (Uses)	56,981	(2,105,874)	25,775,981	35,608	7,094
Special and Extraordinary Items					
Transfer of loans receivable and cash to the county	(1,425,863)				
Reversal of deferred revenues to offset the loans	1,005,931				
Assets transferred to Housing Successor					
Assets transferred to/liabilities assumed by Successor Agency/Housing Successor					
Total Special and Extraordinary Items	(419,932)	0	0	0	0
Change in Fund Balance	(\$1,858,848)	\$556,328	\$27,799,511	(\$10,283)	(\$16,570,668)
Debt service as a percentage of noncapital expenditures	17.1%	14.8%	21.2%	14.4%	10.1%

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

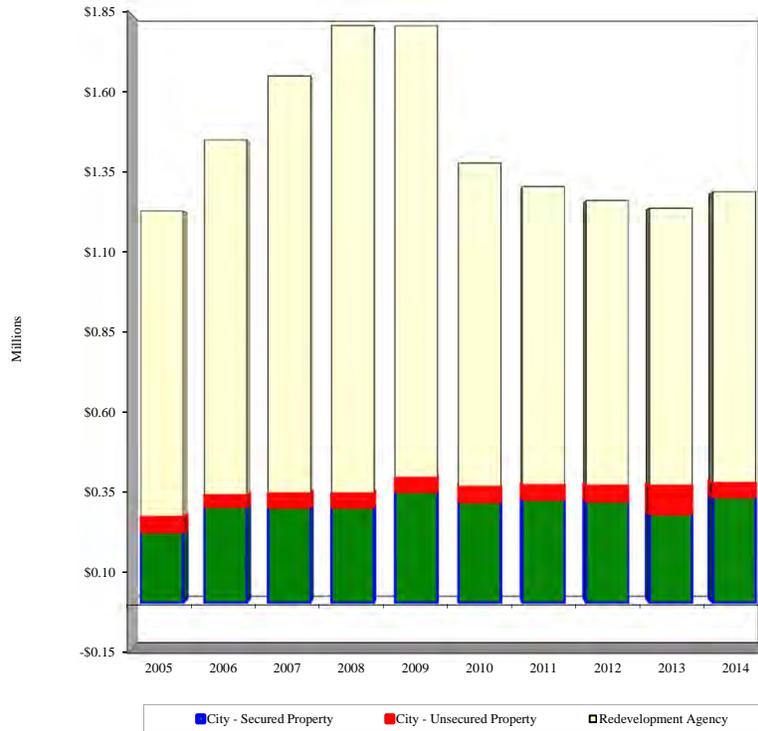
(b) The Redevelopment Agency was dissolved on January 31, 2012.

Fiscal Year Ended June 30,

2010	2011	2012	2013	2014
\$1,104,259	\$1,129,241	\$1,345,016	\$1,083,129	\$1,515,310
9,751,633	9,415,129	5,051,415 (b)		
1,893,530	1,336,319	1,774,609	2,561,567	3,272,038
456,357	316,486	421,134	468,552	548,465
1,512,840	2,083,913	2,339,064	2,473,792	2,553,955
		15,501,584	17,105,522	17,951,434
15,332,960	16,217,232	2,692,995	2,862,216	3,064,960
321,824	313,623	299,047	282,657	339,677
253,830	175,236	160,779	199,033	178,497
5,792,474	6,927,565	6,732,431	5,341,904	10,466,512
980,009	786,693	733,972	1,324,955	1,622,447
904,473	1,275,476	1,070,834	886,060	494,277
135,070	143,404	125,916	105,815	265,763
<u>38,439,259</u>	<u>40,120,317</u>	<u>38,248,796</u>	<u>34,695,202</u>	<u>42,273,335</u>
3,608,932	5,077,971	4,051,309	5,644,563	5,798,844
1,232,619	1,281,164	1,045,283	1,198,105	1,173,065
8,120,814	3,231,110	1,776,767	1,116,502	1,097,422
680,286	214,996	6,937	1,850	12,100
3,173,331	2,912,684	3,039,965	3,108,904	3,153,976
14,281,329	14,109,881	13,601,625	14,879,348	14,858,753
5,939,603	1,222,860			
3,486,168				
9,741,894	4,993,318	8,925,221	11,656,245	2,912,525
3,050,000	3,165,543	3,290,000		
<u>3,640,060</u>	<u>3,541,450</u>	<u>2,182,278</u>		
<u>56,955,036</u>	<u>39,750,977</u>	<u>37,919,385</u>	<u>37,605,517</u>	<u>29,006,685</u>
<u>(18,515,777)</u>	<u>369,340</u>	<u>329,411</u>	<u>(2,910,315)</u>	<u>13,266,650</u>
15,160,490	21,666,427	15,145,921	8,671,125	3,904,184
(15,160,490)	(21,666,427)	(15,145,921)	(8,671,125)	(3,904,184)
4,155	1,327,416			
	1,222,860			1,141,738
	(911,727)			
<u>4,155</u>	<u>1,638,549</u>	<u>0</u>	<u>0</u>	<u>1,141,738</u>
		5,865,000		358,210
		(32,469,574)		
<u>0</u>	<u>0</u>	<u>(26,604,574)</u>	<u>0</u>	<u>358,210</u>
<u>(\$18,511,622)</u>	<u>\$2,007,889</u>	<u>(\$26,275,163)</u>	<u>(\$2,910,315)</u>	<u>\$14,766,598</u>

14.2%	19.1%	18.6%	0.0%	0.0%
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**CITY OF SAN PABLO
 ASSESSED AND ESTIMATED ACTUAL
 VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS**

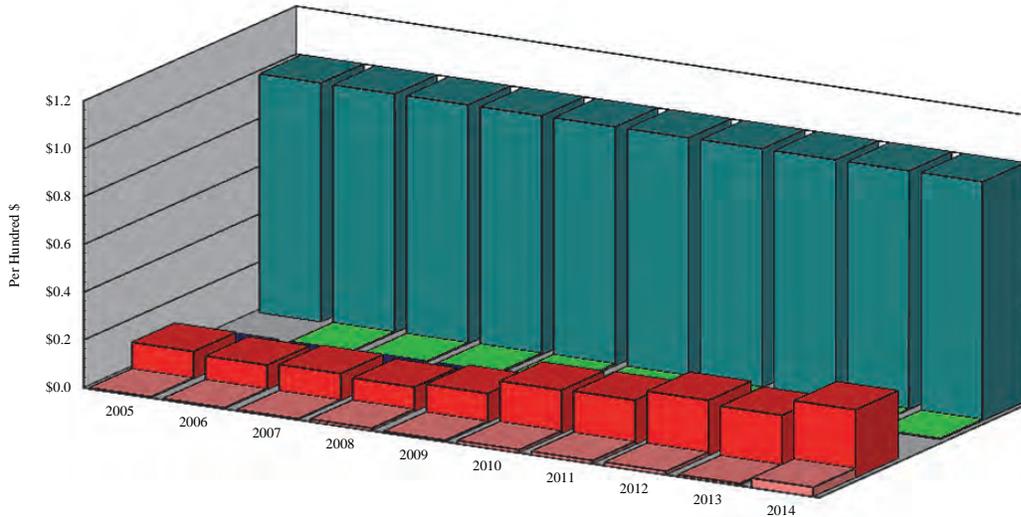


Fiscal Year	Value of City Property Subject to Local Tax Rate			Value of Redevelopment Agency Property Subject to Local Tax Rate			Total Assessed (a)	Estimated Full Market (a)	Total Direct Tax Rate (b)
	Secured Property	Unsecured Property	Total	Tenth Township	Legacy	Total			
2005	\$220,397,081	\$48,109,315	\$268,506,396	\$870,655,885	\$89,092,924	\$959,748,809	\$1,228,255,205	\$1,228,255,205	0.958%
2006	300,086,126	36,435,336	336,521,462	997,667,744	117,581,726	1,115,249,470	1,451,770,932	1,451,770,932	0.858%
2007	298,211,215	45,156,382	343,367,597	1,154,590,211	154,299,250	1,308,889,461	1,652,257,058	1,652,257,058	0.938%
2008	298,159,072	44,998,015	343,157,087	1,259,837,281	208,574,923	1,468,412,204	1,811,569,291	1,811,569,291	0.871%
2009	346,890,514	45,660,517	392,551,031	1,222,217,550	194,668,521	1,416,886,071	1,809,437,102	1,809,437,102	0.837%
2010	315,643,724	47,360,647	363,004,371	926,984,713	88,794,964	1,015,779,677	1,378,784,048	1,378,784,048	0.726%
2011	322,164,784	46,296,587	368,461,371	854,184,022	82,697,584	936,881,606	1,305,342,977	1,305,342,977	0.744%
2012	317,570,213	49,107,847	366,678,060	819,841,729	74,886,120	894,727,849	1,261,405,909	1,261,405,909	0.716%
2013	277,310,622	89,243,515	366,554,137	811,535,168	60,048,453	871,583,621	1,238,137,758	1,238,137,758	0.680%
2014	330,899,170	44,270,604	375,169,774	834,582,578	78,654,747	913,237,325	1,288,407,099	1,288,407,099	0.700%

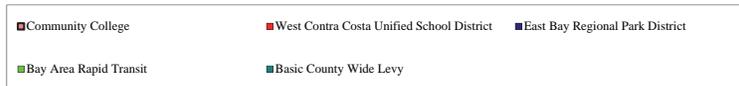
Source: Contra Costa County Auditor Controller Office Certificate of Assessed Valuations

- (a) The State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of no more than two percent annually, plus any local over-rides. These values are considered to be full market values.
- (b) California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area.

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



Direct and Overlapping Rates



Fiscal Year	Basic County Wide Levy (a)	Bay Area Rapid Transit	East Bay Regional Park District	West Contra Costa Unified School District	Community College	Total Direct and Overlapping Rates (b)	City's Share of 1% Levy per Prop 13 (c)	Redevelopment Agency Rate (d)	Total Direct Rate (e)
2005	\$1.00000		\$0.00570	\$0.11530	\$0.00420	\$1.12520	\$0.09828	\$1.00570	\$0.79362
2006	1.00000	\$0.00480	0.00570	0.10410	0.00470	1.11930	0.09828	1.00570	0.81544
2007	1.00000	0.00500	0.00850	0.11430	0.00430	1.13210	0.09828	1.00850	0.83751
2008	1.00000	0.00760	0.00800	0.10350	0.01080	1.12990	0.09828	1.00800	0.85082
2009	1.00000	0.00900	0.01000	0.12300	0.00660	1.14860	0.09828	1.01000	0.84696
2010	1.00000	0.00570	0.01080	0.18280	0.01260	1.21190	0.09828	1.01080	0.80472
2011	1.00000	0.00310	0.00840	0.18690	0.01330	1.21170	0.09828	1.00840	0.78904
2012	1.00000	0.00410	0.00710	0.23220	0.01440	1.25780	0.09828	1.00710	0.78177
2013	1.00000	0.00430	0.00510	0.21570	0.00870	1.23380	0.09828	0.00000	0.77265
2014	1.00000	0.00546	0.02590	0.28470	0.03970	1.35576	0.09830	0.00000	0.09750

Source: HdL Coren & Cone, Contra Costa County Assessor

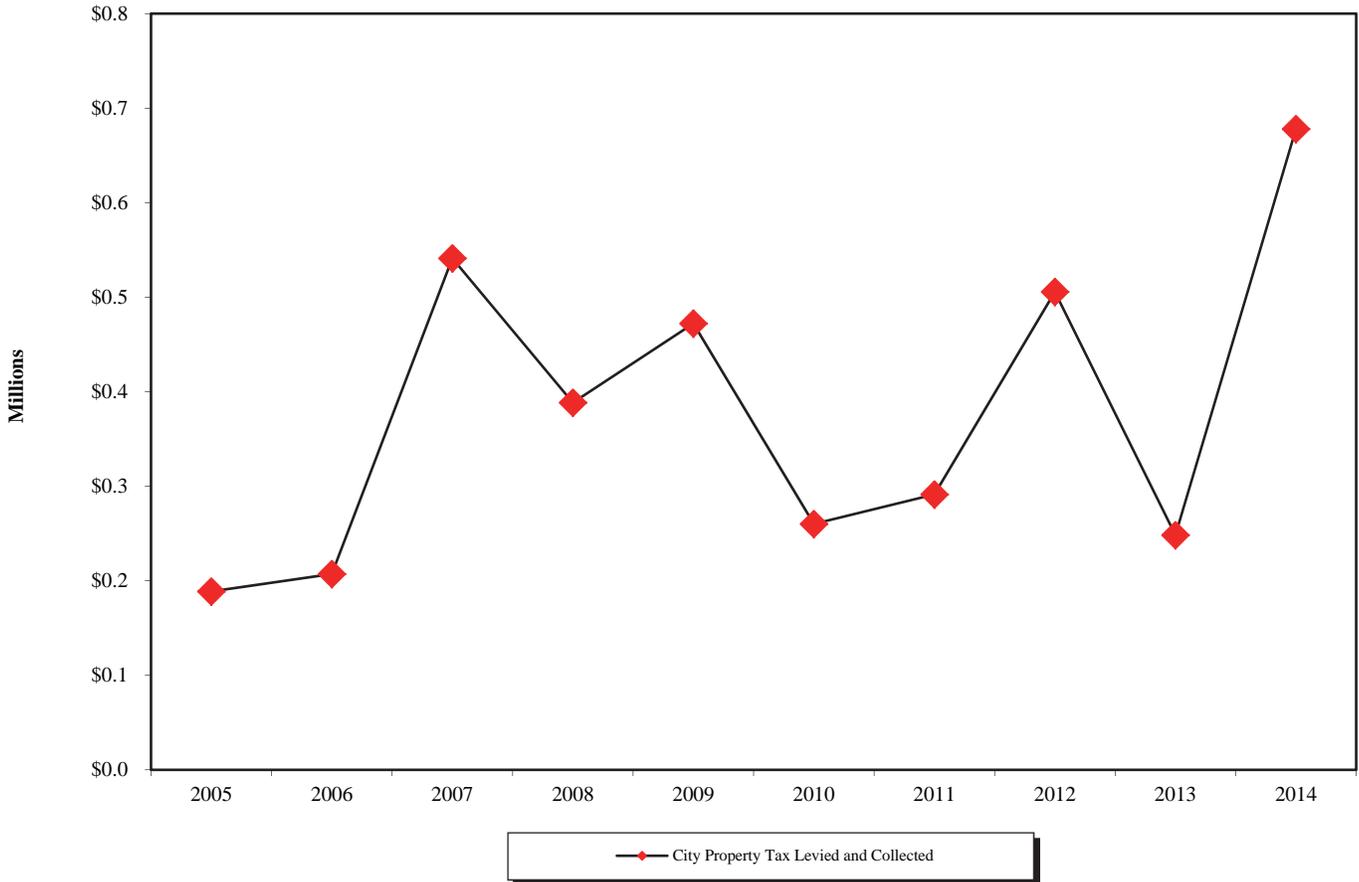
- (a) In 1978, California voters passed Proposition 13 which set the property tax rate at a 1% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the, 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.
- (b) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all City property owners.
- (c) City's share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the City. ERAF general fund tax shifts may not be included in tax ratio figures.
- (d) Redevelopment Agency (RDA) rate is based on the largest RDA tax rate area (TRA) and includes only rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of ABX1 26 eliminated Redevelopment from the State of California for fiscal year 2013 and years thereafter.
- (e) Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information.

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

<u>Taxpayer</u>	<u>2013-2014</u>			<u>2004-2005</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	\$21,752,504	1	1.7%			
CC San Pablo LP	14,667,490	2	1.1%			
San Pablo Retail Partners	14,426,257	3	1.1%			
3002 Giant Road LLC	14,079,966	4	1.1%			
Save Mart Supermarkets	13,475,017	5	1.0%	\$11,367,650	6	0.9%
Public Storage, Inc.	10,640,147	6	0.8%	9,950,609	7	0.8%
Lucky NoCal Investor LLC	10,308,337	7	0.8%			
Gordon Creekside LLC	9,399,168	8	0.7%			
WEC 97K-31 Investment Trust	6,864,750	9	0.5%			
Vale Property LLC	6,321,881	10	0.5%			
Signature at Abella				19,555,022	1	1.6%
August partners LLC				15,456,922	2	1.3%
Princeton Plaza LLC				14,477,952	3	1.2%
West CCC Hospital Group				13,737,826	4	1.1%
Tenet Healthsystem Hospital Inc				13,273,550	5	1.1%
Murray and Janet Gordon Trust				8,140,702	8	0.7%
Lucky Stores Inc.				8,076,442	9	0.7%
Comcast of East San Fernando				6,267,476	10	0.5%
Subtotal	<u>\$121,935,517</u>		<u>9.5%</u>	<u>\$120,304,151</u>		<u>9.8%</u>
Total Net Assessed Valuation:						
Fiscal Year 2013-2014	\$1,288,407,099					
Fiscal Year 2004-2005	\$1,228,255,205					

Source: HdL Coren & Cone, Contra Costa County Assessor

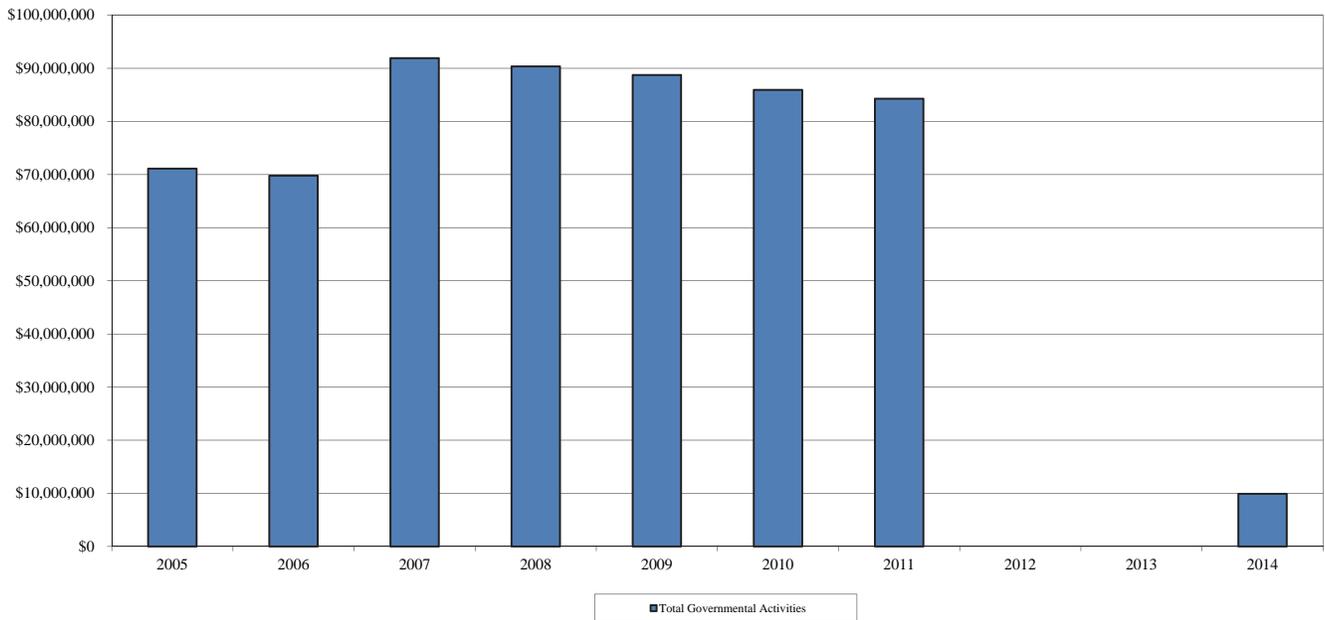
**CITY OF SAN PABLO
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**



Fiscal Year	City Property Tax Levied and Collected (1)	Redevelopment Agency Property Tax Levied and Collected	Total Property Tax Levied and Collected (2)	Percent of Total Tax Collections to Tax Levy
2005	\$188,707	\$11,577,262	\$11,765,969	100%
2006	207,171	12,251,525	12,458,696	100%
2007	541,189	14,959,091	15,500,280	100%
2008	388,457	15,434,058	15,772,515	100%
2009	472,141	14,675,932	15,148,073	100%
2010	260,080	9,751,633	10,011,713	100%
2011	291,311	9,415,129	9,706,440	100%
2012	505,693	5,051,415	(3) 5,557,108	100%
2013	248,288	0	(3) 248,288	100%
2014	677,924	0	(3) 677,924	100%

- NOTES:
- (1) Excludes Street Lighting and Landscaping, N.P.D.E.S., Oak Park Maintenance District Property Tax and Redevelopment Agency.
 - (2) During fiscal year 1995, the County began providing the City 100% of its tax levy under an agreement which allows the County to keep all interest and delinquency charges collected.
 - (3) The Redevelopment Agency was dissolved on January 31, 2012.

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



Fiscal Year	Governmental Activities			Total Governmental Activities	Percentage of Personal Income (a)	Per Capita (a)
	Tax Allocation Bonds	SERAF Loan	Capital Leases and Loans			
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	16.20%	2,675
2011	83,064,430	\$1,222,317		84,286,747	16.85%	2,913
2012	0 (b)	0 (b)		0	0.00%	0
2013	0 (b)	0 (b)		0	0.00%	0
2014	0 (b)	0 (b)	\$9,906,655	9,906,655	1.96%	336

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

Sources: City of San Pablo
California Employment Development Department

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

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

**CITY OF SAN PABLO
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2014**

2013-14 Assessed Valuation	\$1,288,407,099
Less: Redevelopment Incremental Valuation	<u>913,237,325</u>
Adjusted Assessed Valuation	<u><u>\$375,169,774</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:			
None			
Overlapping Debt:			
Bay Area Rapid Transit District	\$218,127,299	0.821%	\$1,791,663
Contra Costa County Pension Debt	258,500,000	0.821%	2,123,278
Contra Costa County Lease Revenue Bonds	289,802,050	0.821%	2,380,389
Contra Costa County Fire Pension Obligation	99,945,000	1.781%	1,779,846
Contra Costa Community College District	495,035,000	0.825%	4,082,354
East Bay Regional Park District	88,692,412	0.821%	728,505
West Contra Costa Unified School District	1,129,407,931	5.439%	61,432,338
City of San Pablo	<u>0</u>	100.000%	<u>0</u>
Total Overlapping Debt	<u>2,579,509,692</u>		<u>74,318,373</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	<u>\$2,579,509,692</u>		<u>\$74,318,373</u> (1)

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

<u>RATIOS TO 2013-14 ADJUSTED ASSESSED VALUATION:</u>	
Direct Debt	0.00%
Total Direct and Overlapping Tax Assessment Debt	19.81%

Source: HdL Coren & Cone

NOTE: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. The percentage of overlapping debt applicable is estimated by using taxable assessed values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

**CITY OF SAN PABLO
COMPUTATION OF LEGAL BONDED DEBT MARGIN
JUNE 30, 2014**

ASSESSED VALUATION:

Secured property assessed value, net of exempt real property	\$1,288,407,099
---	-----------------

BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	\$48,315,266
---	--------------

AMOUNT OF DEBT SUBJECT TO LIMIT:

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

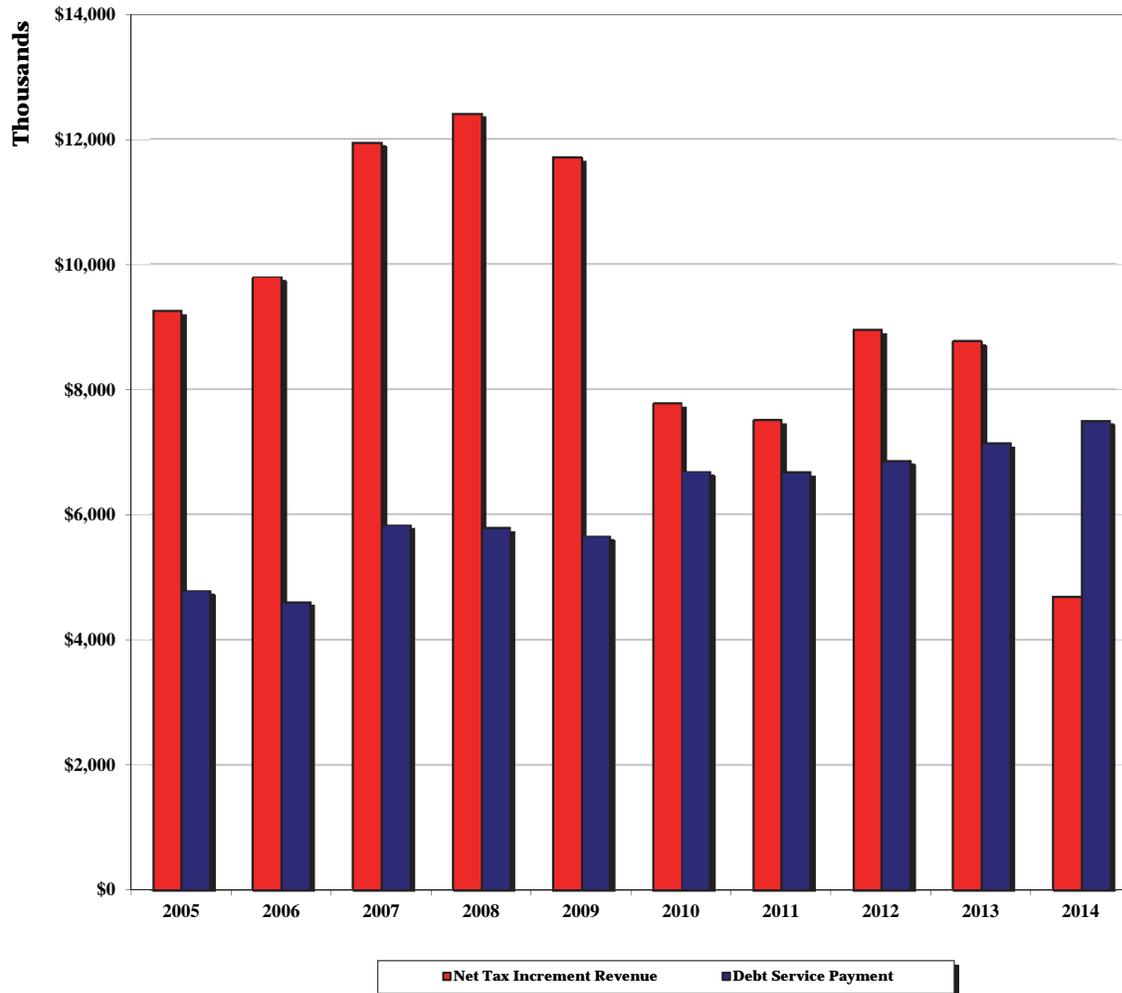
LEGAL BONDED DEBT MARGIN	\$48,315,266
--------------------------	--------------

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
2005	\$46,059,570	\$0	\$46,059,570	0.00%
2006	54,441,410	0	54,441,410	0.00%
2007	61,921,066	0	61,921,066	0.00%
2008	67,933,848	0	67,933,848	0.00%
2009	67,853,891	0	67,853,891	0.00%
2010	51,704,402	0	51,704,402	0.00%
2011	48,950,362	0	48,950,365	0.00%
2012	47,302,722	0	47,302,722	0.00%
2013	46,430,166	0	46,430,166	0.00%
2014	48,315,266	0	48,315,266	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	
2005	\$11,577,262	\$2,315,452	\$9,261,810	\$1,645,000	\$3,145,231	\$4,790,231	1.93
2006	12,251,525	2,450,280	9,801,245	1,530,000	3,079,872	4,609,872	2.13
2007	14,959,091	3,009,430	11,949,661	1,740,000	4,097,085	5,837,085	2.05
2008	15,434,058	3,021,571	12,412,487	1,795,000	3,993,540	5,788,540	2.14
2009	14,675,932	2,965,190	11,710,742	1,865,000	3,794,982	5,659,982	2.07
2010	9,751,633	1,972,660	7,778,973	3,050,000	3,640,060	6,690,060	1.16
2011	9,415,129	1,903,187	7,511,942	3,165,000	3,516,993	6,681,993	1.12
2012	8,952,532 (c)	0 (b)	8,952,532	3,290,000	3,577,017	6,867,017 (c)	1.30
2013	8,773,589 (d)	0 (b)	8,773,589	3,430,000	3,718,205	7,148,205 (e)	1.23 (d)
2014	4,695,660 (d)	0 (b)	4,695,660	3,575,000	3,931,553	7,506,553 (e)	0.63 (d)

- (a) The Redevelopment Agency was dissolved effective January 31, 2012 and its liabilities were assumed by a Successor Agency effective February 1, 2012. Includes tax increment collected by the former Redevelopment Agency and property taxes collected by the Successor Agency.
- (b) As part of the dissolution, the Redevelopment Agency is no longer required to make the low and moderate income housing set-aside.
- (c) Includes tax increment collected and debt service paid by both the former Redevelopment Agency and the Successor Agency.
- (d) Beginning in fiscal year 2013, tax increment reported in this table is the amount calculated by the County Auditor-Controller. Under the provisions of the laws dissolving the Redevelopment Agency, the Successor Agency only receives the funds necessary to fulfill its approved obligations, and is required to use other resources on hand to fund debt service prior to using the tax increment received.
- (e) Includes debt service paid by the Successor Agency.

**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	2001 and 2004 Tenth Township Bonds	2006 Bonds		
2005	\$10,445,161	(\$2,089,032)	\$8,356,129	\$1,255,510	\$903,738	\$2,630,983		\$4,790,231	1.74
2006	10,890,439	(2,178,088)	8,712,351	1,253,465	902,914	2,453,493		4,609,872	1.89
2007	13,186,910	(2,637,382)	10,549,528	0	895,583	2,860,073	\$837,054	4,592,710	2.30
2008	13,230,168	(2,646,034)	10,584,134	0	896,438	2,990,278	1,700,661	5,587,377	1.89
2009	12,802,280	(2,560,456)	10,241,824	0	900,438	2,991,021	1,562,362	5,453,821	1.88
2010	9,051,332	(1,810,386)	7,240,946	0	897,782	2,553,326	2,963,452	6,414,560	1.13
2011	8,594,963	(1,737,391)	6,857,572	0	893,292	2,559,633	2,953,843	6,406,768	1.07
2012	8,529,190 (a)	0 (b)	8,529,190	0	887,070	2,942,173	2,762,899	6,592,142 (c)	1.29
2013	8,173,104 (d)	0 (b)	8,173,104	0	890,965	3,631,201	2,351,864	6,874,030 (e)	1.19
2014	8,345,826 (d)	0 (b)	8,345,826	0	893,377	3,652,390	2,683,687	7,229,454 (e)	1.15

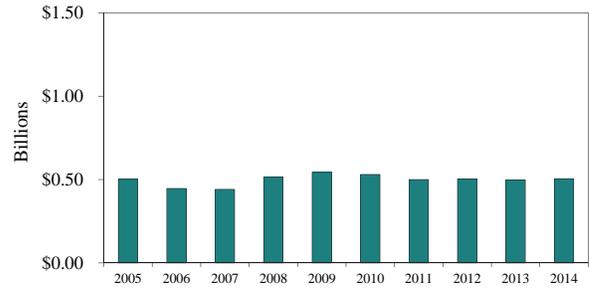
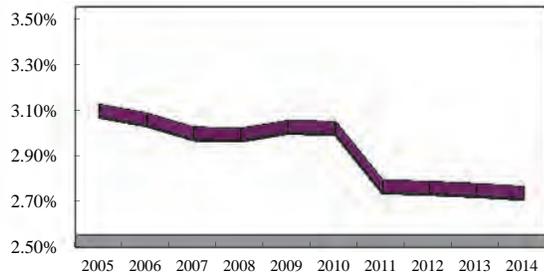
LEGACY PROJECT AREA

Fiscal Year	Gross Tax Revenues	Housing Set Aside	Available Revenue	Debt Service on 2004	
				Legacy Bonds	Debt Service Coverage
2005	\$1,132,101	(\$226,420)	\$905,681		1.00
2006	1,360,967	(272,193)	1,088,774		1.00
2007	1,860,196	(372,048)	1,488,148	\$334,225	4.45
2008	1,877,687	(375,537)	1,502,150	201,163	7.47
2009	2,023,668	(404,734)	1,618,934	206,161	7.85
2010	811,369	(162,274)	649,095	275,500	2.36
2011	820,166	(165,796)	654,370	275,225	2.38
2012	423,342 (a)	0 (b)	423,342	274,875 (c)	1.54
2013	600,485 (d)	0 (b)	600,485	274,175 (e)	2.19
2014	786,547 (d)	0 (b)	786,547	274,099 (e)	2.87

- (a) The Redevelopment Agency was dissolved effective January 31, 2012 and its liabilities were assumed by a Successor Agency effective February 1, 2012. Includes tax increment collected by the former Redevelopment Agency and property taxes collected by the Successor Agency. After January 31, 2012, the distinction between the property taxes collected by the Tenth Township and Legacy Project Areas was not provided, therefore property taxes of \$3,901,117 collected by the Successor Agency have been reported in the Tenth Township Project Area total.
- (b) As part of the dissolution, the Redevelopment Agency is no longer required to make the low and moderate income housing set-aside.
- (c) Includes debt service paid by both the former Redevelopment Agency and the Successor Agency.
- (d) Beginning in fiscal year 2013, tax increment reported in this table is the amount calculated by the County Auditor-Controller. Under the provisions of the laws dissolving the Redevelopment Agency, the Successor Agency only receives the funds necessary to fulfill its approved obligations.
- (e) Includes debt service paid by the Successor Agency.

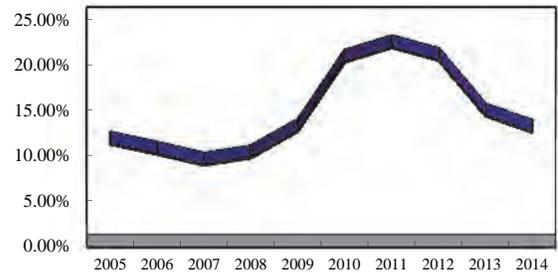
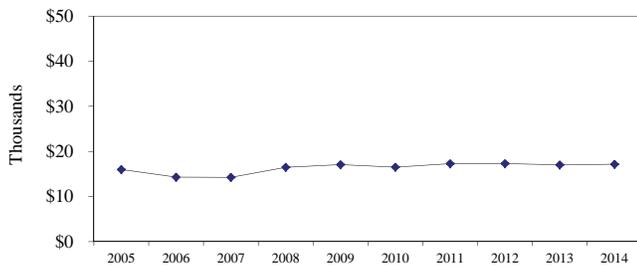
Sources: City of San Pablo Financial Statements

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



■ City Population as a % of County Population

■ Total Personal Income



◆ Per Capita Personal Income

■ Unemployment Rate (%)

<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>
2005	31,344	\$501,315,936 (a)	\$15,994	11.3%	1,020,898	3.07%
2006	31,216	446,482,448 (a)	14,303	10.2%	1,029,377	3.03%
2007	30,965	441,498,970 (a)	14,258	9.0%	1,042,341	2.97%
2008	31,190	514,011,200 (a)	16,480	9.8%	1,051,674	2.97%
2009	31,808	543,217,024 (a)	17,078	12.7%	1,060,435	3.00%
2010	32,131	530,514,941 (a)	16,511	20.3%	1,072,953	2.99%
2011	28,931	500,216,990 (a)	17,290	21.9%	1,056,064	2.74%
2012	29,105	503,632,920	17,304 (c)	20.5% (c)	1,065,117	2.73%
2013	29,266	498,078,000	17,019	14.4%	1,074,702	2.72%
2014	29,465	505,502,000	17,156	12.6%	1,087,008	2.71%

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

Sources: California State Department of Finance
 California Employment Development Department

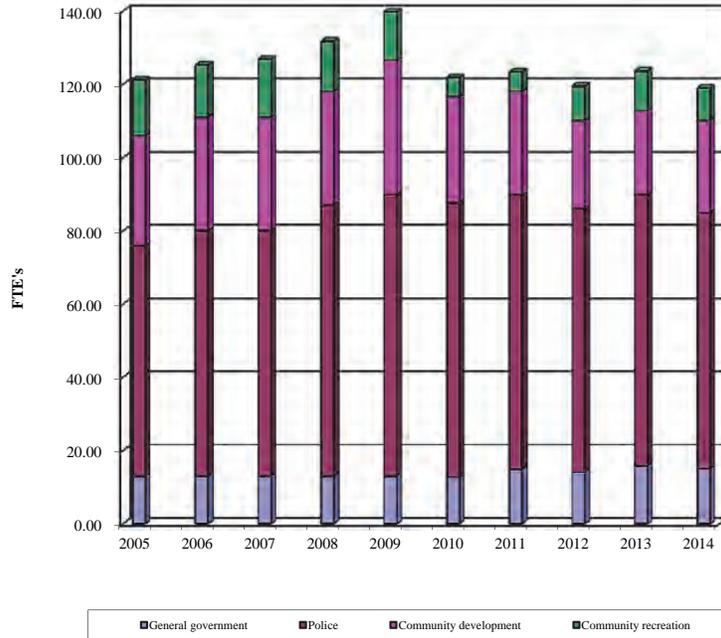
CITY OF SAN PABLO
Principal Employers
Current Year and Nine Years Ago

<u>Employer</u>	<u>2013-2014</u>			<u>2004-2005</u>		
	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Doctor's Medical Center*	994	1	7.0%	491	1	N/A
Contra Costa College*	768	2	5.4%	258	3	N/A
Casino San Pablo*	489	3	3.5%	340	2	N/A
City of San Pablo*	216	4	1.5%	167	4	N/A
Vale Care Center*	169	5	1.2%	142	5	N/A
San Pablo Health Care Center*	153	6	1.1%			
Creekside Health Care Center*	127	7	0.9%	73	8	N/A
West County Health Center *	120	8	0.9%			
Food Maxx	99	9	0.7%	65	9	N/A
Las Mantanas	91	10	0.6%			
Brookvue Care Center*				120	6	N/A
Albertson's (Lucky's)				88	7	N/A
Raley's				63	10	N/A
Subtotal	<u>3,226</u>		<u>22.9%</u>	<u>1,807</u>		<u>N/A</u>
Total City Day Population	<u>14,100</u>			<u>N/A</u>		

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

*includes part time employees

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



Adopted for Fiscal Year June 30

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Function										
General government	13.00	13.00	13.00	13.00	13.00	12.70	14.88	14.00	15.80	15.00
Community development	30.00	31.00	31.00	31.00	36.50	28.86	28.22	24.00	22.90	25.00
Community recreation	15.25	14.25	15.90	13.75	13.30	5.35	5.39	9.50	10.90	9.00
Police	63.00	67.00	67.00	74.00	77.00	75.00	74.91	72.00	74.00	70.00
Total	121.25	125.25	126.90	131.75	139.80	121.91	123.40	119.50	123.60	119.00

CITY OF SAN PABLO
Operating Indicators by Function/Program

Function/Program	Fiscal Years							
	2007	2008	2009	2010	2011	2012	2013	2014
Police: (calendar year)								
Police calls for Service	36,080	25,336	26,106	25,769	32,140	26,009	27,507	35,242
Crime Reports	8,948	7,502	6,352	6,178	5,925	5,887	5,890	5,695
Law violations:								
Major crimes: homicides/rape	18	16	22	13	9	12	12	10
Other major crimes: robbery/larceny/burglary	1,621	1,530	1,983	1,760	1,455	1,601	1,465	799
Arrests	1,989	2,083	1,539	1,729	1,688	1,496	1,789	2,008
Traffic collisions	420	455	323	391	396	440	428	354
Traffic citations	11,979	25,336	4,459	4,229	2,844	2,980	2,851	2,687
Public Works:								
Street resurfacing (miles)	N/A	5	8	14	14	0	7	3.3
Potholes repaired (square miles)	N/A	N/A	0.75	0.60	1	13	0.62	0.81
Street Sweeping (miles)	2,865	2,834	2,834	2,234	2,175	2,700	3,144	3,130
Volume of material removed (cubic yards)	912	898	878	880	880	965	1,050	822
Storm Drains:								
Catch basins cleaned	326	326	326	326	326	236	307	349
Volume of material removed (cubic yards)	470	25	23	29	71	9	29.165	22.310
Community Development:								
Community Services:								
Recreation class participants	1,229	1,444	1,211	1,331	2,479	2,594	3,057	4,107
Senior meals served	20,274	18,717	17,072	18,165	17,726	16,975	18,144	17,519
Rentals of Maple Hall	75	130	76	72	82	71	135	119
Rentals - Other Facilities								37
Education:								
Enrollment:								
Elementary schools (6)	3,547	3,598	3,536	3,114	3,002	3,110	2,960	2,973
Middle Schools (1)	767	640	727	930	911	1,660	973	1,040
High Schools (1)	394	472	467	300	286	400	400	400

Source: Various City Departments

Notes:

Data is not available prior to 2006
N/A denotes information not available.

CITY OF SAN PABLO
Capital Asset Statistics by Function/Program

Function/Program	Fiscal Years							
	2007	2008	2009	2010	2011	2012	2013	2014
Police:								
Police stations	1	1	1	1	1	1	1	1
Police patrol units	16	28	23	23	21	23	19	19
Community Development:								
Miles of streets	48	48	48	48	48	48	48	48
Street lights	167	182	182	182	182	182	182	182
Traffic Signals	25	25	25	25	25	25	25	25
Roadway Landscaping:								
Landscaped median acreage	1	1	1	1	1	1	1	1
Street trees	800	800	800	800	800	800	800	840
Community Recreation:								
Community services:								
City parks	5	6	6	6	6	6	6	7
City parks acreage	28	28	28	28	28	31.5	22	18.7
Playgrounds	2	4	4	4	4	5	5	5
Event center	0	0	0	0	0	0	0	0
Historic house	3	2	3	3	3	3	3	3
City trails	1	1	1	1	1	1	1	1
City trails miles	1	1	1	1	1	1	1	1
Community centers	1	1	1	1	1	1	1	2
Senior centers	2	2	2	2	2	2	2	2
Baseball/softball diamonds	2	3	3	3	3	3	3	3
Soccer/football fields	4	6	6	6	6	6	6	6
Wastewater (1)								
Miles of storm drains	17	17	17	17	17	17	17	17

Source: Various City Departments

Notes:

Data is not available prior to 2006

(1) Wastewater services are provided by Contra Costa County



CITY^{OF} SAN PABLO

City of New Directions