



The California Maritime Academy, Vallejo, California

CITY OF VALLEJO CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

PREPARED BY THE
FINANCE DEPARTMENT

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CITY OF VALLEJO, CALIFORNIA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2008

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CITY OF VALLEJO

OFFICE OF THE FINANCE DIRECTOR

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FAX (707) 649-5406

July 24, 2009

To the Honorable Mayor, Members of the City Council And Citizens of the City of Vallejo, California

It is our pleasure to present to you the 2008 Comprehensive Annual Financial Report (CAFR) of the City of Vallejo, California. This CAFR has been prepared by the Finance Department in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB). The Finance Department has prepared this report to present the financial position of the City of Vallejo at June 30, 2008, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in accordance with Generally Accepted Accounting Principles.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge, we believe the data, as presented, is accurate in all material aspects and presented in a manner designed to fairly set forth the financial position, and changes in financial position, of the City as measured by the financial activity of its governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, and that all disclosures necessary to enable the reader to gain an understanding of the City's financial affairs have been included.

The City's basic financial statements have been audited by Maze & Associates CPA, a public accounting firm fully licensed and qualified to perform audits of the State and local governments within the State of California. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the City for the fiscal year ended June 30, 2008, are free of material misstatement. The independent auditors' report is presented as the first component of the financial section of this report.

Management's Discussion & Analysis (MD&A) provides a narrative introduction, overview, and analysis to accompany the basic financial statements. 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.

PROFILE OF GOVERNMENT

Vallejo, California is located in southern Solano County. With a current population of 121,097 Vallejo is the largest City in Solano County and the 47th largest City in population among California's 478 cities. Vallejo is located approximately 30 miles northeast of San Francisco and 50 miles southwest of Sacramento on Interstate 80. The Sacramento, Napa and San Joaquin Rivers all flow into the San Francisco Bay at Vallejo. Rolling hills surround the City, protecting it from fogs and wind typical of many coastal towns. The climate is mild Mediterranean. It is connected to the Greater Bay Area, the Pacific Rim, and the rest of the world by ship, rail, car and air.

The City of Vallejo, a municipal corporation incorporated in March 1868, under the laws of the State of California is a Charter City located within Solano County in Northern California. The City operates under a City Charter originally adopted in 1911 and last amended in November 2000. The Charter provides for a Council-Manager form of government. Under the Charter, the City Manager recommends policy, program and budget priorities to the City Council, which in turn develops legislation and policies to direct the City. The City Manager is appointed by the Council and serves as the chief administrative officer of the City.

and is responsible for implementation of Council policies, administration of City affairs, day-to-day operations, and for appointing the Assistant City Manager and the Directors of the City's departments and overseeing all City personnel and all municipal operations. The Mayor, elected by the community at-large to a four-year term, acts as the formal representative of the City and presides over Council meetings. The City Council is elected on a nonpartisan basis and has six members elected by the community at-large to four-year, staggered terms, with three Council members elected every two years.

The City provides a wide range of municipal services, including public safety (police and fire protection), a municipal water system, a mass transit bus and ferry-boat system, street maintenance and other public works infrastructure functions, housing assistance, golf courses, planning, building inspection, public marina, and general administration. The Greater Vallejo Recreation District (GVRD), however, provides for Parks and Recreation.

The City of Vallejo's governing body is elected by the citizens in a general, popular election. This report includes all organizations and activities for which elected City officials exercise financial accountability. The notes to the financial statements further discuss the City as a financial reporting entity.

Accordingly, the following entities, although legally separate, are component units and are incorporated in the accompanying financial statements:

- Redevelopment Agency of the City of Vallejo (the Agency),
- Parking Authority of the City of Vallejo (the Parking Authority),
- Housing Authority of the City of Vallejo (the Housing Authority),
- Public Financing Authority of the City of Vallejo (the Financing Authority),
- Vallejo Sanitation and Flood Control District (VSFCD),
- Marine World Joint Powers Authority (the Marine World JPA).

BANKRUPTCY

Chapter 9 Filing - Without reserves, facing a worsening economy, burdened by labor contracts locked in through 2010, and with limited opportunities to raise taxes due to State constitutional restrictions, in early May of 2008, the City determined that it was no longer able to meet its contractual obligations. Absent appropriations from a balanced budget required by both City charter and State constitution, the General Fund would have lacked the legal authority to continue paying for services after July 1, 2008. On May 23, 2008, the City filed a case under chapter 9 of the United States Bankruptcy Code in Sacramento seeking to adjust its debts.

The chapter 9 filing has enabled the City to continue to operate and provide services to its residents by freezing certain pre-filing debts until a plan of adjustment can be negotiated and approved. By operation of law, the filing enjoined creditor enforcement actions against the City during the case, unless otherwise ordered by the court. The case has provided the City and its creditor constituencies, including employees and bond holders, with time to negotiate settlements with an objective of long-term fiscal stability.

Pendency Plan and Service Delivery - After the bankruptcy filing, and until June 30, 2008, the City met all payment obligations to its employees, vendors, and bond holders. Since July 1, 2008, the City has operated under a series of "Pendency Plans" that identify and implement modifications to existing agreements, including reduced staffing, frozen wages, diminished payments to retiring employees and reduced principal and interest payments to bondholders. These modifications have allowed the City to continue to provide essential services to residents during the pendency of the chapter 9 case, although at greatly diminished service levels.

Court Rulings on Eligibility - In an order entered on September 8, 2008, the bankruptcy court ruled that the City was eligible for chapter 9 relief. That order was appealed by three of the city's four employee organizations, of which one subsequently withdrew its appeal following a settlement with the City in January 2009 on a labor contract amendment. The fourth employee organization also entered into a postpetition labor contract amendment. The Bankruptcy Appellate Panel of the Ninth Circuit affirmed the lower court's eligibility ruling on June 26, 2009. On July 6, 2009, the two remaining employee organizations filed a notice of appeal to the United States Court of Appeals for the Ninth Circuit.

Court Rulings on Contract Rejection - By law, the eligibility appeal does not impact the ongoing bankruptcy case, and on February 3, 2009, the bankruptcy court ruled that bankruptcy law rather than California law governed the rejection of the employee collective bargaining agreements. The court has not yet ruled on whether the two remaining contracts should be rejected.

Component Units and Restricted Funds - The bankruptcy case seeks the adjustment of the obligations of the City and does not extend to the City's component units that are separate legal entities, including the Vallejo Sanitation and Flood Control District, the Redevelopment Agency, and the Housing Authority. Nor does the bankruptcy case impact the City funds with Federal, State, or other restrictions. Such funds, including Transportation, Water, Gas Tax, Development Impact fees, Landscape Districts, and Improvement Districts, have continued to operate and to use their restricted resources for only those restricted purposes. Debt obligations secured by restricted "special revenues" are treated as secured obligations and will not be affected so long as those special revenues are sufficient to meet debt service.

General Fund Debt - General fund debt obligations primarily consist of long-term leases which secure certificates of participation. The majority of these certificates of participation are also secured by letters of credit issued by Union Bank of California. Those letters of credit were drawn upon in July of 2008 pursuant to a mandatory tender of the Certificates triggered by Union Bank. As such, Union Bank now owns 100% of the Certificates covered by their letters of credit. Pursuant to the letter of credit documents, filing of the bankruptcy petition is an event of default; however, a provision triggering a default upon filing a bankruptcy is not enforceable in bankruptcy (it is a so called "ipso facto clause"). Nevertheless, by reducing the stated interest payments subsequent to June 30, 2008 to Union Bank pursuant to the Pendency Plan discussed above, the City has triggered a default under the Union Bank agreements.

Although the terms of the letter of credit documents require repayment in full of the draw on the letter of credit to purchase the certificates upon occurrence of an event of default, the documents also acknowledge that, as a lease obligation (consistent with the legal authority for long-term municipal leases in California), the payments may not be accelerated. Thus, the City is not obligated to pay the principal of the certificates in full but rather remains obligated to continue to make lease payments each year pursuant to the terms of the lease.

Facing further revenue shortfalls, for the period from May to July, 2009, the City suspended all General Fund principal and interest payments to conserve cash. Payments have been budgeted to resume on August 1, 2009. Obligations for debt secured by restricted special revenues have been paid in full.

Plan of Adjustment - Unpaid pre-petition contractual obligations will be subject to negotiation through a plan of adjustment as the City seeks resolution of the bankruptcy case and of its financial problems. Principal categories of anticipated claims include employee compensation, leave balances payable to retirees and other former employees upon their separation from service, retiree health payments, and debt obligations to the letter of credit and debt insurance providers. Retiree pension obligations and vendor obligations have been paid in full during the pendency of the case and are not expected to give rise to claims.

The negotiation of the terms of a plan of adjustment have commenced, but no plan can be successfully negotiated until the issues with the two labor organizations have been resolved. In the alternative, if the labor issues cannot be resolved in the near future, the City will continue to negotiate with its other creditors and seek to confirm a plan of adjustment over the objection of the two unions. Accordingly, no adjustment in the valuation of assets or debt obligations has been made in the accompanying financial statements, and no aggregate gain expected to occur from re-measuring liabilities can reasonably be estimated.

Uncertain Outlook - No other large California city or county has filed a chapter 9 bankruptcy case except on account of a one-time event (such as an extraordinary judgment against the municipality or imprudent investment of the municipality's funds). There is very little case law guiding the potential outcome of such a filing. During the pendency of the case, the City has remained focused on negotiating settlements to meet its objective of long-term fiscal stability and continues to anticipate emergence from the case as an ongoing provider of municipal services.

ECONOMIC CONDITION AND OUTLOOK

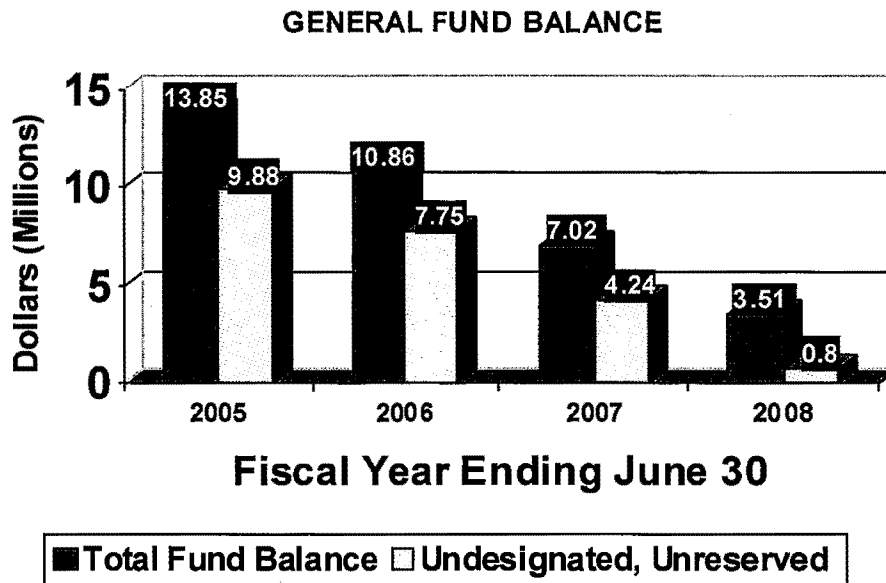
The national, state and local economies all continue to be in an incredibly fragile state, which further compounds the City's insolvency. On the national level, the economy has been in a recession since December 2007 and is clearly suffering through recessionary conditions. The housing market's severe downturn and resulting "credit crunch" have resulted in unprecedented foreclosure activity and is severely hampering economic growth. Unemployment is at the highest level in five years and expected to increase.

The California economy is plagued by many of the same issues confronting the national economy. Unemployment continues to increase. The housing crisis continues to be the biggest drain on the economy. Growth in state personal income and retail sales over the next 12 to 24 months are expected to be less than in recent years. In addition to housing, the biggest threat to the California economy is the State budget. The State recently adopted a budget for Fiscal Year 2009-10, but still faces financial challenges.

Since many of the City's tax sources are economy driven, the local economy will be impacted by many of the same challenges as the State and the nation, and revenue growth in the near term is expected to be less than in recent years.

Current Financial Condition

The graph below illustrates the City's current financial condition and its recent financial challenges. It presents the changes in fund balance for the General Fund for the fiscal year ending June 30, 2008, as compared with the three prior years.



Other Factors Affecting Financial Condition

On July 31, 2007, the City of Vallejo, Marine World Joint Powers Authority, and Redevelopment Agency of the City of Vallejo, collectively, as Sellers, and Park Management Corp. as Buyer, completed the sale of Six Flags Discovery Kingdom. The purchase price for the property was \$54 million, which together with the bond reserve funds of \$5 million was sufficient to pay off the outstanding \$55 million principal balance of the 1997 Marine World Project Certificates of Participation. This transaction also ends our revenue-sharing arrangement and results in a net annual loss in excess of a million dollars to the General Fund.

FINANCIAL ISSUES UNIQUE TO CALIFORNIA

During the last thirty years, the City has lost its ability to set tax rates without voter approval, and the State of California has often diverted local revenues to offset its own budget problems.

In 2004, California voters approved a \$15 billion bond measure to refinance existing State debt and by their action, approved the "triple flip" provision. Under the triple flip measure beginning July 1, 2004, the State began transferring ¼% of a local government's 1% sales tax rate to the State to guarantee repayment of the State bonds. In order to make local governments whole, the local government's lost ¼% of sales tax revenue was replaced with property tax that had previously been transferred from local governments. The triple flip revenue shift began in Fiscal Year 2004-2005 and will continue until the deficit bonds issued by the State to finance its budget shortfalls are repaid.

State and local governments came to another agreement for an additional revenue swap. This agreement provides that Vehicle License Fees, or VLF, will be permanently reduced from 2% to .65% of a vehicles fair value assessment, and the State backfill of this revenue is suspended. To make local government whole, the State increased local government property tax revenues that had previously been transferred from local governments.

Another significant change during Fiscal Year 2004-2005 was the passage of Proposition 1A, a constitutional amendment passed by state voters on November 2, 2004, which provides protection for local government revenues. Proposition 1A limits the State's ability to take local government revenues starting in Fiscal Year 2006-2007. Proposition 1A recharacterizes future reductions of local government revenue as "loans" rather than "takeaways". It also limits the State's ability to borrow local revenue allocations to twice every ten years. In addition, Proposition 1A allows the State to borrow local government revenues only in the event of a fiscal emergency. The State may borrow under the following conditions:

- A separate emergency bill must be passed by a 2/3 vote of the legislature;
- The legislature must pass a law to fully repay the loan with interest within three years;
- New borrowings are prohibited until prior borrowings have been fully repaid;
- No more than two loans may occur during a ten year period;
- The borrowing is capped at 8% of local government property tax amounts.

During the past few weeks, the State has updated and "balanced" its Fiscal Year 2009-10 budget through the use of this Prop 1A fiscal emergency loan. The City is evaluating the impact of this loan on our budget and cash flow. The City may qualify for a hardship exemption from the State loan.

MAJOR INITIATIVES

Each year provides the City an opportunity to identify, address and resolve issues facing the community and its citizens. The City's major challenge is to provide the services needed to maintain the quality of life that has attracted considerable growth to the Vallejo community. The City is positioning itself so that despite all the immediate economic challenges, new investments and development will continue to take place.

Three long planned major mixed-use projects, all of which were planned to capitalize on the growing recognition of Vallejo as a regional transportation hub, have either been delayed or significantly slowed by the sub-prime mortgage crisis. These projects, which, when eventually complete, will inject thousands of residents into the middle of the downtown/waterfront area and promise a revival of the City's core. Their delay will accentuate the economic difficulties the City is facing for the next several years.

Mare Island

Since its closure in 1996, Mare Island has been a primary catalyst for the City's economic and fiscal health. Working in partnership with the master developer, Lennar Mare Island, the City continues to work to attract new jobs and new revenue to sustain Mare Island and ultimately, enhance the City's economic well-being.

While Touro University's planned north Mare Island cancer treatment facility project was cancelled due to financing challenges, the City plans to seek new development opportunities for north Mare Island through a Request for Proposals process in the fall of 2009. These well-situated 190 acres should generate significant new employment and property tax revenue once developed to its full potential.

Redevelopment in Downtown and Waterfront Areas

On March 10, 2009, the Redevelopment Agency notified Triad, developer of a downtown mixed-use residential and retail project, of the Agency's intent to terminate the October 25, 2008 Development & Disposition Agreement based upon the developer's breaches and defaults.

The Redevelopment Agency continues to work closely with downtown property and business owners to take advantage of new opportunities, even in this challenging real estate environment. Efforts include making use of new funding sources, such as the federal stimulus dollars, to improve the downtown streetscape, and a joint effort with Triad to fund a business strategy for the Empress Theatre. Opened in summer of 2008, the Empress Theatre serves as the cornerstone for the emerging downtown entertainment and arts district.

Benefiting both the downtown and the waterfront, the Vallejo Station project is being launched in the summer of 2009 with the groundbreaking for the Bus Transit Center, followed by the demolition of the former My Café site for construction of Phase A of the parking structure. This initial phase of the Vallejo Station parking structure will provide over 740 parking spaces for ferry riders and visitors to the downtown.

Work on the southern waterfront has been accelerated to facilitate planned development of a future postal service distribution facility and other light industrial uses. The Waterfront master developer, Callahan/DeSilva, continues a close collaboration with the Agency on pre-development activities that will result in significant new mixed-use development, generating new revenue and jobs for Vallejo.

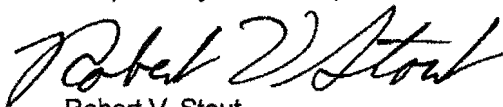
ACKNOWLEDGEMENTS

The preparation and publication of this Comprehensive Annual Financial Report was made possible by the outstanding efforts, dedication, and teamwork throughout the year of the entire Finance Department who prepared and compiled this report with the cooperation and assistance of all City departments. We would like to express our appreciation to all members of the Finance Department.

I would like to express special thanks to Susan Mayer, Assistant Finance Director; Elena Adair, Accounting Manager; and Jon R. Oiler, Auditor Controller, as they have worked closely with the auditors in finalizing this report. Additionally, we would like to thank the City's audit firm of Maze & Associates CPA for the professional support and guidance they have given us.

I would also like to thank the Mayor and the members of the City Council for their continued support in leading the City towards the goal of regaining long-term fiscal stability.

Respectively submitted,



Robert V. Stout
Finance Director

CITY OF VALLEJO

Public Officials

City Council

As of June 30, 2008

Term Expires

Osby Davis, Mayor	December 2011
Tom Bartee, Vice Mayor	December 2009
Hermie Sunga, Councilmember	December 2009
Stephanie Gomes, Councilmember	December 2009
Erin Hannigan, Councilmember	December 2011
Joanne Schivley, Councilmember	December 2011
Michael Wilson, Councilmember	December 2011

City Manager

Joseph P. Tanner

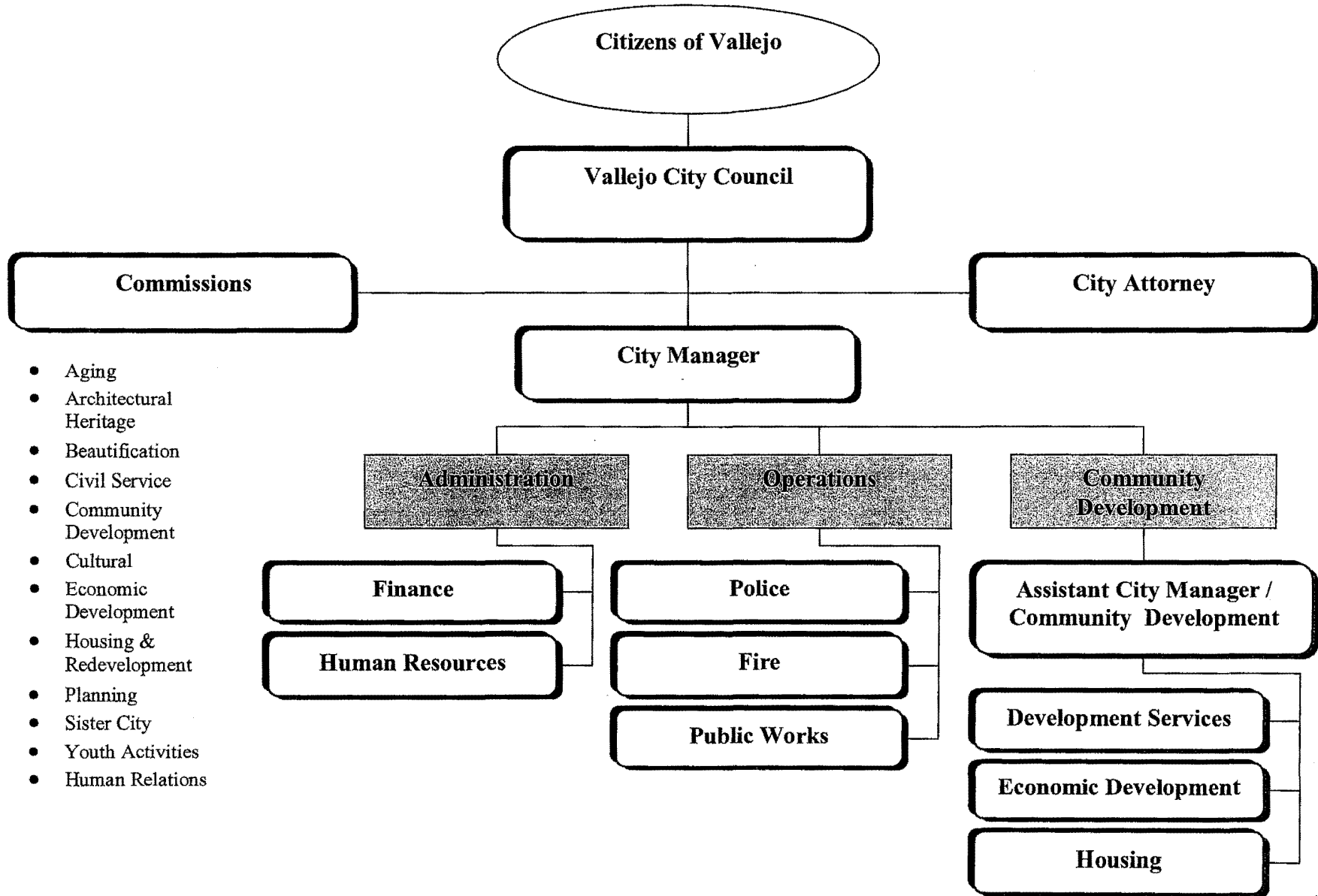
City Attorney

Frederick G. Soley

Executive Management Team

Craig Whitton, Assistant City Manager/Community Development Director
Robert V. Stout, Finance Director
Sandy Salerno, Human Resources Director
Bob Adams, Development Services Director
Robert Nichelini, Police Chief
Russel Sherman, Interim Fire Chief
Gary Leach, Public Works Director

City of Vallejo Organization Chart



- Aging
- Architectural Heritage
- Beautification
- Civil Service
- Community Development
- Cultural
- Economic Development
- Housing & Redevelopment
- Planning
- Sister City
- Youth Activities
- Human Relations

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Members of City Council, and City Auditor
City of Vallejo, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Vallejo, California, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Vallejo Sanitation and Flood Control District (VSFCD), which represents 58% of assets, 19% of revenues, 45% of liabilities, and 21% of expenses of the business-type activities. These component unit financial statements were audited by other auditors whose report thereon has been furnished to us. Our opinion, insofar as it relates to the amounts included for this entity, is based solely on the report of the other auditor.

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

In our opinion, based on our audit and the report of the other auditor, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Vallejo, California as of June 30, 2008, and the respective changes in the financial position and cash flows where applicable thereof, 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.

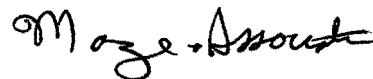
The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As discussed in Note 2 to the financial statements, on May 23, 2008, the City of Vallejo filed a case seeking bankruptcy protection and the adjustment of its debt under chapter 9 of the United States Bankruptcy Code. This condition raises substantial doubt about the City's ability to continue as a going concern. Management's plans regarding those matters also are described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2009 on our consideration of the City of Vallejo's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

The introductory section and statistical section listed in the table of contents were not audited by us and we do not express an opinion on this information.

A handwritten signature in black ink, appearing to read "M. J. Aronson". The signature is written in a cursive style with a large initial "M".

July 24, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2008

INTRODUCTION

This narrative is presented to provide readers of the City of Vallejo's Basic Financial Statements with an overview and analysis of the financial activities of the City for the year ended June 30, 2008. This overview should be read in conjunction with the accompanying Transmittal Letter, the Basic Financial Statements and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

- **Chapter 9 Filing** - Without reserves, facing a worsening economy, burdened by labor contracts locked in through 2010, and with limited opportunities to raise taxes due to State constitutional restrictions, in early May of 2008, the City determined that it was no longer able to meet its contractual obligations. Absent appropriations from a balanced budget required by both City charter and State constitution, the General Fund would have lacked the legal authority to continue paying for services after July 1, 2008. On May 23, 2008, the City filed a case under chapter 9 of the United States Bankruptcy Code in Sacramento seeking to adjust its debts. Additional information about the City's bankruptcy is provided in Note 2 of the accompanying financial statements and also in the General Fund analysis provided in the discussion of Major Funds below.
- **Sale of Marine World (Six Flags/Discovery Kingdom) Park** – The Marine World Joint Powers Authority, a component unit of the City, has operated the Marine World amusement park since 1996. On July 31, 2007, Park Management Corporation exercised its option to buy the park and the Marine World Joint Powers Authority has ceased operations. In conjunction with the sale, \$56 million of debt was retired and a gain of \$28 million was reported. Additional information about this sale is provided in Note 16 of the accompanying financial statements. The park continues private operation and contributes to the City's economic and tax base.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report is presented in the following sections:

- 1) This introductory commentary, *Management's Discussion and Analysis*
- 2) *Basic Financial Statements*, including:
 - a. Government-wide financial statements
 - b. Fund financial statements
 - c. Notes
- 3) Supplemental Information:
 - a. Non-major governmental funds
 - b. Internal service funds
 - c. Agency funds

The Basic Financial Statements

The *Basic Financial Statements* are comprised of the *Government-wide Financial Statements* and the *Fund Financial Statements*. These two sets of financial statements provide two different views of the City's financial activities and financial position.

- The ***Government-wide Financial Statements*** provide a long-term view of the City's activities as a whole. *The Statement of Net Assets* provides information about financial position, including capital assets and long-term liabilities on the full accrual basis, similar to that used by commercial enterprises. *The Statement of Activities* provides information about the City's revenues and expenses, also on the full accrual basis, with the emphasis on measuring the net revenues and expenses of City programs. Information is presented both in total and separately for governmental activities, which are generally tax and grant supported, and business-type activities, which are generally supported by user fees.
- The ***Fund Financial Statements*** report the City's operations in more detail than the government-wide statements. The focus is on the individual funds that are used to report the status of restricted or otherwise segregated resources and to demonstrate compliance with finance-related legal requirements. The governmental funds focus primarily on short-term activities by measuring current revenues and expenditures, rather than expenses, and excluding capital assets and long-term obligations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Government-wide Net Assets

The following is a summary of the City's government-wide net assets as of June 30, 2008 and 2007, as measured on the accrual basis of accounting, along with a discussion of some of the most significant balances (in millions):

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Assets						
Current and other assets	\$141.2	\$165.3	\$100.6	\$114.7	\$241.8	\$280.0
Capital assets	295.5	291.3	387.8	411.7	683.3	703.0
Total assets	436.7	456.6	488.4	526.4	925.1	983.0
Liabilities						
Current and other liabilities	30.1	35.1	21.6	31.4	51.7	66.5
Long-term liabilities	61.4	60.3	175.5	231.7	236.9	292.0
Total liabilities	91.5	95.4	197.1	263.1	288.6	358.5
Net assets						
Invested in capital assets, net of related debt	264.5	260.2	209.7	215.4	474.2	475.6
Restricted	102.9	119.8	46.4	47.2	149.3	167.0
Unrestricted	(22.2)	(18.8)	35.2	0.7	13.0	(18.1)
Total net assets	\$345.2	\$361.2	\$291.3	\$263.3	\$636.5	\$624.5

- Total City assets of \$925 million are leveraged with \$289 million of liabilities for a net asset position of \$636 million at June 30, 2008. Most of the line item changes from the prior year are from the disposition of the Marine World park.
- Cash and current assets of \$241 million have decreased by \$38 million from the prior year, including the spending of \$8 million in governmental capital project fund assets, the spending of \$7 million on Sanitation and Flood Control capital projects, and the disposition of \$22 million in Marine World non-capital assets.
- Capital assets have declined by \$19 million during the year through the disposition of \$18 million in Marine World capital assets.
- Total liabilities have declined by \$70 million, of which Marine World comprised \$67 million.
- Unrestricted net assets improved by \$31 million, similarly from the gain on the sale of the park of \$28 million. The net proceeds from the sale of \$1.4 million were distributed to the City.

Government-wide Activities

The table below is a summary of the City's government-wide activities for the years ended June 30, 2008 and 2007, as measured on the accrual basis of accounting (in thousands).

(In Thousands)	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues						
Charges for services	\$21,575	\$28,957	\$109,979	\$121,405	\$131,554	\$150,362
Operating grants and contributions	24,515	34,636	16,349	16,154	40,864	50,790
Capital grants and contributions	3,486	2,724	4,392	7,431	7,878	10,155
General revenues						
Property taxes, sales and other	55,786	50,170			55,786	50,170
User utility	13,501	12,747			13,501	12,747
Other	14,600	16,244	31,405	4,290	46,005	20,534
Total revenues	133,463	145,478	162,125	149,280	295,588	294,758
Expenses						
Governmental activities						
Legislative and advisory	286	278			286	278
Executive	687	1,444			687	1,444
Finance	1,217	2,062			1,217	2,062
Human resources	668	1,325			668	1,325
Law	867	860			867	860
Development services	3,253	2,839			3,253	2,839
Community development	33,499	44,541			33,499	44,541
Fire services	27,465	29,683			27,465	29,683
Police services	43,074	41,702			43,074	41,702
Public works	25,984	24,422			25,984	24,422
Nondepartmental	11,045	7,284			11,045	7,284
Interest on long-term debt	2,694	2,650			2,694	2,650
Business-type activities						
Water			32,479	32,401	32,479	32,401
Local transportation			28,873	30,667	28,873	30,667
Waterstone development						
Sanitation and flood control			27,479	26,013	27,479	26,013
Marine World JPA			40,016	55,981	40,016	55,981
Marina			2,993	3,170	2,993	3,170
Golf			977	854	977	854
Total expenses	150,739	159,090	132,817	149,086	283,556	308,176
Excess before transfers	(17,276)	(13,612)	29,308	194	12,032	(13,418)
Transfers	1,353	73	(1,353)	(73)		
Increase in net assets	(\$15,923)	(\$13,539)	\$27,955	\$121	\$12,032	(\$13,418)

- The City has invested \$151 million in governmental program expenses and another \$133 million in business-type activities, for total annual expenses of \$284 million.
- The largest governmental programs include community development (includes housing and redevelopment) and public safety. Community development expenditures decreased to \$33 million from \$45 million in the prior year primarily due to a \$12 million decrease in federally-funded hazardous remediation expenditures at the former Mare Island naval base. Fire services expense decreased by \$2.2 million due to the closure of two of the City's 8 fire stations in March 2008 as part of the General Fund's fiscal emergency budget reductions.
- The largest business-type programs include water, regional transportation, sanitation/flood control, and Marine World. Business-type expenses in total, excluding Marine World, remained at \$93 million, the same as the prior year.
- The City's annual expenses of \$284 million have been funded with \$296 million of revenues, including \$180 million of program revenues, generated for the use of specific programs, \$88 million of general revenues, available for general use, and \$28 million from the sale of Marine World. City programs in total drew down \$16 million of net asset reserves during the year, excluding the gain on sale.

Net Program Revenues

The following table presents the net program cost for each governmental activity by subtracting program-specific revenues from program expenses. The balance is the amount funded by general City revenues.

Governmental Activities	Expenses	Program Revenues	Net Revenue (Expense) of Activities
General government	(\$17,464,445)		(\$17,464,445)
Fire services	(27,464,830)	3,696,067	(23,768,763)
Police services	(43,073,607)	6,108,805	(36,964,802)
Public works	(25,984,476)	13,056,255	(12,928,221)
Community and development services	(36,751,474)	26,714,938	(10,036,536)
	<u>(\$150,738,832)</u>	<u>\$49,576,065</u>	<u>(\$101,162,767)</u>

Public Safety remains the largest municipal program within both the General Fund and in this City-wide expense analysis.

The following table presents the same net program cost information for business-type activities. In these programs, annual surpluses or deficits are retained in the programs as an increase or decrease in the program's net assets.

Business-type Activities	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net Revenue (Expense) of Activities</u>
Water utility	(\$32,479,434)	\$36,223,484	\$3,744,050
Local transportation	(28,873,584)	26,320,534	(2,553,050)
Sanitation and flood control	(27,478,992)	25,330,469	(2,148,523)
Marine World JPA	(40,016,158)	40,273,346	257,188
Other proprietary funds	(3,969,348)	2,571,745	(1,397,603)
	<u>(\$132,817,516)</u>	<u>\$130,719,578</u>	<u>(\$2,097,938)</u>

In total, the fee structures for these operations are generally covering the cost of services, after allowing for year-to-year fluctuations in the timing of capital improvement projects. An exception is the Marina Enterprise fund, included above in the "other" activities category, which lost \$1 million during the year as its capital assets depreciate faster than the principal payments on the debt that financed the assets.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

In addition to the accrual-basis government-wide statements described above, the City also maintains financial records at the fund level for budgetary control. Individual funds are generally established to track the resources and operating results for specific, restricted programs. The results for governmental funds below differ from the results reported above in the government-wide statements since here the focus is on current, available resources. The following are financial highlights from the City's most significant funds.

General Fund

Services and Operating Deficits

The City's General Fund provides police, fire, development, public works, and administrative services to the City's 121,000 residents. The 2007-08 fiscal year \$85 million expenditure budget provided for the services of 407 employees. Labor costs comprise approximately 76% of the gross budget prior to inter-fund cost allocations. The General Fund is distinct from other funds since it is the only source of unrestricted funds that can be allocated, as a matter of policy, to any municipal service.

The General Fund has operated at annual deficits during the three years ending June 30, 2008. Unreserved, undesignated fund balance dropped from \$9.9 million at June 30, 2005 to \$797,195 at June 30, 2008. Over the past two years, employee costs increased by 11%, while revenue growth including transfers was 3%. To mitigate growing per-unit employee costs, the General Fund work force had been reduced by 18%, from 494 to 407 employees, over the past four years. Subsequent to June 30, 2008, the General Fund work force has been further reduced to 330 in the Fiscal Year 2009-10 adopted budget.

Facing depleted reserves, no viable General Fund budget was identified for the fiscal year beginning July 1, 2008 within the bounds of the City's existing labor contracts, and no contract modifications were negotiated despite efforts by all parties, which included mediation. Absent labor concessions, and without appropriations from a charter-required balanced budget, the General Fund did not have the legal authority to continue and pay for services after July 1. For these reasons, the City filed a petition for bankruptcy May, 2008.

Labor Contracts

The City workforce is organized through four employee associations and unrepresented employees. At June 30, 2008, labor agreements were in place through June 30, 2010.

Salaries - Salaries are adjusted annually through formulas in the employee labor agreements. Public Safety salaries are adjusted by a formula tied to the average annual change in a 14 City Bay area pool, and other employee salaries tie to a Consumer Price Index (CPI). Through this formula, public safety salaries were estimated to increase by 24% during the four year period from July 1, 2006 until the end of the contract period on June 30, 2010. IBEW salaries were estimated to increase by 13% and management salaries by 9% over the same contract period.

Benefits - Employees enjoy a comprehensive benefit package. Medical benefits for both active and retired employees have been among the most generous of plans typically available for public employees. The average cost of active employee medical coverage was approximately \$12,000 per employee during Fiscal Year 2007-08. Retiree health costs are increasing as retirees live longer and the retiree pool grows. The General Fund paid \$2.6 million during the year for the cost of current retiree benefits (pay-as-go methodology).

Minimum Staffing - Both Police and Fire had minimum staffing provisions in their labor contracts, although the Fire agreement provided for a reduced six-station staffing provision until June 30, 2008, at which time it reverted to eight stations. The Police agreement also provided for the suspension of its 145 minimum sworn staffing provision until May, 2010. As a result, the City's public safety contracts locked in both unit cost and the number of employees. With public safety comprising 70% of the 2008-09 General Fund expenditure budget, this severely limited the City's flexibility to allocate diminishing resources, in periods of increasing costs and declining revenues.

Subsequent Contract Amendments - Subsequent to June 30, 2008, new agreements have been negotiated with the Police and management employee groups.

California Revenue Environment

State Control - The California Constitution limits local/city control over most tax and many fee revenue sources. Proposition 13 sets property tax rates and caps on the annual growth of parcel assessed valuations. Sales tax rates are also controlled by the state Bradley-Burns act, with the exception that the local electorate can vote to self-assess at a greater rate for specific or general programs. Fees, assessments, and any new or increased taxes are subject to the constraints of Proposition 218. Fees can only be assessed and used to recover the actual cost of service and assessments and taxes require property owner and/or voter approval. Federal and State grants for ongoing and supplemental programs are subject to the annual budgeting cycles and unexpected fluctuations in allocations from those levels of government. The state has routinely manipulated revenue sources traditionally allocated to local governments to solve its own budget problems. It has reduced the level of property taxes allocated, has swapped those revenues for sales tax revenues needed to secure financing for its own deficits and, despite limits placed on its actions by a recent constitutional amendment, has the power to borrow local revenue when it declares a fiscal emergency. The overall environment creates limited options for Cities to control the revenues needed to support their municipal services.

Declining Economy – The housing crisis of 2007, 2008, and now 2009 has contributed to a dramatic decline in local housing values, which has a corresponding impact on assessed valuation and the resulting property tax available to local agencies (counties, schools, and special districts, as well as cities). Recent declines impact both property and transfer tax revenues. The Solano County Assessor considered the declines in property values to be in a “freefall” during the 2007-08 fiscal year and has continued to reassess parcels at lower levels for the FY 2008-09 and FY 2009-10 fiscal years.

City revenues have been hit in four ways from the housing crisis. First, lower assessed values result in lower property taxes. Second, fewer new housing starts and fewer sales of existing homes has both shut-down housing development with its related development fee revenue and has reduced the level of property transfer tax revenue received by the City. Third, the overall credit crunch and receding economy has dampened sales tax growth. Finally, comparable revenue declines at the state level have put several state-funded grants and programs at risk.

Fiscal year 2007-08 Budget

The original Fiscal Year 2007-08 General Fund budget was adopted with \$84 million in revenues, break-even operations and a \$4 million reserve. However, the fire budget assumed a decrease in staffing requirements. This issue was arbitrated and the fire association prevailed, creating a multi-million negative impact to the General Fund budget shortly after budget adoption.

Declining revenue projections and significant leave payouts from employee departures also contributed to a fiscal emergency. The projected annual budget deficit grew to \$9 million by midyear. In March 2008, short-term labor concessions for reduced minimum staffing, salary roll-backs, staff reductions and use of one-time funds previously reserved for vehicle replacement and other purposes restored the budget from a deficit to a zero fund balance projection. Thirty four staff positions were eliminated.

Ultimately, actual General Fund expenditures in total for the year were within the revised budget projection. \$87 million in operating expenditures and debt service transfers were paid from \$79 million in general tax and other revenues, one-time consolidation/transfer of \$5 million of unrestricted balances from other funds, and \$3 million from beginning available fund balance. The \$5 million in transfers from other funds was part of the City's fiscal emergency plan and included \$1.7 million of unrestricted cash balances in the vehicle replacement fund, \$1.7 million from the sale of Marine World, and \$1.5 million from other sources. As of June 30, 2008, virtually all unrestricted and available balances from other funds had been depleted.

General Fund Debt Service Expenditures

The City's General Fund secured \$53 million in five "Certificates of Participation" (COPS) long-term debt obligations as of June 30, 2008, including \$49 million of variable rate debt secured by bank letters of credit. \$28 million of this total debt was invested in Enterprise (Marina, Golf, and Water) and Redevelopment capital programs, and the debt service for those programs is paid from those sources. However, the General Fund remains obligated if those sources are not sufficient to pay the debt service.

The variable rate obligations carry unique terms and conditions that created an immediate impact on the General Fund as the City's credit status became compromised. All \$49 million of the General Fund variable rate debt were remarketed weekly. Bonds that cannot be remarketed in a given week may be tendered to the letter of credit provider, which then charges the City penalty rates that escalate the longer that the bonds remain unsold. Bonds were tendered and resold during the last few months of the fiscal year as the City addressed its financial outlook. Contributing to the market interest rate risk was an expiring letter of credit facility for one of the bond issues in December 2008. Subsequent to June 30, 2008, the letter of credit was renewed, and as of July 1, 2008 all of the variable rate General Fund bonds were tendered to the letter of credit provider.

Reserves

The volatility of revenues and the continuing ability and seeming willingness of the State of California to reduce local revenues make it critical that the City develop a long term financial structure that ensures an operating reserve. Without a long term plan that ensures expenditures will be less than revenues, and without an adequate reserve, Vallejo will continue to be at risk for ongoing erosion or even interruption of services. The unreserved, undesignated fund balance of \$0.8 million at June 30, 2008 represents less than 1% of operational contingency or three days of operations.

Other Major Governmental Funds

- **Housing Authority** – The Housing Fund received \$18 million in federal HUD grants during the year to support its Section 8 Housing Assistance Voucher Program. The Authority has started to draw down the significant \$16 million cash balance it had accumulated as of the beginning of the fiscal year. The Authority took steps to increase utilization of available federal dollars by adjusting its tenant payment standards and by updating the tenant waiting list to increase lease-up rates. Subsequent to June 30, 2008, HUD has decreased its monthly advances to further draw on the \$14 million of Authority's June 30, 2008 cash balances. These reserves are expected to be depleted within the subsequent year. The Authority continues to target its program expenditures to balance with evolving monthly federal allocations.
- **Mare Island** – This fund holds \$25 million of restricted federal funds to pay for the environmental remediation of the former Mare Island Naval base. \$6 million was expended during the year on this effort, down from \$18 million in the prior year.

Enterprise Funds

- **Water Fund** – This fund collected \$33 million in user fees during the year to support \$29 million in operating costs and \$3 million in debt service costs. Capital fees and contributions of \$3 million, along with reserves, financed \$5 million of capital improvements. Fund liquidity remains stable with \$9.9 million in cash balances available to cover \$7 million in current liabilities. The fund has \$112 million of capital assets, financed with \$69 million of long-term debt. Rates continue to adjust annually through a five-year rate package approved by City Council in effect through 2008-09 and subsequently extended for another five years through 2014.
- **Local Transportation** – This fund operates bus, ferry, and other mass transit options for the citizens of Vallejo and the surrounding region. \$11 million in user fees were supplemented by \$15 million in federal, state, and local grants to support operations. The fund realized a \$2.8 million accrual-basis loss for the year, of which \$4 million was depreciation expense. The General Fund has cumulatively advanced \$3 million for working capital to the fund, of which \$300,000 was repaid during the year from proceeds from the sale of bus system parts inventory to the bus operator in conjunction with a new bus operating contract. For financial reporting in compliance with government accounting standards, General Fund advances have been presented as an operating transfer until the fund identifies options for long-term financial stability. At June 30, 2008, the fund had also borrowed \$4.6 million from the Risk Management Internal Service fund on a short-term basis pending reimbursement of costs from various grantors. This amount was repaid in the subsequent year.
- **Sanitation and Flood Control** – This utility district operated during the year with \$23 million of user fees. \$7 million was invested in capital assets during the year, primarily funded with a \$4 million capital financing loan from the State of California.

- **Marine World JPA** – This joint powers authority was formed in 1996 to operate the Marine World (Six Flags Discovery Kingdom) amusement park. On July 31, 2007, Park Management Corporation exercised its purchase option and the Authority has ceased operations. In conjunction with the sale, \$56 million of debt was retired. Although an accounting gain of \$28 million was realized, the sale resulted in net proceeds of only \$1.4 million, which distributed to the City's Financing Authority, and in turn to the Redevelopment Agency. The Agency further distributed these proceeds, along with \$385,000 released from a related debt service reserve, in a \$1.7 million transfer to the City's General Fund.
- **Marina** – The Marina collected \$1.9 million in user fees during the year to support its operating and debt service costs. Operating costs, excluding depreciation, were \$1.3 million and debt service payments were \$0.9 million. The fund's cash flow deficit was financed with a contribution from the State Lands Commission fund of \$0.3 million. On an accrual basis, the fund has a deficit net assets position of \$1 million as of June 30, 2008, as its capital assets depreciate faster than the principal payments on the debt that financed the assets. The fund remains obligated for \$17 million in long-term debt. Ongoing contributions from available State Lands Commission lease revenues and from the General Fund are anticipated into the future.
- **Golf** – The Golf fund collected pass-through annual revenues of \$0.7 million from the municipal course operator to fund debt service on its \$10 million of outstanding long-term debt. This debt was issued to acquire the capital assets of the fund. The Golf Fund has a deficit net assets position of \$448 thousand as of June 30, 2008, as the capital assets are depreciating faster than the principal payments on the debt that financed the assets.

CAPITAL ASSETS

The Capital Assets of the City are those assets that are used in the performance of the City's functions, including infrastructure assets. This investment in capital assets includes land and easements, infrastructure, buildings and improvements, equipment, intangible assets, and construction in progress.

Infrastructure assets are assets that are long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. These assets are classified by the City in major categories which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems. The City's decision to depreciate infrastructure capital assets results in recording a large non-cash depreciation amount each year that offsets additions to capital assets.

The City's streets are constantly deteriorating resulting from the following four factors: (1) traffic using the streets; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and other urban runoff. Although the City is continuously taking actions to arrest the deterioration through short-term maintenance activities such as pothole patching, street sweeping, and sidewalk repair, unfortunately, the amount being spent annually is, according to the City Engineer, millions less than the amount needed to maintain the City' streets, much less restore them to national standards.

The following is a summary of the City's capital assets at June 30, 2008 and 2007. Total capital assets have decreased by \$20 million during the year to \$683 million, primarily due to the sale of \$18 million in Marine World capital assets. Total depreciation of \$30 million was offset by new capital additions of \$27 million. Governmental construction in progress includes major street projects on Columbus, Wilson, and Admiral Callaghan that have been substantially financed with grants and development fees. Business-type construction in progress includes \$5 million in Water projects, \$4 million in Transportation projects, and \$11 million for Sanitation and Flood Control projects.

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$135,204,112	\$135,204,112	\$14,847,372	\$14,839,847	\$150,051,484	\$150,043,959
Building and improvement	43,850,656	44,903,754	278,985,452	301,635,601	322,836,108	346,539,355
Machinery and equipment	7,788,510	7,391,856	31,774,891	34,328,354	39,563,401	41,720,210
Infrastructure	77,348,070	79,054,417	41,960,477	42,030,633	119,308,547	121,085,050
Construction in progress	31,263,027	24,792,942	20,267,976	18,911,792	51,531,003	43,704,734
Total	<u>\$295,454,375</u>	<u>\$291,347,081</u>	<u>\$387,836,168</u>	<u>\$411,746,227</u>	<u>\$683,290,543</u>	<u>\$703,093,308</u>

DEBT ADMINISTRATION

The City has established the following equally important objectives in administering its long-term debt financing program. These objectives remain achievable for the City's debt programs secured by restricted revenues such as Water, Redevelopment, and Improvement Districts. Through its bankruptcy filing, the City seeks to restore overall City fiscal stability that will allow its General Fund debt program to also resume progress in achieving these objectives.

- Minimize debt service and issuance costs
- Maintain access to cost-effective borrowing
- Achieve the highest practical credit rating
- Full and timely repayment of debt
- Maintain full and complete financial disclosure and reporting
- Ensure compliance with applicable State and Federal laws

The following is a summary of the City's long-term debt obligations at June 30, 2008 and 2007. In total, long-term debt decreased during the year by \$58 million due to the Marine World sale and the corresponding debt retirement of \$56 million. The Vallejo Sanitation and Flood Control District added \$4 million in new debt for a State loan to finance capital improvements. Other activity was primarily the normal principal amortization from annual debt service payments. All scheduled principal and interest payments were paid during the fiscal year ended June 30, 2008.

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Tax Allocation Bonds	\$11,371,320	\$11,721,320			\$11,371,320	\$11,721,320
Certificates of Participation	25,787,430	26,612,742	\$94,131,286	\$153,269,877	119,918,716	179,882,619
Capital Lease Obligations	1,484,689	1,395,579			1,484,689	1,395,579
Revenue Bonds			64,831,880	65,882,818	64,831,880	65,882,818
Loans & Notes Payable			21,130,805	17,780,129	21,130,805	17,780,129
Total	<u>\$38,643,439</u>	<u>\$39,729,641</u>	<u>\$180,093,971</u>	<u>\$236,932,824</u>	<u>\$218,737,410</u>	<u>\$276,662,465</u>

The percentage of net bonded debt to taxable property valuation, and the amount of bonded debt per capita, are useful indicators of the City's debt position to management, citizens, and investors. A comparison of these indicators follows. Per capita debt outstanding decreased to \$1,806 from \$2,278 compared to the prior fiscal year.

	June 30, 2008	June 30, 2007
Net debt	218,737,410	\$276,662,465
Net debt per capita	\$1,806	\$2,278
Net debt per capita as a percentage of per capita personal income	4.86%	6.45%
Net debt as a percentage of net assessed value	2.09%	2.91%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City faces significant economic and operating fiscal challenges as it looks forward to the next several fiscal years. The national recession, contraction of the credit market, and increasing unemployment rates put downward pressure on local tax revenues, which makes it difficult for all municipalities to sustain their current levels of public service. The State of California's severe structural budget imbalance, significant pension system investment losses, and proposed local government revenue shifts make it particularly difficult for California local agencies. Vallejo also faces the uncertain resolution of its General Fund insolvency and its long term labor contracts which establish the cost of employee services.

The City remains in dialogue with its employee associations and program staff to continue to identify employee and program cost reductions that can bring anticipated expenditures in line with available revenues. In addition, staff at all levels of the organization continue to identify new revenues, some of which may require voter approval, to restore service levels. The City's long-term goal is to rebuild a "sustainable budget" in which the cost of city services is in line with available revenues and are invested to support a breadth of services to support the quality of life for its citizens.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report, separate reports of the City's component units or need any additional financial information, contact the Office of the Finance Director at 555 Santa Clara Street, Vallejo, California, 94590, phone 707-648-4592.

GOVERNMENT WIDE FINANCIAL STATEMENTS

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

CITY OF VALLEJO
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and investments (Note 3)	\$67,420,338	\$58,327,817	\$125,748,155
Accounts receivable	3,030,289	16,170,691	19,200,980
Interfund balances (Note 4)	4,607,163	(4,607,163)	
Due from other governments	6,820,450	7,767,388	14,587,838
Material, parts, and supplies	180,847	2,328,376	2,509,223
Prepays	104,253	130,523	234,776
Total Current Assets	82,163,340	80,117,632	162,280,972
Restricted cash and investments			
held with fiscal agent (Note 3)	32,754,271	14,740,385	47,494,656
Land held for redevelopment	1,843,279		1,843,279
Notes and loans receivable (Note 5)	24,511,284	1,807,858	26,319,142
Issuance cost		2,937,779	2,937,779
Deferred lease		998,876	998,876
Capital assets (Note 6):			
Nondepreciable	166,467,139	35,115,348	201,582,487
Depreciable, net of accumulated depreciation	128,987,236	352,730,820	481,718,056
Total Noncurrent Assets	354,563,209	408,331,066	762,894,275
Total Assets	436,726,549	488,448,698	925,175,247
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	8,608,278	6,381,549	14,989,827
Accrued interest payable	415,104	1,546,366	1,961,470
Due to other governments	1,383,230		1,383,230
Unearned revenues	2,095,409	2,143,437	4,238,846
Deposits payable	1,981,100	3,660,914	5,642,014
Employee benefits payable (Note 11 and 13)	11,170,734	1,842,401	13,013,135
Claims liability, due within one year (Note 15)	3,027,160		3,027,160
Long-term debt, due within one year (Note 8)	1,453,968	6,055,043	7,509,011
Total Current Liabilities	30,134,983	21,629,710	51,764,693
Noncurrent liabilities:			
Claims liability (Note 15)	8,096,840		8,096,840
Employee benefits payable (Notes 11 and 13)	16,052,386	1,475,919	17,528,305
Long-term debt (Note 8)	37,189,471	174,038,928	211,228,399
Total Noncurrent Liabilities	61,338,697	175,514,847	236,853,544
Total Liabilities	91,473,680	197,144,557	288,618,237
NET ASSETS (Note 14)			
Invested in capital assets, net of related debt	264,548,211	209,721,546	474,269,757
Restricted for:			
Debt service		12,690,266	12,690,266
Capital projects	\$32,501,355	33,675,120	66,176,475
Special projects and programs	70,372,948		70,372,948
Total Restricted Net Assets	102,874,303	46,365,386	149,239,689
Unrestricted	(22,169,645)	35,217,209	13,047,564
Total Net Assets	\$345,252,869	\$291,304,141	\$636,557,010

See accompanying notes to financial statements

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:							
Legislative and advisory	\$285,594				(\$285,594)		(\$285,594)
Executive	686,783				(686,783)		(686,783)
Finance	1,216,526				(1,216,526)		(1,216,526)
Human resources	668,458				(668,458)		(668,458)
Law	867,418				(867,418)		(867,418)
Development services	3,252,585	\$3,022,812			(229,773)		(229,773)
Community development	33,498,889	4,004,685	\$19,687,441		(9,806,763)		(9,806,763)
Fire services	27,464,830	3,679,067	17,000		(23,768,763)		(23,768,763)
Police services	43,073,607	3,617,092	2,491,713		(36,964,802)		(36,964,802)
Public works	25,984,476	7,251,607	2,318,676	\$3,485,972	(12,928,221)		(12,928,221)
Nondepartmental	11,045,020				(11,045,020)		(11,045,020)
Interest on long term debt	2,694,646				(2,694,646)		(2,694,646)
Total Governmental Activities	150,738,832	21,575,263	24,514,830	3,485,972	(101,162,767)		(101,162,767)
Business-type Activities:							
Water	32,479,434	32,914,193		3,309,291		\$3,744,050	3,744,050
Local Transportation	28,873,584	11,063,468	15,257,066			(2,553,050)	(2,553,050)
Sanitation and Flood Control	27,478,992	23,155,871	1,092,213	1,082,385		(2,148,523)	(2,148,523)
Marine World JPA	40,016,158	40,273,346				257,188	257,188
Marina	2,992,515	1,908,917				(1,083,598)	(1,083,598)
Golf	976,833	662,828				(314,005)	(314,005)
Total Business-type Activities	132,817,516	109,978,623	16,349,279	4,391,676		(2,097,938)	(2,097,938)
Total	\$283,556,348	\$131,553,886	\$40,864,109	\$7,877,648	(101,162,767)	(2,097,938)	(103,260,705)
General revenues:							
Taxes:							
Property taxes/In-lieu property tax					28,630,081		28,630,081
Incremental property taxes					4,908,635		4,908,635
Sales taxes					12,907,978		12,907,978
User Utility					13,501,146		13,501,146
Franchise					4,004,698		4,004,698
Transit occupancy					1,497,237		1,497,237
Other					3,837,399		3,837,399
Mare Island CFD Assessments					5,311,886		5,311,886
Investment earnings					6,043,677	2,716,137	8,759,814
Gain on Sale of Property						28,442,907	28,442,907
Miscellaneous					3,244,188	247,080	3,491,268
Transfers (Note 4)					1,352,629	(1,352,629)	
Total general revenues and transfers					85,239,554	30,053,495	115,293,049
Change in Net Assets					(15,923,213)	27,955,557	12,032,344
Net Assets-Beginning					361,176,082	263,348,584	624,524,666
Net Assets-Ending					\$345,252,869	\$291,304,141	\$636,557,010

See accompanying notes to financial statements

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FUND FINANCIAL STATEMENTS

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Governmental Funds by the City in the year ended June 30, 2008. Individual non-major funds may be found in the Supplemental section.

GENERAL FUND is used for all general revenues of the City not specifically levied or collected for other City funds and the related expenditures.

HOUSING AUTHORITY SPECIAL REVENUE FUND is used to account for monies received and expended in the HUD Section 8 Housing Assistance Program for low and moderate income families.

MARE ISLAND CONVERSION SPECIAL REVENUE FUND is used to account for monies received from federal grants which are used for activities relating to the conversion of the Mare Island Naval Shipyard to civilian use.

CITY OF VALLEJO
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2008

	General	Housing Authority	Mare Island Conversion	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments (Note 3)		\$14,838,834	\$2,223,300	\$44,087,955	\$61,150,089
Restricted cash and investments held with fiscal agent (Note 3)			23,140,494	9,613,777	32,754,271
Accounts receivable	\$2,493,784	128,191		372,936	2,994,911
Notes and loans receivable (Note 5)	804,499	50,900		23,655,885	24,511,284
Due from other governments	3,465,905	104,022		3,250,523	6,820,450
Due from other funds (Note 4)	100,572			38,695	139,267
Advance to other funds (Note 4)				5,297,618	5,297,618
Material, parts, and supplies	2,355				2,355
Prepays	55,975	916		47,362	104,253
Land held for redevelopment	499,684			1,343,595	1,843,279
Total Assets	<u>\$7,422,774</u>	<u>\$15,122,863</u>	<u>\$25,363,794</u>	<u>\$87,708,346</u>	<u>\$135,617,777</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$2,975,729	\$230,226	\$373,895	\$4,219,761	\$7,799,611
Due to other funds (Note 4)	450,982			1,650,099	2,101,081
Due to other governments	16,018			1,367,212	1,383,230
Deferred revenues	223,110			11,444,848	11,667,958
Advances from other funds (Note 4)				5,297,618	5,297,618
Deposits payable	243,895	159,328		1,577,877	1,981,100
Total Liabilities	<u>3,909,734</u>	<u>389,554</u>	<u>373,895</u>	<u>25,557,415</u>	<u>30,230,598</u>
FUND BALANCES (Note 14)					
Fund balance					
Reserved for:					
Encumbrances	206,947			611,785	818,732
Materials, parts, supplies	2,355				2,355
Prepays	55,975	916		47,362	104,253
Debt service				1,475,056	1,475,056
Notes and loans	777,221	50,900		15,057,180	15,885,301
Advances to other funds				4,796,000	4,796,000
Land held for redevelopment	499,684			1,343,595	1,843,279
Program restrictions - Appropriated		1,974,560	22,766,599	11,807,478	36,548,637
Program restrictions - Unappropriated	517,382	12,706,933	2,223,300	31,662,379	47,109,994
Unreserved:					
Designated for					
Capital projects:					
Special Revenue Funds				60,256	60,256
Capital Projects Funds				649,554	649,554
State budget impact/SB1096	656,281				656,281
Undesignated, Reported in:					
General Fund	797,195				797,195
Special Revenue Funds				86,143	86,143
Capital Projects Funds				84,137	84,137
Debt Service Funds				(5,529,994)	(5,529,994)
Total Fund Balances	<u>3,513,040</u>	<u>14,733,309</u>	<u>24,989,899</u>	<u>62,150,931</u>	<u>105,387,179</u>
Total Liabilities and Fund Balances	<u>\$7,422,774</u>	<u>\$15,122,863</u>	<u>\$25,363,794</u>	<u>\$87,708,346</u>	<u>\$135,617,777</u>

See accompanying notes to financial statements

CITY OF VALLEJO
 Reconciliation of
 GOVERNMENTAL FUND BALANCES
 with
 GOVERNMENTAL NET ASSETS
 JUNE 30, 2008

Total fund balances reported on the governmental funds balance sheet	\$105,387,179
<p>Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds above because of the following:</p>	
CAPITAL ASSETS	
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	292,792,701
ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS	
<p>Internal service funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance and central services and maintenance to individual governmental funds. The net current assets of the Internal Service Funds are therefore included in Governmental Activities in the following line items in the Statement of Net Assets.</p>	
Cash and investments	\$6,270,249
Accounts receivable	35,378
Materials, parts, and supplies	178,492
Due from other funds	6,568,977
Capital assets	2,661,674
Accounts payable	(808,667)
Claims payable	(11,124,000)
Employee benefits payable	<u>(8,734,904)</u>
	(4,952,801)
ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES	
Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities.	9,572,549
LONG-TERM ASSETS AND LIABILITIES	
<p>The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:</p>	
Long-term debt	(38,643,439)
Interest payable	(415,104)
Compensated absences	<u>(18,488,216)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$345,252,869</u></u>

See accompanying notes to financial statements

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

	<u>General</u>	<u>Housing Authority</u>	<u>Mare Island Conversion</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$53,821,263			\$4,908,635	\$58,729,898
Licenses, permits, and fees	2,431,928			895,132	3,327,060
Fines and forfeitures	1,428,818			399,127	1,827,945
Intergovernmental	12,718,335	\$17,763,426		8,064,329	38,546,090
Use of money and property	473,351	744,611	\$1,219,596	4,453,532	6,891,090
Charges for services	7,682,796			12,551,309	20,234,105
Other	117,944	294,777		1,420,591	1,833,312
Total Revenues	<u>78,674,435</u>	<u>18,802,814</u>	<u>1,219,596</u>	<u>32,692,655</u>	<u>131,389,500</u>
EXPENDITURES					
Current:					
Legislative and advisory	247,668			44,702	292,370
Executive	736,846				736,846
Finance	1,159,374				1,159,374
Human resources	723,493				723,493
Law	892,284				892,284
Development services	2,812,419			436,208	3,248,627
Community development	795,304	20,244,463	5,777,799	6,889,909	33,707,475
Fire services	25,286,403			2,777,165	28,063,568
Police services	38,204,475			2,981,343	41,185,818
Public works	4,210,768			9,867,216	14,077,984
Nondepartmental	9,868,036			1,176,984	11,045,020
Capital outlay				14,039,215	14,039,215
Debt Service:					
Principal	286,700			1,210,554	1,497,254
Interest and fiscal agent fees	99,577			2,490,146	2,589,723
Total Expenditures	<u>85,323,347</u>	<u>20,244,463</u>	<u>5,777,799</u>	<u>41,913,442</u>	<u>153,259,051</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(6,648,912)</u>	<u>(1,441,649)</u>	<u>(4,558,203)</u>	<u>(9,220,787)</u>	<u>(21,869,551)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from issuance of obligations (Note 8)				411,052	411,052
Transfers in (Note 4)	4,954,266			6,807,817	11,762,083
Transfers out (Note 4)	(1,813,711)			(6,693,134)	(8,506,845)
Total Other Financing Sources (Uses)	<u>3,140,555</u>			<u>525,735</u>	<u>3,666,290</u>
NET CHANGE IN FUND BALANCES	<u>(3,508,357)</u>	<u>(1,441,649)</u>	<u>(4,558,203)</u>	<u>(8,695,052)</u>	<u>(18,203,261)</u>
BEGINNING FUND BALANCES	<u>7,021,397</u>	<u>16,174,958</u>	<u>29,548,102</u>	<u>70,845,983</u>	<u>123,590,440</u>
ENDING FUND BALANCES	<u>\$3,513,040</u>	<u>\$14,733,309</u>	<u>\$24,989,899</u>	<u>\$62,150,931</u>	<u>\$105,387,179</u>

See accompanying notes to financial statements

CITY OF VALLEJO
 Reconciliation of the
 NET CHANGE IN GOVERNMENTAL FUND BALANCES
 with the
 CHANGE IN GOVERNMENT NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2008

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (\$18,203,261)

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.

The capital outlay and other capital expenditures are therefore added back to fund balance	12,129,633
Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of \$817,841 which has already been allocated to serviced funds)	(8,264,798)

LONG TERM DEBT PROCEEDS AND PAYMENTS

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

Proceeds from obligation is deducted from fund balance	(411,052)
Repayment of debt principal is added back to fund balance	1,497,254

ACCRUAL OF 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):

Interest payable	(104,923)
Deferred revenue	1,549,954
Compensated absences	4,045,014

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds. The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.

Change in Net Assets - All Internal Service Funds	(8,161,034)
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	(\$15,923,213)
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See accompanying notes to financial statements

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES:				
Taxes	\$59,065,143	\$53,700,965	\$53,821,263	\$120,298
Licenses, permits and fees	2,355,658	2,504,940	2,431,928	(73,012)
Fines and forfeitures	1,671,000	1,688,000	1,428,818	(259,182)
Intergovernmental	12,303,056	12,804,038	12,718,335	(85,703)
Use of money and property	785,140	501,309	473,351	(27,958)
Charges for services	7,637,443	7,595,031	7,682,796	87,765
Other	86,000	111,000	117,944	6,944
Total Revenues	83,903,440	78,905,283	78,674,435	(230,848)
EXPENDITURES:				
Current:				
Legislative and advisory	255,943	255,943	247,668	8,275
Executive	1,053,133	1,014,839	736,846	277,993
Finance	1,295,446	1,417,970	1,159,374	258,596
Human resources	796,222	886,689	723,493	163,196
Law	831,125	917,981	892,284	25,697
Development services	3,143,514	2,994,113	2,812,419	181,694
Community development	971,161	1,041,161	795,304	245,857
Fire services	23,724,414	25,284,608	25,286,403	(1,795)
Police services	39,094,571	37,646,011	38,204,475	(558,464)
Public works	5,163,329	4,395,911	4,210,768	185,143
Nondepartmental	7,196,960	9,394,374	9,868,036	(473,662)
Debt Service:				
Principal	199,133	199,133	286,700	(87,567)
Interest	250,547	250,547	99,577	150,970
Total Expenditures	83,975,498	85,699,280	85,323,347	375,933
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(72,058)	(6,793,997)	(6,648,912)	145,085
OTHER FINANCING SOURCES (USES)				
Transfers in	1,885,700	4,370,700	4,954,266	583,566
Transfers (out)	(1,813,642)	(2,158,642)	(1,813,711)	344,931
Total other financing sources (uses)	72,058	2,212,058	3,140,555	928,497
NET CHANGE IN FUND BALANCE		(\$4,581,939)	(3,508,357)	\$1,073,582
Fund balance, July 1			7,021,397	
Fund balance, June 30			<u>\$3,513,040</u>	

See accompanying notes to financial statements

CITY OF VALLEJO
HOUSING AUTHORITY FUND
STATEMENT OF REVENUES, AND EXPENDITURES
AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
License, permits and fees				
Intergovernmental	\$22,693,777	\$22,687,777	\$17,763,426	(\$4,924,351)
Use of money and property	267,656	267,656	744,611	476,955
Other	28,000	28,000	294,777	266,777
	<u>22,989,433</u>	<u>22,983,433</u>	<u>18,802,814</u>	<u>(4,180,619)</u>
Total Revenues				
EXPENDITURES:				
Current:				
Community development	23,063,727	23,326,458	20,244,463	3,081,995
	<u>23,063,727</u>	<u>23,326,458</u>	<u>20,244,463</u>	<u>3,081,995</u>
Total Expenditures				
NET CHANGE IN FUND BALANCE	<u>(\$74,294)</u>	<u>(\$343,025)</u>	(1,441,649)	<u>(\$1,098,624)</u>
Fund balance, July 1			<u>16,174,958</u>	
Fund balance, June 30			<u>\$14,733,309</u>	

See accompanying notes to financial statements

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CITY OF VALLEJO, CALIFORNIA

MAJOR PROPRIETARY FUNDS

The City reported all enterprise funds as major funds in fiscal 2008.

WATER FUND is used to account for the production and distribution of water to residents and businesses located within the City. Water service is also provided to Lakes District and Travis Air Force Base customers outside the City limits.

LOCAL TRANSPORTATION FUND is used to account for the operations and management of the City transit operations, which includes bus, ferry, paratransit and taxi subsidy operations.

SANITATION AND FLOOD CONTROL FUND is used to account for the activities of the Vallejo Sanitation and Flood Control District. The District provides for the collection and treatment of wastewater and storm drain run-off.

MARINE WORLD JOINT POWERS AUTHORITY FUND is used to account for the activities of the Marine World Joint Powers Authority. The Authority provided for the operations, improvements and management of the Six Flags Discovery Kingdom theme park. During the fiscal year, the Authority has sold all of its assets and ceased operations.

MARINA FUND is used to account for the operations, improvement and management of the City marina operations.

GOLF FUND is used to account for the capital assets of the City's municipal golf course and the course operator's pass-through revenues that service the City debt used to acquire and improve the assets of the fund.

CITY OF VALLEJO
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2008

	Business-type Activities-Enterprise Funds			Marine World JPA as of July 31, 2007
	Water	Local Transportation	Sanitation and Flood Control	
ASSETS				
Current assets:				
Cash and investments (Note 3)	\$9,924,538	\$1,432,508	\$46,708,476	
Accounts receivable (net of allowance for uncollectibles)	9,184,319	320,017	6,556,695	
Due from other governments		7,767,388		
Material, parts and supplies	581,804	1,493,207	226,711	
Prepays	86,714			
Due from other funds (Note 4)				
Total current assets	19,777,375	11,013,120	53,491,882	
Noncurrent assets:				
Restricted cash and investments held with fiscal agent (Note 3)	4,533,905		8,384,282	
Issuance costs	1,464,116		929,991	
Notes receivable (Note 5)	1,262,559		253,629	
Deferred lease			998,876	
Advance to other funds (Note 4)				
Capital assets (Note 6):				
Nondepreciable	4,916,197	4,071,909	13,899,172	
Depreciable, net	107,053,641	27,883,211	207,338,528	
Total noncurrent assets	119,230,418	31,955,120	231,804,478	
Total assets	139,007,793	42,968,240	285,296,360	
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	1,472,609	2,852,160	1,901,971	
Accrued interest payable	391,839		1,024,216	
Due to other funds (Note 4)		4,607,163		
Deferred revenue		2,127,265		
Deposits payable	2,101,066	1,125	1,436,405	
Claims payable, current (Note 15)				
Employee benefits payable, current (Notes 11 and 13)	1,097,558	38,653	678,033	
Long-term debt, due within one year (Note 8)	2,323,735		3,255,630	
Total current liabilities	7,386,807	9,626,366	8,296,255	
Long-term liabilities:				
Certificates of participation (Note 8)	746,787		64,168,851	
Bonds payable, net (Note 8)	62,701,880			
Loans payable (Note 8)	5,334,725		14,781,239	
Claims payable, noncurrent (Note 15)				
Employee benefits payable, noncurrent (Notes 11 and 13)	587,529		884,490	
Total noncurrent liabilities	69,370,921		79,834,580	
Total Liabilities	76,757,728	9,626,366	88,130,835	
NET ASSETS (Note 14)				
Invested in capital assets, net of related debt	40,862,711	31,955,120	141,001,329	
Restricted for capital improvements			32,688,370	
Restricted for debt service	4,533,905		7,320,913	
Unrestricted	16,853,449	1,386,754	16,154,913	
Total Net Assets	\$62,250,065	\$33,341,874	\$197,165,525	

See accompanying notes to financial statements

<u>Business-type Activities-Enterprise Funds</u>			<u>Governmental Activities- Internal Service Funds</u>
<u>Marina</u>	<u>Golf</u>	<u>Totals</u>	
\$254,160	\$8,135	\$58,327,817	\$6,270,249
56,326	53,334	16,170,691	35,378
		7,767,388	
26,654		2,328,376	178,492
	43,809	130,523	
			<u>6,568,977</u>
<u>337,140</u>	<u>105,278</u>	<u>84,724,795</u>	<u>13,053,096</u>
227,500	1,594,698	14,740,385	
257,046	286,626	2,937,779	
	291,670	1,807,858	
		998,876	
10,736,670	1,491,400	35,115,348	
<u>4,985,872</u>	<u>5,469,568</u>	<u>352,730,820</u>	<u>2,661,674</u>
<u>16,207,088</u>	<u>9,133,962</u>	<u>408,331,066</u>	<u>2,661,674</u>
<u>16,544,228</u>	<u>9,239,240</u>	<u>493,055,861</u>	<u>15,714,770</u>
139,778	15,031	6,381,549	808,667
83,018	47,293	1,546,366	
		4,607,163	
16,172		2,143,437	
122,318		3,660,914	
			3,027,160
28,157		1,842,401	2,087,225
<u>300,678</u>	<u>175,000</u>	<u>6,055,043</u>	
<u>690,121</u>	<u>237,324</u>	<u>26,236,873</u>	<u>5,923,052</u>
16,855,581	9,449,865	91,221,084	
		62,701,880	
		20,115,964	
3,900		1,475,919	8,096,840
			<u>6,647,679</u>
<u>16,859,481</u>	<u>9,449,865</u>	<u>175,514,847</u>	<u>14,744,519</u>
<u>17,549,602</u>	<u>9,687,189</u>	<u>201,751,720</u>	<u>20,667,571</u>
(1,433,717)	(2,663,897)	209,721,546	2,661,674
148,146	838,604	33,675,120	
79,354	756,094	12,690,266	
<u>200,843</u>	<u>621,250</u>	<u>35,217,209</u>	<u>(7,614,475)</u>
<u>(\$1,005,374)</u>	<u>(\$447,949)</u>	<u>\$291,304,141</u>	<u>(\$4,952,801)</u>

CITY OF VALLEJO
 PROPRIETARY FUNDS
 STATEMENT OF REVENUE, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2008

	Business-type Activities-Enterprise Funds			
	Water	Local Transportation	Sanitation and Flood Control	Marine World JPA as of July 31, 2007
OPERATING REVENUES				
Charges for services	\$32,668,191	\$11,063,468	\$22,513,304	\$39,954,543
Other	246,002		642,567	318,803
Total operating revenues	<u>32,914,193</u>	<u>11,063,468</u>	<u>23,155,871</u>	<u>40,273,346</u>
OPERATING EXPENSES				
Operations expenses	16,363,990	24,841,556	13,165,925	35,870,289
Revenue-sharing				
General and administrative	6,597,903	59,645	2,784,033	440,450
Insurance and claims				
Depreciation	6,298,314	3,972,383	7,941,078	1,026,979
Total operating expenses	<u>29,260,207</u>	<u>28,873,584</u>	<u>23,891,036</u>	<u>37,337,718</u>
Operating income (loss)	<u>3,653,986</u>	<u>(17,810,116)</u>	<u>(735,165)</u>	<u>2,935,628</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	843,318	785	1,634,261	147,490
Intergovernmental revenue		15,257,066	1,092,213	
Gain (Loss) on sale of capital assets (Note 16)				28,442,907
Interest expense and fiscal charges	(3,142,392)		(3,587,956)	(2,678,440)
Bond issuance cost	(76,835)			
Other revenues (expenses)			247,080	
Total nonoperating revenues (expenses)	<u>(2,375,909)</u>	<u>15,257,851</u>	<u>(614,402)</u>	<u>25,911,957</u>
Contributions	3,309,291		1,082,385	
Transfers in (Note 4)		99,803		
Transfers (out) (Note 4)		(300,000)		(1,428,573)
Change in net assets	4,587,368	(2,752,462)	(267,182)	27,419,012
BEGINNING NET ASSETS	<u>57,662,697</u>	<u>36,094,336</u>	<u>197,432,707</u>	<u>(\$27,419,012)</u>
ENDING NET ASSETS	<u>\$62,250,065</u>	<u>\$33,341,874</u>	<u>\$197,165,525</u>	

See accompanying notes to financial statements

<u>Business-type Activities-Enterprise Funds</u>			<u>Governmental Activities- Internal Service Funds</u>
<u>Marina</u>	<u>Golf</u>	<u>Totals</u>	
\$1,908,917	\$662,828	\$108,771,251	\$9,397,917
		1,207,372	3,605,206
<u>1,908,917</u>	<u>662,828</u>	<u>109,978,623</u>	<u>13,003,123</u>
1,117,961		91,359,721	15,454,620
157,064	110,182	10,149,277	3,793,590
<u>1,035,105</u>	<u>375,370</u>	<u>20,649,229</u>	<u>817,841</u>
<u>2,310,130</u>	<u>485,552</u>	<u>122,158,227</u>	<u>20,066,051</u>
<u>(401,213)</u>	<u>177,276</u>	<u>(12,179,604)</u>	<u>(7,062,928)</u>
11,380	78,903	2,716,137	722,416
		16,349,279	
		28,442,907	82,087
(672,922)	(458,833)	(10,540,543)	
(9,463)	(32,448)	(118,746)	
		247,080	
<u>(671,005)</u>	<u>(412,378)</u>	<u>37,096,114</u>	<u>804,503</u>
		4,391,676	
276,141		375,944	978,214
		(1,728,573)	(2,880,823)
(796,077)	(235,102)	27,955,557	(8,161,034)
<u>(209,297)</u>	<u>(212,847)</u>	<u>263,348,584</u>	<u>3,208,233</u>
<u>(\$1,005,374)</u>	<u>(\$447,949)</u>	<u>\$291,304,141</u>	<u>(\$4,952,801)</u>

CITY OF VALLEJO
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2008

	Business-type Activities-Enterprise Funds			Marine World JPA as of July 31, 2007
	Water	Local Transportation	Sanitation and Flood Control	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$31,318,071	\$12,870,716	\$22,818,462	\$38,504,853
Payments to suppliers	(17,358,491)	(24,689,803)	(4,930,936)	(27,271,966)
Payments to employees	(6,579,026)	(67,884)	(9,951,368)	
Claims paid				
Cash Flows from Operating Activities	7,380,554	(11,886,971)	7,936,158	11,232,887
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in		99,803		
Transfers (out)		(300,000)		(1,428,573)
Increase (decrease) in due from other funds				
Increase (decrease) in due to other funds		4,308,741		
Increase (decrease) in advance to other funds				
Distribution of remaining cash to Corporation				(11,177,655)
Intergovernmental receipts		9,359,957	1,092,213	
Cash Flows from Noncapital Financing Activities		13,468,501	1,092,213	(12,606,228)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(5,134,983)	(1,519,135)	(6,685,147)	
Intergovernmental receipts		1,369,328		
Sale of capital assets			21,355	53,372,884
Deferred lease			(363,109)	
Proceeds from long term debt			4,406,072	
Notes receivable issued			(314)	
Notes receivable cash collections			57,410	
Restricted investments interest received			339,750	
Principal payments on capital debt	(1,528,599)		(3,146,027)	(56,425,000)
Interest paid	(3,192,152)		(3,510,124)	(4,361,144)
Capital contributions	3,309,291		637,250	
Cash Flows from Capital and Related Financing Activities	(6,546,443)	(149,807)	(8,242,884)	(7,413,260)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest	843,318	785	1,634,261	146,947
Cash Flows from Investing Activities	843,318	785	1,634,261	146,947
Net Cash Flows	1,677,429	1,432,508	2,419,748	(8,639,654)
Cash and investments at beginning of period	12,781,014		52,673,010	8,639,654
Cash and investments at end of period	<u>\$14,458,443</u>	<u>\$1,432,508</u>	<u>55,092,758</u>	
Noncash transactions				
Retirement of capital assets				
Issuance costs				
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:				
Operating income (loss)	\$3,653,986	(\$17,810,116)	(\$735,165)	\$2,935,628
Adjustments to reconcile operating income to cash flows from operating activities:				
Depreciation and other	6,298,314	3,972,383	7,941,078	1,026,979
Change in assets and liabilities:				
Receivables, net	(2,538,445)	(320,017)	(1,035,969)	(1,768,493)
Inventory and prepaids	(69,891)	56,083		(1,460,616)
Other assets	894,833		1,214,246	(6,325)
Accounts payable and other accrued expenses	(924,610)	95,670	551,968	10,505,714
Employee benefits payable	18,877	(8,239)		
Due to other governments				
Deposits payable	47,490			
Deferred revenue		2,127,265		
Claims payable				
Cash Flows from Operating Activities	\$7,380,554	(\$11,886,971)	\$7,936,158	\$11,232,887

See accompanying notes to financial statements

Marina	Golf	Totals	Governmental Activities- Internal Service Funds
\$1,872,748	\$782,098	\$108,166,948	\$13,012,929
(1,269,358)	(124,220)	(75,644,774)	(1,872,404)
(10,223)		(16,608,501)	(6,293,457)
			(4,434,590)
593,167	657,878	15,913,673	412,478
276,141		375,944	978,214
		(1,728,573)	(2,880,823)
		4,308,741	(3,062,329)
		(11,177,655)	
		10,452,170	
276,141		2,230,627	(4,964,938)
		(13,339,265)	(993,771)
		1,369,328	
		53,394,239	15,558
		(363,109)	
		4,406,072	
		(314)	
		57,410	
		339,750	
(291,397)	(159,891)	(61,550,914)	
(644,427)	(442,341)	(12,150,188)	
		3,946,541	
(935,824)	(602,232)	(23,890,450)	(978,213)
11,380	78,903	2,715,594	722,416
11,380	78,903	2,715,594	722,416
(55,136)	134,549	(3,030,556)	(4,808,257)
536,796	1,468,284	76,098,758	11,078,506
\$481,660	\$1,602,833	\$73,068,202	\$6,270,249
			(\$122,848)
(\$9,463)		(\$9,463)	
(\$401,213)	\$177,276	(\$12,179,604)	(\$7,062,928)
1,035,105	396,814	20,670,673	817,841
(23,260)	60,940	(5,625,244)	9,806
(18,469)	(43,809)	(1,536,702)	
	58,330	2,161,084	(762)
24,136	8,327	10,261,205	(1,275,457)
(10,223)		415	8,564,978
7,175		54,665	
(20,084)		2,107,181	(641,000)
\$593,167	\$657,878	\$15,913,673	\$412,478

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CITY OF VALLEJO, CALIFORNIA

FIDUCIARY FUNDS

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

The City uses agency fiduciary funds to account for its Improvement District and Assessment District funds. These funds account for the annual collection of assessments and disbursement to district bond holders for debt without City commitment.

CITY OF VALLEJO
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2008

	<u>Agency Funds</u>
ASSETS	
Cash and investments (Note 3)	\$9,537,251
Restricted cash and investments held with fiscal agent (Note 3)	<u>4,429,065</u>
Total Assets	<u><u>\$13,966,316</u></u>
LIABILITIES	
Due to bondholders	<u>\$13,966,316</u>
Total Liabilities	<u><u>\$13,966,316</u></u>

See accompanying notes to financial statements

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The City was incorporated in 1868 as a charter City, with a Council-Manager form of Government, and provides all municipal services, excluding garbage disposal and electricity.

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

- Housing Authority of the City of Vallejo
- Marine World Joint Powers Authority
- Parking Authority of the City of Vallejo
- Public Financing Authority of the City of Vallejo
- Redevelopment Agency of the City of Vallejo
- Vallejo Sanitation and Flood Control District
- Vallejo Sanitation and Flood Control District Financing Corporation

Additional financial information for each of these entities can be obtained from the Finance Department, City of Vallejo, 555 Santa Clara Street, Vallejo, CA 94590.

The Housing Authority of the City of Vallejo--was formed in June 1942 and is organized under the California Health and Safety Code. The objectives of the Housing Authority are to aid low-income families in obtaining decent, safe and sanitary housing through federal assistance programs and mortgage revenue bond program. The Housing Authority is governed by a Board of Commissioners composed of the City Council members and two tenants of the Housing Authority. The operations of the Housing Authority are reported as a governmental fund of the City.

The Marine World Joint Powers Authority-- was formed in October 1996, pursuant to the Joint Exercise of Powers Act of the Government Code of the State of California for the purpose of assuming ownership of the Marine World Africa USA theme park from the Marine World Foundation. The City Council is the governing body of the Marine World JPA. The operations of the Marine World JPA are reported as a proprietary fund of the City. The Marine World JPA's financial information is for the period ended July 31, 2007, (The Termination Date). See Note 15.

The Parking Authority of the City of Vallejo--was formed in May 1975, pursuant to the provisions of California statutes. Operations of the Parking Authority began in May 1977, with the execution of a joint powers agreement with the City. The purpose of this agreement was to provide the acquisition, construction, financing and operation of parking facilities in the downtown area of the City. The City Council is the governing board of the Parking Authority. The Authority has had no activity and had no assets during the year ended June 30, 2008.

The Public Financing Authority--of the City of Vallejo was formed in July 1990. The primary purpose of the PFA is to provide financing for City projects. The City Council is the governing board of the PFA. The PFA is reported as a governmental fund of the City.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Redevelopment Agency of the City of Vallejo --was formed in July 1956 and is organized under the State of California Community Redevelopment Law. The Agency is comprised of two project areas – Flodden Acres and the Merged Downtown/Waterfront projects. The Merged Project Area was created upon the merger of three redevelopment projects, Marina Vista, Waterfront and Vallejo Central, effective December 28, 2006. The effect of this merger was to: a) increase and merge the tax increment limits for the three project areas to establish one combined tax increment limit applicable to the entire merged project area, b) establish one combined bonded indebtedness limit applicable to the entire merged project area, c) extend the time limit on the effectiveness of the plan and the time limit for the receipt of tax increment and repayment of debt for the Marina Vista Redevelopment Plan, and d) replace the three individual Redevelopment Plans with one Amended and Restated Redevelopment Plan covering the entire merged project area. The City Council is the governing board of the Agency. The Agency is reported as governmental funds of the City.

Vallejo Sanitation and Flood Control District (VSFCD) was created by an act of the California legislature and began operations in May 1952. The purpose of the Act was to give autonomous authority to VSFCD to provide for the collection, treatment and disposal of wastewater and to control and dispose of storm waters. From 1993 to 1999 VSFCD was part of the City's operations. Commencing July 1, 1999 the VSFCD became a separate district from the City. The Board now consists of seven elected City Council members and one member appointed by the Solano County Board of Supervisors. The VSFCD is reported as a proprietary fund of the City.

Vallejo Sanitation and Flood Control District Financing Corporation is a non-profit public benefit corporation organized in July 1993, under the laws of the State of California for the purpose of assisting the VSFCD in funding certain projects and other matters relating to the purpose of VSFCD. Members of the Board for VSFCD serve as Directors of the VSFCDFC. The VSFCDFC is reported as part of the VSFCD proprietary fund of the City.

B. Basis of Presentation

These *Basic Financial Statements* are prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

The City's financial position and results of operations are presented from two perspectives in the following two sets of financial statements:

Government-wide Statements: The government-wide financial statements, including the *Statement of Net Assets* and the *Statement of Activities*, report the financial activities of the overall City using an 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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Fiduciary activities of the City, which are custodial in nature, are not included in these statements and are presented separately. Eliminations have been made to minimize the double counting of internal activities. All internal balances in the *Statement of Net Assets* have been eliminated except those representing balances between the governmental and business-type activities.

The *Statement of Activities* presents a comparison between direct expenses and program revenues for each function of the City. Direct expenses are those that are specifically associated with a program or function. Certain indirect costs are included in program expenses reported for individual functions and activities. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) operating grants and contributions that are restricted to meeting the operational needs of a particular program, and (c) capital fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues are presented as general revenues.

The City may pay for its programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Fund Financial Statements: In addition to the government-wide statements described above, the City also presents *Fund Financial Statements*. The accounts of the City are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund is established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. The City accounts for its operations in governmental, proprietary and fiduciary funds, which include the following categories:

Governmental Funds:

General Fund – To account for resources traditionally associated with general government operations of the City that are not required legally or by sound financial management to be accounted for in another fund.

Special Revenue Funds – To account for the proceeds of specific revenue sources that are legally restricted to be expended for specified purposes.

Debt Service Funds – To account for the servicing of long-term debt not being financed by business-type funds.

Capital Projects Funds – To account for the acquisition and construction of capital improvements.

Proprietary Funds:

Enterprise Funds – To account for operations that are financed substantially through user fees and are operated in a manner similar to private business enterprises.

Internal Service Funds – To account for the financing of goods and services provided by one City department to other departments on a cost reimbursement basis.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds:

Agency Funds - To account for assets held by the City as an agent for third parties, such as bonded assessment districts. The financial activities of these funds are excluded from the Government-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

C. *Basis of Accounting*

Governmental Funds: Governmental funds are used to report the majority of the City's programs. These funds are reported in the *Fund Financial Statements* on the modified accrual basis of accounting, with a focus on current financial resources. This basis differs from the accrual basis of accounting used to report the government-wide financial statements and proprietary fund financial statements.

Revenues are recognized when measurable and available. The City considers revenues reported in the governmental funds to be available if the revenues are collected within ninety days after year-end. This period is extended to seven months for the County's final distribution of Senate Bill 1096 "Triple Flip" sales tax and motor vehicle license revenue, and to one year for grant programs. Revenues susceptible to accrual include taxes, intergovernmental revenues, charges for services and interest revenue. Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include 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.

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 to the extent they have matured. Governmental capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary Funds: The proprietary funds of the City are reported on the accrual basis of accounting in the *Fund Financial Statements*. Private sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the funds. All other expenses are reported as non-operating expenses.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City also reports the following fund types:

Internal Service Funds: These funds account for equipment maintenance and replacement; employee benefits plans; and for workers' compensation, unemployment self-insurance, general liability self-insurance, and property insurance coverage; all of which are provided to other departments on a cost-reimbursement basis. Revenues are recognized based on cycle billings rendered to customers.

Fiduciary Funds: Agency funds are used to account for assets held by the City as an agent for the bondholders of the improvement and assessment land-based debt districts within the City.

D. Major Funds

The *Fund Financial Statements* focus on the individual *major* funds of the City, each of which is displayed in a separate column, and the aggregate of remaining funds, which are labeled as *non-major* funds. *Major* funds are defined as funds with assets, liabilities, revenues, expenditures, or expenses equal to ten percent of their fund-type total, and five percent of the grand total, or other funds of reporting significance.

The City reports the following major funds in the accompanying *Fund 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.

Housing Authority Special Revenue Fund - is used to account for monies received and expended in housing assistance to low and moderate income families. Funds are provided by receipts from the Federal Section 8 HUD programs.

Mare Island Conversion Special Revenue Fund - is used to account for monies received from various sources (federal, state and local) which are used for activities relating to the conversion of the Mare Island Naval Shipyard to civilian use.

The City reports all its enterprise funds as major funds in the accompanying financial statements:

Water Fund - is used to account for the production and distribution of water to residents and businesses located within the City. Water service is also provided to Lakes District and Travis Air Force Base customers outside the City limits.

Local Transportation Fund - is used to account for the operations and management of the City transit operations, which includes bus, ferry, para-transit and taxi subsidy operations.

Sanitation and Flood Control Fund - is used to account for the collections and treatment of wastewater and storm drain run-off.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Marine World Joint Powers Agreement Fund – is used to account for the operations, improvement and management of the Marine World (Six Flags/Discovery Kingdom) operations.

Marina Fund – is used to account for the operations, improvement and management of the City marina operations.

Golf Fund – is used to account for the capital assets of the City’s municipal golf course and the course operator’s pass-through revenues that service the City debt used to acquire and improve the assets of the fund.

E. *Budgeting Procedures*

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

The City Charter requires the City Manager to submit to the City Council a proposed operating budget by May 15th for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the financing sources. Public hearings are conducted to obtain taxpayer comments. The budget is legally enacted through passage of a resolution.

Level of Budgetary Control - Budgetary control is established at the following levels: a) General Fund – Department level; b) Other Funds – Fund level; and Capital Projects – Project level. The City Manager may authorize line item budget transfers within a General Fund department, or within a fund other than the General Fund.

Budget Amendments - City Council authorization is required to transfer appropriations between General Fund departments, or between funds. City Council authorization is also required to establish or amend capital project budgets. The Budget may be amended at such times as the City Council may deem necessary, in accordance with the requirements and procedures contained in the City Charter and Municipal Code.

Budgets are adopted for the General Fund and Special Revenue Funds except Utility Billing Administration Special Revenue Fund.

Budgets are adopted on a basis consistent with Generally Accepted Accounting Principals.

F. *Encumbrance Accounting*

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary integration in all budgeted funds. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities and are reappropriated in the following year. Unexpended appropriations lapse at year end and must be reappropriated in the following year. Encumbrances outstanding at year-end do not lapse and are included as part of the following year budget.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. *Property Tax Revenues*

Solano County assesses properties and bills, collects, and distributes property taxes to the City. 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 of the preceding fiscal year. Property tax revenues are recognized by the City in the fiscal year they are assessed, provided they become available as defined above.

Secured property tax is due in two installments, on November 1 and March 1, and becomes a lien on those dates. It becomes delinquent after 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.

H. *Materials, Parts, and Supplies*

Materials, parts and supplies are held for consumption and are valued at average cost. Enterprise fund supplies consist of materials and supplies which are held for future use. General fund supplies are recorded as expenditure at the time individual supply items are purchased.

I. *Use of Estimates*

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. *New Funds*

The California Department of Correctional Grant and Urban Forest Grant Special Revenue Funds, the Vallejo Station Capital Projects Fund, and the Retiree Health Benefits (OPEB) Internal Service Fund were established as of July 1, 2007.

NOTE 2 – BANKRUPTCY

Chapter 9 Filing - Without reserves, facing a worsening economy, burdened by labor contracts locked in through 2010, and with limited opportunities to raise taxes due to State constitutional restrictions, in early May of 2008, the City determined that it was no longer able to meet its contractual obligations. Absent appropriations from a balanced budget required by both City charter and State constitution, the General Fund would have lacked the legal authority to continue paying for services after July 1, 2008. On May 23, 2008, the City filed a case under chapter 9 of the United States Bankruptcy Code in Sacramento seeking to adjust its debts.

The chapter 9 filing has enabled the City to continue to operate and provide services to its residents by freezing certain pre-filing debts until a plan of adjustment can be negotiated and approved. By operation of law, the filing enjoined creditor enforcement actions against the City during the case, unless otherwise ordered by the court. The case has provided the City and its creditor constituencies, including employees and bond holders, with time to negotiate settlements with an objective of long-term fiscal stability.

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NOTE 2 – BANKRUPTCY (Continued)

Pendency Plan and Service Delivery - After the bankruptcy filing, and until June 30, 2008, the City met all payment obligations to its employees, vendors, and bond holders. Since July 1, 2008, the City has operated under a series of "Pendency Plans" that identify and implement modifications to existing agreements, including reduced staffing, frozen wages, diminished payments to retiring employees and reduced principal and interest payments to bondholders. These modifications have allowed the City to continue to provide essential services to residents during the pendency of the chapter 9 case, although at greatly diminished service levels.

Court Rulings on Eligibility - In an order entered on September 8th, 2008, the bankruptcy court ruled that the City was eligible for chapter 9 relief. That order was appealed by three of the city's four employee organizations, of which one subsequently withdrew its appeal following a settlement with the City in January 2009 on a labor contract amendment. The fourth employee organization also entered into a postpetition labor contract amendment. The Bankruptcy Appellate Panel of the Ninth Circuit affirmed the lower court's eligibility ruling on June 26, 2009. On July 6, 2009, the two remaining employee organizations filed a notice of appeal to the United States Court of Appeals for the Ninth Circuit.

Court Rulings on Contract Rejection - By law, the eligibility appeal does not impact the ongoing bankruptcy case, and on February 3, 2009, the bankruptcy court ruled that bankruptcy law rather than California law governed the rejection of the employee collective bargaining agreements. The court has not yet ruled on whether the two remaining contracts should be rejected.

Component Units and Restricted Funds - The bankruptcy case seeks the adjustment of the obligations of the City and does not extend to the City's component units that are separate legal entities, including the Vallejo Sanitation and Flood Control District, the Redevelopment Agency, and the Housing Authority. Nor does the bankruptcy case impact the City funds with Federal, State, or other restrictions. Such funds, including Transportation, Water, Gas Tax, Development Impact fees, Landscape Districts, and Improvement Districts, have continued to operate and to use their restricted resources for only those restricted purposes. Debt obligations secured by restricted "special revenues" are treated as secured obligations and will not be affected so long as those special revenues are sufficient to meet debt service.

General Fund Debt - General fund debt obligations primarily consist of long-term leases which secure certificates of participation. The majority of these certificates of participation are also secured by letters of credit issued by Union Bank of California. Those letters of credit were drawn upon in July of 2008 pursuant to a mandatory tender of the Certificates triggered by Union Bank. As such, Union Bank now owns 100% of the Certificates covered by their letters of credit. Pursuant to the letter of credit documents, filing of the bankruptcy petition is an event of default; however, a provision triggering a default upon filing a bankruptcy is not enforceable in bankruptcy (it is a so called "ipso facto clause"). Nevertheless, by reducing the stated interest payments subsequent to June 30, 2008 to Union Bank pursuant to the Pendency Plan discussed above, the City has triggered a default under the Union Bank agreements.

Although the terms of the letter of credit documents require repayment in full of the draw on the letter of credit to purchase the certificates upon occurrence of an event of default, the documents also acknowledge that, as a lease obligation (consistent with the legal authority for long-term municipal leases in California), the payments may not be accelerated. Thus, the City is not obligated to pay the principal of the certificates in full but rather remains obligated to continue to make lease payments each year pursuant to the terms of the lease.

Facing further revenue shortfalls, for the period from May to July, 2009, the City suspended all General Fund principal and interest payments to conserve cash. Payments have been budgeted to resume on August 1, 2009. Obligations for debt secured by restricted special revenues have been paid in full.

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NOTE 2 – BANKRUPTCY (Continued)

Plan of Adjustment - Unpaid pre-petition contractual obligations will be subject to negotiation through a plan of adjustment as the City seeks resolution of the bankruptcy case and of its financial problems. Principal categories of anticipated claims include employee compensation, leave balances payable to retirees and other former employees upon their separation from service, retiree health payments, and debt obligations to the letter of credit and debt insurance providers. Retiree pension obligations and vendor obligations have been paid in full during the pendency of the case and are not expected to give rise to claims.

The negotiation of the terms of a plan of adjustment have commenced, but no plan can be successfully negotiated until the issues with the two labor organizations have been resolved. In the alternative, if the labor issues cannot be resolved in the near future, the City will continue to negotiate with its other creditors and seek to confirm a plan of adjustment over the objection of the two unions. Accordingly, no adjustment in the valuation of assets or debt obligations has been made in the accompanying financial statements, and no aggregate gain expected to occur from re-measuring liabilities can reasonably be estimated.

Uncertain Outlook - No other large California city or county has filed a chapter 9 bankruptcy case except on account of a one-time event (such as an extraordinary judgment against the municipality or imprudent investment of the municipality's funds). There is very little case law guiding the potential outcome of such a filing. During the pendency of the case, the City has remained focused on negotiating settlements to meet its objective of long-term fiscal stability and continues to anticipate emergence from the case as an ongoing provider of municipal services.

CITY OF VALLEJO
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NOTE 3 – CASH AND INVESTMENTS

A. Administration

Investments are administered separately by the City and by its blended component units, the Housing Authority of the City of Vallejo, the Redevelopment Agency of the City of Vallejo, and the Vallejo Sanitation and Flood Control District (VSFCD). The respective cash and investment positions as of June 30, 2008 for each of these legal entities is as follows:

	City	Redevelopment Agency	Housing	Subtotal	Sanitation and Flood Control District	Total
Cash on hand	\$6,400		\$200	\$6,600		\$6,600
Deposits	6,385,124		2,507,512	8,892,636	\$572,637	9,465,273
Investments	100,007,846	\$10,878,165	12,331,122	123,217,133	54,520,121	177,737,254
	<u>\$106,399,370</u>	<u>\$10,878,165</u>	<u>\$14,838,834</u>	<u>\$132,116,369</u>	<u>\$55,092,758</u>	<u>\$187,209,127</u>

B. Classification

Cash and investments are classified in the financial statements as shown below:

Reported on the Statement of Net Assets

Cash and investments:

These balances are available for operations of the City's various programs and funds subject to their respective grant, fee, assessment, contract, or other restrictions.

City

General Fund	\$0	
Other funds	54,484,030	
Total, City		\$54,484,030
Redevelopment Agency		9,716,815
Housing Authority		14,838,834
Sanitation & Flood Control District		46,708,476
		<u>125,748,155</u>

Restricted cash and investments (held by fiscal agents):

These balances are held by third party fiscal agents pursuant to debt covenant or other agreements.

City

Mare Island Conversion	23,140,494	
Other funds	14,808,530	
Total, City		37,949,024
Redevelopment Agency		1,161,350
Sanitation & Flood Control District		8,384,282
		<u>47,494,656</u>
		<u>173,242,811</u>

Reported on the Statement of Fiduciary Net Assets

Cash and investments	9,537,251
Restricted investments (held by fiscal agents)	4,429,065
	<u>13,966,316</u>

Total cash and investments \$187,209,127

CITY OF VALLEJO
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NOTE 3 - CASH AND INVESTMENTS (Continued)

C. Policies

The City's dependence on property tax receipts, which are received semi-annually, requires it to maintain significant cash reserves to finance operations during the remainder of the year. The City pools surplus cash from all sources and all funds, except Cash with Fiscal Agents, the Redevelopment Agency, the Housing Authority, the Marine World Joint Powers Authority and the Sanitation and Flood Control District, so that it can be invested at the maximum yield, consistent with safety and liquidity.

Cash receipts and disbursements, including payroll, are processed by City staff which administers activities for the following separate legal entities: the City, the Redevelopment Agency, and the Housing Authority. These cash transactions are recorded in the City's main checking account with transactions allocated to each applicable general ledger fund of the City and its component units. As of June 30, 2008, the City held balances of cash for each of the above entities representing their equity in the City's checking account.

Investment income is allocated among funds on the basis of average month-end cash and investment balances in these funds.

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 invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to increase security, the City employs the Trust Department of a bank as the custodian of certain City managed investments, regardless of their form.

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.

Cash and cash equivalents, including restricted cash, are considered to be liquid assets for purpose of measuring cash flows.

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

The City's Investment Policies and the California Government Code permit the following investments, provided the credit ratings of the issuers are acceptable and approved percentages and maturities are not exceeded. The tables below also identify certain provisions of the California Government Code, or Investment Policies if more restrictive, that addresses interest rate risk, credit risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements, rather than the general provisions of the California Government Code or investment policy.

CITY OF VALLEJO
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NOTE 3 - CASH AND INVESTMENTS (Continued)

City

The City's investment policy and the California Government Code allow the City, the Redevelopment Agency, and the Housing Authority to invest in the following investments:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment In One Issuer
U.S. Government Treasury Bills and Notes	5 Years	No Limit	No Limit	No Limit
U.S. Government Treasury Bonds	5 Years	No Limit	No Limit	No Limit
U.S. Government Agencies	5 Years	No Limit	50%	No Limit
Repurchase Agreements	30 days	No Limit	20%	No Limit
Bankers Acceptances	180 days	No Limit	5%	\$1,000,000
Commercial Paper	270 days	Highest Category	25%	\$1,000,000
Corporate Medium Term Notes:				
Maturing in 2 years or less	5 Years	A	30%	5%
Maturing in 2 to 4 years	5 Years	AA	30%	5%
Maturing in 4 to 5 years	5 Years	AAA	30%	5%
Certificates of Deposits	5 Years	No Limit	10%	No Limit
Negotiable Certificates of Deposits	5 Years	AA	5%	No Limit
Local Agency Investment Fund State Pool	No Limit	No Limit	\$40 million per account	No Limit
State of California or Local Agency Bonds	5 Years	No Limit	10%	No Limit
Mutual Funds	5 Years	No Limit	20%	10%
Asset Backed Securities	5 Years	AAA	20%	No Limit
Mortgage Backed Securities	5 Years	AAA	20%	No Limit
Local Government Investment Pools	On Demand	No Limit	No Limit	No Limit

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NOTE 3 - CASH AND INVESTMENTS (Continued)

VSFCD

The Sanitation and Flood Control District's investment policy and the California Government Code allow the Sanitation and Flood Control District to invest in the following investments:

Authorized Investment Type	Limits
United States Treasury Securities	None
Obligations of United States Government Agencies	None
Repurchase Agreements and Reverse Repurchase Agreements	Various
Negotiable Certificates of Deposits	30%
Bankers' Acceptances of U.S. Commercial Banks	40%
Commercial Paper of "Prime" Quality	15%
Corporate Medium Term Notes, rated A or better	30%
10-Year Maturity Eligible Investments	10%
Shares in Beneficial Interest Money Funds, two AAA ratings	20%
State of California Local Agency Investment Fund	\$30 million

E. Investments Authorized by Debt Agreements

The City, the Redevelopment Agency, and Sanitation and Flood Control District 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 reserves to be used if these entities fail to meet their obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with resolutions, bond indentures or State statutes. The tables below identify, by entity, the investment types that are authorized for investments held by fiscal agents. The tables also identify certain provisions of these debt agreements.

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NOTE 3 - CASH AND INVESTMENTS (Continued)

City and Redevelopment Agency Debt Agreements

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	No Limit	No Limit	No Limit	No Limit
U.S. Government Agency Obligations	No Limit	Two highest ratings	No Limit	10%
Money Market Funds	No Limit	Prime-1/AA-m	No Limit	No Limit
Government Money Market Funds	360 days	Highest rating	No Limit	No Limit
Insured FDIC deposits	No Limit	No Limit	No Limit	No Limit
Interest-Bearing & Time Deposits – Banks or Savings and Loans or Mutual Savings Banks	No Limit	A-1	No Limit	No Limit
Bankers Acceptance	180 days	Two highest ratings	No Limit	No Limit
Commercial Paper	270 days	A-1+	No Limit	No Limit
Repurchase Agreements	180 days	A	No Limit	No Limit
Tax-Exempt Obligations	No Limit	Two highest ratings	No Limit	No Limit
Rated Investment Agreements and Contracts	No Limit	Three highest ratings	No Limit	No Limit
State (or Municipality) Bonds/Notes	No Limit	Two highest ratings	No Limit	No Limit
Local Agency Investment Fund	No Limit	No Limit	No Limit	No Limit
Local Government Investment Pools	No Limit	No Limit	No Limit	No Limit
Taxable Bonds	No Limit	A-1	No Limit	No Limit

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NOTE 3 - CASH AND INVESTMENTS (Continued)

Sanitation and Flood Control District Debt Agreements

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
U.S. Treasury Bonds, Notes and Bills	No Limit	No Limit
U.S. Government Agency Obligations	No Limit	Highest
Money Market Funds	No Limit	Highest
Repurchase Agreements	180 days	Highest
Bankers Acceptance	180 days	A
Commercial Paper	270 days	P-1
Local Agency Investment Fund	No Limit	No limit
State (or Municipality) Bonds/Notes	No Limit	Highest
Government Money Market Funds	360 days	Highest
Corporate Guarantee	No Limit	No Limit

F. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of these entities investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following tables that show the distribution of these entities investments by maturity at June 30, 2008.

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NOTE 3 - CASH AND INVESTMENTS (Continued)

City and Component Units Interest Rate Risk

Investment Type	Less than 1 year	1 - 5 years	Total
<i>Held by the City and its Component Units:</i>			
U.S. Government Agencies	\$1,548,405	\$19,382,065	\$20,930,470
Corporate Notes	1,764,112	6,515,146	8,279,258
U.S. Treasury Notes		8,644,317	8,644,317
California Local Agency Investment Fund			
City	19,834,972		19,834,972
Housing Authority	12,331,122		12,331,122
Redevelopment Agency	10,268,611		10,268,611
Money Market Deposit Account	75,674		75,674
Certificates of Deposit	25,000		25,000
<i>Held by Fiscal Agent:</i>			
Money Market Deposit Account	2,828,498		2,828,498
Money Market Mutual Funds	39,999,211		39,999,211
Total Investments	<u>\$88,675,605</u>	<u>\$34,541,528</u>	<u>\$123,217,133</u>

Money market funds are available for withdrawal on demand and at June 30, 2008, have an average maturity which ranged from 1 to 4 days.

Sanitation and Flood Control District's Interest Rate Risk

Investment Type	Less than 1 year	1 - 5 years	6-10 years	More than 10 years	Total
U.S. Government Agencies	\$1,504,695	\$25,293,865			\$26,798,560
Corporate Notes and Bonds	998,510	12,172,472			13,170,982
California Local Agency Investment Fund	6,047,313				6,047,313
Guaranteed Investment Contract				\$2,873,784	2,873,784
Money Market Funds	5,629,482				5,629,482
Total Investments	<u>\$14,180,000</u>	<u>\$37,466,337</u>		<u>\$2,873,784</u>	<u>\$54,520,121</u>

Local Agency Investment Fund

The City, the Redevelopment Agency, the Housing Authority, and the Sanitation and Flood Control District are participants in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. Investments are reported 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, 2008, these investments have an average maturity of 212 days.

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NOTE 3 - CASH AND INVESTMENTS (Continued)

G. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Presented below is the actual rating as of June 30, 2008 for each entity by investment type as provided by Moody's investment rating system.

City and its Component Units Credit Rate Risk

Investment Type	Aaa	AA1 to AA3	A1 to A3	Total
<i>Held by the City and its Component Units:</i>				
U.S. Sponsored Enterprise Agencies Non-callable	\$20,930,470			\$20,930,470
Corporate Notes	1,863,085	\$5,787,949	\$628,224	8,279,258
Money Market Mutual Funds	75,674			75,674
<i>Held by Fiscal Agent:</i>				
Money Market Deposit Account	2,828,498			2,828,498
Money Market Mutual Funds	39,999,211			39,999,211
Totals	<u>\$65,696,938</u>	<u>\$5,787,949</u>	<u>\$628,224</u>	<u>72,113,111</u>
<i>Not rated:</i>				
California Local Agency Investment Fund City				19,834,972
Housing Authority				12,331,122
Redevelopment Agency				10,268,611
Certificates of Deposit				25,000
<i>Exempt from credit rating disclosure:</i>				
U.S. Treasury Notes				8,644,317
Total Investments				<u>\$123,217,133</u>

Sanitation and Flood Control District's Credit Rate Risk

Investment Type	Aaa	AAA	AA	A1 to A2	Total
U.S. Sponsored Enterprise Agencies Non-callable	\$26,798,560				\$26,798,560
Corporate Bond and Notes				\$13,170,982	13,170,982
Guaranteed Investment Contract			\$2,873,784		2,873,784
Money Market Funds		\$5,629,482			5,629,482
Totals	<u>\$26,798,560</u>	<u>\$5,629,482</u>	<u>\$2,873,784</u>	<u>\$13,170,982</u>	<u>48,472,808</u>
<i>Not rated:</i>					
California Local Agency Investment Fund					6,047,313
Total Investments					<u>\$54,520,121</u>

As described in Note 18, subsequent to June 30, 2008, the District experienced significant losses on its investment portfolio.

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NOTE 3 - CASH AND INVESTMENTS (Continued)

H. Concentration Risk

The City, Marine World JPA and the Sanitation and Flood Control District's investment policies regarding the amount that can be invested in any one issuer are stipulated by the California Government Code. However, these entities are required to disclose investments that represent a concentration of 5.0 percent or more of investments in any one issuer, held by individual Funds in the securities of issuers other than U. S. Treasury securities, mutual funds and external investment pools.

At June 30, 2008, these entities' investments that represent a concentration of investments in the securities of any individual issuers, other than U. S. Treasury securities or mutual funds, are set forth below.

City Concentration Risk

Reporting Unit	Issuer	Investment Type	Reported Amount
Entity-wide	Federal Home Loan Bank	Federal agency securities	\$7,553,924
	Federal National Mortgage Association	Federal agency securities	6,331,652

Sanitation and Flood Control District Concentration Risk

Of the Sanitation and Food Control District's controllable portfolio at June 30, 2008, 25% of investments were with Federal Home Loan Bank, 13% were with Federal National Mortgage Association, 9% were with Federal Home Loan Mortgage Corporation, and 8% corporate investments with Lehman Brothers.

I. Custodial Credit Risk

The custodial credit risk for cash deposits is the risk that, in the event of the failure of the financial institution holding the deposits, the depositor will not be able to recover the value of its deposits.

At June 30, 2008, the **Sanitation and Flood Control District** had a total bank balance of deposits of \$572,637. \$473,174 of the deposits were uninsured and collateralized with securities held by the pledging bank's trust department or agent not in the District's name. At June 30, 2008, the District held a Guaranteed Investment Contract for \$352,959, which was uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name.

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NOTE 4 – INTERFUND TRANSACTIONS

A. Transfers Between Funds

Transfers between funds during the fiscal year ended June 30, 2008 were as follows:

Fund Making Transfers	Fund Receiving Transfers	Amount Transferred
General Fund	Certificates of Participation Debt Service Fund	\$1,713,908 (A)
	Local Transportation Enterprise Fund	99,803 (B)
Special Revenue Funds:		
Solid Waste Disposal	General Fund	430,000 (C)
Office of Traffic Safety	General Fund	3,566 (D)
Outside Funded Services	General Fund	50,129 (D)
State Lands	Marina Fund Enterprise Fund	276,141 (A)
Repair and Demolition	General Fund	40,000 (C)
Redevelopment Affordable Housing	Redevelopment Agency Debt Service Fund	493,900 (A)
Admin Trust	General Fund	32,801 (D)
Debt Service Funds:		
Financing Authority	General Fund	90,785 (C)
Financing Authority	Flosden Acres Capital Projects Fund	1,294,698 (E)
Redevelopment Agency Debt Service	General Fund	200,000 (F)
Redevelopment Agency Debt Service	General Fund	200,000 (F)
Redevelopment Agency Debt Service	Flosden Acres Capital Projects Fund	286,517 (G)
Redevelopment Agency Debt Service	Redevelopment Affordable Housing Special Revenue Fund	751,261 (H)
Redevelopment Agency Debt Service	Redevelopment Agency Merged Capital Projects Fund	409,371 (G)
Capital Projects Funds		
Fire Station #7	Certificates of Participation Debt Service Fund	1,364 (A)
Arts & Convention Center	General Fund	200,000 (C)
Certificates of Participation	Certificates of Participation Debt Service Fund	212,515 (A)
Downtown Development Capital Projects Fund	Redevelopment Agency Merged Capital Projects Fund	44,108 (F)
Redevelopment Flosden Acres	General Fund	1,675,251 (E)
Redevelopment Agency Merged	Redevelopment Agency Debt Service Fund	727 (A)
Enterprise Funds:		
Local Transportation	General Fund	300,000 (F)
Marine World JPA	Financing Authority Debt Service Fund	1,428,573 (E)
Internal Service Funds:		
Equipment Replacement	General Fund	1,700,000 (C)
Equipment Replacement	Corporation Shop Internal Service Fund	978,214 (I)
Intra-Governmental Loans	General Fund	10,249 (D)
Intra-Governmental Loans	Redevelopment Agency Merged Capital Projects Fund	170,875 (F)
Payroll Benefits	General Fund	21,485 (D)
	Total	<u>\$13,116,241</u>

- (A) To fund debt service payments.
- (B) To reimburse Transportation Fund for costs not eligible for grant reimbursement incurred in conjunction with state legislation to transfer ownership of ferry system.
- (C) To transfer unrestricted resources to General Fund as part of fiscal emergency plan.
- (D) To transfer investment income from unrestricted funds to General Fund.
- (E) From sale of Marine World Amusement Park.
- (F) To retire advance.
- (G) To fund capital projects.
- (H) To transfer 20% low-mod set-aside.
- (I) To transfer contributed assets.

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NOTE 4 – INTERFUND TRANSACTIONS (Continued)

B. Current Interfund Balances

As of June 30, 2008, the City's Insurance Internal Service fund had provided short-term lending to the following funds with deficit cash positions. These balances are expected to be repaid shortly after the end of the fiscal year upon receipt of grant reimbursements or draws from bond trustee capital project accounts. The General Fund and Flosden Acres Capital Projects Fund also have short-term balances due from other funds pending grant and other reimbursements.

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund		\$450,982
Special Revenue Funds		
Community Development Block Grant		148,568
HOME Program		220,315
State Gas Tax		169,358
California Department of Correction Grant		34,095
Urban Forest Grant		155,850
State Lands		30,491
Capital Projects Funds		
Certificates of Participation Capital Projects		56,755
N.E. Quadrant Improvement District 03-1		126,694
Downtown Development Capital Projects		106,043
Capital Grant 7 Contribution		63,415
Vallejo Station		399,248
Redevelopment Debt Service Fund	\$3,540	3,540
Enterprise Fund		
Local Transportation		4,607,163
Internal Service Fund		
Insurance	<u>6,568,977</u>	
Sub-total	<u>\$6,572,517</u>	<u>\$6,572,517</u>
Special Revenue Funds		
Office of Traffic Safety Grants		\$78,035
California Department of Correction Grant		22,537
General Fund	<u>\$100,572</u>	
Sub-total	<u>\$100,572</u>	<u>\$100,572</u>
Debt Service Fund		
Flosden Acres Debt Service		\$35,155
Capital Projects		
Flosden Acres Capital Projects	<u>\$35,155</u>	
Sub-total	<u>\$35,155</u>	<u>\$35,155</u>
Total	<u>\$6,708,244</u>	<u>\$6,708,244</u>

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NOTE 4 – INTERFUND TRANSACTIONS (Continued)

C. Long-Term Advances – Local Transportation Fund

The City Council has approved long-term working capital advances to the Local Transportation Fund. Because of the financial status of this fund, the ultimate repayment date of the advance is uncertain. Generally Accepted Accounting Principals require that such advances be treated as transfers. Accordingly, advances by the City to the Fund have been accounted for as operating transfers.

During the year ended June 30, 2008, the Local Transportation Fund repaid \$300,000 of these long-term advances to the General Fund. The source of funds was a one-time sale of bus parts inventory to the City’s bus contract operator, Vallejo Citizens Transit, in conjunction with the renewal of the bus operator contract.

The following is a summary of long-term working capital advances extended by the General Fund that have been recorded as transfers:

<u>Year Ended June 30</u>	<u>Amount</u>
2006	\$2,627,000
2007	425,000
	<u>3,052,000</u>
Less Repayment in 2008	(300,000)
	<u><u>\$2,752,000</u></u>

D. Long-Term Advances – Redevelopment Agency

The Bridge Construction, Arts and Convention Center, and Hiddenbrook Overpass Capital Projects Funds have loaned the Redevelopment Agency Debt Service Fund money to fund the Meyer Cookware and Empress Theatre Associates development loans discussed below in Note 4. Interest accrues at 3.5%-4% per annum on unpaid principal balance until repaid in full. The advances are expected to be repaid from loan repayments and property tax increments of the project areas when available.

The following is a summary of long-term advances as reported in the fund financial statements:

	<u>Advances from Other Funds</u>	<u>Advances to Other Funds</u>
Debt Service Funds		
Redevelopment Agency	\$5,297,618	
Capital Project Funds		
Bridge Construction		\$580,000
Arts & Convention Center		4,198,868
Hiddenbrooke Overpass		<u>518,750</u>
Total	<u><u>\$5,297,618</u></u>	<u><u>\$5,297,618</u></u>

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NOTE 4 – INTERFUND TRANSACTIONS (Continued)

E. Additional Long-term Advances – Redevelopment Agency

The City has advanced additional funds to the Redevelopment Agency that are not included in the financial statements because of the Agency's limited ability to repay these advances at this time. As additional tax increment becomes available, these obligations will be recognized and repaid to the City. The advances continue to accrue interest at 4% per year. During the year ended June 30, 2008, interest of \$366,761 was accrued and \$400,000 was repaid to the City's General Fund. The balances of these additional advances as of June 30, 2008, including interest, were as follows.

Project Area	Balance Due June 30, 2008
Marina Vista	\$3,290,267
Waterfront	4,329,218
Vallejo Central	1,516,297
	\$9,135,782

F. Loan to Marine World JPA

Pursuant to a Loan Agreement signed in January 2007, the Financing Authority loaned \$7,313,734 to Marine World JPA to provide for the JPA's anticipated seasonal operating cash flow shortfall, and debt service payments related to the Marine World JPA 1997 COPS. The loan was repaid during July 2007.

G. Internal Balances

Internal balances are presented in the Entity-wide financial statements only. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

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NOTE 5 – NOTES & LOANS RECEIVABLE

A. Summary of Notes and Loans Receivable

The following notes and loans receivable were outstanding as of June 30, 2008:

<u>Types of Loans</u>	<u>Fund Type</u>	<u>Amounts</u>
<u>Redevelopment Agency</u>		
Affordable housing (20% Set Aside)	Non-major Governmental	
Avian Glen		\$3,093,750
Citizens Housing II		2,500,000
Simpson/Bayview		1,700,000
Marina Towers		750,000
Simpson/Solano Vista I		500,000
Single family residential		1,053,671
Accrued interest		1,414,495
		<u>11,011,916</u>
Tax increment programs:	Non-major Governmental	
Meyers Cookware		325,000
Empress Theater		4,296,000
		<u>4,621,000</u>
<u>HUD/Housing Authority Programs</u>		
Home Program	Non-major Governmental	
Avian Glen		900,000
Marina Towers		500,000
Graham Gardens		831,111
Single family residential		2,493,791
Total		<u>4,724,902</u>
CDBG	Non-major Governmental	
Reynaissance Family Center		920,362
Single family residential		1,533,371
		<u>2,453,733</u>
Housing Authority	Major Governmental	
Residential Rehabilitation		<u>50,900</u>
<u>Development Programs</u>		
<u>Sereno Village Apartments</u>		
General Fund	Major Governmental	804,499
Neighborhood Park Funds	Non-major Governmental	144,334
VSFCD	Major Enterprise	253,369
		<u>1,202,202</u>
<u>Other</u>		
Water Fund - Trailer City	Major Enterprise	56,035
Water Fund - American Canyon	Major Enterprise	1,206,524
Golf Fund - Golf Cart Storage	Major Enterprise	291,670
VSFCD	Major Enterprise	260
Transportation Mitigation		
Garthe Ranch	Non-major Governmental	700,000
		<u>2,254,489</u>
	Total	<u>\$26,319,142</u>

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NOTE 5 – NOTES & LOANS RECEIVABLE (Continued)

B. *Affordable Housing*

Various residential purchase and rehabilitation loan programs are offered to qualifying low- to moderate-income individuals by the Redevelopment Agency through the Affordable Housing Special Revenue Fund. These loans are secured by first or second mortgages on the residential property and are insured by private guaranty mortgage insurance. The terms vary greatly depending on the ability of the property owner to repay the loan. Interest rates on these loans were ranged from 3.0% to 8.0% and the principal maturity dates were ranged from 5 years to 30 years. Deferred interest loans are offered as well as below-market-rate 30-year loans. Interest income is recorded in the Affordable Housing Special Revenue Fund as payments are received. In addition, the Redevelopment Agency has entered into agreements with developers to assist in the development of affordable housing. The notes receivable are secured by deeds of trust and bear varying interest rates. The outstanding balances at June 30, 2008 were \$11,011,916.

C. *Meyer Cookware Industries, Inc.*

Pursuant to a Disposition and Development Agreement between the Redevelopment Agency and Meyer Cookware Industries, Inc., the Redevelopment Agency paid certain development fees on behalf of Meyer totaling \$1,500,000. Meyer agreed to repay \$500,000 of these fees to the Redevelopment Agency over a 24-year period commencing in 1998. This loan to Meyer is secured by a corporate guarantee and non-interest bearing. As of June 30, 2008 the outstanding balance of the loan was \$325,000. The terms of the agreement call for Meyer to repay the note in increasing annual installments, as follows:

Fiscal 2004-2008	\$20,000 per year
Fiscal 2009-2013	\$25,000 per year
Fiscal 2014-2018	\$40,000 per year

D. *Empress Theatre Associates, LLC*

Pursuant to an Owner Participation Agreement between the Redevelopment Agency and Empress Theatre Associates, LLC, the Redevelopment Agency issued a loan not to exceed \$4,296,000 for the rehabilitation and renovation of the Empress Theatre. The note carried a 3% interest rate and called for principal and interest to be made annually for twenty years beginning one year after the Redevelopment Agency issues a Certificate of Completion. The note was secured by a deed of trust on the property.

During the year ending June 30, 2008, the Agency leveraged its loan investment in the Empress Theatre Project through the New Market Tax Credit Program. Through this program, Empress Theatre Associates, LLC repaid its \$4,296,000 loan to the Agency, and the Agency issued a new loan to Empress Investment Fund, LLC, for a seven year tax credit period. The Vallejo Community Arts Foundation retains an operating lease for the theatre during this period and is scheduled to make lease payments of up to \$50,000 per year in which in turn provide interest payments on the City's loan. Lease payments are secured by a pledge from Triad Communities, LP. Through a put/call option agreement, the City will acquire site control at the end of seven years, in 2015. The Vallejo Community Arts Foundation has an option to purchase the Theatre at that time. At June 30, 2008 the outstanding balance of the loan was \$4,296,000.

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NOTE 5 – NOTES & LOANS RECEIVABLE (Continued)

E. HOME Program, CDBG Program, and Housing Authority

Various residential purchase and rehabilitation loan programs are offered to qualifying low- to moderate-income individuals by the City through the CDBG, HOME Program and Housing Authority funds. These loans are secured by first or second mortgages on the residential property and are insured by private guaranty mortgage insurance. The terms vary greatly depending on the ability of the property owner to repay the loan. Interest rates on these loans were ranged from 3.0% to 5.0% and the principal maturity dates were ranged from 5 years to 30 years. The outstanding balances at June 30, 2008 were \$4,724,902, \$2,453,733 and \$50,900 in the HOME, CDBG Program, and Housing Authority funds respectively.

F. Sereno Village Apartments

In May 2003, the City entered into a \$1,400,000 loan agreement with Sereno Village Associates for the development of a 125 unit very low income rental housing project. The note bears 3% simple interest and will be due in full to the City in 15 years. The loan is secured by a deed of trust. To the extent there is excess cash flow from the project, the developer is required to repay all accrued interest and principal annually. At June 30, 2008 the outstanding balance of this loan, including accrued interest, was \$948,833.

During fiscal 2002, the Vallejo Sanitation and Flood Control District loaned \$351,635 to Sereno Village Association. The loan is secured by deed of trust, bearing simple interest at 3% and it is due in 15 years. The outstanding balance at June 30, 2008 was \$253,369.

G. Trailer City Water Loan

In April 2004, the City entered into a \$68,080 loan agreement with Trailer City Sales Company for the construction of improvements allowing Trailer City Sales Company to be connected to the City's water system. The loan also provides assistance for payments of water connection and facilities fee. The note bears zero interest and will be due in full to the City in 20 years. The loan is secured by a deed of trust. At June 30, 2008 the outstanding balance of this loan was \$56,035. This note is recorded in the City's Water Enterprise Fund.

H. American Canyon Loan

During fiscal year 2007, the City entered into a \$2,346,860 loan agreement with the City of American Canyon for a share of capital improvements to the Vallejo Water Facilities and for the purchase of water supply for the American Canyon water service area. The loan bears 6% annual interest and is due in full to the City in eight years. At June 30, 2008 the outstanding balance of this loan was \$1,206,524.

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NOTE 5 – NOTES & LOANS RECEIVABLE (Continued)

I. *Golf Cart Storage*

During Fiscal year 2007, the City entered into a \$350,000 loan agreement with Vallejo Golf Club, Inc. for the construction of a golf cart storage building. The loan bears zero interest. The monthly payment of \$5,833 commenced in September 2007 and will be due in full no later than August 12, 2012. The loan is secured by the revenue stream of the golf club. At June 30, 2008 the outstanding balance of this loan was \$291,670.

J. *Garthe Ranch*

During fiscal year 2007, the City approved a fee deferral agreement in conjunction with the development of Garthe Ranch. \$700,000 in water development fees were paid by the Transportation Mitigation Fund on behalf of the developer. The developer's fee obligation is to be settled through the construction and contribution of future transportation infrastructure improvements to the City. At June 30, 2008 the outstanding balance of this loan was \$700,000.

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 defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of three years.

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 listed below to capital assets.

The following is a summary of capital asset activity for the year ended June 30, 2008:

Buildings and improvements	25 to 50 years
Improvements	5 to 50 years
Machinery and equipment	3 to 10 years
Marine Mammals and land animals	5 years
Traffic signals	20 years
Street lights	50 years
Bridges and culverts	60 years
Sidewalks, curbs and gutters	40 years
Streets and roads	40 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.

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NOTE 6 – CAPITAL ASSETS (Continued)

A. Capital Asset Activity

The following is a summary of capital asset activity for the year ended June 30, 2008:

	Balance at June 30, 2007	Additions	Retirements	Transfers	Balance at June 30, 2008
Governmental activities					
Capital assets not being depreciated:					
Land	\$135,204,112				\$135,204,112
Construction in progress	24,792,942	\$11,854,385		(\$5,384,300)	31,263,027
Total capital assets not being depreciated	<u>159,997,054</u>	<u>11,854,385</u>		<u>(5,384,300)</u>	<u>166,467,139</u>
Capital assets being depreciated:					
Building and improvement	61,308,809			871,690	62,180,499
Machinery and equipment	23,198,799	1,592,172	(\$647,680)	709,245	24,852,536
Infrastructure	186,308,058			3,803,365	190,111,423
Total capital assets being depreciated	<u>270,815,666</u>	<u>1,592,172</u>	<u>(647,680)</u>	<u>5,384,300</u>	<u>277,144,458</u>
Less accumulated depreciation for:					
Building and improvement	(16,405,055)	(1,924,788)			(18,329,843)
Machinery and equipment	(15,806,943)	(1,648,139)	391,056		(17,064,026)
Infrastructure	(107,253,641)	(5,509,712)			(112,763,353)
Total accumulated depreciation	<u>(139,465,639)</u>	<u>(9,082,639)</u>	<u>391,056</u>		<u>(148,157,222)</u>
Net capital assets being depreciated	<u>131,350,027</u>	<u>(7,490,467)</u>	<u>(256,624)</u>	<u>\$5,384,300</u>	<u>128,987,236</u>
Governmental activity capital assets, net	<u>\$291,347,081</u>	<u>\$4,363,918</u>	<u>(\$256,624)</u>		<u>\$295,454,375</u>
Business-type activities					
Capital assets, not being depreciated:					
Land	\$14,839,847	\$7,525			\$14,847,372
Construction in progress	18,911,792	12,168,952	(\$229,259)	(\$10,583,509)	20,267,976
Total capital assets not being depreciated	<u>33,751,639</u>	<u>12,176,477</u>	<u>(229,259)</u>	<u>(10,583,509)</u>	<u>35,115,348</u>
Capital assets, being depreciated:					
Building and improvement	450,837,584	241,968	(39,635,068)	5,438,161	416,882,645
Machinery and equipment	74,621,553	1,158,354	(1,361,357)	1,386,272	75,804,822
Marine mammals and land animals	1,516,908		(1,516,908)		
Infrastructure	111,273,051			3,759,076	115,032,127
Total capital assets being depreciated	<u>638,249,096</u>	<u>1,400,322</u>	<u>(42,513,333)</u>	<u>10,583,509</u>	<u>607,719,594</u>
Less accumulated depreciation for:					
Building and improvement	(149,201,983)	(12,049,228)	23,364,018		(137,887,193)
Machinery and equipment	(40,293,199)	(4,770,769)	1,034,037		(44,029,931)
Marine mammals and land animals	(1,516,908)		1,516,908		
Infrastructure	(69,242,418)	(3,829,232)			(73,071,650)
Total accumulated depreciation	<u>(260,254,508)</u>	<u>(20,649,229)</u>	<u>25,914,963</u>		<u>(254,988,774)</u>
Net capital assets being depreciated	<u>377,994,588</u>	<u>(19,248,907)</u>	<u>(16,598,370)</u>	<u>\$10,583,509</u>	<u>352,730,820</u>
Business-type activity capital assets, net	<u>\$411,746,227</u>	<u>(\$7,072,430)</u>	<u>(\$16,827,629)</u>		<u>\$387,846,168</u>

CITY OF VALLEJO
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NOTE 6 – CAPITAL ASSETS (Continued)

B. Depreciation Allocation

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

Governmental Activities

Executive	\$1,017
Finance	62,771
Community Development	23,154
Fire services	173,212
Police services	490,771
Public works	7,513,873
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	817,841
	<u>\$9,082,639</u>

Business-Type Activities

Water	\$6,298,314
Local Transportation	3,972,383
Sanitation and Flood Control	7,941,078
Marine World JPA	1,026,979
Marina	1,035,105
Golf	375,370
	<u>\$20,649,229</u>

NOTE 7 – REVENUE ANTICIPATION NOTES, 2007 SERIES A

In January 2007, the Vallejo Financing Authority Board authorized the issuance of Revenue Anticipation Notes (RANs), 2007 Series A note to exceed \$14,000,000. The Authority issued RANs in the amount of \$7,000,000 at 8.61% interest. The Authority subsequently loaned the funds to the Marine World JPA as discussed in Note 3 above. The RANs were retired in July 2007.

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NOTE 8 - LONG-TERM DEBT

A. Current Year Transactions and Balances

The City's long-term debt issues and transactions were as follows:

	Original Issue Amount	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008	Current Portion
Governmental Activity Debt:						
Tax Allocation Bonds:						
Waterfront Redevelopment Project 7.9%, due 5/1/19	\$2,485,000	\$2,115,000		\$85,000	\$2,030,000	\$95,000
Marina Vista Project 6.0-7.5%, due 9/1/20	3,335,000	2,320,000		100,000	2,220,000	110,000
Vallejo Central Project 6.0-7.5%, due 9/1/20	1,900,000	1,660,000		45,000	1,615,000	50,000
Vallejo Housing Set Aside 7.0%, due 10/1/31	5,410,000	4,965,000		120,000	4,845,000	130,000
Other Obligation:						
Redevelopment Waterfront DDA		661,320			661,320	
Total Tax Allocation Bonds and other obligations	13,130,000	11,721,320		350,000	11,371,320	385,000
Certificates of Participation:						
1999 COPs 3.60-5.25%, due 7/15/29	4,815,000	4,215,000		100,000	4,115,000	105,000
2000 COPs variable rate, due 9/1/40	12,786,942	7,225,035		109,162	7,115,873	112,238
2002 COPs variable rate, due 12/1/23	11,497,776	9,095,398		371,709	8,723,689	385,476
2003 COPs variable rate, due 12/1/23	6,743,199	6,077,309		244,441	5,832,868	257,084
Total Certificates of Participation	35,842,917	26,612,742		825,312	25,787,430	859,798
Capital Lease Obligations:						
2001 Site & Facility Lease 6%, due 6/1/21	1,150,000	947,943		44,821	903,122	47,551
Police CAD/RMS 4.85%, due 9/1/07	1,881,919	105,302		105,302		
Police CAD/RMS 4.9%, due 7/1/10	411,052		\$411,052	97,204	313,848	135,253
Police Holding Cell 2.97%, due 1/30/13	675,000	342,334		74,615	267,719	26,366
Total Capital Leases Obligations	4,117,971	1,395,579	411,052	321,942	1,484,689	209,170
Total Governmental Activity Debt	\$53,090,888	\$39,729,641	\$411,052	\$1,497,254	\$38,643,439	\$1,453,968

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NOTE 8 - LONG-TERM DEBT (Continued)

	Original Issue Amount	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008	Current Portion
Business-type Activity Debt:						
Revenue Bonds:						
2001 Water Revenue Bonds, variable rate, due 6/1/31	23,075,000	\$20,875,000		\$500,000	\$20,375,000	\$525,000
2006 Water Revenue Refunding Bonds, 4-5%, due 5/1/26	45,790,000	45,085,000		555,000	44,530,000	1,605,000
Plus: Unamortized bond premium		1,779,152		93,640	1,685,512	
Less: Unamortized loss		(1,856,334)		(97,702)	(1,758,632)	
Total Revenue Bonds	68,865,000	65,882,818		1,050,938	64,831,880	2,130,000
Certificates of Participation:						
Marine World JPA 1997 COPs 5.25-7.4%, repaid 7/07	63,465,000	56,425,000		56,425,000		
2002 COPs, variable rate, due 12/1/23	917,224	814,602		33,291	781,311	34,524
2003 COPs, variable rate, due 12/1/23	1,256,801	1,132,691		45,559	1,087,132	47,916
2000 COPs, variable rate, due 9/1/40	17,593,058	16,314,965		245,838	16,069,127	252,765
2001 COP Golf Course Facilities, variable rate, due 6/1/40	16,350,000	9,835,000		165,000	9,670,000	175,000
Less: Unamortized bond discount		(50,244)		(5,109)	(45,135)	
Vallejo Sanitation and Flood Control District 1993 Sanitation and Flood Control	38,905,000	26,020,000		1,460,000	24,560,000	1,540,000
2001 Sanitation and Flood Control, variable rate, due 5/1/28	25,645,000	3,870,000		130,000	3,740,000	140,000
2006 Sanitation and Flood Control District rate 4-5%, due 2036		39,220,000		695,000	38,525,000	720,000
Less: Unamortized bond discount		(312,137)		(55,988)	(256,149)	
Total Certificates of Participation	164,132,083	153,269,877		59,138,591	94,131,286	2,910,205
Loans & Notes Payable:						
Vallejo Sanitation and Flood Control State Clean Water (2004) 2.5%, due 2023	13,798,201	11,841,823		611,026	11,230,797	626,302
State Clean Water (2008) rate 2.4%, due 2025			\$4,406,072		4,406,072	229,328
US Dept of Commerce, Water Fund 2.5%, due 8/1/23	2,560,923	1,085,208		131,346	953,862	
State Safe Drinking Water 0%, due 1/1/25	68,080	59,570		3,404	56,166	1,702
State Safe Drinking Water 2.32%, due 1/2/21	6,675,000	4,793,528		309,620	4,483,908	157,506
Total Loans & Notes Payable	23,102,204	17,780,129	4,406,072	1,055,396	21,130,805	1,014,838
Total Business-type Activity Debt	\$256,099,287	\$236,932,824	\$4,406,072	\$61,244,925	\$180,093,971	\$6,055,043

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NOTE 8 - LONG-TERM DEBT (Continued)

B. Debt Service Requirements

Annual debt service requirements to maturity are shown below for all long-term debt:

For the Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2009	\$1,453,968	\$2,805,125	\$6,055,043	\$8,356,607
2010	1,576,431	2,697,279	6,582,134	8,091,233
2011	1,549,984	2,583,584	6,850,210	7,813,685
2012	2,270,163	2,469,032	7,118,228	7,524,150
2013	1,706,790	2,347,411	23,272,863	16,802,432
2014-2018	9,686,754	6,327,161	39,681,224	27,272,164
2019-2023	10,268,299	3,618,031	34,480,166	19,393,427
2024-2028	4,566,992	1,784,708	29,907,571	11,149,465
2029-2033	2,977,662	818,096	17,597,338	5,223,098
2034-2038	1,535,962	370,030	5,569,038	3,239,216
2039-2041	1,050,434	78,410	3,354,564	2,637,975
Total	<u>\$38,643,439</u>	<u>\$25,898,866</u>	180,468,375	<u>\$117,503,451</u>
			1,685,512	
Plus: Unamortized bond premium			(1,758,632)	
Less: Unamortized loss			(301,284)	
Less: Unamortized bond discount			<u> </u>	
Net long-term debt			<u>\$180,093,971</u>	

On July 1, 2008, the City's COPs were tendered to the bank pursuant to an underlying letter of credit agreement. This agreement calls for charging interest at a default rate when the City is in technical default. As the City's filing for bankruptcy protection constitutes an event of default, the above interest amounts have been calculated using the default interest rate (8% as of July 1, 2008). The ultimate amount of interest to be paid may be adjusted pursuant to the City's plan of adjustment to be approved by the bankruptcy court.

C. Tax Allocation Bonds

Waterfront Redevelopment Project – In January 1989, Tax Allocation Refunding Bonds in the amount of \$2,485,000 were issued to repay certain advances made to the Agency from the City. The bonds mature in May 2019. Semi-annual interest payments are due on May 1 and November 1 and annual principal payments are due May 1. Bonds became eligible to be redeemed, in whole or in part, at the option of the Agency on May 1, 1996, or on any Interest Payment Date thereafter. The bonds are subject to mandatory sinking fund redemption and are secured by amounts in the related Debt Service Fund and by incremental property tax revenues. The debt is serviced through the Waterfront Debt Service Fund.

The pledge of future tax increment property tax revenues ends upon repayment of the \$3,165,230 in remaining debt service on the Agency's long term debt which is scheduled to occur in 2019. For fiscal year 2008 tax increment revenues amounted to \$668,200 which represented coverage of 2.65 over the \$252,085 in debt service.

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NOTE 8 - LONG-TERM DEBT (Continued)

Marina Vista and Vallejo Central Projects – In August 1990, the Vallejo Public Financing Authority (PFA) issued in the amount of \$5,235,000 to provide funds to the Redevelopment Agency for use in the Marina Vista Project (\$3,335,000) and in the Vallejo Central Project (\$1,900,000). Net proceeds allocated to the Marina Vista Project were used to defease all future debt service payments on certain lease revenue bonds used to finance the construction of City Hall. Net proceeds allocated to the Vallejo Central Project were used to fund infrastructure improvements in the project area.

The bonds are secured by loan agreements between the Redevelopment Agency and the PFA. The semi-annual loan payments by the Agency are expected to meet all debt service requirements of the bonds. Semi-annual interest payments are due on March 1 and September 1 and annual principal payments are due September 1. The loan payments are made solely from the tax increment revenues within the redevelopment project areas, and the bonds are reflected as a liability of the Redevelopment Agency. The debt is serviced through the Redevelopment Agency's Marina Vista Debt Service Fund.

The pledge of future tax increment property tax revenues ends upon repayment of the \$6,064,945 in remaining debt service on the Agency's long term debt which is scheduled to occur in 2021. As disclosed in the originating offering documents, pledged future property tax increment revenues are expected to provide coverage over debt service of 1.35 over the life of the long term debt. For fiscal year 2008 tax increment revenues amounted to \$1,385,773 which represented coverage of 3.16 over the \$438,063 in debt service.

Vallejo Housing Set Aside – In August 2001, the Redevelopment Agency issued Tax Allocation Bonds in the amount of \$5,410,000 to finance housing activities of the Agency and to repay a loan from the PFA. Semi-annual interest payments are due on April 1 and October 1 and annual principal payments are due October 1. The bonds are subject to mandatory sinking fund redemption and payment is made solely from, and secured by, housing set-aside tax increment revenues generated within the redevelopment project areas.

The pledge of future housing tax revenues ends upon repayment of the \$9,395,875 in remaining debt service on the Agency's long term debt which is scheduled to occur in 2032. As disclosed in the originating offering documents, pledged future property tax increment revenues are expected to provide coverage over debt service of 1.43 over the life of the long term debt. For fiscal year 2008, Housing set aside tax increment revenues amounted to \$751,261 which represented coverage of 1.60 over the \$469,750 in debt service.

D. *Waterfront DDA*

In accordance with the Amended and Restated Disposition and Development Agreement between the Agency, the City, and Callahan and DeSilva Vallejo, LLC signed on November 28, 2006, the Agency has agreed to repay various costs incurred by the developer in the preparation of the Environmental Impact Review, planning studies, and legal fees associated with the development of the Waterfront Project. As of June 30, 2008, the developer has incurred \$661,320. The obligation will be repaid upon sale of certain Agency property to the developer.

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NOTE 8 - LONG-TERM DEBT (Continued)

E. Certificates of Participation (COPs)

Interest rates on the City's 2000 COPs, 2002 COPs, 2003 COPs, and 2001 COP Golf Course Facilities are reset periodically, using the "put" mechanism described below. The COPs are periodically subject to repurchase at par, referred to as a "put". Once a put occurs, a remarketing agent resells the COPs at par to new investors by setting new interest rates. The City has obtained irrevocable Letters of Credit as listed below to ensure that investors receive timely payments of principal and interest and that the City will not be required to repurchase any COPs that may be tendered for purchase prior to maturity:

Issue	Outstanding PAR Balance at June 30, 2008	Letter of Credit Amount	Expiration Date
2000 COP	\$23,185,000	\$26,982,791	August 18, 2010
2002 COP	9,505,000	12,651,736	December 4, 2012
2003 COP	6,920,000	8,152,548	December 10, 2008 *
2001 Golf COP	9,670,000	16,661,770	May 16, 2011
	<u>\$49,280,000</u>		

* Subsequently amended to December 10, 2009

Prior to June 30, 2008, in the months leading up to and after the City's chapter 9 bankruptcy filing (see Note 2), portions of the City's 2000, 2001, 2002, and 2003 variable rate Certificates of Participation (Certificates) were not contemporaneously resold to new investors after their put. Unsold Certificates were tendered to the Letter of Credit provider. Tendered values fluctuated on a weekly basis, reaching a high of \$27 million during March of 2008. The bonds were substantially resold in the following weeks, and as of June 30, 2008, \$10,466 of these Certificates remained tendered.

On July 1, 2009, the Letter of Credit provider issued a mandatory call of all outstanding 2000, 2001, 2002, and 2003 Certificates in the amount of \$49,280,000. Tendered Certificates became subject to interest at a draw rate of reference plus one percent, or a default rate of reference plus three percent. As further described in Note 2, subsequent to July 1, 2009, the City has made debt payments on these issues and other General Fund secured issues at less than the contract rate.

1999 COPs – In July 1999, the City issued \$4,815,000 of Certificates of Participation (1999 Capital Improvements Project) to finance City capital improvements. Principal payments are payable annually on July 15. Interest payments are due semiannually on January 15 and July 15. Since the lease is in essence a financing arrangement with ownership of the financed assets reverting to the City, the debt evidenced by the Certificates of Participation has been included in the City's financial statements.

The pledge of future motor vehicle license fee revenues ends upon repayment of the remaining debt service which is scheduled to occur in 2030. For fiscal year 2008, the motor vehicle license fee revenues amounted to \$538,179. However, debt service on the COPs is repayable from multiple Funds and is secured by an underlying lease agreement between the City and a financial intermediary. As of June 30, 2008, lease payments were made and used to pay debt service on the COPs.

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NOTE 8 - LONG-TERM DEBT (Continued)

2000 COPs – In September 2000, the City issued \$30,380,000 of Certificates of Participation (2000 Capital Improvement Project) to finance City Capital Improvements, Marina Capital Improvements and repay the Marina Fund loan from the State. The 2000 COPS Capital Projects Fund received \$12,786,942 and the Marina Enterprise Fund \$17,593,058. Principal payments are payable annually on September 1. Interest is payable at the beginning of each month at a variable rate. The City has the option of converting the COPs to a fixed interest rate, which interest is payable on March 1 and September 1. The Certificates are General Fund obligations secured by lease payments on various real assets. The Marina Enterprise portion of the debt is serviced through the marina operations. On September 1, 2004, the City exercised its optional prepayment rights and retired \$2,420,000 of the outstanding principal on this debt. On November 1, 2006, the City exercised its optional prepayment rights and retired \$2,280,000 of the outstanding principal on this debt.

The pledge of future motor vehicle license fee revenues ends upon repayment of the remaining debt service which is scheduled to occur in 2030. For fiscal year 2008, the motor vehicle license fee revenues amounted to \$538,179. However, debt service on the COPs is repayable from multiple Funds and is secured by an underlying lease agreement between the City and a financial intermediary. As of June 30, 2008, lease payments were made and used to pay debt service on the COPs.

2002 COPs – In November 2003, the City issued \$12,415,000 of Certificates of Participation (2002 Capital Improvements Project) to finance the construction, installation and equipping of various capital improvements through out the geographic boundaries of the City. The 2002 COPs Capital Projects Fund received \$11,497,776 and the Water Enterprise Fund \$917,224. Principal payments are payable annually on December 1. Interest is payable at the beginning of each month at a variable rate. The City has the option of converting the COPs to a fixed interest rate, after which interest is payable on June 1 and December 1. The Certificates are General Fund obligations secured by lease payments on various real assets. The Water Enterprise portion of the debt is serviced by the water system operations. On September 1, 2004, the City exercised its optional prepayment rights and retired \$1,000,000 of the outstanding principal on this debt.

2003 COPs – In December 2003, the City issued \$8,000,000 of Certificates of Participation (2003 Capital Improvement Project) to provide funding Springstowne Library improvements, solar energy projects and various public works projects. The COPS Capital Projects Fund received \$4,125,602, the Redevelopment Agency's Marina Vista Capital Projects Fund received \$2,617,597, and the Marina Enterprise Fund received \$1,256,801. Principal payments are payable annually on December 1. Interest is payable at the beginning of each month at a variable rate. The City has the option of converting the COPs to a fixed interest rate, after which interest is payable on June 1 and December 1. The Certificates are General Fund obligations secured by lease payments on various real assets. The Redevelopment Agency and Marina Enterprise portion of the debt is serviced by those respective programs.

Marine World JPA 1997 COPs – In January 1997, the JPA issued \$63,465,000 of COPs to refund the 1990 COPs, issued to refund the 1985 and 1986 COPs, which were issued to finance the construction and acquisition of the Marine World facilities; and the 1991 Community Facilities District Bonds issued to fund new attractions and capital improvements to the facilities.

On July 31, 2007, the City, Marine World JPA, and Redevelopment Agency, collectively, as Sellers, and Park Management Corp., as Buyer, completed the sale of Six Flags Discovery Kingdom as described in Note 16B below, and the Bonds were retired.

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NOTE 8 - LONG-TERM DEBT (Continued)

2001 COP Golf Course Facilities – In May 2001 the City issued \$16,350,000 a Certificate of Participation to refund Golf Course Revenue Bonds issued in 1992 and to finance golf course facility improvements. The amount of principal defeased was \$8,235,000. Interest is payable at the beginning of each month at a variable rate. The future interest payment is an estimate based on the interest rate as of the basic financial statements date which is approximately 6.3%. The City has the option of converting the COPs to a fixed interest rate, after which interest is payable on December 1 and June 1. Annual principal payments are due June 1. The Certificates are General Fund obligations secured by lease payments on various real assets. The COPS are serviced by golf operations.

1993 Sanitation and Flood Control District (VSFCD) – In July 1993, the VSFCD Financing Corporation issued \$38,905,000 of certificates of participation, the net proceeds of which were used to finance the construction of sewage collection and treatment and flood control facilities and, to defease VSFCD's 1988 COP's. Certificates maturing on or before July 2008 are not callable prior to maturity. Certificates maturing on or after July 2009 are callable at VSFCD's option on any interest date. Annual principal payments are due July 1.

2001 Sanitation and Flood Control – In fiscal year ended 2001, VSFCD issued \$25,645,000 of COPs through California Water Reuse Finance Authority (CWFA), at a variable rate of interest calculated weekly. In May 2006, the District retired \$19,075,000 principal amount of the 2001 Certificates of Participation leaving an outstanding balance of \$4,000,000. Interest shall not exceed the statutory rate of 12%. The interest rate at June 30, 2008 was 1.32%. Annual principal payments are due May 1. The COPs are secured and serviced by VSFCD operations.

2006 Sanitation and Flood Control - On March 13, 2006, VSFCD issued \$39,665,000 of Certificates of Participation at premium of \$878,234. The Certificates are to be used to refund in part the outstanding Series 2001 Certificates of Participation, to finance construction of the overflow elimination project, to fund in whole or in part, a reserve fund for the Certificates, and to pay certain costs of issuing the Certificates. The Certificates are fully registered with principal due annually on May 1 and interest payable semi-annually on May 1 and November 1. The Certificates are subject to optional prepayment on any date on or after May 1, 2015 together with accrued interest to the prepayment date, without premium.

F. Revenue Bonds

2001 Water Revenue Bonds – In December 2000 the City issued \$23,075,000 of Water Revenue Bonds, 2001 Series A to finance improvements to the City's water system. Interest is payable at the beginning of each month at a variable rate. The City has the option to convert the Bonds to a fixed interest rate, which interest is payable on December 1 and June 1. The debt is secured and serviced from the water system operations. The future interest payment is an estimate based on the interest rate as of the basic financial statements date, which was approximately 1.4%. Principal on the bonds is due annually.

The pledge of future charges for services operating revenue ends upon repayment of the \$30,886,729 in remaining debt service on the above bonds which is scheduled to occur in 2031. For fiscal year 2008, charges for services operating revenues and non-operating interest earnings amounted to \$33,757,511 and operating costs include operating expenses, but not interest, depreciation or amortizations and amounted to \$22,961,893. Net Revenues available for debt service amounted to \$10,689,470 which represented coverage of 8.39 over the \$1,274,463 in debt service.

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NOTE 8 - LONG-TERM DEBT (Continued)

2006 Water Revenue Refunding Bonds – In July 2006 the City issued \$45,790,000 in Water Revenue Refunding Bonds to current refund \$45,755,000 of outstanding 1996 Series A Refunding Revenue Bonds and advance refund \$525,000 of outstanding 1999 Series A Parity refunding Revenue Bonds. Interest is payable on May 1 and November 1. Annual principal payments are due on May 1. The debt is secured and serviced by water system operations.

The pledge of future charges for services operating revenues ends upon repayment of the \$68,487,650 in remaining debt service on the bonds which is scheduled to occur in 2026. As disclosed in the originating offering documents, system net revenues are expected to provide coverage over debt service of 2.06 over the life of the bonds. For fiscal year 2008, charges for services operating revenues and non-operating interest earnings amounted to \$33,757,511 and operating costs include operating expenses, but not interest, depreciation or amortizations and amounted to \$22,961,893. Net Revenues available for debt service amounted to \$10,689,470 which represented coverage of 3.86 over the \$2,769,400 in debt service.

G. Notes and Loans Payable

Vallejo Sanitation and Flood Control State Clean Water (2004) -In August 2004 the VSFCD entered into a loan agreement with the Division of Financial Assistance of the State Water Resources Control Board under the Clean Water State Revolving Fund loan program in the amount of \$13,798,201. Payments in the amount of \$907,072 with interest at 2.5% commencing May 1, 2005 and are due annually thereafter until maturity in 2023.

Vallejo Sanitation and Flood Control State Clean Water (2008) – During the fiscal year ended June 30, 2008, the District completed a second loan agreement with the State Water Resources Control Board's Division of Financial Assistance. The loan is dated January 24, 2008, and is in the principal amount of \$4,406,072. Payments in the amount of \$317,450 with interest at 2.4% commence January 24, 2009, and are due annually thereafter until maturity in 2025.

U.S. Department of Commerce, Water Fund – The loan is due to the U.S. Department of Commerce/Economic Development Administration and accrues interest at 2.5%. Principal and interest payments are due annually July 1, through 2017.

State Safe Drinking Water – The loan from the State of California, Department of Water Resources was used to finance construction of a project which enables the City to meet safe drinking water standards. The interest rate is 0%. Semiannual principal and interest payments are due on July 1 and January 2.

State Safe Drinking Water – The loan from the State of California, Department of Water Resources was used to partially refund the 1999 Water Parity Refunding Revenue Bonds. The amount of outstanding principal defeased was \$6,675,000. The interest rate is 2.32%. Semiannual principal and interest payments are due on July 1 and January 2.

H. Capital Lease Obligations

The City entered into a long-term contract for the lease of the John F. Kennedy Library, part of the Vallejo Public Library System, and certain parcels of real property within the City. The City has also entered into contracts for the capital lease/purchase of computer software and various public safety equipment which cost \$5,396,328 and had net book values of \$2,698,364 at June 30, 2008.

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NOTE 8 - LONG-TERM DEBT (Continued)

I. Debt Defeased in Prior Years

In 2006 the City defeased the 1999 Water Parity Refunding Revenue Bonds by establishing an irrevocable trust to provide for all future debt service payments. As of June 30, 2008 the revenue bonds were paid in full.

NOTE 9 – DEBT WITHOUT CITY COMMITMENT

A. Improvement and Assessment Districts

Special Assessment and Improvement Districts in various parts of the City have issued debt to finance infrastructure improvements and facilities within their boundaries. The City is the collecting and paying agent for the debt issued by these Districts, but has no direct or contingent liability for the payment of this debt. Therefore, this debt is not reported as long-term debt of the City. The outstanding balance of each of these issues as of June 30, 2008 is as follows:

<i>Special Assessment Bonds</i>	
Fairgrounds Drive #65	\$2,235,000
Glen Cove 2003-1	5,225,000
 <i>Improvement Bonds</i>	
2004 Hiddenbrooke Improvement District Series A	19,285,000
Northeast Improvement District 2003-1	7,805,000
 <i>Revenue Bonds</i>	
2003 Series B (Northeast Quadrant)	<u>2,720,000</u>
Total	<u><u>\$37,270,000</u></u>

NOTE 10 – CONDUIT DEBT

The following bonds do not constitute or create a debt or pledge of the general credit or taxing power of the City, and, accordingly, are not reported as long-term debt of the City.

Mortgage Revenue Bonds

Fountain Plaza- Variable Rate Demand Multifamily Mortgage Revenue Refunding Bonds, Series 1992A (Fountain Plaza Hills Apartments) in the amount of \$5,585,000. The bonds bear interest at a variable rate determined weekly by a remarketing agent, and mature in May 2022. The bonds are dated May 1992, and were issued to refund \$8,775,000 prior issuance of multifamily housing revenue bonds. As of June 30, 2008, \$5,585,000 of these bonds remained outstanding.

Solano Vista II – Multifamily Housing Revenue Bonds, Series 2001A (Solano Vista II Senior Apartments) in the amount of \$10,600,000. The bonds bear interest at the rate of 5.45%. Interest payments are due semiannually through November 1, 2034. The bonds are dated August 1, 2001, and were issued to provide funding for a mortgage loan for the acquisition and construction of a multifamily housing project. On June 30, 2008, \$10,020,000 of these bonds remained outstanding.

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NOTE 10 – CONDUIT DEBT (Continued)

Marina Vista I and II, Marina Heights – Multifamily Housing Revenue Bonds, Series 1998A and 1998B (GNMA Mortgage Backed Securities Program) in the amount of \$11,520,000. The bonds bear interest at rates ranging from 3.6% to 8.25%. The bonds are dated October 1, 1998, and were issued to provide financing for the acquisition and rehabilitation of three multifamily housing projects known as Marina Vista I, Marina Vista II, and Marina Heights. On June 30, 2008, \$10,655,000 of these bonds remained outstanding.

NOTE 11 – EMPLOYEE BENEFITS PAYABLE

Employee Benefits Payable reported in the Statement of Net Assets includes compensated absences, discussed below, and Post Employment Retiree Medical Benefits discussed in Note 13.

Compensated absences consist of vested vacation and sick leave. For governmental activities, the portion reported as a liability in the Payroll Benefits Internal Service Fund primarily represents balances due within 60 days of year end and matured compensated absences balances. The remaining governmental activities portion is reported on the Statement of Net Assets. For proprietary activities, which are reported on the accrual basis at the fund level, all earned but unpaid benefits are recorded as an expense and liability of the fund in which it is earned.

Compensated absences activity for the City of Vallejo year ended June 30, 2008 is as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Beginning Balance	\$22,703,156	\$1,755,382	\$24,458,538
Additions	8,129,954	3,395,180	11,525,134
Payments	<u>(10,237,942)</u>	<u>(1,832,242)</u>	<u>(12,070,184)</u>
Ending Balance	<u>\$20,595,168</u>	<u>\$3,318,320</u>	<u>\$23,913,488</u>
Compensated Absences			
Classification Presentation:			
Current Portion:			
Internal Service Fund	\$2,087,225		\$2,087,225
Entity-wide	<u>9,083,509</u>	<u>\$1,842,401</u>	<u>10,925,910</u>
Current Portion	<u>11,170,734</u>	<u>1,842,401</u>	<u>13,013,135</u>
Noncurrent Portion:			
Internal Service Fund	19,727		19,727
Entity-wide	<u>9,404,707</u>	<u>1,223,429</u>	<u>10,628,136</u>
Noncurrent Portion	<u>9,424,434</u>	<u>1,223,429</u>	<u>10,647,863</u>
Total	<u>\$20,595,168</u>	<u>\$3,065,830</u>	<u>\$23,660,998</u>
Noncurrent Employee Benefits Payable			
Compensated Absences	\$9,424,434	\$1,223,429	\$10,647,863
Net OPEB Obligation (Note 13)	<u>6,627,952</u>	<u>252,490</u>	<u>6,880,442</u>
Non-current Portion	<u>\$16,052,386</u>	<u>\$1,475,919</u>	<u>\$17,528,305</u>

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NOTE 11 – EMPLOYEE BENEFITS PAYABLE (Continued)

Included with the above ending balance is \$1,887,795 representing compensated absences due to certain retired police and fire employees. This leave balances originally due upon separation had been deferred to December 2008 through an amendment to the labor contract. This amount has since been deferred under the City's bankruptcy pendency plan.

NOTE 12 – RETIREMENT BENEFITS

A. *City of Vallejo*

1. Plan Description

The City participates in the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, annual cost of living adjustments, and death benefits to plan member and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State Statute and City ordinance. Copies of PERS annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

2. Funding Policy

Both Safety and Miscellaneous active plan members are required by State statute to contribute 9% of their annual covered salary which amounted to \$4,850,890 for the year ended June 30, 2008. The City employer is required to contribute for fiscal year 2008 at an actuarially determined rate of 28.385% and 17.028% of annual covered payroll for safety and miscellaneous employees respectively.

3. Annual Pension Cost

The City's annual pension costs of \$11,293,291, \$11,734,043, and 12,332,457 were equal to the City's required and actual contributions in fiscal years 2006, 2007, and 2008, respectively. The required contribution for 2008 was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method with contributions determined as a percentage of pay. Actuarial assumptions included (1) 7.75% investment rate of return (net of administrative expenses), (2) projected salary increases range from 3.25% to 14.45% for miscellaneous employees and 3.25% to 13.15% for safety employees, depending on age, service and type of employment, and (3) 3% per year cost-of-living adjustments. Both (1) and (2) included an inflation component of 3%. The actuarial value of PERS assets was determined using techniques that smooth the effects of the short-term volatility in the market value of investments over a three year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis over twenty years.

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NOTE 12 – RETIREMENT BENEFITS (Continued)

4. Three Year Trend Information and Funding Progress

The following schedule of funding progress is presented for the most recent actuarial valuations as of June 30, 2008:

Safety Plan:

Actuarial						
Valuation Date	Value of Assets	Entry Age Accrued Liability	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2005	\$206,376,622	\$255,201,742	\$48,825,120	80.9%	\$25,524,229	191.3%
2006	223,181,766	274,817,621	51,635,855	81.2%	27,860,192	185.3%
2007	242,845,279	296,961,256	54,115,977	81.8%	28,858,275	187.5%

Miscellaneous Plan:

Actuarial						
Valuation Date	Value of Assets	Entry Age Accrued Liability	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2005	\$114,849,667	\$144,567,677	\$29,718,010	79.4%	\$21,657,104	137.2%
2006	124,180,938	156,449,899	32,268,961	79.4%	22,730,556	142.0%
2007	135,085,600	169,654,472	34,568,872	79.6%	23,616,703	146.4%

B. Vallejo Sanitation and Flood Control District

1. Plan Description

The District contributes to the California Public Employee's Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan. Substantially all full-time employees, with exception of seasonal and temporary employees, participate in the PERS plan. Eligible employees who retire at or after age 50, with a minimum of 5 years credited service and retirement age. The plan also provides disability, death and survivor benefits to eligible retirees and their beneficiaries.

The Board of Trustees of the District authorizes plan benefit provisions established by contract and California Public Employee's Retirement Law. Stand-alone financial information for the plan is not available. However, system-wide reports that contain the cost-sharing plan may be obtained through contacting PERS directly.

2. Funding Policy

PERS participating employees contribute 8% of their salary as required by PERS for local miscellaneous plan members. The District contributes the remaining amounts necessary to fund contracted benefits at rates set forth using the actuarial methods and assumptions recommended by PERS actuaries and actuarial consultants, and adopted by the PERS Board of Administration. The employer required contribution rate for the fiscal year 2007-08 was 16.601% of covered payroll. PERS establishes and may amend employee and employer contribution requirements.

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NOTE 12 – RETIREMENT BENEFITS (Continued)

PERS prepares actuarial valuation reports annually for each member participant in the cost-sharing plan. The employer rate by member consists of the normal cost for the cost-sharing plan plus an amount for amortization of the side fund that accounts for the difference between the funded status of the cost-sharing plan and the funded status of the member plan at time of entry into the cost-sharing plan.

3. Required Contributions

For the fiscal year 2007-08 and each of the two preceding fiscal years, contribution requirements and contributions made were as follows:

Fiscal Year Ended	PERS Local Miscellaneous 2.7% at 55 Cost-Sharing Plan		
	Contribution Requirements	Percent Contributions	Pension Assets
	Dollars	Paid	(Liabilities)
2006	\$819,605	100%	\$0
2007	987,412	100%	0
2008	1,083,039	100%	0

4. Temporary and Seasonal Employees

Federal law requires that employees not covered by an employer retirement system be covered by Social Security or an alternative plan. The District hires temporary employees whose positions are exempt from PERS membership. The District utilizes Social Security for these positions and previously utilized the Public Agency Retirement System (PARS) defined contribution plan. PARS plan benefit provisions were established by contract and the Internal Revenue Tax Code and authorized by the Board. PARS plan contributions were 7.5% of gross payroll paid by the employer. At separation, employees may withdraw employer amounts contributed on behalf of the employee or roll them over into a defined benefit pension plan, an IRA, or other IRS qualified plan. Contributions to PARS for the fiscal years ended June 30, 2008 and 2007 were \$0 and \$351, respectively. Contact the District or PARS to obtain additional plan information.

5. Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about investment return, future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and annual required contributions are subject to change when actual results are compared with past expectations together with new estimates about the future.

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NOTE 13 – POST-EMPLOYMENT BENEFITS

A. *Post Retirement Health Benefits - City*

During fiscal year 2008, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This Statement establishes uniform financial reporting standards for employers providing postemployment benefits (OPEB). The provisions of the statement are applied on a prospective basis.

Employees and their dependents are eligible for post-retirement health benefits if they retire directly from the City under CalPERS after attaining the age of 50 with five years of service or disability. The City pays the retiree and eligible dependent premiums up to a maximum that is increased by 5% annually for employees in the IBEW bargaining group and by 10% annually for other employees.

Subsequent to June 30, 2008, the City has negotiated reduced retiree health benefits for its Police and Management employees that limit employer contributions to the Kaiser Bay Area rates and further limit Management retirees to 80% of this benefit.

Funding Policy and Actuarial Assumptions

The City's policy is to fund these benefits on a pay-as-you-go basis. The annual required contribution (ARC) was determined as part of a June 30, 2008 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 4.25% investment rate of return, (b) 3.25% projected annual salary increase, and (c) 4.50% to 11.70% health inflation increases. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability amounted to \$135.4 million and is being amortized as a level percentage of projected payroll using a 30 year amortization period.

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NOTE 13 – POST-EMPLOYMENT BENEFITS (Continued)

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. During the fiscal year ended June 30, 2008, the City contributed \$3,168,048 for pay-as-you-go premiums to the Plan. As a result, the City has calculated and recorded the Net OPEB Obligation, representing the difference between the ARC, amortization and contributions, as presented below:

	Retiree Health Benefits Internal Service Fund - Governmental Activities
Annual required contribution (ARC) and Annual OPEB cost	\$9,796,000
Contributions made:	
City portion of current year premiums paid	3,168,048
Contributions less than the ARC	6,627,952
Net OPEB Obligation at June 30, 2007	_____
Net OPEB Obligation at June 30, 2008	\$6,627,952

B. *Post Retirement Health Benefits - VSFCD*

1. Plan Description

The District's defined benefit postemployment healthcare plan, Public Agency Post-Retirement Health Care Plan (the Plan), provides medical benefits to eligible retired employees and their beneficiaries. The Public Agency Retirement System (PARS) administers the Plan, an agent multiple-employer trust arrangement established to provide economies of scale and efficiency of administration to public agencies that hold assets used to fund OPEB obligations. Plan benefits were established in accordance with Board policy and Memorandums of Understanding for respective employee groups, and may be amended by the Board of Trustees. PARS provides an annual financial report for the aggregate Plan that may be obtained by contacting PARS directly. Contact information for PARS is located in the Statistical section of this report.

2. Funding Policy

The Plan is fully funded by employer contributions with no requirement for matching or otherwise pro-rata employee contributions. The District is required to contribute the *annual required contribution* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement Number 45 (GASB 45). The ARC represents a level of funding that, if paid on an ongoing basis, projects to cover the normal cost each year and amortize unfunded actuarial liabilities, if any, over a period not to exceed thirty years. The ARC is subject to change with each actuarial valuation date performed no later than every three years.

CITY OF VALLEJO
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NOTE 13 – POST-EMPLOYMENT BENEFITS (Continued)

3. Annual OPEB Cost

The District's annual OPEB expense (the ARC) and the amount paid for the fiscal year 2007-08 amounted \$1,053,489 and \$800,999, respectively. The District's annual OPEB cost, the percent paid, and the net OPEB obligation for the fiscal year 2007-08 was as follows:

Fiscal Year Ended June 30'	PARS Public Agency Post-Retirement Health Care Plan		
	Annual	Percent	Net
	OPEB Cost	Contributions Paid	OPEB Obligation
2008	\$1,053,489	70%	\$252,490

Note: Disclosure of annual OPEB cost, percent contributed, and net OPEB obligation, if any, is required for the current fiscal year and each of the two preceding fiscal years. The fiscal year 2007-08 is the first year of implementation of the District's post-retirement health care plan accounted for and reported in accordance with the requirements of GASB 45. Accordingly, three-year data is not available and will be shown when three year's data becomes available.

4. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan as understood by the employer and eligible Plan members, and includes the actuarial present value of all Plan benefits allocated between the periods before and after the valuation date. The present value of Plan benefits earned prior to the valuation date is called the *actuarial liability*. The present value of Plan benefits to be earned after the valuation date is called the *present value of future normal costs*. Actuarial assumptions include a 7.5% investment return, a medical trend rate beginning at 11% declining to 5% after 10 years, and a 3.25% inflation rate. Actuarial methods may also include techniques that are designed to reduce short-term volatility in actuarially accrued liabilities and actuarial assets, consistent with the long-term perspective of the calculations.

The cost method for valuation of liabilities used for valuation of the District's Plan dated January 1, 2007 is the *entry age normal* method. Under the entry age normal actuarial cost method, an individual entry age normal cost ratio is determined for each participant by taking the value of the participant's projected future benefits and dividing it by the value of his expected future salary. This ratio for each participant is then multiplied by the present value of the participant's future salary. The sum of the values of all active participants is the Plan's present value of future normal costs. The excess of the present value of Plan benefits over the present value of future normal costs is the actuarial liability. The difference between the actuarial liability and the value of the Plan assets is the unfunded actuarial liability.

The unfunded actuarial liability is amortized over a period of 30 years from the valuation date (closed basis) with payments increasing by a payroll growth assumption of 3.25% per annum. Payments are assumed to be made throughout the year. Subsequent gains and losses and benefit improvements will be amortized over the same remaining period.

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NOTE 13 – POST-EMPLOYMENT BENEFITS (Continued)

5. Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about investment return, future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and annual required contributions are subject to change when actual results are compared with past expectations together with new estimates about the future. The schedule of funding progress below presents three-year trend information that shows whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for Plan benefits.

Actuarial Valuation Date	Entry Age Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Ratio	Annual Covered Payroll	UAAL as a Percent of Covered Payroll
1/1/2007	\$10,418,127	\$0	\$10,418,127	0.0%	\$6,548,393	159.1%

Note: Three-year funding progress data will be shown when three year's funding progress data becomes available.

NOTE 14 – NET ASSETS AND FUND BALANCES

A. Net Assets – Statement of Net Assets

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

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

Restricted describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter.

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

B. Fund Balance – Governmental Funds Balance Sheet

I. Reservations

Reserves are restrictions placed by outside entities, such as other governments, which restrict the expenditures of the reserved funds to the purpose intended by the entity which provided the funds, or non-current balances that do not represent available, spendable resources. At June 30, 2008, reserves included:

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

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NOTE 14 – NET ASSETS AND FUND BALANCES (Continued)

Reserved for **materials, parts, supplies, prepaids, notes receivable and advances** are the portions of fund balance set aside to indicate these items do not represent available, spendable resources even though they are a component of assets.

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

Reserved for debt service represents assets that are restricted pursuant to long-term debt agreements.

The balance sheet also reports the balance of restricted funds that have been formally appropriated for future projects and the unappropriated portion that is available for future spending.

2. *Designations*

Designations reflect future spending plans or concerns about the availability of future resources.

Designated for capital projects is the portion of fund balance to be used for projects approved as part of the Capital Improvement Program budget.

C. *Deficits*

The funds below had fund deficits or net asset deficits at June 30, 2008:

Proprietary Funds:	
Marina	\$1,005,374
Golf	<u>447,949</u>
Total	<u><u>\$1,453,323</u></u>
Non-Major Governmental Funds:	
Redevelopment Agency Debt Service Fund	<u>\$4,368,644</u>
Total	<u><u>\$4,368,644</u></u>
Internal Service Funds:	
Insurance	\$1,479,789
Payroll Benefits	1,887,795
Retiree Health Benefits	<u>6,627,952</u>
Total	<u><u>\$9,995,536</u></u>

CITY OF VALLEJO
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NOTE 14 – NET ASSETS AND FUND BALANCES (Continued)

D. Expenditures in Excess of Budget

The funds below had expenditures in excess of budgets:

General Fund:	
Fire Services	\$1,795
Police Services	558,464
Nondepartmental	473,662
Debt Service - Principal	87,567
Non-Major Funds:	
Special Revenue Funds	
Mare Island Leasing	\$475,464
FEMA Disaster Recovery	2,435
Mare Island CFD 2002	304,004
Solid Waste Disposal	78,007
Office of Traffic Safety	4,028
Local Law Enforcement Grant	29,303
State Lands	84,466
Repair & Demolition Revolving Fund	25,242
Administrative Trust Fund	14,898

Sufficient resources were available within the funds to finance these excesses.

NOTE 15 – SELF-INSURANCE PROGRAM

The City of Vallejo manages risk by participating in the public entity risk pools described below and by retaining certain risks.

Public entity risk pools are formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, those entities exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each risk pool is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective risk pool, including selection of management and approval of operating budgets, independent of any influence by members beyond their representation on that board. Obligations and liabilities of these risk pools are not the City's responsibility.

CITY OF VALLEJO
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NOTE 15 – SELF-INSURANCE PROGRAM (Continued)

A. Risk Coverage

City – The City of Vallejo is a member of the California Joint Powers Risk Management Authority (CJPRMA) which covers general liability claims in excess of \$500,000 up to \$40,000,000 per occurrence. The City has a self-insured retention or deductible of \$500,000 per claim. Once the self-insured retention is met CJPRMA becomes responsible for payment of all claims up to the limit. During the fiscal year ended June 30, 2008, the City contributed \$657,691 for coverage during the current year and received a refund of \$78.00 of prior year excess contributions.

The City is a member of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX) which covers workers' compensation claims up to statutory limits. The City has self-insured retention of up to \$500,000 per claim up to \$4,500,000 covered by local agency workers' compensation excess insurance (LAWXC). Losses above \$2,000,000 up to \$150,000,000 are insured with California Public Entity Insurance Authority. During the fiscal year ended June 30, 2008, the City contributed \$381,753 for current year coverage.

The contributions made to each risk pool equal the ratio of their respective payrolls to the total payrolls of all entities participating in the same layer of each program, in each program year. 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.

Vallejo Sanitation and Flood Control District—VSFCD is a member of the California Sanitation Risk Management Authority which provides coverage up to \$750,000 for general liability. Excess public entity general liability insurance is obtained for coverage up to \$15,000,000 associated with either sanitary sewer or storm drain operations. Liability coverage for employment practices is subject to a deductible of \$500,000. Auto liability is subject to a deductible of \$1,000 with coverage up to \$250,000.

California Sanitation Risk Management Authority also provides coverage up to \$750,000 for workers' compensation. Excess workers compensation insurance provides coverage up to \$1,000,000. Pollution insurance provides coverage up to \$1,000,000 with a deductible of \$10,000. Property insurance provides coverage up to \$85,670,779 with a deductible of \$10,000.

CITY OF VALLEJO
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NOTE 15 – SELF-INSURANCE PROGRAM (Continued)

B. *Liability for Uninsured Claims*

The following is a summary changes in City recorded claim liabilities during the years ended June 30:

	June 30, 2008	June 30, 2007
Beginning balance	\$11,765,000	\$9,998,000
Increase (decrease) in current year claims and changes in estimates	2,030,531	5,206,934
Claims paid	(2,671,531)	(3,439,934)
Ending balance	\$11,124,000	\$11,765,000
Current portion	\$3,027,160	\$3,244,180

The City has not significantly reduced its insurance coverage from the prior year. Furthermore, settlements have not exceeded insurance coverage for the past three fiscal years.

NOTE 16 – MARINE WORLD JOINT POWERS AUTHORITY

A. *Agreements with the Park Management Corporation*

In 1985, through a series of lease and sublease agreements, the Marine World Theme Park facilities were subleased by the City of Vallejo to the Vallejo Redevelopment Agency, and by the Redevelopment Agency to the Marine World Foundation, a California non-profit public benefit corporation.

During 1996, the Foundation defaulted on debt owed to the Redevelopment Agency and City. As a result, the City and the Redevelopment Agency formed the Marine World Joint Powers Authority, a component unit of the City. The Authority took over the ownership of Marine World on November 1, 1996. The Foundation conveyed all of its rights, title and interest in its permits, policies and assets to the Marine World JPA, and the Marine World JPA assumed all the obligations and liabilities of the Foundation.

In January 1997, the Authority issued \$63,465,000 of COPs under similar lease and sublease agreements. The proceeds were used to refund the 1990 COPs, issued to refund the 1985 and 1986 COPs, which were issued to finance the construction and acquisition of the Marine World facilities; and the 1991 Community Facilities District Bonds issued to fund new attractions and capital improvements to the facilities. The 1997 COPs were due through 2028 and could be prepaid without penalty after 2002. The various leases, subleases described above and associate management, revenue sharing and other agreements terminated when the 1997 COPs were repaid in connection with the sale of the Park.

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NOTE 16 – MARINE WORLD JOINT POWERS AUTHORITY (Continued)

B. Purchase Option

On August 29, 1997, the City, Authority, and Redevelopment Agency entered into a purchase option agreement with the Corporation. In April 2005, the parties entered into an Amended and Restated Purchase Option Agreement. The agreement provided the Corporation an option to purchase the park. On June 1, 2007, the Corporation exercised the purchase option. Under terms of the agreement, the Authority received debt service reserves remaining after the 2007 COPS and associated interest was repaid and the Corporation received all other assets and assumes all other obligations of the Authority. The Corporation was required to remit the sales price which must be used to repay the 2007 COPS.

On July 31, 2007, the Corporation purchased the park assets, assumed remaining liabilities in exchange for a sales price of \$53,982,765. The sales proceeds and debt service reserves held by the Trustee were deposited into escrow and used to repay the remaining principal and interest on the Authority's 2007 COPS and pay closing costs arising from the sale. As part of escrow, \$1,428,574 remained after the above closing costs and debt was repaid. These funds were returned to the Authority which distributed these funds to the Redevelopment Agency of the City of Vallejo as part of its dissolution.

NOTE 17 - COMMITMENTS AND CONTINGENCIES

A. Vallejo Redevelopment Agency

Triad Downtown Vallejo Mixed-Use Development

According to the terms of the Disposition and Development Agreement (DDA) between the Agency, the City, and Triad Downtown Vallejo, LLC (Triad), dated October 28, 2005 (as amended on January 13, 2006; January 1, 2007; and April 19, 2007), the Agency, subject to availability of financing sources, is required to provide an estimated \$10.8 million of public improvements and programs related to the proposed development. In addition, as part of a Fee Deferral Agreement between the Agency and City dated October 28, 2005, the City will defer an estimated \$6.6 million in development impact fees for this project, which the Agency will repay to the City on behalf of the developer over an estimated twenty (20) year period. The total estimated Agency financial commitment for this DDA totals \$17.4 million. Both the City and Triad have agreements to provide the Agency with interim cash flow financing until the project generates tax increment and other revenue.

According to the terms of the DDA, Triad was scheduled to acquire Agency property and commence construction on the first parcel, Parcel A, by June 12, 2007. Triad has not met this obligation. In addition, Agency has been unable to secure financing from third party sources for the estimated \$10.8 million of public improvements and programs identified in the DDA. Pursuant to Section 701 of the DDA, Agency and Triad have commenced a meet and confer process to identify alternative sources of financing for the public improvements and programs and to discuss ways in which Triad might get the proposed project schedule back on track. Under Section 511.i. of the DDA, and subject to the meet and confer process referenced above, Agency may terminate the DDA if the Agency cannot obtain the necessary financing for the public improvements and programs from the sources identified in the DDA Method of Financing, Agency is unable to identify other sources of financing for such public improvements and programs, and Agency has determined there are insufficient revenues available from such sources to meet its obligations under the DDA.

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NOTE 17 - COMMITMENTS AND CONTINGENCIES (Continued)

Subsequent to June 30, 2008, on March 10, 2009, the Agency notified Triad of its intent to terminate the DDA and established a cure period through July 2, 2009. On July 17, 2009, the Agency terminated the DDA.

Waterfront Development Project Area

In accordance with the amended and restated Disposition and Development Agreement between the Agency, the City, and Callahan and DeSilva Vallejo, LLC signed on October 27, 2005, the Agency is obligated to provide as estimated \$23.7 million of public improvements and programs related to the proposed development. These include the following estimated commitments:

Vallejo Station parking garage (Parcel L3)	\$ 5,000,000
City Hall parking garage and improvements	4,900,000
Park and street improvements	9,850,000
Remediation (Southern Waterfront)	<u>4,000,000</u>
	<u>\$23,750,000</u>

The last item listed, remediation, reflects the Agency’s contingent liability for remediation costs for contaminants on certain property located within the Waterfront Project Area.

An independent soils’ engineering firm has developed four alternatives for remediation of the contaminants, depending upon future land use. The alternatives range from “No Action” with an estimated cost of \$1.2 million for basic containment and highly restricted land use to complete removal of contaminants for unrestricted land use with an estimated cost of \$33 million. Discussions are ongoing with the previous owner and the Regional Water Quality Control Board having jurisdiction over the property as to the preferred remedial approach based on anticipated future land uses. The Agency believes that the previous owner may be responsible for part or all of such costs and therefore has not recorded a liability for any remediation costs.

The Agency incurred \$661,320 of legal, investigative and remediation costs through June 30, 2008 and believes it may be entitled to recover some of this cost from the previous owner. The Agency paid approximately \$2.4 million for this property in 1988. Given the uncertainty over remediation costs, the property is carried at no value in the accompanying Government-Wide Statement of Net Assets.

Pass-through Payments

In fiscal year 2008, the Redevelopment Agency calculated \$978,554 in pass-through payments to the affected jurisdictions. Of this balance, \$726,252 was paid during the fiscal year and \$252,302 represents accrued catch-up payments made subsequent to June 30, 2008 to comply with the provisions of State Assembly Bill 1389.

B. Vallejo Sanitation and Flood Control District

The Vallejo Sanitation and Flood Control District has numerous ongoing capital projects that involve long-term construction contracts with payments billed and paid on a percentage-of-completion basis. Construction commitments related to these contracts at June 30, 2008 amounted to approximately \$3,648,453.

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Comprehensive Annual Financial Report
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NOTE 17 - COMMITMENTS AND CONTINGENCIES (Continued)

C. *Transfer of Ferry Service*

On January 1, 2008, the State of California's Senate Bill 976 became law repealing prior legislation that created the San Francisco Bay Area Water Transportation Authority and established a new agency, the Water Emergency Transportation Authority (WETA). The WETA has specified powers and duties, including but not limited to, taking over the City of Vallejo's Baylink ferry service operation and facilities and coordinating the emergency activities of water transportation on the bay.

The primary purpose of the WETA is to operate a comprehensive nine county San Francisco Bay Area regional public water transportation system, transforming current water transportation services in the Bay Area into a primary emergency response provider and to expedite the expansion of ferry service on San Francisco Bay. The new authority will acquire, own, lease, construct and operate water transit vessels and equipment, including but not limited to, real and personal property, and equipment and any facilities of the authority (excepting those under the direction of the Golden Gate Bridge District and national parks system).

The law requires that the WETA prepare and adopt both an emergency water transportation management system plan and a transition plan to govern the consolidation of publicly operated ferry services and specifies in part that all real and personal property, including terminals, ferries, vehicles or facilities, parking facilities for passengers and employees, and buildings and facilities used to operate, maintain, and manage the ferry services be transferred to WETA consistent with the transition plan.

The impact of the law to the City of Vallejo's Transportation Enterprise Fund ferry service and bus service may include, but is not limited to the transfer of ownership of the city's ferries and ferry assets; transfer of grant funding for current and future transit operation and capital funding and financial impact to transit-oriented development projects currently underway and planned for the future.

"Clean up" legislation to this law, Senate Bill 1093 (Wiggins), was approved and enacted into law on September 27, 2008 clarifying the planning, management, and operations responsibilities of the water transportation services vested in the WETA.

The new law prohibits the authority from compelling property transfers or operational changes on or before the adoption of the plan and extends the date by which WETA must adopt a transition plan from January 1, 2009 to July 1, 2009. Additionally it requires that the transition plan include, in part, descriptions of proposed changes to existing operations, services responsibilities and liabilities, and for all changes to be consistent with ferry service provided by the City of Vallejo, and to ensure that the changes are consistent with the city's general and redevelopment plans and agreements for the city's downtown and waterfront. The law also protects Vallejo's investment in the vessels and facilities by requiring that the transition plan identify explicitly the plan for compensating Vallejo if a transfer of assets is proposed.

The City of Vallejo and the WETA are working collaboratively as the required transition plan has been adopted by the WETA Board and it extends the date of the physical ferry transfer to July 2010. However should the City of Vallejo and WETA be unable to reach an agreement on the terms of the transfer of service, the law provides that Vallejo would continue to operate its existing service.

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

NOTE 18 – SUBSEQUENT EVENTS

A. Vallejo Sanitation and Flood Control District

The financial markets experienced extreme volatility in the months following year-end that will result in significant unrealized as well as actual realized investment losses in the Sanitation and Flood Control District Investment Portfolio. The conditions giving rise to the losses were not known as of year-end and actual losses incurred occurred after year-end. The investment losses will not affect daily operations but will reduce available capital reserve.

The District Board of Trustees adopted a Resolution in November 2008 to refinance variable-rate debt in the principal amount of \$3,700,000 to fixed-rate. Current financial markets do not favor variable-rate bonds and have resulted in difficulty remarketing the bonds. Terms of the Resolution provide that the District can replace the variable-rate bonds with debt instruments issued through an underwriter or through private placement with a bank or other financial institution.

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Community Development Block Grant Fund accounts for monies received and expended by the City as a participant in the Federal Community Development Block Grant program.

HOME Program Fund accounts for monies received and expended by the City as a participant in the Federal HOME Grant program.

Mare Island Leasing Fund accounts for monies received from tenants placed on the former Mare Island Naval Shipyard during the conversion process. It also accounts for operating costs to support ongoing development programs on the island. Funds are restricted for use on the island.

FEMA Disaster Recovery Fund accounts for monies received and expended under the Department of Homeland Security Programs.

Mare Island CFD 2002 Fund accounts for monies received from General taxes and from property owner assessments for maintenance and repair of infrastructure and facilities on the former Mare Island Naval Shipyard.

Mare Island CFD 2005 1A (State) Fund accounts for transactions of this district formed under state statute to provide municipal services within the district.

Mare Island CFD 2005 1B (Local) Fund accounts for transactions of this district formed under local statute to provide municipal services within the district.

State Gas Tax Fund accounts for monies received from the state gas tax allocation and expended on construction, improvement and maintenance of public streets and related infrastructure.

Solid Waste Disposal Fund accounts for monies received from garbage collection fines and expended on enforcing major portions of the mandatory garbage subscription ordinance. This fund is also used for the mandatory city-wide recycling program and related recycling program grants.

Hiddenbrooke Community Services District Fund accounts for monies collected as the result of special taxes which are used to fund a variety of municipal services provided to the residents of the Hiddenbrooke development.

Landscape Maintenance Districts Fund accounts for special assessments on property within district boundaries for the restricted purpose of providing landscape services within the specified districts.

Asset Seizure Fund accounts for monies received from police confiscated drug money and property. Funds are held until final court disposition is received. The funds are then restricted for police related activities only.

Traffic Offender/Vehicle Impound Program Fund accounts for monies received and expended from vehicle impound fees.

Office of Traffic Safety Grant Fund accounts for the award and expenditure of grants from the California Office of Traffic Safety.

Local Law Enforcement Grant Fund accounts for revenues received from the Local Law Enforcement Block Grant.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

Supplemental Law Enforcement Grant Fund accounts for revenues received from the Supplemental Law Enforcement Services Grant.

Cadet Program Fund accounts for fee revenues and related staff costs of the Police Cadet Program. The Cadets provide security services to various city programs.

California Department of Corrections Grant Fund accounts for revenues received from the California Department of Corrections.

Urban Forest Grant Fund accounts for revenues received from the State Urban Forest Grant.

Outside Services Fund accounts for one-time billings to third parties and the related expenditures of these funds. The primary activity is development review.

State Lands Fund accounts for lease rentals generated from City-owned waterfront property subject to State Lands Commission restrictions.

Repair & Demolition Revolving Fund accounts for monies that are expended and received to repair or demolish blighted buildings in the City.

Hazmat Revolving Fund accounts for monies received and expended for hazardous material removal.

Redevelopment Administration Fund accounts for the Agency's administrative activities. Costs are allocated to individual project areas.

Redevelopment Affordable Housing Fund accounts for the State-mandated 20% low-moderate income set-aside of property tax increment revenue. The set-aside finances development and rehabilitation of low and moderate income housing projects, including related loan programs.

Administration Trust Fund accounts for funds held for special programs, including performance bonds for construction projects.

Utility Billing Administration Fund accounts for utility billing pass-through revenues.

DEBT SERVICE FUNDS

Financing Authority Fund accounts for the issuance of revenue anticipation notes and loans made to Marine World Joint Powers Agency. It also accounts for the accumulation of revenues and payment of the annual debt service requirements of these revenue anticipation notes.

Certificates of Participation Fund accounts for the accumulation of lease revenue and the payments of annual General Fund debt service requirements. Debt issues include the 1999, 2000, 2002, and 2003 certificates of participations.

Redevelopment Agency Debt Service Fund - is to account for the accumulation of resources, most importantly property tax increment receipts, necessary for the payment of long term debt and other obligations incurred by the Redevelopment Project Areas.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

CAPITAL PROJECTS FUNDS

Capital Outlay Fund accounts for the expenditure of General Fund and grant funded capital projects, including acquisitions and improvements of public property, public works projects, facilities, equipment and systems.

Transportation Impact Mitigation Fund accounts for monies received from the Transportation Impact fee imposed on commercial and residential development and expended on transportation improvements necessitated by such development.

Bridge Construction Fund accounts for monies received from the Bridge Construction Development Tax Ordinance.

Fire Station #7 Fund accounts for development fees that are to be used for the construction of a fire station to service area #7.

Arts and Convention Center Fund accounts for monies set aside for the design and construction of an Arts and Convention Center within the City. These funds have been allocated through advances to the Redevelopment Agency to support rehabilitation of the historic Empress Theater.

Northgate Fee & Benefit District #93-1 Fund accounts for monies received from the development of the Northgate District #93-1 and expended for public improvements within that development area.

Northgate Fee & Benefit District #94-1 Fund accounts for monies received from the development of the Northgate District #94-1 and expended for public improvements within that development area.

Hiddenbrooke Overpass Fund accounts for monies received from the Hiddenbrooke Overpass fee imposed on commercial and residential development within the Hiddenbrooke development area. These funds will be used to renovate the existing Hiddenbrooke overpass.

Certificates of Participations Fund accounts for bond proceeds to be used for the acquisition, construction, installation and equipping of certain capital improvements of the City. Debt issues include the 1999, 2000, 2002, 2003 Certificates of Participation.

Mare Island Benefit CFD 2005 1A Facilities Fund accounts for transactions of this district formed under state statute to provide municipal facilities within the district.

N.E. Quadrant Improvement District 03-1 Fund accounts for bond proceeds to be used to improvements financed by the Northeast Quadrant Improvement District.

Traffic Congestion Relief Fund accounts for street maintenance and capital expenditures to be paid from State Proposition 42 allocations.

Downtown Development Capital Project Fund accounts for capital project expenditures incurred by the City on behalf of the Redevelopment Agency for projects connected to the Downtown Development and Disposition Agreement.

Capital Grants & Contributions Fund accounts for capital project expenditures to be reimbursed from by granting agencies, developers, or other third parties.

Neighborhood Parks Fund accounts for park development impact fee revenue and for contributions to the Greater Vallejo recreation District for park improvements.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

Redevelopment Agency Flosden Capital Projects Fund - accounts for the capital activities and reserves of the Flosden redevelopment project area. Fund balance includes property tax increment monies received in excess of amounts needed to fulfill the debt service obligations of the areas.

Redevelopment Agency Downtown Capital Projects Fund - accounts for the capital activities and reserves of the Downtown redevelopment project area. Fund balance includes property tax increment monies received in excess of amounts needed to fulfill project obligations of the areas. This project area was formed through the merger of the Marina Vista, Waterfront, and Central project areas. Project area commitments include the Downtown Development and Waterfront Development agreements.

Vallejo Station Capital Projects Fund accounts for grants received to support construction of a new Transit Center and related parking structure in downtown Vallejo.

PERMANENT FUND

McCune Collection Fund accounts for monies held for the Library which consists of donations and sales of rare books to maintain the McCune book collection.

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

SPECIAL REVENUE FUNDS

	Community Development Block Grant Fund #101	HOME Program Fund #102	Mare Island Leasing Fund #107	FEMA Disaster Recovery Fund #109	Mare Island CFD 2002 Fund #112	Mare Island CFD 2005 1A (State) Fund #113
ASSETS						
Cash and investments			\$1,077,972		\$3,765,882	\$450,926
Restricted cash and investments held with fiscal agent						
Accounts receivable	\$3,464	\$29,707	6,329			
Due from other governments	216,314	222,690				
Due from other funds						
Prepays						
Advance to other funds						
Notes and loans receivable	2,453,733	4,724,902				
Land held for redevelopment						
Total assets	<u>\$2,673,511</u>	<u>\$4,977,299</u>	<u>\$1,084,301</u>		<u>\$3,765,882</u>	<u>\$450,926</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$71,210	\$5,253	\$76,459		\$52,151	\$3,681
Accrued interest payable						
Due to other funds	148,568	220,315				
Due to other governments		10,999			1,049,781	
Deferred revenues	2,453,733	4,740,732				
Deposits payable						44,150
Advance from other funds						
Total liabilities	<u>2,673,511</u>	<u>4,977,299</u>	<u>76,459</u>		<u>1,101,932</u>	<u>47,831</u>
FUND BALANCES						
Fund balances						
Reserved for:						
Encumbrances					21,950	
Prepaid						
Debt service						
Notes and loans receivable						
Land held for redevelopment						
Prepayment reserve						
Advance to other funds						
Program restrictions - Appropriated						
Program restrictions - Unappropriated			1,007,842		2,642,000	403,095
Unreserved, designated for:						
Capital projects						
Unreserved, undesignated						
Total fund balances			<u>1,007,842</u>		<u>2,663,950</u>	<u>403,095</u>
Total liabilities and fund balances	<u>\$2,673,511</u>	<u>\$4,977,299</u>	<u>\$1,084,301</u>		<u>\$3,765,882</u>	<u>\$450,926</u>

SPECIAL REVENUE FUNDS

Mare Island CFD 2005 1B (Local) Fund #114	State Gas Tax Fund #133	Solid Waste Disposal Fund #135	Hiddenbrooke Community Services District Fund #138	Landscape Maintenance Districts Fund #161	Assets Seizure Fund #139	Traffic Offender/ Vehicle Impound Program Fund #140	Office of Traffic Safety Fund #146
\$208,674		\$252,301	\$1,664,849	\$3,206,168	\$944,591	\$253,009	
	\$33,000 714,499	73,352					\$86,135
<u>\$208,674</u>	<u>\$747,499</u>	<u>\$325,653</u>	<u>\$1,664,849</u>	<u>\$3,206,168</u>	<u>\$944,591</u>	<u>\$253,009</u>	<u>\$86,135</u>
\$672	\$137,986 169,358	\$65,020	\$52,300	\$231,037	\$18,651	\$10,978	\$8,100
		156,125			44,760 239,494		78,035
<u>672</u>	<u>307,344</u>	<u>221,145</u>	<u>52,300</u>	<u>231,037</u>	<u>302,905</u>	<u>10,978</u>	<u>86,135</u>
	5,275						
208,002	90,390 344,490	25,179	1,007,837 604,712	2,975,131	641,686	242,031	
		79,329					
<u>208,002</u>	<u>440,155</u>	<u>104,508</u>	<u>1,612,549</u>	<u>2,975,131</u>	<u>641,686</u>	<u>242,031</u>	
<u>\$208,674</u>	<u>\$747,499</u>	<u>\$325,653</u>	<u>\$1,664,849</u>	<u>\$3,206,168</u>	<u>\$944,591</u>	<u>\$253,009</u>	<u>\$86,135</u>

(Continued)

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

SPECIAL REVENUE FUNDS

	Local Law Enforcement Grant Fund #149	Supplemental Law Enforcement Grant Fund #151	Cadet Program Fund #152	California Department of Correctional Grant Fund #156	Urban Forest Grant Fund #128
ASSETS					
Cash and investments		\$242,013	\$10,466		
Restricted cash and investments held with fiscal agent					
Accounts receivable			45,100		
Due from other governments				\$87,374	\$189,658
Due from other funds					
Prepays					
Advance to other funds					
Notes and loans receivable					
Land held for redevelopment					
Total assets		<u>\$242,013</u>	<u>\$55,566</u>	<u>\$87,374</u>	<u>\$189,658</u>
LIABILITIES					
Accounts payable and accrued liabilities			\$5,129	\$30,742	\$33,808
Accrued interest payable					
Due to other funds				56,632	155,850
Due to other governments					
Deferred revenues					
Deposits payable					
Advance from other funds					
Total liabilities			<u>5,129</u>	<u>87,374</u>	<u>189,658</u>
FUND BALANCES					
Fund balances					
Reserved for:					
Encumbrances					
Prepaid					
Debt service					
Notes and loans receivable					
Land held for redevelopment					
Prepayment reserve					
Advance to other funds					
Program restrictions - Appropriated					
Program restrictions - Unappropriated		242,013	45,100		
Unreserved, designated for:					
Capital projects					
Unreserved, undesignated			5,337		
Total fund balances		<u>242,013</u>	<u>50,437</u>		
Total liabilities and fund balances		<u>\$242,013</u>	<u>\$55,566</u>	<u>\$87,374</u>	<u>\$189,658</u>

SPECIAL REVENUE FUNDS

Outside Services Fund #129	State Lands Fund #134	Repair & Demolition Revolving Fund #142	Hazmat Revolving Fund #143	Redevelopment Administration Fund #710	Redevelopment Affordable Housing Fund #711	Administrative Trust Fund #601	Utility Billing Administration Fund #611
\$463,582		\$120,807	\$308,797	\$898	\$1,729,039	\$639,011	
	\$54,052		10,000				
					11,011,916		
<u>\$463,582</u>	<u>\$54,052</u>	<u>\$120,807</u>	<u>\$318,797</u>	<u>\$898</u>	<u>\$12,740,955</u>	<u>\$639,011</u>	
\$22,224	\$23,561	\$1,074		\$898	\$752,377	\$3,136	
	30,491						
441,358					1,414,495	635,875	
<u>463,582</u>	<u>54,052</u>	<u>1,074</u>		<u>898</u>	<u>2,166,872</u>	<u>639,011</u>	
		58,000					
					9,597,421		
					750,000		
			318,797		226,662		
		60,256					
		1,477					
		<u>119,733</u>	<u>318,797</u>		<u>10,574,083</u>		
<u>\$463,582</u>	<u>\$54,052</u>	<u>\$120,807</u>	<u>\$318,797</u>	<u>\$898</u>	<u>\$12,740,955</u>	<u>\$639,011</u>	

(Continued)

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

	<u>DEBT SERVICE FUNDS</u>			<u>CAPITAL PROJECTS FUNDS</u>	
	Financing Authority Fund #301	Certificates of Participation Fund #-various	Redevelopment Agency Debt Service Fund #-various	Capital Outlay Fund #201	Transportation Impact Mitigation Fund #203
ASSETS					
Cash and investments	\$9,333	\$42,887	\$272,812	\$1,208,319	\$2,497,889
Restricted cash and investments held with fiscal agent	9,348	313,706	1,161,350		
Accounts receivable			35,155		
Due from other governments			9,370	41,323	2,125
Due from other funds			3,540		
Prepays		47,362			
Advance to other funds					
Notes and loans receivable					700,000
Land held for redevelopment					
Total assets	<u>\$18,681</u>	<u>\$403,955</u>	<u>\$1,482,227</u>	<u>\$1,249,642</u>	<u>\$3,200,014</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$18,681	\$42,887	\$19,598		\$712,695
Accrued interest payable					
Due to other funds			38,695		
Due to other governments			261,672		
Deferred revenues			233,288		
Deposits payable					
Advance from other funds			5,297,618		
Total liabilities	<u>18,681</u>	<u>42,887</u>	<u>5,850,871</u>		<u>712,695</u>
FUND BALANCES					
Fund balances					
Reserved for:					
Encumbrances					202,814
Prepaid		47,362			
Debt service		313,706	1,161,350		
Notes and loans receivable					700,000
Land held for redevelopment					
Prepayment reserve					
Advance to other funds					
Program restrictions - Appropriated				\$515,951	364,024
Program restrictions - Unappropriated					1,220,481
Unreserved, designated for:					
Capital projects				649,554	
Unreserved, undesignated			(5,529,994)	84,137	
Total fund balances		<u>361,068</u>	<u>(4,368,644)</u>	<u>1,249,642</u>	<u>2,487,319</u>
Total liabilities and fund balances	<u>\$18,681</u>	<u>\$403,955</u>	<u>\$1,482,227</u>	<u>\$1,249,642</u>	<u>\$3,200,014</u>

CAPITAL PROJECTS FUNDS

Bridge Construction Fund #204	Fire Station #7 Fund #205	Art and Convention Center Fund #206	Northgate Fee & Benefit District #93-1 Fund #207	Northgate Fee & Benefit District #94-1 Fund #208	Hiddenbrooke Overpass Fund #211	Certificates of Participation Fund #-various	Mare Island CFD 2005 1A Facilities Fund #213	N.E. Quadrant Improvement District 03-1 Fund #218
\$3,632,979			\$461,385	\$147,711	\$6,726,555	\$1,284,310	\$298,632	
						7,589,128		\$540,245
580,000		\$4,198,868			518,750			
<u>\$4,212,979</u>		<u>\$4,198,868</u>	<u>\$461,385</u>	<u>\$147,711</u>	<u>\$7,245,305</u>	<u>\$8,873,438</u>	<u>\$298,632</u>	<u>\$540,245</u>
			\$461,385		\$26,146		\$336	\$48,281
						\$56,755		126,694
\$80,000		\$402,868			18,750			
<u>80,000</u>		<u>402,868</u>	<u>461,385</u>		<u>44,896</u>	<u>56,755</u>	<u>336</u>	<u>174,975</u>
107,526				40,020	63,048			
500,000		3,796,000			500,000			
2,327,614					630,056	3,863,269		356,770
1,197,839				107,691	6,007,305	4,953,414	298,296	8,500
<u>4,132,979</u>		<u>3,796,000</u>		<u>147,711</u>	<u>7,200,409</u>	<u>8,816,683</u>	<u>298,296</u>	<u>365,270</u>
<u>\$4,212,979</u>		<u>\$4,198,868</u>	<u>\$461,385</u>	<u>\$147,711</u>	<u>\$7,245,305</u>	<u>\$8,873,438</u>	<u>\$298,632</u>	<u>\$540,245</u>

(Continued)

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

CAPITAL PROJECTS FUNDS

	Traffic Congestion Relief Fund #219	Downtown Development Capital Projects Fund #220	Capital Grants & Contributions Fund #221	Neighborhood Parks (GVRD) Fund #137	Redevelopment Agency Floden Fund #721
ASSETS					
Cash and investments	\$144,858		\$1,957,207	\$2,226,242	\$6,395,288
Restricted cash and investments held with fiscal agent					
Accounts receivable					82,777
Due from other governments		\$173,422	\$867,033		
Due from other funds					35,155
Prepays					
Advance to other funds					
Notes and loans receivable				144,334	
Land held for redevelopment					
Total assets	<u>\$144,858</u>	<u>\$173,422</u>	<u>\$2,824,240</u>	<u>\$2,370,576</u>	<u>\$6,513,220</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$144,858	\$67,379	\$803,617		\$2,098
Accrued interest payable					
Due to other funds		106,043	63,415		
Due to other governments					
Deferred revenues			1,939,284	\$5,573	
Deposits payable				37,000	
Advance from other funds					
Total liabilities	<u>144,858</u>	<u>173,422</u>	<u>2,806,316</u>	<u>42,573</u>	<u>2,098</u>
FUND BALANCES					
Fund balances					
Reserved for:					
Encumbrances					
Prepaid					
Debt service					
Notes and loans receivable				138,759	
Land held for redevelopment					
Prepayment reserve					
Advance to other funds					
Program restrictions - Appropriated					1,755,100
Program restrictions - Unappropriated			17,924	2,189,244	4,756,022
Unreserved, designated for:					
Capital projects					
Unreserved, undesignated					
Total fund balances			<u>17,924</u>	<u>2,328,003</u>	<u>6,511,122</u>
Total liabilities and fund balances	<u>\$144,858</u>	<u>\$173,422</u>	<u>\$2,824,240</u>	<u>\$2,370,576</u>	<u>\$6,513,220</u>

PERMANENT
FUND

Redevelopment Agency Merged Fund 726 & 727	Vallejo Station Fund 222	McCune Collection Fund #603	Total Nonmajor Governmental Funds
\$1,318,778		\$123,785	\$44,087,955
			9,613,777
			372,936
	\$640,580		3,250,523
			38,695
			47,362
4,621,000			5,297,618
1,343,595			23,655,885
			1,343,595
<u>\$7,283,373</u>	<u>\$640,580</u>	<u>\$123,785</u>	<u>\$87,708,346</u>
\$24,021	\$241,332		\$4,219,761
	399,248		1,650,099
			1,367,212
180,000			11,444,848
			1,577,877
			5,297,618
<u>204,021</u>	<u>640,580</u>		<u>25,557,415</u>
113,152			611,785
			47,362
4,621,000			1,475,056
1,343,595			15,057,180
			1,343,595
146,467			4,796,000
855,138		123,785	11,807,478
			31,662,379
			709,810
			(5,359,714)
<u>7,079,352</u>		<u>123,785</u>	<u>62,150,931</u>
<u>\$7,283,373</u>	<u>\$640,580</u>	<u>\$123,785</u>	<u>\$87,708,346</u>

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

SPECIAL REVENUE FUNDS

	Community Development Block Grant Fund #101	HOME Program Fund #102	Mare Island Leasing Fund #107	FEMA Disaster Recovery Fund #109	Mare Island CFD 2002 Fund #112	Mare Island CFD 2005 1A (State) Fund #113
REVENUES						
Taxes					\$1,007,470	
Licenses, permits and fees					292,582	
Fines and forfeitures						
Intergovernmental	\$1,258,721	\$445,315		\$2,435		
Use of money and property	177,905	239,329	\$325,254		128,750	\$18,040
Charges for services			741,367		5,024,000	198,813
Other		1,000	500,000		56	
Total Revenues	<u>1,436,626</u>	<u>685,644</u>	<u>1,566,621</u>	<u>2,435</u>	<u>6,452,858</u>	<u>216,853</u>
EXPENDITURES						
Current:						
Legislative and advisory						
Executive						
Finance						
Development services						
Community development	1,436,626	685,644	1,719,072			
Fire services					2,676,465	
Police services					1,267,530	
Public works				2,435	2,474,009	42,703
Nondepartmental						
Capital outlay						
Debt Service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	<u>\$1,436,626</u>	<u>\$685,644</u>	<u>1,719,072</u>	<u>\$2,435</u>	<u>6,418,004</u>	<u>42,703</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			<u>(152,451)</u>		<u>34,854</u>	<u>174,150</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of obligations						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES			<u>(152,451)</u>		<u>34,854</u>	<u>174,150</u>
BEGINNING FUND BALANCES			<u>1,160,293</u>		<u>2,629,096</u>	<u>228,945</u>
ENDING FUND BALANCES			<u><u>\$1,007,842</u></u>		<u><u>\$2,663,950</u></u>	<u><u>\$403,095</u></u>

SPECIAL REVENUE FUNDS

Mare Island CFD 2005 1B (Local) Fund #114	State Gas Tax Fund #133	Solid Waste Disposal Fund #135	Hiddenbrooke Community Services District Fund #138	Landscape Maintenance Districts Fund #161	Asset Seizure Fund #139	Traffic Offender/ Vehicle Impound Program Fund #140	Office of Traffic Safety Fund #146
		\$9,043 9,572			\$389,555	\$144,490	
\$7,832 112,233	\$2,280,321 8,888 132,000 88,123	46,493 971,968	\$91,226 670,724 48,949	\$153,976 2,944,152 44,658	41,916	41,600	\$334,227 \$3,567
<u>120,065</u>	<u>2,509,332</u>	<u>1,037,076</u>	<u>810,899</u>	<u>3,142,786</u>	<u>431,471</u>	<u>192,544</u>	<u>337,794</u>
15,906	2,744,427	1,104,547	707,257	2,609,755	6,606	592,208	334,228
<u>15,906</u>	<u>2,744,427</u>	<u>1,104,547</u>	<u>707,257</u>	<u>2,609,755</u>	<u>6,606</u>	<u>592,208</u>	<u>334,228</u>
104,159	(235,095)	(67,471)	103,642	533,031	424,865	(399,664)	3,566
		(430,000)					(3,566)
		(430,000)					(\$3,566)
104,159	(235,095)	(497,471)	103,642	533,031	424,865	(399,664)	
<u>103,843</u>	<u>675,250</u>	<u>601,979</u>	<u>1,508,907</u>	<u>2,442,100</u>	<u>216,821</u>	<u>641,695</u>	
<u>\$208,002</u>	<u>\$440,155</u>	<u>\$104,508</u>	<u>\$1,612,549</u>	<u>\$2,975,131</u>	<u>\$641,686</u>	<u>\$242,031</u>	

(Continued)

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

SPECIAL REVENUE FUNDS

	Local Law Enforcement Grant Fund #149	Supplemental Law Enforcement Grant Fund #151	Cadet Program Fund #152	California Department of Correctional Grant Fund #156	Urban Forest Grant Fund #128	Outside Services Fund #129
REVENUES						
Taxes						
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental	\$66,814	\$233,489		\$370,348	\$230,913	
Use of money and property	2,154	15,435				\$54,629
Charges for services			\$220,000			1,140,364
Other			49,846			
Total Revenues	<u>68,968</u>	<u>248,924</u>	<u>269,846</u>	<u>370,348</u>	<u>230,913</u>	<u>1,194,993</u>
EXPENDITURES						
Current:						
Executive						
Finance						
Development services						436,208
Community development						
Fire services						
Police services	69,303	112,960	228,160	370,348		
Public works					230,913	1,024,913
Nondepartmental						4,500
Capital outlay						
Debt Service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	<u>69,303</u>	<u>112,960</u>	<u>228,160</u>	<u>\$370,348</u>	<u>\$230,913</u>	<u>1,465,621</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(335)</u>	<u>135,964</u>	<u>41,686</u>			<u>(270,628)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of obligations						
Transfers in						
Transfers (out)						(50,129)
Total Other Financing						<u>(50,129)</u>
NET CHANGE IN FUND BALANCES	<u>(335)</u>	<u>135,964</u>	<u>41,686</u>			<u>(320,757)</u>
BEGINNING FUND BALANCES	<u>335</u>	<u>106,049</u>	<u>8,751</u>			<u>320,757</u>
ENDING FUND BALANCES		<u>\$242,013</u>	<u>\$50,437</u>			

SPECIAL REVENUE FUNDS							DEBT SERVICE FUNDS	
State Lands Fund #134	Repair & Demolition Revolving Fund #142	Hazmat Revolving Fund #143	Redevelopment Administration Fund #710	Redevelopment Affordable Housing Fund #711	Administrative Trust Fund #601	Utility Billing Administration Fund #611	Financing Authority Fund #301	Certificates of Participation Fund #-various
\$509,331	\$10,809	\$17,000		\$124,252	\$32,801		\$91,053	\$26,655
156,266		22,942						
		40,000			14,898			
		855						
665,597	10,809	80,797		124,252	47,699		91,053	26,655
389,456	28,242	100,700		121,990	14,898			13,501
							143,224	730,424
389,456	28,242	100,700		121,990	14,898		143,224	1,229,854
276,141	(17,433)	(19,903)		2,262	32,801		(52,171)	(1,947,124)
(276,141)	(40,000)			751,261	(32,801)		1,428,573	1,927,787
				(493,900)			(1,385,483)	
(\$276,141)	(40,000)			257,361	(\$32,801)		43,090	1,927,787
	(57,433)	(19,903)		259,623			(9,081)	(19,337)
	177,166	338,700		10,314,460			9,081	380,405
	\$119,733	\$318,797		\$10,574,083				\$361,068

(Continued)

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

	DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS			
	Redevelopment Agency Debt Service Fund #-various	Capital Outlay Fund #201	Transportation Impact Mitigation Fund #203	Bridge Construction Fund #204	Fire Station #7 Fund #205
REVENUES					
Taxes	\$3,756,307				
Licenses, permits and fees			\$196,717		\$1,318
Fines and forfeitures			68,398		
Intergovernmental			298,877	\$222,370	46
Use of money and property	59,695	\$42,615			
Charges for services		199,422			
Other					
Total Revenues	3,816,002	242,037	563,992	222,370	1,364
EXPENDITURES					
Current:	44,702				
Executive					
Finance					
Development services					
Community development	1,058,073				
Fire services					
Police services					
Public works					
Nondepartmental		4,500	4,500	4,500	
Capital outlay		819,154	5,070,727	68,113	
Debt Service:					
Principal	444,888	35,242			
Interest and fiscal agent fees	1,117,068				
Total Expenditures	2,664,731	858,896	5,075,227	72,613	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,151,271	(616,859)	(4,511,235)	149,757	1,364
OTHER FINANCING SOURCES (USES)					
Proceeds from issuance of obligations		411,052			
Transfers in	494,627				
Transfers (out)	(1,847,149)				(1,364)
Total Other Financing Sources (Uses)	(1,352,522)	411,052			(\$1,364)
NET CHANGE IN FUND BALANCES	(201,251)	(205,807)	(4,511,235)	149,757	
BEGINNING FUND BALANCES	(4,167,393)	1,455,449	6,998,554	3,983,222	
ENDING FUND BALANCES	<u>(\$4,368,644)</u>	<u>\$1,249,642</u>	<u>\$2,487,319</u>	<u>\$4,132,979</u>	

CAPITAL PROJECTS FUNDS

Arts and Convention Center Fund #206	Northgate Fee & Benefit District #93-1 Fund #207	Northgate Fee & Benefit District #94-1 Fund #208	Hiddenbrooke Overpass Fund #211	Certificates of Participation Fund #-various	Mare Island CFD 2005 1A Facilities Fund #213	N.E. Quadrant Improvement District 03-1 Fund #218	Traffic Congestion Relief Fund #219
	\$188,703		\$20,753 19,247		\$124,105		
\$9,822	31,791	\$10,428	404,612	\$326,985	13,252	\$31,785	\$54,936
				160,865			2,430
9,822	220,494	10,428	444,612	487,850	137,357	31,785	57,366
4,500 10,702	4,500 954,778	4,500 485,445	4,500 79,592	9,000 4,167	5,436 1,241	4,500 1,291,640	992,170
15,202	959,278	489,945	84,092	13,167	6,677	1,296,140	992,170
(5,380)	(738,784)	(479,517)	360,520	474,683	130,680	(1,264,355)	(934,804)
(200,000)				(212,515)			
(200,000)				(212,515)			
(205,380)	(738,784)	(479,517)	360,520	262,168	130,680	(1,264,355)	(934,804)
4,001,380	\$738,784	627,228	6,839,889	8,554,515	167,616	1,629,625	934,804
\$3,796,000		\$147,711	\$7,200,409	\$8,816,683	\$298,296	\$365,270	

(Continued)

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

CAPITAL PROJECTS FUNDS

	Downtown Development Capital Projects Fund #220	Capital Grants & Contributions Fund #221	Neighborhood Parks (GVRD) Fund #137	Redevelopment Agency Flosden Fund #721	Redevelopment Agency Merged Fund # - various	Vallejo Station Fund 222
REVENUES						
Taxes						
Licenses, permits and fees			\$43,032			
Fines and forfeitures						
Intergovernmental	\$293,629	\$1,433,897				\$1,028,822
Use of money and property		17,924	191,997	\$345,698	\$208,368	
Charges for services						
Other	49,246				453,211	
Total Revenues	<u>342,875</u>	<u>1,451,821</u>	<u>235,029</u>	<u>345,698</u>	<u>661,579</u>	<u>1,028,822</u>
EXPENDITURES						
Current:						
Executive						
Finance						
Development services						
Community development				424,274	1,026,532	
Fire services						
Police services						
Public works						
Nondepartmental						
Capital outlay	\$298,767	1,433,897	1,500,000			1,028,822
Debt Service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	<u>298,767</u>	<u>1,433,897</u>	<u>1,500,000</u>	<u>424,274</u>	<u>1,026,532</u>	<u>1,028,822</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>44,108</u>	<u>17,924</u>	<u>(1,264,971)</u>	<u>(78,576)</u>	<u>(364,953)</u>	
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of obligations						
Transfers in				1,581,215	624,354	
Transfers (out)	(44,108)			(1,675,251)	(727)	
Total Total Other Financing Sources (Uses)	<u>(\$44,108)</u>			<u>(94,036)</u>	<u>623,627</u>	
NET CHANGE IN FUND BALANCES		17,924	(1,264,971)	(172,612)	258,674	
BEGINNING FUND BALANCES			<u>3,592,974</u>	<u>6,683,734</u>	<u>6,820,678</u>	
ENDING FUND BALANCES		<u>\$17,924</u>	<u>\$2,328,003</u>	<u>\$6,511,122</u>	<u>\$7,079,352</u>	

PERMANENT
FUND

<u>McCune Collection Fund #603</u>	<u>Total Nonmajor Governmental Funds</u>
	\$4,908,635
	895,132
	399,127
\$7,494	8,064,329
	4,453,532
	12,551,309
	1,420,591
<u>7,494</u>	<u>32,692,655</u>
	44,702
	436,208
	6,889,909
	2,777,165
	2,981,343
4,000	9,867,216
	1,176,984
	14,039,215
	1,210,554
	2,490,146
<u>4,000</u>	<u>41,913,442</u>
<u>3,494</u>	<u>(9,220,787)</u>
	411,052
	6,807,817
	(6,693,134)
	<u>525,735</u>
3,494	(8,695,052)
<u>120,291</u>	<u>70,845,983</u>
<u>\$123,785</u>	<u>\$62,150,931</u>

CITY OF VALLEJO
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGE IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2008

	COMMUNITY DEVELOPMENT BLOCK GRANT			HOME PROGRAM		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental	\$1,208,550	\$1,258,721	\$50,171	\$635,353	\$445,315	(\$190,038)
Use of money and property	200,000	177,905	(22,095)		239,329	239,329
Charges for services						
Other				200,000	1,000	(199,000)
Total Revenues	<u>1,408,550</u>	<u>1,436,626</u>	<u>28,076</u>	<u>835,353</u>	<u>685,644</u>	<u>(149,709)</u>
EXPENDITURES						
Current:						
Executive						
Finance						
Development services						
Community development	2,933,140	1,436,626	1,496,514	1,811,960	685,644	1,126,316
Fire services						
Police services						
Public works						
Nondepartmental						
Capital Outlay						
Debt service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	<u>2,933,140</u>	<u>\$1,436,626</u>	<u>1,496,514</u>	<u>1,811,960</u>	<u>\$685,644</u>	<u>1,126,316</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,524,590)</u>		<u>1,524,590</u>	<u>(976,607)</u>		<u>976,607</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	<u>(\$1,524,590)</u>		<u>\$1,524,590</u>	<u>(\$976,607)</u>		<u>\$976,607</u>
BEGINNING FUND BALANCES						
ENDING FUND BALANCES						

CITY OF VALLEJO
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGE IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2008

	MARE ISLAND CFD 2005 1A (State)			MARE ISLAND CFD 2005 1B (Local)		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental						
Use of money and property	\$5,000	\$18,040	\$13,040	\$3,000	\$7,832	\$4,832
Charges for services	175,651	175,653	2	112,232	112,233	1
Other	67,310	23,160	(44,150)			
Total Revenues	247,961	216,853	(31,108)	115,232	120,065	4,833
EXPENDITURES						
Current:						
Executive						
Finance						
Development services						
Community development						
Fire services						
Police services						
Public works	247,961	42,703	205,258	22,000	15,906	6,094
Nondepartmental				93,232		93,232
Capital Outlay						
Debt service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	247,961	42,703	205,258	115,232	15,906	99,326
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		174,150	174,150		104,159	104,159
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES		174,150	\$174,150		104,159	\$104,159
BEGINNING FUND BALANCES		228,945			103,843	
ENDING FUND BALANCES		\$403,095			\$208,002	

STATE GAS TAX			SOLID WASTE DISPOSAL			HIDDENBROOKE COMMUNITY SERVICES DISTRICT		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
			\$10,040	\$9,043 9,572	(\$997) 9,572			
\$2,400,000	\$2,280,321	(\$119,679)						
40,000	8,888	(31,112)		46,493	46,493	\$26,213	\$91,226	\$65,013
132,000	132,000		991,500	971,968	(19,532)	664,865	670,724	5,859
142,850	88,123	(54,727)				40,000	48,949	8,949
<u>2,714,850</u>	<u>2,509,332</u>	<u>(205,518)</u>	<u>1,001,540</u>	<u>1,037,076</u>	<u>35,536</u>	<u>731,078</u>	<u>810,899</u>	<u>79,821</u>
2,965,982	2,744,427	221,555	1,026,540	1,104,547	(78,007)	930,098	707,257	222,841
<u>2,965,982</u>	<u>2,744,427</u>	<u>221,555</u>	<u>1,026,540</u>	<u>1,104,547</u>	<u>(78,007)</u>	<u>930,098</u>	<u>707,257</u>	<u>222,841</u>
<u>(251,132)</u>	<u>(235,095)</u>	<u>16,037</u>	<u>(25,000)</u>	<u>(67,471)</u>	<u>(42,471)</u>	<u>(199,020)</u>	<u>103,642</u>	<u>302,662</u>
<u>(325,000)</u>		<u>325,000</u>	<u>(430,000)</u>	<u>(430,000)</u>				
<u>(325,000)</u>		<u>325,000</u>	<u>(430,000)</u>	<u>(430,000)</u>				
<u>(\$576,132)</u>	<u>(235,095)</u>	<u>\$341,037</u>	<u>(\$455,000)</u>	<u>(497,471)</u>	<u>(\$42,471)</u>	<u>(\$199,020)</u>	<u>103,642</u>	<u>\$302,662</u>
	<u>675,250</u>			<u>601,979</u>			<u>1,508,907</u>	
	<u>\$440,155</u>			<u>\$104,508</u>			<u>\$1,612,549</u>	

(Continued)

CITY OF VALLEJO
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGE IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2008

	LANDSCAPE MAINTENANCE DISTRICTS			ASSET SEIZURE		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses, permits and fees						
Fines and forfeitures				\$100,000	\$389,555	\$289,555
Intergovernmental						
Use of money and property	\$38,655	\$153,976	\$115,321	5,000	41,916	36,916
Charges for services	2,707,651	2,944,152	236,501			
Other		44,658	44,658			
Total Revenues	<u>2,746,306</u>	<u>3,142,786</u>	<u>396,480</u>	<u>105,000</u>	<u>431,471</u>	<u>326,471</u>
EXPENDITURES						
Current:						
Executive						
Finance						
Development services						
Community development						
Fire services						
Police services				175,000	6,606	168,394
Public works	2,814,189	2,609,755	204,434			
Nondepartmental						
Capital Outlay	10,000		10,000			
Debt service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	<u>2,824,189</u>	<u>2,609,755</u>	<u>214,434</u>	<u>175,000</u>	<u>6,606</u>	<u>168,394</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(77,883)</u>	<u>533,031</u>	<u>610,914</u>	<u>(70,000)</u>	<u>424,865</u>	<u>494,865</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	<u>(\$77,883)</u>	<u>533,031</u>	<u>\$610,914</u>	<u>(\$70,000)</u>	<u>424,865</u>	<u>\$494,865</u>
BEGINNING FUND BALANCES		<u>2,442,100</u>			<u>216,821</u>	
ENDING FUND BALANCES		<u>\$2,975,131</u>			<u>\$641,686</u>	

TRAFFIC OFFENDER/VEHICLE IMPOUND PROGRAM			OFFICE OF TRAFFIC SAFETY			LOCAL LAW ENFORCEMENT GRANT		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$260,000	\$144,490	(\$115,510)						
	41,600	41,600	\$330,200	\$334,227	\$4,027	\$40,000	\$66,814	\$26,814
				3,567	3,567		2,154	2,154
8,000	6,454	(1,546)						
<u>268,000</u>	<u>192,544</u>	<u>(75,456)</u>	<u>330,200</u>	<u>337,794</u>	<u>7,594</u>	<u>40,000</u>	<u>68,968</u>	<u>28,968</u>
633,000	592,208	40,792	330,200	334,228	(4,028)	40,000	69,303	(29,303)
<u>633,000</u>	<u>592,208</u>	<u>40,792</u>	<u>\$330,200</u>	<u>334,228</u>	<u>(4,028)</u>	<u>40,000</u>	<u>69,303</u>	<u>(29,303)</u>
<u>(365,000)</u>	<u>(399,664)</u>	<u>(34,664)</u>		3,566	3,566		(335)	(335)
				(3,566)	(3,566)			
				(\$3,566)	(\$3,566)			
<u>(\$365,000)</u>	<u>(399,664)</u>	<u>(\$34,664)</u>					(335)	(\$335)
	641,695						\$335	
	<u>\$242,031</u>							

(Continued)

CITY OF VALLEJO
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGE IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2008

	SUPPLEMENTAL LAW ENFORCEMENT GRANT			CADET PROGRAM		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental	\$240,000	\$233,489	(\$6,511)			
Use of money and property		15,435	15,435			
Charges for services				\$220,000	\$220,000	
Other				65,000	49,846	(\$15,154)
Total Revenues	<u>240,000</u>	<u>248,924</u>	<u>8,924</u>	<u>285,000</u>	<u>269,846</u>	<u>(15,154)</u>
EXPENDITURES						
Current:						
Executive						
Finance						
Development services						
Community development						
Fire services						
Police services	240,000	112,960	127,040	285,000	228,160	56,840
Public works						
Nondepartmental						
Capital Outlay						
Debt service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	<u>240,000</u>	<u>112,960</u>	<u>127,040</u>	<u>285,000</u>	<u>228,160</u>	<u>56,840</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		<u>135,964</u>	<u>135,964</u>		<u>41,686</u>	<u>41,686</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES		<u>135,964</u>	<u>\$135,964</u>		<u>41,686</u>	<u>\$41,686</u>
BEGINNING FUND BALANCES		<u>106,049</u>			<u>8,751</u>	
ENDING FUND BALANCES		<u>\$242,013</u>			<u>\$50,437</u>	

CALIFORNIA DEPARTMENT OF CORRECTIONAL GRANT			URBAN FOREST GRANT			OUTSIDE SERVICES		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$700,000	\$370,348	(\$329,652)	\$555,556	\$230,913	(\$324,643)	\$14,500	\$54,629	\$40,129
						2,061,200	1,140,364	(920,836)
						149,353		(149,353)
<u>700,000</u>	<u>370,348</u>	<u>(329,652)</u>	<u>555,556</u>	<u>230,913</u>	<u>(324,643)</u>	<u>2,225,053</u>	<u>1,194,993</u>	<u>(1,030,060)</u>
						1,127,353	436,208	691,145
700,000	370,348	329,652	555,556	230,913	324,643	1,083,200	1,024,913	58,287
						4,500	4,500	
<u>700,000</u>	<u>370,348</u>	<u>329,652</u>	<u>555,556</u>	<u>230,913</u>	<u>324,643</u>	<u>2,215,053</u>	<u>1,465,621</u>	<u>749,432</u>
						10,000	(270,628)	(280,628)
						(10,000)	(50,129)	(40,129)
						(\$10,000)	(50,129)	(40,129)
							(320,757)	(\$320,757)
							320,757	

(Continued)

CITY OF VALLEJO
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGE IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2008

	STATE LANDS			REPAIR & DEMOLITION REVOLVING FUND		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental						
Use of money and property	\$535,726	\$509,331	(\$26,395)	\$3,000	\$10,809	\$7,809
Charges for services	200,000	156,266	(43,734)			
Other						
Total Revenues	<u>735,726</u>	<u>665,597</u>	<u>(70,129)</u>	<u>3,000</u>	<u>10,809</u>	<u>7,809</u>
EXPENDITURES						
Current:						
Executive						
Finance						
Development services						
Community development	304,990	389,456	(84,466)	3,000	28,242	(25,242)
Fire services						
Police services						
Public works						
Nondepartmental						
Capital Outlay						
Debt service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	<u>304,990</u>	<u>389,456</u>	<u>(84,466)</u>	<u>3,000</u>	<u>28,242</u>	<u>(25,242)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>430,736</u>	<u>276,141</u>	<u>(154,595)</u>		<u>(17,433)</u>	<u>(17,433)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	(430,736)	(276,141)	154,595	(40,000)	(40,000)	
Total Other Financing Sources (Uses)	<u>(\$430,736)</u>	<u>(\$276,141)</u>	<u>\$154,595</u>	<u>(40,000)</u>	<u>(40,000)</u>	
NET CHANGE IN FUND BALANCES	<u> </u>	<u> </u>	<u> </u>	<u>(\$40,000)</u>	<u>(57,433)</u>	<u>(\$17,433)</u>
BEGINNING FUND BALANCES					<u>177,166</u>	
ENDING FUND BALANCES					<u>\$119,733</u>	

HAZMAT REVOLVING FUND			REDEVELOPMENT ADMINISTRATION			REDEVELOPMENT AFFORDABLE HOUSING		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$34,000	\$17,000	(\$17,000)						
3,700	22,942	19,242				\$33,208	\$124,252	\$91,044
40,000	40,000							
	855	855						
<u>77,700</u>	<u>80,797</u>	<u>3,097</u>				<u>33,208</u>	<u>124,252</u>	<u>91,044</u>
117,700	100,700	17,000				448,568	121,990	326,578
<u>117,700</u>	<u>100,700</u>	<u>17,000</u>				<u>448,568</u>	<u>121,990</u>	<u>326,578</u>
(40,000)	(19,903)	20,097				(415,360)	2,262	417,622
						751,675	751,261	(414)
						(453,700)	(493,900)	(40,200)
						297,975	257,361	(40,614)
<u>(\$40,000)</u>	<u>(19,903)</u>	<u>\$20,097</u>				<u>(\$117,385)</u>	259,623	<u>\$377,008</u>
	338,700						10,314,460	
	<u>\$318,797</u>						<u>\$10,574,083</u>	

(Continued)

CITY OF VALLEJO
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGE IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2008

	<u>ADMINISTRATIVE TRUST FUND</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Taxes			
Licenses, permits and fees			
Fines and forfeitures			
Intergovernmental			
Use of money and property	\$10,700	\$32,801	\$22,101
Charges for services			
Other		14,898	14,898
Total Revenues	<u>10,700</u>	<u>47,699</u>	<u>36,999</u>
EXPENDITURES			
Current:			
Executive			
Finance			
Development services			
Community development			
Fire services			
Police services			
Public works		14,898	(14,898)
Nondepartmental			
Capital Outlay			
Debt service:			
Principal			
Interest and fiscal agent fees			
Total Expenditures		<u>14,898</u>	<u>(14,898)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>10,700</u>	<u>32,801</u>	<u>22,101</u>
OTHER FINANCING SOURCES (USES)			
Transfers in			
Transfers (out)	<u>(10,700)</u>	<u>(32,801)</u>	<u>(22,101)</u>
Total Other Financing Sources (Uses)	<u>(\$10,700)</u>	<u>(\$32,801)</u>	<u>(\$22,101)</u>
NET CHANGE IN FUND BALANCES	<u> </u>	<u> </u>	<u> </u>
BEGINNING FUND BALANCES		<u> </u>	
ENDING FUND BALANCES		<u> </u>	

INTERNAL SERVICE FUNDS

Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis.

CITY OF VALLEJO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2008

	Corporation Shop	Equipment Replacement	Insurance	Intra- Governmental Loans	Payroll Benefits	Retiree Health Benefits (OPEB)	Total
ASSETS							
Cash and investments	\$297,487	\$2,141,201	\$3,123,000		\$708,561		\$6,270,249
Accounts receivable	8,238	3,220			23,920		35,378
Due from other funds			6,568,977				6,568,977
Materials, parts, and supplies	178,492						178,492
Capital assets, net	2,661,674						2,661,674
Total Assets	3,145,891	2,144,421	9,691,977		732,481		15,714,770
LIABILITIES							
Current liabilities:							
Accounts payable and accrued liabilities	116,691		29,430		662,546		808,667
Claims payable, current			3,027,160				3,027,160
Employee benefits payable, current	111,872		17,623		1,957,730		2,087,225
Current liabilities	228,563		3,074,213		2,620,276		5,923,052
Long-term liabilities:							
Claims payable			8,096,840				8,096,840
Employee benefits payable, long term	19,014		713			\$6,627,952	6,647,679
Total Liabilities	247,577		11,171,766		2,620,276	6,627,952	20,667,571
NET ASSETS							
Invested in capital assets, net of related debt	2,661,674						2,661,674
Unrestricted	236,640	2,144,421	(1,479,789)		(1,887,795)	(6,627,952)	(7,614,475)
Total Net Assets	\$2,898,314	\$2,144,421	(\$1,479,789)		(\$1,887,795)	(\$6,627,952)	(\$4,952,801)

CITY OF VALLEJO
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

	Corporation Shop	Equipment Replacement	Insurance	Intra- Governmental Loans	Payroll Benefits	Retiree Health Benefits (OPEB)	Total
OPERATING REVENUES							
Charges for services	\$2,751,888	\$1,439,244	\$5,206,785				\$9,397,917
Other	86,860	350,298				\$3,168,048	3,605,206
Total Operating revenues	2,838,748	1,789,542	5,206,785			3,168,048	13,003,123
OPERATING EXPENSES							
Operating expenses	2,739,945		1,030,880		\$1,887,795	9,796,000	15,454,620
Insurance and claims			3,793,590				3,793,590
Depreciation	817,841						817,841
Total Operating expenses	3,557,786		4,824,470		1,887,795	9,796,000	20,066,051
Operating income (loss)	(719,038)	1,789,542	382,315		(1,887,795)	(6,627,952)	(7,062,928)
NONOPERATING REVENUES (EXPENSES)							
Investment income (expense)	19,863	219,341	451,478	\$10,249	\$21,485		722,416
Gain on sale of capital assets	82,087						82,087
Total nonoperating revenues (expenses)	101,950	219,341	451,478	10,249	21,485		804,503
Income (loss) before transfers	(617,088)	2,008,883	833,793	10,249	(1,866,310)	(6,627,952)	(6,258,425)
Transfers in	978,214						978,214
Transfers (out)		(2,678,214)		(181,124)	(21,485)		(2,880,823)
Change in net assets	361,126	(669,331)	833,793	(170,875)	(1,887,795)	(6,627,952)	(8,161,034)
BEGINNING NET ASSETS	2,537,188	2,813,752	(2,313,582)	170,875			3,208,233
ENDING NET ASSETS	\$2,898,314	\$2,144,421	(\$1,479,789)		(\$1,887,795)	(\$6,627,952)	(\$4,952,801)

CITY OF VALLEJO
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

	Corporation Shop	Equipment Replacement	Insurance	Intra- Governmental Loans	Payroll Benefits	Retiree Health Benefits (OPEB)	Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers	\$2,849,479	\$1,791,198	\$5,206,785		(\$2,581)	\$3,168,048	\$13,012,929
Payments to suppliers	(926,317)	(75,585)	(870,502)				(1,872,404)
Payments to employees	(1,890,263)		(183,419)		(1,051,727)	(3,168,048)	(6,293,457)
Claims paid			(4,434,590)				(4,434,590)
Cash Flows from Operating Activities	32,899	1,715,613	(281,726)		(1,054,308)		412,478
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers in	978,214						978,214
Transfers (out)		(2,678,214)		(\$181,124)	(21,485)		(2,880,823)
Increase (decrease) in due from other funds			(3,072,339)	10,010			(3,062,329)
Cash Flows from Noncapital Financing Activities	978,214	(2,678,214)	(3,072,339)	(171,114)	(21,485)		(4,964,938)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition of capital assets	(993,771)						(993,771)
Proceeds from sale of capital assets	15,558						15,558
Cash Flows from Capital and Related Financing Activities	(978,213)						(978,213)
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest	19,863	219,341	451,478	10,249	21,485		722,416
Cash Flows from Investing Activities	19,863	219,341	451,478	10,249	21,485		722,416
Net Cash Flows	52,763	(743,260)	(2,902,587)	(160,865)	(1,054,308)		(4,808,257)
Cash and investments at beginning of period	244,724	2,884,461	6,025,587	\$160,865	1,762,869		11,078,506
Cash and investments at end of period	\$297,487	\$2,141,201	\$3,123,000		\$708,561		\$6,270,249
Noneash transactions							
Retirement of capital assets	(\$61,424)					(\$61,424)	(\$122,848)
Reconciliation of operating income (loss) to net cash flows from operating activities:							
Operating income (loss)	(\$719,038)	\$1,789,542	\$382,315		(\$1,887,795)	(\$6,627,952)	(\$7,062,928)
Adjustments to reconcile operating income to net cash flows from operating activities:							
Depreciation	817,841						817,841
Change in assets and liabilities:							
Receivables, net	10,731	1,656			(2,581)		9,806
Other assets	(762)						(762)
Accounts payable and accrued liabilities	(36,833)	(75,585)	(41,377)		(1,121,662)		(1,275,457)
Deposit payable							
Employee benefits payable	(39,040)		18,336		1,957,730	6,627,952	8,564,978
Claims payable			(641,000)				(641,000)
Cash Flows from Operating Activities	\$32,899	\$1,715,613	(\$281,726)		(\$1,054,308)		\$412,478

AGENCY FUNDS

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

The City's Agency funds include the Improvement Districts and Assessment Districts Agency Funds. These funds account for the collection of assessment and the disbursement to district bond holders for debt without City Commitment.

CITY OF VALLEJO
 AGENCY FUNDS
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2008

	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2008</u>
<u>TOTAL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and investments	\$8,588,425	\$9,537,251	\$8,588,425	\$9,537,251
Restricted cash and investments held with fiscal agent	<u>4,310,768</u>	<u>4,429,065</u>	<u>4,310,768</u>	<u>4,429,065</u>
Total Assets	<u>\$12,899,193</u>	<u>\$13,966,316</u>	<u>\$12,899,193</u>	<u>\$13,966,316</u>
<u>Liabilities</u>				
Deposits payable Due to bondholders	<u>12,899,193</u>	<u>\$13,966,316</u>	<u>12,899,193</u>	<u>\$13,966,316</u>
Total Liabilities	<u>\$12,899,193</u>	<u>\$13,966,316</u>	<u>\$12,899,193</u>	<u>\$13,966,316</u>

STATISTICAL SECTION

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

Financial Trends

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

- Net Assets by Components
- Changes in Net Assets
- Fund Balances of Governmental Funds
- 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:

- Assessed Value and Estimated Actual Value of Taxable Property
- Direct and Overlapping Property Taxes Rates
- Principal Property Tax Payers
- 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:

- Ratios of Outstanding Debt by Type
- Ratio of General Bonded Debt Outstanding
- Direct and Overlapping Debt
- Legal Debt Margin Information
- Pledged Revenue Coverage

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:

- Demographic and Economic Information
- Principal Employers
- Full-time and Part-time City Employees by Function

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:

- Operating Indicators
- Capital Asset Statistics

Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

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CITY OF VALLEJO
Net Assets by Component
Last Six Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ending June 30					
	2003	2004	2005	2006	2007	2008
Governmental activities:						
Invested in capital assets, net of related debt	\$180,968,562	\$266,448,146	\$260,617,039	\$254,306,071	\$260,245,020	\$264,548,211
Restricted	139,275,023	144,466,722	135,874,545	136,337,716	119,741,965	102,874,303
Unrestricted	12,679,669	(31,040,505)	(15,725,473)	(15,929,104)	(18,810,903)	(22,169,645)
Total governmental activities net assets	<u>\$332,923,254</u>	<u>\$379,874,363</u>	<u>\$380,766,111</u>	<u>\$374,714,683</u>	<u>\$361,176,082</u>	<u>\$345,252,869</u>
Business-type activities:						
Invested in capital assets, net of related debt	\$177,280,242	\$184,052,727	\$218,315,891	\$200,899,895	\$215,396,608	\$209,721,546
Restricted	68,290,291	52,058,389	41,716,706	49,930,075	47,275,222	46,365,386
Unrestricted	25,287,824	30,546,597	6,179,510	12,397,504	676,754	35,217,209
Total business-type activities net assets	<u>\$270,858,357</u>	<u>\$266,657,713</u>	<u>\$266,212,107</u>	<u>\$263,227,474</u>	<u>\$263,348,584</u>	<u>\$291,304,141</u>
Primary government:						
Invested in capital assets, net of related debt	\$358,248,804	\$450,500,873	\$478,932,930	\$455,205,966	\$475,641,628	\$474,269,757
Restricted	207,565,314	196,525,111	177,591,251	186,267,791	167,017,187	149,239,689
Unrestricted	37,967,493	(493,908)	(9,545,963)	(3,531,600)	(18,134,149)	13,047,564
Total primary government net assets	<u>\$603,781,611</u>	<u>\$646,532,076</u>	<u>\$646,978,218</u>	<u>\$637,942,157</u>	<u>\$624,524,666</u>	<u>\$636,557,010</u>

*The City of Vallejo implemented GASB 34 for the fiscal year ended June 30, 2003.
Information prior to the implementation of GASB 34 is not available.*

CITY OF VALLEJO
CHANGES IN NET ASSETS
LAST SIX FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year Ending June 30					
	2003	2004	2005	2006	2007	2008
Expenses						
Governmental activities:						
Legislative and Advisory	\$ 385,570	\$ 374,331	\$ 322,556	\$ 327,583	\$ 277,713	\$ 285,594
Executive	1,295,966	1,368,798	1,307,999	1,335,818	1,443,648	686,783
Finance	1,655,368	1,824,278	1,479,210	1,952,829	2,061,912	1,216,526
Human Resources	912,034	919,935	1,041,490	1,273,713	1,325,483	668,458
Law	778,393	756,854	687,908	722,436	860,128	867,418
Development Services	3,455,967	3,273,016	3,188,959	3,681,143	2,839,027	3,252,585
Community Development	46,230,453	58,210,217	51,914,880	37,306,492	44,540,545	33,498,889
Fire services	20,012,832	23,696,187	23,985,109	25,373,064	29,682,741	27,464,830
Police services	31,574,229	34,287,574	34,720,623	37,892,335	41,702,454	43,073,607
Public Works	13,809,365	13,939,915	14,793,797	25,854,625	24,422,136	25,984,476
Nondepartmental	12,832,301	12,151,426	11,710,331	6,826,980	7,284,198	11,045,020
Depreciation (not allocated)	7,254,472	-	-	-	-	-
Interest on long-term debt	6,821,567	2,835,728	2,455,183	2,703,849	2,649,965	2,694,646
Total governmental activities expenses	<u>147,018,517</u>	<u>153,638,259</u>	<u>147,608,045</u>	<u>145,250,867</u>	<u>159,089,950</u>	<u>150,738,832</u>
Business-type activities:						
Water	24,905,227	31,696,161	29,329,743	32,418,880	32,401,050	32,479,434
Local Transportation	18,183,460	20,882,570	24,165,435	29,663,516	30,667,114	28,873,584
Waterstone Development	2,766,951	2,747,357	65,305	-	-	-
Sanitation & Flood Control	19,919,415	22,240,114	22,672,873	24,902,110	26,012,630	27,478,992
Marine World JPA	55,545,895	57,942,325	54,198,128	58,203,991	55,980,978	40,016,158
Other proprietary funds	2,707,183	3,118,887	3,301,665	4,090,063	4,023,841	3,969,348
Total business-type activities expenses	<u>124,028,131</u>	<u>138,627,414</u>	<u>133,733,149</u>	<u>149,278,560</u>	<u>149,085,613</u>	<u>132,817,516</u>
Total primary government expenses	<u>\$ 271,046,648</u>	<u>\$ 292,265,673</u>	<u>\$ 281,341,194</u>	<u>\$ 294,529,427</u>	<u>\$ 308,175,563</u>	<u>\$ 283,556,348</u>
Program Revenues						
Governmental activities:						
Charges for services	\$ 27,950,704	\$ 19,337,363	\$ 25,022,210	\$ 27,434,458	\$ 28,956,923	\$ 21,575,263
Operating grants and contributions	29,887,552	33,810,077	34,786,028	36,629,191	34,636,280	24,514,830
Capital grants and contributions	41,716,347	20,492,269	13,790,057	3,188,226	2,724,007	3,485,972
Total governmental activities program revenues	<u>99,554,603</u>	<u>73,639,709</u>	<u>73,598,295</u>	<u>67,251,875</u>	<u>66,317,210</u>	<u>49,576,065</u>
Business-type activities:						
Charges for services	107,706,944	109,134,399	110,851,695	119,838,664	121,404,636	109,978,623
Operating grants and contributions	28,924,089	9,542,098	9,980,364	13,454,404	16,154,147	16,349,279
Capital grants and contributions	1,015,699	12,241,899	7,974,031	10,571,163	7,430,645	4,391,676
Total business-type activities program revenues	<u>137,646,732</u>	<u>130,918,396</u>	<u>128,806,090</u>	<u>143,864,231</u>	<u>144,989,428</u>	<u>130,719,578</u>
Total primary government program revenues	<u>\$ 237,201,335</u>	<u>\$ 204,558,105</u>	<u>\$ 202,404,385</u>	<u>\$ 211,116,106</u>	<u>\$ 211,306,638</u>	<u>\$ 180,295,643</u>
Net revenue/(expense)						
Governmental activities	\$ (47,463,914)	\$ (79,998,550)	\$ (74,009,750)	\$ (77,998,992)	\$ (92,772,740)	\$ (101,162,767)
Business-type activities	13,618,601	(7,709,018)	(4,927,059)	(5,414,329)	(4,096,185)	(2,097,938)
Total primary government net expense	<u>\$ (33,845,313)</u>	<u>\$ (87,707,568)</u>	<u>\$ (78,936,809)</u>	<u>\$ (83,413,321)</u>	<u>\$ (96,868,925)</u>	<u>\$ (103,260,705)</u>

CITY OF VALLEJO
CHANGES IN NET ASSETS
LAST SIX FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year Ending June 30					
	2003	2004	2005	2006	2007	2008
(Continued)						
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes						
Property taxes	\$ 13,242,560	\$ 12,612,335	\$ 20,900,386	\$ 20,826,439	\$ 23,812,446	\$ 18,241,341
Incremental property taxes	2,489,068	19,428,752	3,581,499	4,466,603	4,302,203	4,908,635
Special assessments	3,548,185	2,877,767	-	-	-	-
Sales taxes	14,581,035	13,336,714	13,913,459	14,479,613	12,517,648	12,907,978
Utility user taxes	11,697,172	11,707,588	11,882,250	12,711,868	12,746,862	13,501,146
Motor vehicles	6,875,520	5,688,734	12,185,788	8,592,520	9,536,759	10,388,740
Other taxes	10,054,753	14,094,574	5,330,846	5,290,946	7,124,909	9,339,334
Mare Island CFD Assessments	-	-	-	-	-	5,311,886
Investment earnings	4,822,338	1,927,541	4,008,728	4,985,424	6,686,545	6,043,677
Gain on sale of capital assets	-	250,000	-	-	-	-
Miscellaneous	6,631,958	2,687,677	1,988,937	403,163	2,433,895	3,244,188
Transfers	(380,487)	(796,567)	1,109,605	190,988	72,871	1,352,629
Total governmental activities	<u>73,562,102</u>	<u>83,815,115</u>	<u>74,901,498</u>	<u>71,947,564</u>	<u>79,234,138</u>	<u>85,239,554</u>
Business-type activities:						
Property taxes	566,511	716,352	286,096	-	-	-
Investment earnings	4,957,815	1,600,870	3,067,039	1,549,559	4,225,630	2,716,137
Miscellaneous	1,176,453	(674,084)	43,604	37,705	64,536	247,080
Gain on sales of assets	(3,812,225)	-	2,194,319	-	-	28,442,907
Contributions	5,392,050	-	-	-	-	-
Transfers	380,487	796,567	(1,109,605)	(190,988)	(72,871)	(1,352,629)
Total business-type activities	<u>8,661,091</u>	<u>2,439,705</u>	<u>4,481,453</u>	<u>1,396,276</u>	<u>4,217,295</u>	<u>30,053,495</u>
Total primary government	<u>\$ 82,223,193</u>	<u>\$ 86,254,820</u>	<u>\$ 79,382,951</u>	<u>\$ 73,343,840</u>	<u>\$ 83,451,433</u>	<u>\$ 115,293,049</u>
Change in Net Assets						
Governmental activities	\$ 26,098,188	\$ 3,816,565	\$ 891,748	\$ (6,051,428)	\$ (13,538,602)	\$ (15,923,213)
Business-type activities	<u>22,279,692</u>	<u>(5,269,313)</u>	<u>(445,606)</u>	<u>(4,018,053)</u>	<u>121,110</u>	<u>27,955,557</u>
Total primary government	<u>\$ 48,377,880</u>	<u>\$ (1,452,748)</u>	<u>\$ 446,142</u>	<u>\$ (10,069,481)</u>	<u>\$ (13,417,492)</u>	<u>\$ 12,032,344</u>

The City of Vallejo implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

CITY OF VALLEJO
 FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year Ending June 30									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$ 202,254	\$ 1,036,264	\$ 987,769	\$ 964,936	\$ 3,833,393	\$ 2,692,874	\$ 1,926,691	\$ 2,117,143	\$ 1,774,947	\$ 2,059,564
Unreserved	3,057,717	6,051,445	7,303,879	5,465,289	4,012,922	1,433,060	11,929,653	8,739,529	5,246,450	1,453,476
Total General Fund	<u>\$ 3,259,971</u>	<u>\$ 7,087,709</u>	<u>\$ 8,291,648</u>	<u>\$ 6,430,225</u>	<u>\$ 7,846,315</u>	<u>4,125,934</u>	<u>\$ 13,856,344</u>	<u>\$ 10,856,672</u>	<u>\$ 7,021,397</u>	<u>\$ 3,513,040</u>
All Other Governmental Funds										
Reserved	\$22,128,447	\$21,799,901	\$27,505,743	\$ 69,315,928	\$ 35,172,419	\$ 29,522,909	\$ 76,608,552	\$ 75,584,065	\$ 68,287,067	\$106,524,043
Unreserved, reported in:										
Special revenue funds	6,889,126	11,033,632	32,249,288	50,843,678	73,640,662	72,737,570	16,415,761	10,410,295	11,999,502	146,399
Debt service funds	-	-	-	(7,536,268)	(3,121,481)	-	(3,531,237)	(3,686,077)	(5,322,945)	(5,529,994)
Capital projects funds	9,163,749	15,864,175	33,058,157	(1,809,505)	33,583,423	42,544,807	46,545,596	54,024,894	41,485,128	733,691
Permanent funds	-	-	-	-	-	-	115,963	120,291	-	0
Total all other governmental funds	<u>\$38,181,322</u>	<u>\$48,697,708</u>	<u>\$92,813,188</u>	<u>\$110,813,833</u>	<u>\$139,275,023</u>	<u>\$144,805,286</u>	<u>\$136,038,672</u>	<u>\$136,449,140</u>	<u>\$116,569,043</u>	<u>\$101,874,139</u>

CITY OF VALLEJO
Changes in Fund Balances of Governmental Funds
Last Six Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ending June 30					
	2003	2004	2005	2006	2007	2008
Revenues:						
Taxes	\$ 66,537,857	\$ 69,534,702	\$ 55,161,490	\$ 57,550,479	\$ 59,919,619	\$ 58,729,898
Licenses and permits	7,900,520	9,133,758	11,852,968	6,000,434	4,677,963	3,327,060
Fines and forfeitures	1,216,869	1,434,419	1,450,743	3,887,337	1,683,911	1,827,945
Intergovernmental	78,159,185	53,864,845	55,423,739	49,780,261	48,824,041	38,546,090
Investment income	4,663,955	3,902,344	6,419,396	6,702,584	7,789,616	6,891,090
Charges for services	5,159,696	9,485,786	14,692,748	11,326,489	17,925,042	20,234,105
Contributions from property owners	-	6,201,378	-	-	-	-
Other	9,859,110	5,717,645	2,717,589	4,448,399	4,543,088	1,833,312
Total revenues	173,497,192	159,274,877	147,718,673	139,695,983	145,363,280	131,389,500
Expenditures						
Current:						
Legislative and Advisory	384,957	368,718	311,994	323,174	270,743	292,370
Executive	1,292,900	1,316,730	1,413,534	1,374,916	1,425,841	736,846
Finance	1,797,388	1,620,253	1,286,935	1,864,644	1,926,168	1,159,374
Human resources	910,174	890,623	973,717	1,282,442	1,319,304	723,493
Law	775,735	733,749	628,677	764,614	871,733	892,284
Development services	3,463,252	3,224,521	3,078,353	3,650,863	2,786,231	3,248,627
Community Development	21,590,216	21,566,642	52,217,190	39,856,041	46,712,048	33,707,475
Fire services	20,210,256	22,497,654	22,742,661	24,723,674	28,072,502	28,063,568
Police services	30,637,749	32,143,536	32,898,573	36,630,148	40,252,109	41,185,818
Public works	13,466,028	13,001,968	12,204,692	13,793,065	13,486,711	14,077,984
Redevelopment and housing	23,015,880	36,460,200	-	-	-	-
Nondepartmental	9,803,497	5,531,421	6,120,498	6,826,980	7,284,198	11,045,020
Capital Outlay	13,250,922	11,979,002	5,867,421	5,218,215	18,761,691	14,039,215
Debt service:						
Principal	7,349,406	1,450,153	5,056,682	1,657,337	3,966,314	1,497,254
Interest	6,828,458	4,169,649	2,463,555	2,705,865	2,667,960	2,589,723
Total expenditures	154,776,818	156,954,819	147,264,482	140,671,978	169,803,553	153,259,051
Excess (deficiency) of revenues over (under) expenditures	18,720,374	2,320,058	454,191	(975,995)	(24,440,273)	(21,869,551)
Other financing sources (uses):						
Gain (loss) on sale of assets	-	1,411,000	-	-	-	-
Transfers in	5,110,638	27,281,154	17,448,772	11,854,692	10,644,074	11,762,083
Transfers out	(5,451,508)	(28,038,104)	(16,939,167)	(13,467,901)	(10,580,494)	(8,506,845)
Proceeds from long-term debt issuance	11,497,776	6,743,199	-	-	661,320	411,052
Payment to bond escrow agent	-	-	-	-	-	-
Total other financing sources (uses)	11,156,906	7,397,249	509,605	(1,613,209)	724,900	3,666,290
Net change in fund balances	\$ 29,877,280	\$ 9,717,307	\$ 963,796	\$ (2,589,204)	\$ (23,715,373)	\$ (18,203,261)
Beginning fund balance	\$ 117,244,058	\$ 147,121,338	\$ 148,931,220	\$ 149,895,016	\$ 147,305,813	\$ 123,590,440
Prior period adjustments	-	(7,907,425)	-	-	-	-
Ending fund balance	\$ 147,121,338	\$ 148,931,220	\$ 149,895,016	\$ 147,305,812	\$ 123,590,440	\$ 105,387,179
Debt service as a percentage of noncapital expenditures	11%	4%	6%	3%	5%	3%

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

CITY OF VALLEJO
 Assessed Value and Estimated Actual Value of Taxable Property
 Last Five Fiscal Years¹

Fiscal Year Ended June 30	City					Redevelopment Agency					Total Direct Tax Rate
	Secured	Unsecured	Nonunitary Utilities	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Nonunitary Utilities	Less: Exemptions	Taxable Assessed Value	
2005	7,232,989,239	175,329,560	984,376	(392,187,345)	7,017,115,830	274,917,737	52,823,788	165,846	(28,424,461)	299,482,910	0.24622%
2006	8,166,353,064	171,754,178	1,690,797	(403,807,879)	7,935,990,160	299,392,380	59,923,297	161,333	(29,371,477)	330,105,533	0.24622%
2007	9,405,082,519	181,006,723	323,460	(416,998,759)	9,169,413,943	319,454,849	76,150,836	151,717	(48,168,099)	347,589,303	0.24622%
2008	10,362,506,115	263,084,155	66,760	(571,860,687)	10,053,796,343	370,158,332	75,986,022	102,524	(48,422,877)	397,824,001	0.24622%

NOTE:

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

¹ The City of Vallejo has elected to show only four years of data for this schedule.

Source: County Assessor's Office

CITY OF VALLEJO
 Direct and Overlapping Property Tax Rates
 (Rate per \$100 of assessed value)
 Last Seven Fiscal Years¹

Fiscal Year Ending June 30	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
City Direct Rates:							
City basic rate	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622
Total City Direct Rate	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622
Overlapping Rates:							
Acc Capital Outlay	0.00807	0.00807	0.00807	0.00807	0.00807	0.00807	0.00807
Aviation	0.00119	0.00119	0.00119	0.00119	0.00119	0.00119	0.00119
BAAQMD	0.00219	0.00219	0.00219	0.00219	0.00219	0.00219	0.00219
County Free Library	0.02743	0.02743	0.02743	0.02743	0.02743	0.02743	0.02743
County General	0.31331	0.31331	0.31331	0.31331	0.31331	0.31331	0.31331
County School Service Fund Support	0.01134	0.01134	0.01134	0.01134	0.01134	0.01134	0.01134
County Support-Board of Education	0.00334	0.00334	0.00334	0.00334	0.00334	0.00334	0.00334
Development Center	0.00217	0.00217	0.00217	0.00217	0.00217	0.00217	0.00217
GVRD	0.06490	0.06490	0.06490	0.06490	0.06490	0.06490	0.06490
Library Special Tax Zone 7	0.01385	0.01385	0.01385	0.01385	0.01385	0.01365	0.01365
Mosquito Abatement	0.00567	0.00567	0.00567	0.00567	0.00567	0.00587	0.00587
Recreation	0.00203	0.00203	0.00203	0.00203	0.00203	0.00203	0.00203
SCC Voter Debt	0.02758	0.02758	0.02758	0.02758	0.02758	0.02758	0.02758
Solano County Water District	0.01527	0.01527	0.01527	0.01527	0.01527	0.01527	0.01527
Vallejo Unified School District M&O	0.24069	0.24069	0.24069	0.24069	0.24069	0.24069	0.24069
VSFCD Operating	0.01474	0.01474	0.01474	0.01474	0.01474	0.01474	0.01474
Total Prop. 13 Direct Rate	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Sc Fld State Wtr Pj Zone Ben #1	0.02000	0.02000	0.02000	0.02000	0.02000	0.02000	0.02000
Sc Gob Series 2003-A	0.00000	0.00000	0.01432	0.01532	0.01643	0.01211	0.01189
Vallejo Usd Bond 97 Measure A	0.02335	0.01603	0.00000	0.00000	0.00000	0.00000	0.00000
Vallejo Usd Measure A 2002	0.00000	0.06657	0.05221	0.02566	0.02238	0.01852	0.01556
Vallejo Usd Measure A 2004	0.00000	0.00000	0.00000	0.01620	0.00874	0.01019	0.00914
Vallejo Usd Measure A 1999	0.03277	0.02313	0.00000	0.00000	0.00000	0.00000	0.00000
Vallejo Usd Measure A 2000	0.01533	0.01851	0.00000	0.00000	0.00000	0.00000	0.00000
Vallejo Usd State Repay	0.00022	0.00033	0.00014	0.00007	0.00001	0.00000	0.00000
Vallejo Usd 2002-A GOB Refunding	0.00000	0.00000	0.05723	0.04535	0.04267	0.03828	0.03597
Vallejo Usd Measure A - 2006	0.00000	0.00000	0.00000	0.00000	0.00000	0.01643	0.01153
Sc Gob Series 2006B	0.00000	0.00000	0.00000	0.00000	0.00000	0.00336	0.00269
Total Voter Approved Rate	0.09167	0.14457	0.14390	0.12260	0.11023	0.11888	0.10677
Total Direct Rate	1.09167	1.14457	1.14390	1.12260	1.11023	1.11888	1.10677

NOTE:

In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% 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.

¹ The City of Vallejo has elected to show only Seven years of data for this schedule.

Source: County Assessor's Office

CITY OF VALLEJO
Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2008		1999	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Park Management Corp.	\$ 74,472,706	0.71%	\$ 96,785,000	2.29%
Sutter Health	73,725,328	0.71%	-	-
Centro Watt Property Owner II	69,692,499	0.67%	-	-
Granite Oxygen2 LLC	33,200,156	0.32%	-	-
KW WDC Vallejo LLC	32,728,809	0.31%	-	-
Sundance Vallejo	30,979,953	0.30%	-	-
Hart Sterling Village Apartment	26,804,472	0.26%	-	-
Centro Watt Owner II LLC	25,385,760	0.24%	-	-
Ogino LLC	23,622,180	0.23%	-	-
Health Care REIT Inc.	22,311,924	0.21%	-	-
M&H Realty Partners	-	-	24,800,100	0.59%
Arism/Lacaze Vallejo Plaza Assoc.	-	-	23,932,651	0.57%
General Mills, Inc.	-	-	20,897,746	0.49%
Sky Valley Limited Partners	-	-	20,397,072	0.48%
Sky Valley San Francisco Partners	-	-	20,172,873	0.48%
Meyer Cookware Industries, Inc.	-	-	19,197,558	0.45%
Security Capital Pacific Trust	-	-	18,117,102	0.43%
Safeway, Inc.	-	-	13,509,060	0.32%
Thomas Tomanek	-	-	12,949,364	0.31%
Top Ten Totals	\$ 412,923,787	3.95%	\$ 270,758,526	6.40%

The amounts shown above include assessed value data for both the City and the Redevelopment Agency.

Source: County Assessor's Office

CITY OF VALLEJO
Property Tax Levies and Collections
Last Seven Fiscal Years¹

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2002	\$10,470,818	\$10,340,488	98.76%	not available	not available	n.a.
2003	11,253,848	11,099,274	98.63%	not available	not available	n.a.
2004	13,508,164	13,350,246	98.83%	not available	not available	n.a.
2005	15,792,705	15,628,710	98.96%	not available	not available	n.a.
2006	18,159,046	17,995,707	99.10%	not available	not available	n.a.
2007	19,935,587	19,725,185	98.94%	not available	not available	n.a.
2008	21,379,627	21,159,268	98.97%	not available	not available	n.a.

NOTE:

The amounts presented include only City property taxes (excluding Redevelopment Agency tax increment).

¹ The City of Vallejo has elected to show only Seven years of data for this schedule.

Source: County Auditor Controller's Office

CITY OF VALLEJO
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities				
	General Obligation Bonds	Tax Allocation Bonds	Certificates of Participation	Capital Lease Obligations	Total Governmental Activities
1999	-	7,505,000	-	1,794,046	9,299,046
2000	-	7,450,000	4,815,000	1,397,841	13,662,841
2001	-	7,380,000	17,792,411	1,082,351	26,254,762
2002	-	12,305,000	17,577,787	1,980,513	31,863,300
2003	-	12,150,000	28,582,725	3,722,883	44,455,608
2004	-	11,925,000	34,735,683	3,087,971	49,748,654
2005	-	11,665,000	30,505,614	2,521,358	44,691,972
2006	-	11,380,000	29,715,144	1,939,491	43,034,635
2007	-	11,721,320	26,612,742	1,395,579	39,729,641
2008	-	11,371,320	25,787,430	1,484,689	38,643,439

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ These ratios are calculated using personal income and population for the current calendar year.

Business-type Activities							
Water Revenue Bonds	Certificates of Participation	Loans & Notes Payable	Capital Lease Obligations	Total Business-type Activities	Total Primary Government	Percentage of Personal Income ¹	Debt Per Capita ¹
68,055,000	96,175,000	12,340,831	317,476	176,888,307	186,187,353	6.86%	1,661
67,205,498	95,883,460	12,340,829	1,852,567	177,282,354	190,945,195	6.61%	1,675
74,194,868	153,471,393	8,852,447	217,821	236,736,529	262,991,291	8.17%	2,252
73,523,119	150,856,361	28,991,182	-	253,370,662	285,233,962	8.38%	2,409
72,020,610	149,071,766	28,257,039	-	249,349,415	293,805,023	8.34%	2,452
70,543,101	147,143,583	27,834,693	-	245,521,377	295,270,031	8.12%	2,450
68,955,592	138,299,106	19,981,202	-	227,235,900	271,927,872	7.02%	2,243
67,288,083	156,721,379	18,807,307	-	242,816,769	285,851,404	7.05%	2,368
65,882,818	153,269,877	17,780,129	-	236,932,824	276,662,465	6.61%	2,285
64,831,880	94,131,286	21,130,805	-	180,093,971	218,737,410	4.86%	1,806

CITY OF VALLEJO

Ratio of General Bonded Debt Outstanding

Last Ten Fiscal Years
(In Thousands, except Per Capita)

Fiscal Year Ended June 30	Outstanding General Bonded Debt			Percent of Assessed Value ¹	Per Capita ²
	General Obligation Bonds	Tax Allocation Bonds	Total		
1999	-	7,505	7,505	N/A	67
2000	-	7,450	7,450	N/A	65
2001	-	7,380	7,380	N/A	63
2002	-	12,305	12,305	N/A	104
2003	-	12,150	12,150	N/A	101
2004	-	11,925	11,925	0.18%	99
2005	-	11,665	11,665	0.16%	96
2006	-	11,380	11,380	0.14%	94
2007	-	11,721	11,721	0.12%	97
2008	-	11,371	11,371	0.11%	94

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

¹ Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

² These ratios are calculated using personal income and population for the current calendar year.

CITY OF VALLEJO
Direct and Overlapping Debt
June 30, 2008

FY 2007-08 Assessed Valuation		\$10,451,620,344	
Redevelopment Agency Incremental Valuation		(190,598,825)	
Adjusted Assessed Valuation		<u>\$10,261,021,519</u>	
	Percentage Applicable ¹	Total Outstanding Debt 6/30/08	City's Estimated Share of Overlapping Debt 6/30/08
Overlapping Debt Repaid with Property Taxes:			
Solano County Community College District	28.019%	\$ 119,175,090	\$ 33,391,668
Vallejo Unified School District	98.084%	97,475,000	95,607,379
Vallejo Unified School District CFD No. 2	100.000%	24,605,000	24,605,000
City of Vallejo Hiddenbrooke Improvement District No. 1998-1	100.000%	19,285,000	19,285,000
City of Vallejo 1915 Act Bonds	100.000%	17,985,000	17,985,000
Total overlapping debt repaid with property taxes		<u>278,525,090</u>	<u>190,874,047</u>
Direct and Overlapping General Fund Debt:			
Solano County Certificates of Participation	27.011%	137,955,000	37,263,025
Solano County Pension Obligations	27.011%	121,020,000	32,688,712
Solano County Board of Education Certificates of Participation	27.011%	3,220,000	869,754
Vallejo Unified School District Certificates of Participation	98.084%	42,385,000	41,572,903
City of Vallejo General Fund Obligations	100.000%	107,465,000	107,465,000
Total Direct and Overlapping General Fund Debt		<u>412,045,000</u>	<u>219,859,394</u>
Total overlapping debt		<u>\$ 412,045,000</u>	219,859,394
City direct debt			-
Total direct and overlapping debt ²			<u>\$ 410,733,441</u>

Notes:

¹ For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property 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.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

² Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

CITY OF VALLEJO
 Legal Debt Margin Information
 Last Five Fiscal Years¹

	Fiscal Year Ending June 30				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Assessed valuation	\$5,662,455,919	\$7,017,115,830	\$7,935,990,160	\$9,169,413,943	\$10,053,796,343
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	1,415,613,980	1,754,278,958	1,983,997,540	2,292,353,486	2,513,449,086
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	\$ 212,342,097	\$ 263,141,844	\$ 297,599,631	\$ 343,853,023	\$ 377,017,363
Total net debt applicable to limit: General obligation bonds	-	-	-	-	-
Legal debt margin	<u>\$ 212,342,097</u>	<u>\$ 263,141,844</u>	<u>\$ 297,599,631</u>	<u>\$ 343,853,023</u>	<u>\$ 377,017,363</u>
Total debt applicable to the limit as a percentage of debt limit ²	0.0%	0.0%	0.0%	0.0%	0.0%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: City Finance Department
 County Tax Assessor's Office

¹ The City of Vallejo has elected to show only five years of data for this schedule.

² Section 43605 of the California Government Code for General Obligation bonds.

CITY OF VALLEJO
Pledged Revenue Coverage
Last Ten Fiscal Years

Water Revenue Bonds (a)

Fiscal Year Ended June 30	Gross Water Revenues (b)	Less Expenses (c)	Net Available Revenues	Less Non-city system Available Revenues	City system Net Available Revenues	Total Debt Service (d)	Less Non-city system Debt Service	City system Net Debt Service	City system Coverage
1999	-	-	-	-	-	-	-	-	
2000	-	-	-	-	-	-	-	-	
2001	-	-	-	-	-	-	-	-	
2002	-	-	-	-	-	-	-	-	
2003	-	-	-	-	-	-	-	-	
2004	-	-	-	-	-	-	-	-	
2005	30,566,714	19,762,044	10,804,670	512,209	10,292,461	5,466,341	544,186	4,922,155	2.09
2006	31,727,072	22,646,495	9,080,577	547,320	8,533,257	6,050,834	585,468	5,465,366	1.56
2007	35,878,297	22,812,283	13,066,014	295,470	12,770,544	4,869,604	1,123,013	3,746,591	3.41
2008	37,066,802	22,961,893	14,104,909	1,781,410	12,323,499	4,574,731	581,026	3,993,705	3.09

- a) Data is not readily available prior to fiscal year 2005.
- b) Includes operating revenues, investment earnings, contributions and transfers.
- c) Excludes depreciation and debt service payments.
- d) Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Data source - City of Vallejo Comprehensive Annual Financial Report
Debt Service Schedules

CITY OF VALLEJO
Pledged Revenue Coverage
Last Ten Fiscal Years

Wastewater (a)										
Fiscal Year Ended June 30	Utility Service Charges	Less Operating Expenses	Net Available Revenues	Debt Service (Principal and Interest)						Coverage Ratio
				2006 COP	2001 COP	1993 COP	State Revenue Fund Loan	Notes Payable	Total	
1999	-	-	-	-	-	-	-	-	-	-
2000	13,851,512	8,252,719	5,598,793	-	-	2,660,782	-	112,817	2,773,599	2.02
2001	15,579,884	8,862,038	6,717,846	-	49,920	2,795,611	-	123,073	2,968,604	2.26
2002	16,994,606	9,795,195	7,199,411	-	995,929	2,648,148	-	123,073	3,767,150	1.91
2003	18,133,377	9,889,928	8,243,449	-	924,219	2,647,330	-	123,073	3,694,622	2.23
2004	19,746,266	10,101,814	9,644,452	-	891,393	2,783,017	-	123,073	3,797,483	2.54
2005	21,170,567	11,182,735	9,987,832	-	1,108,710	2,708,413	961,320	123,073	4,901,516	2.04
2006	21,896,473	11,974,517	9,921,956	576,089	1,260,243	2,705,508	904,648	61,537	5,508,025	1.80
2007	22,674,374	12,156,158	10,518,216	2,247,115	268,459	2,699,270	904,588	-	6,119,432	1.72
2008	24,379,225	13,136,914	11,242,311	2,501,698	240,565	2,762,964	926,556	-	6,431,783	1.75

a) Data not available prior to 2000

Data source - Vallejo Sanitation and Flood Control District Comprehensive Annual Financial Report

City of Vallejo
Pledged Revenue Coverage
Last Ten Fiscal Years

Tax Allocation Bonds

Fiscal Year Ended June 30	Tax Increment	Debt Service (a)		Coverage
		Principal	Interest	
1999	2,507,896	40,000	571,520	4.10
2000	1,276,053	55,000	568,455	2.05
2001	1,651,524	70,000	564,075	2.60
2002	2,092,182	485,000	788,651	1.64
2003	1,981,895	155,000	900,980	1.88
2004	1,942,673	225,000	887,270	1.75
2005	2,841,319	260,000	869,753	2.51
2006	3,261,701	285,000	849,983	2.87
2007	3,463,653	320,000	827,959	3.02
2008	3,756,553	350,000	803,498	3.26

a) Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Data source - City of Vallejo Comprehensive Annual
Financial Report - Debt Service Schedules

CITY OF VALLEJO
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)
1999	114,000	2,888,988	25,342	4.6%
2000	116,760	3,220,007	27,578	5.7%
2001	118,405	3,403,433	28,744	5.8%
2002	119,836	3,521,860	29,389	7.3%
2003	120,516	3,636,811	30,177	7.9%
2004	121,256	3,876,191	31,967	7.4%
2005	120,724	4,054,033	33,581	6.8%
2006	121,099	4,188,572	34,588	5.7%
2007	121,425	4,287,638	35,311	6.5%
2008	121,097	4,502,386	37,180	8.7%

Sources: (1) State Department of Finance (revised)
(2) U.S. Bureau of Economic Analysis
(3) State of California Employment Development Department (data shown is for the City)

CITY OF VALLEJO
Principal Employers
Current Year and Nine Years Ago

Employer	2008		1999	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Kaiser Permanente Medical Center	3,906	6.59%	2,075	3.87%
Six Flags Discovery Kingdom	1,600	2.70%	1,051	1.96%
Vallejo Unified School District	1,600	2.70%	2,000	3.73%
Kaiser Permanente Call Center	950	1.60%	-	0.00%
Sutter Solano Medical Center	690	1.16%	545	1.02%
City of Vallejo	574	0.97%	545	1.02%
CA Highway Patrol, Regional Off	400	0.67%	299	0.56%
Touro University California	385	0.65%	-	0.00%
U.S. Forest Service	300	0.51%	-	0.00%
Petrochem Corporate Headquarters	225	0.38%	325	0.61%
U.S. Postal Service	-	0.00%	235	0.44%
TIMEC Co	-	0.00%	550	1.03%
U.S. Navy (Mare Island Detachment)	-	0.00%	276	0.51%

"Total Employment" as used above represents the total employment of all employers located within City limits.

Source: Vallejo Chamber of Commerce
City of Vallejo
California Employment Development Department

CITY OF VALLEJO
 Full-time and Part-time City Employees
 by Function
 Last Nine Fiscal Years¹

<u>Function</u>	<u>Full-Time and Part-Time Employees as of June 30</u>								
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General government	64	65	59	62	66	62	61	49	46
Public safety	320	344	350	355	350	320	325	329	291
Public works	58	60	61	63	67	59	59	63	62
Mare Island Coop/CFD	-	14	14	4	4	3	2	5	2
Development Services	20	22	23	26	23	20	21	23	29
Community Dev	24	23	23	25	26	24	25	22	18
Solid Waste Disp	-	-	1	1	1	1	1	1	0
Landscape District	3	4	4	4	3	5	5	6	8
Risk Management	-	3	3	3	2	3	3	3	2
Water	91	79	84	82	83	75	77	95	98
Transportation	4	4	4	4	4	6	6	6	5
Marina	4	4	4	4	4	4	3	3	3
Corp Yard	-	23	23	17	17	16	16	11	11
Total	<u>588</u>	<u>645</u>	<u>653</u>	<u>650</u>	<u>650</u>	<u>598</u>	<u>604</u>	<u>615</u>	<u>574</u>

¹ The City of Vallejo has elected to show only nine years of data for this schedule.

Source: City of Vallejo Budget

CITY OF VALLEJO
 Operating Indicators
 by Function
 Last Ten Fiscal Years

	Fiscal Year Ending June 30									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Police:										
Arrests	5,696	5,250	7,689	7,783	7,618	2,610	5,250	7,658	8,682	7,589
Parking citations issued ¹	-	-	-	4,127	16,054	16,971	15,097	14,108	13,200	12,864
Fire:										
Number of emergency calls	9,638	9,553	10,232	10,257	10,313	10,363	10,547	11,030	11,194	11,739
Inspections (Fire Prevention)	-	-	-	1,344	1,547	2,071	1,079	967	1,371	947
Inspections (Code Enforcement) ²	6,211	5,805	6,791	5,601	6,187	4,148	3,240	4,305	4,247	157
Public works:										
Street resurfacing (miles)	4.61	3.82	13.33	1.93	3.69	1.82	2.95	27.70	2.20	16.47
Water:										
New connections	627	610	464	541	397	436	559	314	139	71
Average daily consumption (thousands of gallons)	18,181	22,780	22,130	21,050	21,500	22,350	20,620	21,030	21,208	20,658
Development Services:										
Building permits	2,747	3,274	3,634	3,381	3,772	3,702	3,473	3,357	3,427	2,000
Housing Rental units ³	-	-	-	-	2,266	2,266	2,266	2,266	2,266	2,266
Housing Vouchers ⁴	-	-	-	-	2,171	2,246	2,210	2,105	2,041	2,036
Golf course:										
Golf rounds played ⁵	164,918	154,886	152,731	150,904	146,415	130,651	114,353	96,750	112,296	87,416

¹ Amounts unavailable from 1999 to 2001.

² Function transferred to Development Services

³ Amounts listed represent the number of rental units contracted. Amounts unavailable from 1999 to 2002.

⁴ Amounts listed represent actual vouchers issued. Amounts unavailable from 1999 to 2002.

⁵ From 1999 to 2007 amounts listed represent the combined total for the following three golf courses: Joe Mortara and Blue Rocks Springs East and West Golf Courses. For 2008 amounts listed represent the combined total for the following two golf courses: Blue Rock Springs East and West Golf Course. Beginning in 2008 the City no longer operates the Joe Mortara Golf Course.

Source: City of Vallejo
 Enforcement Technology

CITY OF VALLEJO
 Capital Asset Statistics
 by Function
 Last Ten Fiscal Years

	Fiscal Year Ending June 30									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Police:										
Stations	4	4	4	4	4	4	4	4	4	3
Fire:										
Fire stations	7	7	8	8	8	8	8	8	8	6
Public works:										
Streets (miles)	306	306	315	315	315	315	315	350	351	351
Traffic signals	122	124	131	131	131	131	134	134	151	151
Water:										
Water mains (miles)	390	605	600	600	600	600	605	622	623	623
Maximum daily capacity (thousands of gallons) ¹	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Golf Course:										
Municipal golf courses	3	3	3	3	3	3	3	3	3	2

¹ Represents combined capacity for Fleming Hill WTP, Travis WTP and Green Valley WTP.

Source: City of Vallejo