



CITY OF VALLEJO CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

CITY OF VALLEJO, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2009

PREPARED BY THE
FINANCE DEPARTMENT

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For the Year Ended June 30, 2009

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CITY OF VALLEJO

OFFICE OF THE FINANCE DIRECTOR

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April 19, 2010

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 2009 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, 2009, 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, 2009, 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 121,055 Vallejo is the largest City in Solano County and the 48th largest City in population among California's 480 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 separate 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:

- Housing Authority of the City of Vallejo (the Housing Authority)
- Parking Authority of the City of Vallejo (the Parking Authority)
- Public Financing Authority of the City of Vallejo (the Financing Authority)
- Redevelopment Agency of the City of Vallejo (the Agency)
- Vallejo Sanitation and Flood Control District (VSFCD)
- Vallejo Sanitation and Flood Control District Financing Corporation

BANKRUPTCY

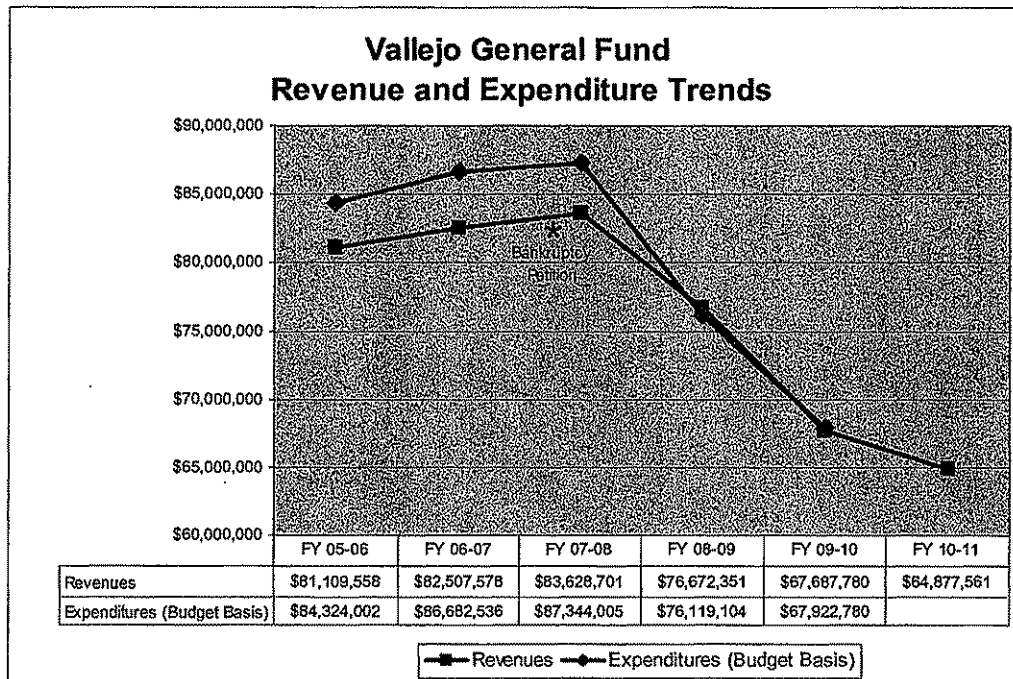
Chapter 9 Filing - Without reserves, facing a worsening economy, burdened by labor contracts locked in through 2010, and with limited opportunities to raise taxes due to State constitutional restrictions, in early May of 2008, the City determined that it was no longer able to meet its contractual obligations. 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. 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. Additional information about the City's bankruptcy is provided in Note 2 of the accompanying financial statements.

ECONOMIC CONDITION AND OUTLOOK

Revenue Declines - The City is facing an unprecedented and painful downward spiral in its property and sales tax base and corresponding General Fund unrestricted revenues. It's insolvency at June 30, 2008 followed a record high year of \$84 million in General Fund revenues when spending still outpaced revenues by over \$3 million. Since then, General Fund revenues have eroded from \$84 million to \$77 million in fiscal year 2008-09 and are projected to decline further to \$67 million in fiscal year 2009-10 and \$65 million in fiscal year 2010-11, for a cumulative decline of approximately \$20 million or 23% in three years.

The following chart tracks this revenue spiral:



Much like the rest of the nation, Vallejo has been hit hard by the economic recession and resulting decline in consumer confidence. By June 2009, the unemployment rate in Vallejo rose to 13.9%. The City continues to be impacted by the housing and credit crisis, with a significant home foreclosure rate.

The rise in unemployment, declining real estate values, reduced property, sales and utility users' tax revenues, and restricted availability of credit has placed fiscal constraints on the City that are expected to last several years. While our sources of revenue are diversified, most major tax revenues have declined and are predicted to decline further into fiscal year 2010-11.

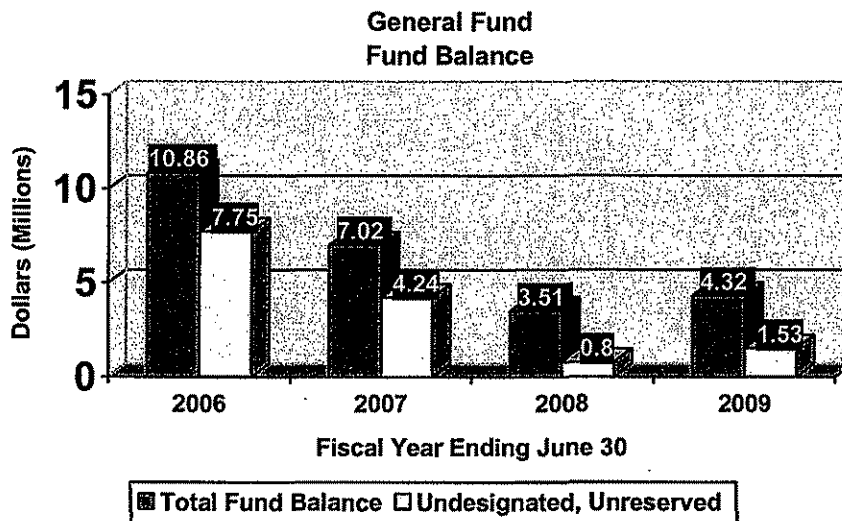
State Budget - The State of California's budget deficit also presents challenges for the City. The fiscal year 2009-10 State budget included two especially significant revenue provisions affecting the City, a \$1.9 billion borrowing of property tax funds from local governments under the provisions of Proposition 1A and a \$1.7 billion seizure of local redevelopment funds. The City's share of the property tax borrowing, which would have resulted in reduced fiscal year 2009-10 General Fund revenues, was \$2.4 million. However, through participation in the State-sponsored securitization of the City's Proposition 1A receivable, the City sold its receivable from the State and will receive an equivalent amount of borrowed property taxes with no net loss or cost to the City. The California Department of Finance estimates the share of the diversion assessed against the City's Redevelopment Agency to be \$1.2 million for FY 2009-10. While redevelopment agencies have sued the State challenging the constitutionality of this seizure of monies from redevelopment agencies, the City cannot predict the outcome of this action.

Future State budgets will likely continue to be affected by national and state economic conditions, as well as other factors over which the City will have no control. To the extent that the State's annual budget process results in reduced revenues or increased expenses to cities, Vallejo will be required to make additional adjustments to its budget. On October 20, 2009, a coalition, which includes the League of California Cities, local government, transportation and public transit leaders, filed a ballot measure initiative - the Local Taxpayer, Public Safety and Transportation Protection Act - with the California Attorney General's office. The coalition hopes to have this measure placed on the statewide ballot for November 2010. The measure, if passed by voters, would close loopholes and prevent the state from borrowing, raiding or otherwise redirecting local government (local taxes, property taxes, redevelopment), transportation (Highway User Tax Allocation and Proposition 42 funds) and public transit funds.

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. Potential revenue growth back to the \$80 million range is likely to be slow

and extended. Accordingly, the City must adapt its services and cost of services to fit into a new and smaller budget model. Even the prospect of a new voter-approved tax measure, such as a 1% sales tax, would only restore \$9 million or less than half of the recent three-year \$20 million revenue loss.

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, 2009, as compared with the three prior years. Note that June 30, 2009 balances were only achieved through unilateral imposition of salary, benefit, and debt service payment reductions to the City's employees and bankers. These reductions have created bankruptcy claims to be negotiated and confirmed through a Plan of Adjustment.



MAJOR INITIATIVES

Each year provides the City a new opportunity to identify, address and resolve issues facing the community and its citizens. The City's major challenge is to finance the services needed to maintain the quality of life that has attracted considerable growth to the Vallejo community.

Bankruptcy Workout Plan – The City continues work on a long-term financial plan to finance City services and to adjust the cost and level of those services to fit with available resources. Efforts have included exploration of possible tax measures for voter consideration to preserve or expand the greatly diminished services now provided through a workforce that has been reduced by one third over the past five years. By demonstrating a path to fiscal sustainability, the City looks forward to concluding negotiation with its creditors and confirmation of a Plan of Adjustment to emerge from bankruptcy.

Development Initiatives - The City is positioning itself so that despite all the immediate economic challenges, new investments and development have an opportunity to take place. Several 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, 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 continues to seek new development opportunities for north Mare Island.

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 - The Redevelopment Agency continues to work closely with downtown property and business owners to take advantage of new opportunities. 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 downtown and the waterfront, the Vallejo Station project was launched in the summer of 2009 with the groundbreaking for a Bus Transit Center, followed by the demolition of a former café site for construction of Phase A of a 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; Jon R. Oiler, Auditor Controller, and the Finance Department staff 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

<u>As of June 30, 2009</u>	<u>Term Expires</u>
Osby Davis, Mayor	December 2011
Hermie Sunga, Vice Mayor	December 2009
Tom Bartee, Councilmember	December 2009
Stephanie Gomes, Councilmember	December 2009
Erin Hannigan, Councilmember	December 2011
Joanne Schivley, Councilmember	December 2011
Michael Wilson, Councilmember	December 2011

Interim City Manager

Robert F.D. Adams

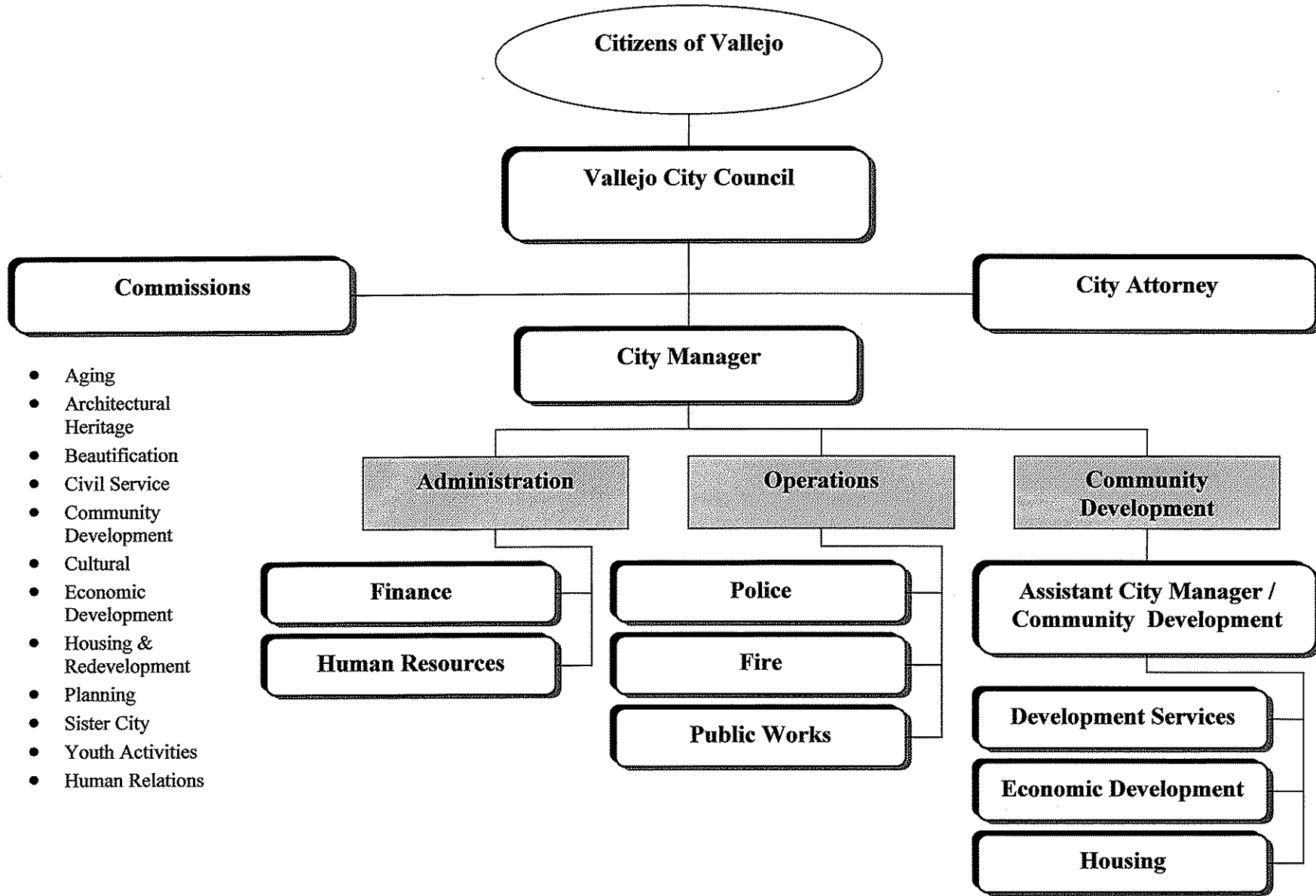
City Attorney

Frederick G. Soley

Executive Management Team

Craig Whittom, Assistant City Manager/Community Development Director
Robert V. Stout, Finance Director
Debra Boutte, Human Resources Director
Robert Nichelini, Police Chief
Russel Sherman, Fire Chief
Gary Leach, Public Works Director

City of Vallejo Organization Chart



ix.

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

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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, 2009, 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, 26% of revenues, 44% of liabilities, and 30% 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.

As discussed in Note 2, management has recorded compensation and benefit costs based on compensation rates paid to employees which include departures from contract rates that were unilaterally imposed by the City for two of the City's bargaining groups. Generally accepted accounting principles require that such amounts be recorded based on contractually required rates during the pendency plan stage of Bankruptcy without regard to considerations of eventual outcomes as may be determined by the final Plan of Adjustment.

In our opinion, except for the effects of such adjustments, if any, needed to record compensation and benefit costs at contractually required amounts, 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 as of June 30, 2009, 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 filed a case seeking bankruptcy protection and the adjustment of its liabilities 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 March 23, 2010 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. 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 that reads "Mage + Associates". The signature is written in a cursive, flowing style.

March 23, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2009

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, 2009. 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.

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 supported by taxes and grants, 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, 2009 and 2008, 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>	
	2009	2008	2009	2008	2009	2008
Assets						
Current and other assets	\$131.8	\$141.2	\$101.1	\$100.6	\$232.9	\$241.8
Capital assets	295.0	295.5	374.4	387.8	669.4	683.3
Total assets	<u>426.8</u>	<u>436.7</u>	<u>475.5</u>	<u>488.4</u>	<u>902.3</u>	<u>925.1</u>
Liabilities						
Current and other liabilities	32.0	30.1	23.3	21.6	55.3	51.7
Long-term liabilities	70.2	61.4	169.4	175.5	239.6	236.9
Total liabilities	<u>102.2</u>	<u>91.5</u>	<u>192.7</u>	<u>197.1</u>	<u>294.9</u>	<u>288.6</u>
Net assets						
Invested in capital assets, net of related debt	266.2	264.5	203.3	209.7	469.5	474.2
Restricted	85.2	102.9	41.5	46.4	126.7	149.3
Unrestricted	(26.8)	(22.2)	38.0	35.2	11.2	13.0
Total net assets	<u>\$324.6</u>	<u>\$345.2</u>	<u>\$282.8</u>	<u>\$291.3</u>	<u>\$607.4</u>	<u>\$636.5</u>

Total City assets of \$902 million are leveraged with \$295 million of liabilities for a net asset position of \$607 million at June 30, 2009.

- Cash and current assets of \$233 million have decreased by \$9 million from the prior year due to a planned draw-down of Housing Authority cash reserves. HUD temporarily reduced its monthly advances to the Authority to draw down accumulated cash and better align reserves with current Section 8 program requirements.
- Capital assets have declined by \$14 million during the year as \$29 million in asset depreciation exceeded the City's \$16 million reinvestment in its capital infrastructure.

- Total liabilities have increased by \$7 million, including a \$6 million capital project accounts payable balance in the Mare Island Conversion Fund that has been disbursed subsequent to year-end. Long-term liabilities have also increased by \$6 million for the new annual accrual for unfunded post-retirement health care benefits, in compliance with the recent Government Accounting Standards Board Statement 45. Long-term liabilities have also decreased by \$8 million through scheduled bond principal payments.
- Unrestricted net assets declined by \$1.8 million. Total net assets declined by \$29 million.

Government-wide Activities

The table below is a summary of the City's government-wide activities for the years ended June 30, 2009 and 2008, as measured on the accrual basis of accounting (in thousands).

(In Thousands)	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues						
Program revenues						
Charges for services	\$18,552	\$21,575	\$68,631	\$109,979	\$87,183	\$131,554
Operating grants and contributions	20,365	24,515	13,279	16,349	33,644	40,864
Capital grants and contributions	6,359	3,486	6,467	4,392	12,826	7,878
General revenues						
Property, sales and other taxes	52,992	55,786			52,992	55,786
User utility	13,057	13,501			13,057	13,501
Other	11,887	14,600	(2,686)	31,405	9,201	46,005
Total revenues	123,212	133,463	85,691	162,125	208,903	295,588
Expenses						
Governmental activities						
Legislative and advisory	230	286			230	286
Executive	515	687			515	687
Finance	1,843	1,217			1,843	1,217
Human resources	501	668			501	668
Law	907	867			907	867
Development services	2,612	3,253			2,612	3,253
Community development	38,289	33,499			38,289	33,499
Fire services	24,629	27,465			24,629	27,465
Police services	37,381	43,074			37,381	43,074
Public works	22,384	25,984			22,384	25,984
Nondepartmental	11,427	11,045			11,427	11,045
Interest on long-term debt	2,506	2,694			2,506	2,694
Business-type activities						
Water			33,749	32,479	33,749	32,479
Local transportation			28,008	28,873	28,008	28,873
Waterstone development						
Sanitation and flood control			28,865	27,479	28,865	27,479
Marine World JPA				40,016		40,016
Marina			3,144	2,993	3,144	2,993
Golf			1,003	977	1,003	977
Total expenses	143,224	150,739	94,769	132,817	237,993	283,556
Excess before transfers	(20,012)	(17,276)	(9,078)	29,308	(29,090)	12,032
Transfers	(621)	1,353	621	(1,353)		
Change in net assets	(\$20,633)	(\$15,923)	(\$8,457)	\$27,955	(\$29,090)	\$12,032

- The City has invested \$143 million in governmental program expenses and another \$95 million in business-type activities, for total annual expenses of \$238 million.
- The largest governmental programs include community development (includes housing and redevelopment) and public safety. Police and Fire program expenses collectively decreased by \$8.5 million from the prior year due to the closure of two of the City's 8 fire stations in March 2008 and other position reductions as the City adjusted service levels to its declining tax revenue base.
- The largest business-type programs include water, regional transportation, and sanitation/flood control. The Marine World JPA ceased operations during the prior year upon exercise of a purchase option and sale of the park. Excluding Marine World, business-type expenses in total remained generally consistent at \$94 million, compared to at \$93 million in the prior year.
- The City's total annual expenses of \$238 million have been funded with \$209 million of revenues, including \$137 million of program revenues, generated for the use of specific programs, and \$75 million of general revenues, available for general use. City programs in total drew down \$29 million of net asset reserves during the year.

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	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net Revenue (Expense) of Activities</u>
General government	(\$17,930,802)		(\$17,930,802)
Fire services	(24,629,574)	\$3,420,808	(21,208,766)
Police services	(37,381,874)	5,136,526	(32,245,348)
Public works	(22,384,992)	15,243,499	(7,141,493)
Community and development services	(40,901,900)	21,477,228	(19,424,672)
	<u>(\$143,229,142)</u>	<u>\$45,278,061</u>	<u>(\$97,951,081)</u>

Net of program revenues, Police and Fire remain the largest municipal programs 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	Expenses	Program Revenues	Net Revenue (Expense) of Activities
Water utility	(\$33,749,246)	\$32,899,865	(\$849,381)
Local transportation	(28,008,014)	27,247,094	(760,920)
Sanitation and flood control	(28,865,210)	25,819,994	(3,045,216)
Marina	(3,144,811)	1,852,982	(1,291,829)
Golf	(1,003,348)	557,336	(446,012)
	<u>(\$94,770,629)</u>	<u>\$88,377,271</u>	<u>(\$6,393,358)</u>

In total, the fee and grant structures for these business-type operations are generally covering the cost of services, after allowing for year-to-year fluctuations in the timing of capital contributions and related improvement projects. An exception is the Marina Enterprise fund, which relies on annual cash transfers from the State Lands Commission and General Funds to sustain its operations and debt service.

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 2008-09 fiscal year \$79 million expenditure budget provided for the services of 356 employees. Labor costs comprise approximately 74% 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 operated at annual deficits during the three years leading to 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 five year period from June 30, 2004 to June 30, 2009, the General Fund work force has been reduced by 28%, from 494 to 356 employees as the City adjusted service levels in response to growing employee unit costs and declining tax revenues. Subsequent to June 30, 2009, the General Fund work force has been further reduced to 340, for a cumulative reduction of one third.

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,

2008. For these reasons, the City filed a petition for bankruptcy in May, 2008.

Labor Contracts

The City workforce is organized through four employee associations and unrepresented employees. As of July 1, 2008, labor agreements were in place through June 30, 2010. The following is a summary of the contract terms in place at the beginning of the 2008-09 fiscal year.

Salaries - Salaries have adjusted annually through formulas in the employee labor agreements. Public Safety salaries were 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 member salaries were estimated to increase by 13% and management salaries by 9% over the same contract period.

Benefits - Employees enjoyed 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 2008-09. Retiree health costs are increasing as retirees live longer and the retiree pool grows. The General Fund paid \$2.9 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 July 1, 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 – During the year ended June 30, 2009, new labor agreements were negotiated with Police and mid-management employee groups. Subsequent to June 30, 2009, a new agreement was also negotiated with Fire employees. Reductions have further been implemented for City Council and executive staff. One group remains without a post-bankruptcy petition labor contract but has been subject to imposed salary and benefit reductions. The overall result has been a significant reduction in employee labor costs.

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 2008-09 fiscal year and subsequently in the 2009-10 fiscal year.

Decline in General Fund Revenues – The net impact to the City's General Fund revenues, including transfers, was a decline of \$7 million from \$84 million in the 2007-08 fiscal year to \$77 million in the 2008-09 fiscal year.

Fiscal year 2008-09 Budget

The original Fiscal Year 2008-09 General Fund budget was adopted with \$80 million in revenues, \$79 million in expenditures, and a \$1 million reserve. However, revenue estimates continued to decline, and both revenue and expenditure budgets were decreased during the year to \$77 million. Salary, benefit, and debt service reductions were unilaterally imposed on employee and bank creditors to achieve expenditure savings.

Ultimately, actual General Fund expenditures in total for the year were within the revised budget. \$76 million in operating expenditures and debt service transfers were paid from \$77 million in general tax and other revenues. As of June 30, 2009, the ending unrestricted, undesignated fund balance was \$1.5 million. However, creditor claims for imposed payment reductions have not been estimated or recorded as a General Fund liability. Such claims are subject to negotiation and adjustment through the bankruptcy court.

General Fund Debt Service Expenditures

The City's General fund debt obligations primarily consist of \$52 million in long-term leases which secure certificates of participation (COPS). The 2000, 2001, 2002, and 2003 COPS are also secured by letters of credit, and the 1999 COPS are insured. \$27 million in General Fund COPS were 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. During the year ended June 30, 2009, the General Fund transferred \$0.3 million to the Marina Enterprise Fund to support Marina debt service payments.

The 2000, 2001, 2002, and 2003 COPS are variable rate obligations and carry unique terms and conditions that created an immediate impact on the General Fund as the City's credit status

became compromised leading to its Bankruptcy petition in May 2008. These \$49 million of the General Fund variable rate COPS provided for weekly remarketing. Bonds that could not be remarketed in a given week could be tendered to the letter of credit provider, which then charged the City penalty rates that escalated the longer that the bonds remained unsold. As of and since July 1, 2008, all variable rate General Fund COPS have been tendered and remain held by the letter of credit provider.

The General Fund continued monthly debt service payments after filing its bankruptcy petition, although at reduced interest rates, through April 2009. During the period from May to July, 2009, facing further revenue shortfalls, the City suspended all General Fund principal and interest payments to conserve cash. Principal and interest payments resumed on August 1, 2009, at a 2% interest rate. Bond insurance was drawn to fund the debt service shortfall on the 1999 Certificates of Participation, resulting in no payment shortfall to those bondholders.

The ultimate repayment schedule and terms for these bonds remain subject to negotiation and confirmation through a plan of adjustment as the City seeks resolution of its bankruptcy case.

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 \$1.5 million at June 30, 2009 represents 2% of operational contingency or one week of operations.

Other Major Governmental Funds

- **Housing Authority** – The Housing Fund received \$14 million in federal HUD grants during the year to support its \$24 million Section 8 Housing Assistance Voucher Program expenditures. Because the Authority had accumulated a significant cash balance, HUD decreased its monthly advances during the year to draw down and better align the Authority's reserves with current program requirements. As a result, Section 8 expenditures exceeded revenues by \$9 million during the year. The Authority continues to target its program expenditures to balance with evolving monthly federal allocations. Recent HUD monthly advances have stabilized with program expenditures.
- **Mare Island** – This fund holds \$21 million of restricted federal funds to pay for the environmental remediation of the former Mare Island Naval base. \$9 million was expended during the year on this effort.

Enterprise Funds

- **Water Fund** – This fund collected \$32 million in user fees during the year to support \$24 million in operating costs and \$5 million in debt service, excluding depreciation. Capital fees financed \$1 million of capital improvements. Fund liquidity improved with \$14 million in cash balances available to cover \$7 million in current liabilities and \$4 million in capital project appropriations at June 30, 2009. The fund has \$106 million of capital assets, financed with \$68 million of long-term debt. Rates have adjusted annually through a five-year rate package approved by City Council in effect through 2008-09 and will continue through a new five-year rate package adopted in June 2009 through 2014.

- **Local Transportation** – This fund operates bus, ferry, and other mass transit options for the citizens of Vallejo and the surrounding region. \$10 million in user fees were supplemented by \$12 million in federal, state, and local grants to support \$24 million in operating costs, excluding depreciation. An additional \$5 million of capital grants were invested in \$4 million of capital assets. In prior years, the General Fund has cumulatively advanced \$2.8 million for working capital to the fund. For financial reporting in compliance with government accounting standards, these advances have been presented as operating transfers until the fund identifies options for long-term financial stability and repayment.
- **Sanitation and Flood Control** – This utility district operated during the year with \$24 million of user fees. \$3 million was invested in capital assets. The District reported a \$3.5 million loss on its investment portfolio.
- **Marina** – The Marina collected \$1.8 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 \$1.0 million. The fund continues to operate at a deficit, which was financed with contributions from the State Lands Commission Fund of \$0.3 million and General Fund of \$0.3 million. After all available resources in the State Lands Commission Fund are transferred to the Marina Fund, the General Fund is obligated for the balance needed to fund debt service on the Marina's share of the Certificates of Participation debt service, which is secured by leases of General Fund assets. On an accrual basis, the fund has a deficit net assets position of \$1.7 million at June 30, 2009, since its capital assets are depreciating 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 \$0.6 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 \$0.9 million at June 30, 2009, since its 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, 2009 and 2008. Total capital assets have decreased by \$14 million during the year to \$669 million. Total depreciation of \$29 million was offset by new capital additions of \$16 million. Governmental construction in progress includes the Wilson Avenue street improvement project and initial costs for the Vallejo Station transit terminal, both of which have been substantially financed with grants and development fees. Business-type construction in progress includes \$6 million for Sanitation and Flood Control projects, \$4 million in Transportation projects, and \$1 million for Water projects. Further information can be found in Note 6 to the financial statements.

	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$136,037,625	\$135,204,112	\$14,847,372	\$14,847,372	\$150,884,997	\$150,051,484
Building and improvement	41,967,423	43,850,656	278,599,095	278,985,452	320,566,518	322,836,108
Machinery and equipment	7,011,193	7,788,510	30,816,272	31,774,891	37,827,465	39,563,401
Infrastructure	88,983,401	77,348,070	40,001,861	41,960,477	128,985,262	119,308,547
Construction in progress	21,080,563	31,263,027	10,055,791	20,267,976	31,136,354	51,531,003
Total	<u>\$295,080,205</u>	<u>\$295,454,375</u>	<u>\$374,320,391</u>	<u>\$387,836,168</u>	<u>\$669,400,596</u>	<u>\$683,290,543</u>

DEBT ADMINISTRATION

Objectives - 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

Obligations - The following is a summary of the City's long-term debt obligations at June 30, 2009 and 2008.

	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Tax Allocation Bonds	\$10,986,320	\$11,371,320			\$10,986,320	\$11,371,320
Certificates of Participation	24,927,632	25,787,430	\$91,457,179	\$94,131,286	116,384,811	119,918,716
Capital Lease Obligations	1,264,790	1,484,689			1,264,790	1,484,689
Revenue Bonds			62,705,942	64,831,880	62,705,942	64,831,880
Loans & Notes Payable			19,817,014	21,130,805	19,817,014	21,130,805
Total	<u>\$37,178,742</u>	<u>\$38,643,439</u>	<u>\$173,980,135</u>	<u>\$180,093,971</u>	<u>\$211,158,877</u>	<u>\$218,737,410</u>

In total, long-term debt decreased by \$7.6 million during the year ended June 30, 2009 through normal principal amortization from annual debt service payments. No new debt was issued. See additional discussion of the status of the City's General Fund Certificates of Participation, including shortages in the City's debt payments on these obligations, in the General Fund Major Fund discussion above. Further information can also be found in Note 7 to the Financial Statements.

Net Debt - 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 \$1,744 from \$1,806 compared to the prior fiscal year.

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Net debt	\$211,158,877	\$218,737,410
Net debt per capita	\$1,744	\$1,806
Net debt per capita as a percentage of per capita personal income	4.59%	4.86%
Net debt as a percentage of net assessed value	2.13%	2.09%

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, the City continues 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.

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GOVERNMENT WIDE FINANCIAL STATEMENTS

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

CITY OF VALLEJO
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and investments (Note 3)	\$66,755,863	\$59,627,837	\$126,383,700
Accounts receivable	3,942,224	15,700,541	19,642,765
Internal balances (Note 4)	148,815	(148,815)	
Due from other governments	4,841,818	4,029,135	8,870,953
Materials, parts, and supplies	186,073	2,298,930	2,485,003
Prepays	48,383	99,163	147,546
Total Current Assets	75,923,176	81,606,791	157,529,967
Restricted cash and investments			
held with fiscal agent (Note 3)	29,505,851	14,412,639	43,918,490
Land held for redevelopment	1,843,279		1,843,279
Notes and loans receivable (Note 5)	24,455,676	1,197,139	25,652,815
Issuance cost		2,766,835	2,766,835
Deferred lease		1,230,582	1,230,582
Capital assets (Note 6):			
Nondepreciable	157,118,188	24,903,163	182,021,351
Depreciable, net of accumulated depreciation	137,962,017	349,417,228	487,379,245
Total Noncurrent Assets	350,885,011	393,927,586	744,812,597
Total Assets	426,808,187	475,534,377	902,342,564
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	12,869,538	5,090,793	17,960,331
Accrued interest payable	585,823	1,691,271	2,277,094
Due to other governments	941,272		941,272
Unearned revenues	3,992,116	4,885,592	8,877,708
Deposits payable	1,835,556	3,324,050	5,159,606
Employee benefits payable (Note 10 and 12)	8,099,183	1,843,605	9,942,788
Claims liability, due within one year (Note 14)	2,114,469		2,114,469
Long-term debt, due within one year (Note 7)	1,565,700	6,458,180	8,023,880
Total Current Liabilities	32,003,657	23,293,491	55,297,148
Noncurrent liabilities:			
Claims liability (Note 14)	9,406,531		9,406,531
Employee benefits payable (Notes 10 and 12)	25,165,286	1,872,207	27,037,493
Long-term debt (Note 7)	35,613,042	167,521,955	203,134,997
Total Noncurrent Liabilities	70,184,859	169,394,162	239,579,021
Total Liabilities	102,188,516	192,687,653	294,876,169
NET ASSETS (Note 13)			
Invested in capital assets, net of related debt	266,223,475	203,332,924	469,556,399
Restricted for:			
Debt service		12,546,650	12,546,650
Capital projects	31,601,627	28,964,491	60,566,118
Special projects and programs	53,662,062		53,662,062
Total Restricted Net Assets	85,263,689	41,511,141	126,774,830
Unrestricted	(26,867,493)	38,002,659	11,135,166
Total Net Assets	\$324,619,671	\$282,846,724	\$607,466,395

See accompanying notes to financial statements

CITY OF VALLEJO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

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	\$230,008				(\$230,008)		(\$230,008)
Executive	515,508				(515,508)		(515,508)
Finance	1,843,470				(1,843,470)		(1,843,470)
Human resources	500,773				(500,773)		(500,773)
Law	907,159				(907,159)		(907,159)
Development services	2,612,545	\$2,216,356			(396,189)		(396,189)
Community development	38,289,355	2,972,439	\$16,288,433		(19,028,483)		(19,028,483)
Fire services	24,629,574	3,420,808			(21,208,766)		(21,208,766)
Police services	37,381,878	3,244,019	1,892,507		(32,245,352)		(32,245,352)
Public works	22,384,988	6,699,092	2,184,415	\$6,359,992	(7,141,489)		(7,141,489)
Nondepartmental	11,426,993				(11,426,993)		(11,426,993)
Interest on long term debt	2,506,891				(2,506,891)		(2,506,891)
Total Governmental Activities	143,229,142	18,552,714	20,365,355	6,359,992	(97,951,081)		(97,951,081)
Business-type Activities:							
Water	33,749,246	31,805,420		1,094,445		(\$849,381)	(849,381)
Local Transportation	28,008,014	10,032,788	12,260,279	4,954,027		(760,920)	(760,920)
Sanitation and Flood Control	28,865,210	24,402,224	998,959	418,811		(3,045,216)	(3,045,216)
Marina	3,144,811	1,832,982	20,000			(1,291,829)	(1,291,829)
Golf	1,003,348	557,336				(446,012)	(446,012)
Total Business-type Activities	94,770,629	68,630,750	13,279,238	6,467,283		(6,393,358)	(6,393,358)
Total	\$237,999,771	\$87,183,464	\$33,644,593	\$12,827,275	(97,951,081)	(6,393,358)	(104,344,439)
General revenues:							
Taxes:							
Property taxes/In-lieu property tax					27,517,540		27,517,540
Incremental property taxes					3,591,154		3,591,154
Sales taxes					11,480,014		11,480,014
User Utility					13,057,518		13,057,518
Franchise					4,876,613		4,876,613
Transit occupancy					1,328,673		1,328,673
Other					4,201,000		4,201,000
Mare Island CFD Assessments					5,022,136		5,022,136
Investment earnings					2,826,200	(2,857,059)	(30,859)
Miscellaneous					4,038,522	171,513	4,210,035
Transfers (Note 4)					(621,487)	621,487	
Total general revenues and transfers					77,317,883	(2,064,059)	75,253,824
Change in Net Assets					(20,633,198)	(8,457,417)	(29,090,615)
Net Assets-Beginning					345,252,869	291,304,141	636,557,010
Net Assets-Ending					\$324,619,671	\$282,846,724	\$607,466,395

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, 2009. 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, 2009

	General	Housing Authority	Mare Island Conversion	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments (Note 3)	\$2,026,473	\$5,556,364	\$2,015,165	\$45,397,610	\$54,995,612
Restricted cash and investments held with fiscal agent (Note 3)			21,254,020	8,251,831	29,505,851
Accounts receivable	2,677,757	47,802		1,167,186	3,892,745
Notes and loans receivable (Note 5)	827,816	50,900		23,576,960	24,455,676
Due from other governments	2,391,869			2,449,949	4,841,818
Advance to other funds (Note 4)				5,297,618	5,297,618
Materials, parts, and supplies	2,403				2,403
Prepays	48,383				48,383
Land held for redevelopment	499,684			1,343,595	1,843,279
Total Assets	\$8,474,385	\$5,655,066	\$23,269,185	\$87,484,749	\$124,883,385
LIABILITIES					
Accounts payable and accrued liabilities	\$3,224,167	\$237,137	\$6,550,168	\$2,717,371	\$12,728,843
Due to other funds (Note 4)				1,447,591	1,447,591
Due to other governments	2,210			939,062	941,272
Deferred revenues	633,700			13,718,223	14,351,923
Advances from other funds (Note 4)				5,297,618	5,297,618
Deposits payable	288,440	45,529		1,501,587	1,835,556
Total Liabilities	4,148,517	282,666	6,550,168	25,621,452	36,602,803
FUND BALANCES (Note 13)					
Fund balance					
Reserved for:					
Encumbrances	259,581			135,389	394,970
Materials, parts, supplies	2,403				2,403
Prepays	48,383				48,383
Debt service				1,293,554	1,293,554
Notes and loans	777,221	50,900		14,285,667	15,113,788
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		1,924,560	14,706,035	12,123,023	28,753,618
Program restrictions - Unappropriated	341,369	3,396,940	2,012,982	32,538,201	38,289,492
Unreserved:					
Designated for					
Program commitments:					
General Fund	235,000				235,000
Capital Projects Funds				715,910	715,910
State budget impact/SB1096	628,750				628,750
Undesignated, Reported in:					
General Fund	1,533,477				1,533,477
Special Revenue Funds				98,115	98,115
Capital Projects Funds				64,748	64,748
Debt Service Funds				(5,530,905)	(5,530,905)
Total Fund Balances	4,325,868	5,372,400	16,719,017	61,863,297	88,280,582
Total Liabilities and Fund Balances	\$8,474,385	\$5,655,066	\$23,269,185	\$87,484,749	\$124,883,385

See accompanying notes to financial statements

CITY OF VALLEJO
 Reconciliation of
 GOVERNMENTAL FUND BALANCES
 with
 GOVERNMENTAL NET ASSETS
 JUNE 30, 2009

Total fund balances reported on the governmental funds balance sheet \$88,280,582

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

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and
 therefore are not reported in the Governmental Funds. 293,051,626

ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS

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.

Cash and investments	\$11,760,251	
Accounts receivable	49,479	
Materials, parts, and supplies	183,670	
Due from other funds	1,596,406	
Capital assets	2,028,579	
Accounts payable	(140,695)	
Claims payable	(11,521,000)	
Employee benefits payable	<u>(15,307,831)</u>	
		(11,351,141)

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. 10,359,807

LONG-TERM ASSETS AND LIABILITIES

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

Long-term debt		(37,178,742)
Interest payable		(585,823)
Compensated absences		<u>(17,956,638)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$324,619,671

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, 2009

	General	Housing Authority	Mare Island Conversion	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$51,071,916			\$4,744,042	\$55,815,958
Licenses, permits, and fees	1,846,301			594,313	2,440,614
Fines and forfeitures	1,430,689			130,120	1,560,809
Intergovernmental	11,908,871	\$14,197,981		10,636,200	36,743,052
Use of money and property	599,651	159,452	\$422,598	3,338,757	4,520,458
Charges for services	8,061,261			11,965,187	20,026,448
Other	131,494	118,632		590,914	841,040
Total Revenues	75,050,183	14,476,065	422,598	31,999,533	121,948,379
EXPENDITURES					
Current:					
Legislative and advisory	215,485				215,485
Executive	621,003				621,003
Finance	1,696,164				1,696,164
Human resources	553,254				553,254
Law	863,429				863,429
Development services	2,457,265			175,763	2,633,028
Community development	744,688	23,836,974	8,693,480	5,781,055	39,056,197
Fire services	20,424,746			2,682,461	23,107,207
Police services	31,487,056			2,867,205	34,354,261
Public works	3,987,009			8,726,915	12,713,924
No departmental	9,894,757			1,532,236	11,426,993
Capital outlay				7,499,257	7,499,257
Debt Service:					
Principal	219,899			1,244,798	1,464,697
Interest and fiscal agent fees	50,157			2,286,015	2,336,172
Total Expenditures	73,214,912	23,836,974	8,693,480	32,795,705	138,541,071
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,835,271	(9,360,909)	(8,270,882)	(796,172)	(16,592,692)
OTHER FINANCING SOURCES (USES)					
Transfers in (Note 4)	1,622,168			4,161,528	5,783,696
Transfers out (Note 4)	(2,644,611)			(3,652,990)	(6,297,601)
Total Other Financing Sources (Uses)	(1,022,443)			508,538	(513,905)
NET CHANGE IN FUND BALANCES	812,828	(9,360,909)	(8,270,882)	(287,634)	(17,106,597)
BEGINNING FUND BALANCES	3,513,040	14,733,309	24,989,899	62,150,931	105,387,179
ENDING FUND BALANCES	\$4,325,868	\$5,372,400	\$16,719,017	\$61,863,297	\$88,280,582

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, 2009

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 (\$17,106,597)

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	8,451,445
Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of \$706,923 which has already been allocated to serviced funds)	(8,192,520)

LONG TERM DEBT PROCEEDS AND PAYMENTS

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

Repayment of debt principal is added back to fund balance	1,464,697
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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	(170,719)
Deferred revenue	787,258
Compensated absences	531,578

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	<u>(6,398,340)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>(\$20,633,198)</u></u>
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CITY OF VALLEJO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES:				
Taxes	\$53,217,126	\$51,478,908	\$51,071,916	(\$406,992)
Licenses, permits and fees	2,167,091	2,006,298	1,846,301	(159,997)
Fines and forfeitures	1,550,625	1,297,306	1,430,689	133,383
Intergovernmental	12,386,621	11,728,007	11,908,871	180,864
Use of money and property	603,511	556,704	599,651	42,947
Charges for services	8,188,983	8,022,187	8,061,261	39,074
Other	511,000	119,000	131,494	12,494
Total Revenues	<u>78,624,957</u>	<u>75,208,410</u>	<u>75,050,183</u>	<u>(158,227)</u>
EXPENDITURES:				
Current:				
Legislative and advisory	212,220	225,220	215,485	9,735
Executive	667,772	627,772	621,003	6,769
Finance	1,648,549	1,829,638	1,696,164	133,474
Human resources	646,017	585,739	553,254	32,485
Law	946,848	868,848	863,429	5,419
Development services	2,816,489	2,831,965	2,457,265	374,700
Community development	1,154,558	713,099	744,688	(31,589)
Fire services	21,138,777	20,649,085	20,424,746	224,339
Police services	33,274,985	31,834,985	31,487,056	347,929
Public works	4,130,461	4,106,585	3,987,009	119,576
Nondepartmental	9,380,952	10,236,518	9,894,757	341,761
Capital Outlay				
Debt Service:				
Principal	293,830	270,055	219,899	50,156
Interest	117,850	91,625	50,157	41,468
Total Expenditures	<u>76,429,308</u>	<u>74,871,134</u>	<u>73,214,912</u>	<u>1,656,222</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,195,649</u>	<u>337,276</u>	<u>1,835,271</u>	<u>1,497,995</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,025,000	1,545,000	1,622,168	77,168
Transfers (out)	<u>(2,220,650)</u>	<u>(2,654,057)</u>	<u>(2,644,611)</u>	<u>9,446</u>
Total other financing sources (uses)	<u>(1,195,650)</u>	<u>(1,109,057)</u>	<u>(1,022,443)</u>	<u>86,614</u>
NET CHANGE IN FUND BALANCE	<u>\$999,999</u>	<u>(\$771,781)</u>	812,828	<u>\$1,584,609</u>
Fund balance, July 1			<u>3,513,040</u>	
Fund balance, June 30			<u>\$4,325,868</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$11,158,372	\$11,164,372	\$14,197,981	\$3,033,609
Use of money and property	288,224	288,224	159,452	(128,772)
Other	<u>77,899</u>	<u>71,899</u>	<u>118,632</u>	<u>46,733</u>
Total Revenues	<u>11,524,495</u>	<u>11,524,495</u>	<u>14,476,065</u>	<u>2,951,570</u>
EXPENDITURES:				
Current:				
Community development	<u>22,068,182</u>	<u>21,818,713</u>	<u>23,836,974</u>	<u>(2,018,261)</u>
Total Expenditures	<u>22,068,182</u>	<u>21,818,713</u>	<u>23,836,974</u>	<u>(2,018,261)</u>
NET CHANGE IN FUND BALANCE	<u>(\$10,543,687)</u>	<u>(\$10,294,218)</u>	(9,360,909)	<u>\$933,309</u>
Fund balance, July 1			<u>14,733,309</u>	
Fund balance, June 30			<u>\$5,372,400</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 2009.

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.

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, 2009

Business-type Activities-Enterprise Funds

	<u>Water</u>	<u>Local Transportation</u>	<u>Sanitation and Flood Control</u>	<u>Marina</u>
ASSETS				
Current assets:				
Cash and investments (Note 3)	\$14,478,735	\$3,456,476	\$40,960,152	\$583,496
Accounts receivable	8,140,597	320,018	7,102,179	78,414
Due from other governments		4,029,135		
Material, parts and supplies	660,856	1,349,994	274,336	13,744
Prepays	99,163			
Due from other funds (Note 4)				
Total current assets	<u>23,379,351</u>	<u>9,155,623</u>	<u>48,336,667</u>	<u>675,654</u>
Noncurrent assets:				
Restricted cash and investments held with fiscal agent (Note 3)	4,270,729		8,519,932	
Issuance costs	1,387,281		877,793	247,583
Notes receivable (Note 5)	673,373		302,092	
Deferred lease			1,230,582	
Capital assets (Note 6):				
Nondepreciable	1,157,083	3,182,312	8,335,698	10,736,670
Depreciable, net	<u>105,235,461</u>	<u>27,949,123</u>	<u>207,145,150</u>	<u>3,980,338</u>
Total noncurrent assets	<u>112,723,927</u>	<u>31,131,435</u>	<u>226,411,247</u>	<u>14,964,591</u>
Total assets	<u>136,103,278</u>	<u>40,287,058</u>	<u>274,747,914</u>	<u>15,640,245</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	1,296,308	2,675,177	1,071,432	44,546
Accrued interest payable	362,487		982,204	220,969
Due to other funds (Note 4)		148,815		
Deferred revenue		4,854,009		31,583
Deposits payable	2,276,836	1,125	924,918	121,171
Claims payable, current (Note 14)				
Employee benefits payable, current (Notes 10 and 12)	1,060,858	35,712	724,446	22,589
Long-term debt, due within one year (Note 7)	<u>2,424,054</u>		<u>3,369,167</u>	<u>309,959</u>
Total current liabilities	<u>7,420,543</u>	<u>7,714,838</u>	<u>7,072,167</u>	<u>750,817</u>
Long-term liabilities:				
Long-term debt, due in more than one year (Note 7)	66,064,448		75,636,910	16,545,623
Claims payable, noncurrent (Note 14)				
Employee benefits payable, noncurrent (Notes 10 and 12)	<u>675,234</u>		<u>1,180,971</u>	<u>16,002</u>
Total noncurrent liabilities	<u>66,739,682</u>		<u>76,817,881</u>	<u>16,561,625</u>
Total Liabilities	<u>74,160,225</u>	<u>7,714,838</u>	<u>83,890,048</u>	<u>17,312,442</u>
NET ASSETS (Note 13)				
Invested in capital assets, net of related debt Restricted for capital improvements	37,904,042	31,131,435	138,623,787	(2,138,574)
Restricted for debt service	4,270,729		7,497,595	
Unrestricted	<u>19,768,282</u>	<u>1,440,785</u>	<u>16,615,645</u>	<u>466,377</u>
Total Net Assets	<u>\$61,943,053</u>	<u>\$32,572,220</u>	<u>\$190,857,866</u>	<u>(\$1,672,197)</u>

See accompanying notes to financial statements

<u>Business-type Activities-Enterprise Funds</u>		<u>Governmental Activities- Internal Service Funds</u>
<u>Golf</u>	<u>Totals</u>	
\$148,978	\$59,627,837	\$11,760,251
59,333	15,700,541	49,479
	4,029,135	
	2,298,930	183,670
	99,163	
		1,596,406
<u>208,311</u>	<u>81,755,606</u>	<u>13,589,806</u>
1,621,978	14,412,639	
254,178	2,766,835	
221,674	1,197,139	
	1,230,582	
1,491,400	24,903,163	
<u>5,107,156</u>	<u>349,417,228</u>	<u>2,028,579</u>
<u>8,696,386</u>	<u>393,927,586</u>	<u>2,028,579</u>
<u>8,904,697</u>	<u>475,683,192</u>	<u>15,618,385</u>
3,330	5,090,793	140,695
125,611	1,691,271	
	148,815	
	4,885,592	
	3,324,050	
		2,114,469
	1,843,605	274,889
<u>355,000</u>	<u>6,458,180</u>	
<u>483,941</u>	<u>23,442,306</u>	<u>2,530,053</u>
9,274,974	167,521,955	
	1,872,207	9,406,531
		15,032,942
<u>9,274,974</u>	<u>169,394,162</u>	<u>24,439,473</u>
<u>9,758,915</u>	<u>192,836,468</u>	<u>26,969,526</u>
(2,187,766)	203,332,924	2,028,579
843,652	28,964,491	
778,326	12,546,650	
<u>(288,430)</u>	<u>38,002,659</u>	<u>(13,379,720)</u>
<u>(\$854,218)</u>	<u>\$282,846,724</u>	<u>(\$11,351,141)</u>

CITY OF VALLEJO
 PROPRIETARY FUNDS
 STATEMENT OF REVENUE, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2009

	Business-type Activities-Enterprise Funds			
	Water	Local Transportation	Sanitation and Flood Control	Marina
OPERATING REVENUES				
Charges for services	\$31,216,597	\$10,032,788	\$23,390,622	\$1,832,982
Other	588,823		1,011,602	
Total operating revenues	31,805,420	10,032,788	24,402,224	1,832,982
OPERATING EXPENSES				
Operations expenses	16,382,932	22,284,117	14,111,937	1,170,614
General and administrative	8,090,154	1,230,275	3,055,478	130,692
Insurance and claims				
Depreciation	6,449,964	4,092,129	8,173,334	1,035,863
Total operating expenses	30,923,050	27,606,521	25,340,749	2,337,169
Operating income (loss)	882,370	(17,573,733)	(938,525)	(504,187)
NONOPERATING REVENUES (EXPENSES)				
Investment income (loss)	542,369	61,648	(3,504,338)	3,519
Intergovernmental revenue		12,260,279	998,959	20,000
Gain (loss) on sale of capital assets		(401,493)		
Interest expense and fiscal charges	(2,749,361)		(3,524,461)	(798,179)
Bond issuance cost	(76,835)			(9,463)
Other revenues (expenses)		(70,382)	241,895	
Total nonoperating revenues (expenses)	(2,283,827)	11,850,052	(5,787,945)	(784,123)
Contributions	1,094,445	4,954,027	418,811	
Transfers in (Note 4)				621,487
Transfers (out) (Note 4)				
Change in net assets	(307,012)	(769,654)	(6,307,659)	(666,823)
BEGINNING NET ASSETS (DEFICIT)	62,250,065	33,341,874	197,165,525	(1,005,374)
ENDING NET ASSETS (DEFICIT)	\$61,943,053	\$32,572,220	\$190,857,866	(\$1,672,197)

See accompanying notes to financial statements

<u>Business-type Activities-Enterprise Funds</u>		<u>Governmental Activities- Internal Service Funds</u>
<u>Golf</u>	<u>Totals</u>	
\$557,336	\$67,030,325	\$10,122,582
	1,600,425	3,759,163
<u>557,336</u>	<u>68,630,750</u>	<u>13,881,745</u>
	53,949,600	15,527,327
151,137	12,657,736	
		4,483,107
<u>362,412</u>	<u>20,113,702</u>	<u>706,923</u>
<u>513,549</u>	<u>86,721,038</u>	<u>20,717,357</u>
<u>43,787</u>	<u>(18,090,288)</u>	<u>(6,835,612)</u>
39,743	(2,857,059)	481,794
	13,279,238	
	(401,493)	63,060
(457,351)	(7,529,352)	
(32,448)	(118,746)	
	171,513	
<u>(450,056)</u>	<u>2,544,101</u>	<u>544,854</u>
	6,467,283	
	621,487	892,418
		(1,000,000)
(406,269)	(8,457,417)	(6,398,340)
<u>(447,949)</u>	<u>291,304,141</u>	<u>(4,952,801)</u>
<u>(\$854,218)</u>	<u>\$282,846,724</u>	<u>(\$11,351,141)</u>

CITY OF VALLEJO
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2009

	Business-type Activities-Enterprise Funds:			
	Water	Local Transportation	Sanitation and Flood Control	Marina
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$33,614,098	\$10,032,788	\$24,041,099	\$1,825,158
Payments to suppliers	(16,650,734)	(22,181,501)	(6,553,086)	(1,383,628)
Payments to employees	(8,039,149)	(1,233,216)	(10,643,581)	6,534
Claims paid				
Cash Flows from Operating Activities	8,924,215	(13,381,929)	6,844,432	448,064
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in				621,487
Transfers (out)				
Increase (decrease) in due from other funds		(4,458,348)		
Increase (decrease) in due to other funds		15,597,037	998,959	20,000
Intergovernmental receipts				
Cash Flows from Noncapital Financing Activities		11,138,689	998,959	641,487
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(872,670)	(3,669,937)	(2,794,582)	(30,329)
Intergovernmental receipts		7,875,497		
Proceeds from sale of capital assets			14,265	
Notes receivable cash collections			260	
Principal payments on capital debt	(2,618,625)		(3,255,630)	(300,677)
Interest paid	(2,778,713)		(3,775,811)	(660,228)
Capital contributions	1,094,445		(140,229)	
Cash Flows from Capital and Related Financing Activities	(5,175,563)	4,205,560	(9,951,727)	(991,234)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest	542,369	61,648	(3,504,338)	3,519
Cash Flows from Investing Activities	542,369	61,648	(3,504,338)	3,519
Net Cash Flows	4,291,021	2,023,968	(5,612,674)	101,836
Cash and investments at beginning of period	14,458,443	1,432,508	55,092,758	481,660
Cash and investments at end of period	<u>\$18,749,464</u>	<u>\$3,456,476</u>	<u>49,480,084</u>	<u>\$583,496</u>
Noncash transactions				
Retirement of capital assets		<u>(\$401,493)</u>		
Reconciliation of Operating Income (Loss) to Cash Flows				
from Operating Activities:				
Operating income (loss)	\$882,370	(\$17,573,733)	(\$938,525)	(\$504,187)
Adjustments to reconcile operating income to cash flows				
from operating activities:				
Depreciation and other	6,449,964	4,083,396	8,173,334	1,035,863
Change in assets and liabilities:				
Receivables, net	1,043,722		(1,159,689)	(22,088)
Inventory and prepaids	(91,501)	143,213		12,910
Other assets	589,186		1,412,805	
Accounts payable and other accrued expenses	(176,301)	(31,864)	(643,493)	(95,232)
Employee benefits payable	51,005	(2,941)		6,534
Deposits payable	175,770			(1,147)
Deferred revenue				15,411
Claims payable				
Cash Flows from Operating Activities	\$8,924,215	(\$13,381,929)	\$6,844,432	\$448,064

See accompanying notes to financial statements

Business-type Activities-Enterprise Funds

<u>Golf</u>	<u>Totals</u>	<u>Governmental Activities- Internal Service Funds</u>
\$621,333	\$70,134,476	\$13,867,644
(119,029)	(46,887,978)	(3,007,976)
	(19,909,412)	(6,619,574)
		(4,086,107)
<u>502,304</u>	<u>3,337,086</u>	<u>153,987</u>
	621,487	892,418
		(1,000,000)
	(4,458,348)	4,972,571
	<u>16,615,996</u>	
	<u>12,779,135</u>	<u>4,864,989</u>
	(7,367,518)	(10,768)
	7,875,497	
	14,265	
	260	
	(6,174,932)	
(373,924)	(7,588,676)	
	954,216	
<u>(373,924)</u>	<u>(12,286,888)</u>	<u>(10,768)</u>
39,743	(2,857,059)	481,794
<u>39,743</u>	<u>(2,857,059)</u>	<u>481,794</u>
168,123	972,274	5,490,002
<u>1,602,833</u>	<u>73,068,202</u>	<u>6,270,249</u>
<u>\$1,770,956</u>	<u>\$74,040,476</u>	<u>\$11,760,251</u>
\$43,787	(\$18,090,288)	(\$6,835,612)
362,412	20,104,969	706,923
(5,999)	(144,054)	(14,101)
43,809	108,431	
69,996	2,071,987	(5,178)
(11,701)	(958,591)	(667,972)
	54,598	6,572,927
	174,623	
	15,411	
		<u>397,000</u>
<u>\$502,304</u>	<u>\$3,337,086</u>	<u>\$153,987</u>

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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, 2009

	<u>Agency Funds</u>
ASSETS	
Cash and investments (Note 3)	\$10,298,012
Restricted cash and investments held with fiscal agent (Note 3)	<u>4,415,945</u>
Total Assets	<u><u>\$14,713,957</u></u>
 LIABILITIES	
Due to bondholders	<u>\$14,713,957</u>
Total Liabilities	<u><u>\$14,713,957</u></u>

See accompanying notes to financial statements

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2009

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 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
- 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 programs. 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 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, 2009.

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
Notes to Financial Statements
For the Year Ended June 30, 2009

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 -- Flosden 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
Notes to Financial Statements
For the Year Ended June 30, 2009

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
Notes to Financial Statements
For the Year Ended June 30, 2009

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.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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; and bankruptcy claims; 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
Notes to Financial Statements
For the Year Ended June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 c) 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 Mare Island Conversion, Cold Case Grant, and Utility Billing Administration Special Revenue Funds.

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.

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.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. *Land Held for Redevelopment*

Land held for redevelopment is stated at the lower of historical cost or net realizable value, if estimable. Net realizable value equals the agreed-upon sales price when a disposition agreement has been reached with a developer.

J. *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.

K. *New Funds*

The Cold Case Grant Special Revenue Fund and the Bankruptcy Claims Internal Service Fund were established as of July 1, 2008.

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.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2009

NOTE 2 – BANKRUPTCY (Continued)

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.

Pendency Plan and Service Delivery – Since the bankruptcy filing, 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 on General Fund debt. 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 early September, 2008, the Bankruptcy Court ruled that the City was eligible for chapter 9 relief. The Court found that the City met the eligibility requirements of the Bankruptcy Code, including that on the date of the filing, the City was "insolvent" within the meaning of the Code. The Bankruptcy Court also ruled that the City sought bankruptcy relief in good faith. Three of the City's four labor unions appealed that decision to the Bankruptcy Appellate Panel of the Ninth Circuit Court of Appeals (the "BAP"), arguing, among other things, that the City was not insolvent because it could access the funds on hand that the City contends (and the Bankruptcy Court agreed) are legally restricted and unavailable for General Fund use. In an opinion filed in June, 2009, the BAP affirmed the Bankruptcy Court's eligibility ruling. The unions did not seek review at the Ninth Circuit, meaning that the eligibility findings and order are final.

Court Rulings on Contract Rejection - In June, 2008, the City moved to reject the collective bargaining agreements (the "CBAs") with all four of the City's labor unions. In February, 2009, the City reached new agreements with the Vallejo Peace Officer's Association and the Confidential, Administrative, Managerial and Professional Association.

Also in February, 2009, the Bankruptcy Court conducted an evidentiary hearing on the City's motion to reject the remaining CBAs, namely those with the International Association of Fire Fighters ("IAFF") and the International Brotherhood of Electrical Workers ("IBEW"), which represents most miscellaneous non-public safety employees. In March, 2009, the Bankruptcy Court issued a decision that established the standard for the rejection of the two remaining CBAs, choosing to apply the bankruptcy standard announced by the United States Supreme Court in an earlier chapter 11 case rather than to apply state law, as suggested by IBEW and IAFF. A subsequent order compelled the parties to attempt to settle their disputes through mediation prior to any Bankruptcy Court ruling on whether the rejection standards had been met.

Following mediation, IAFF stipulated to the rejection of its CBA in August, 2009, but the City and IBEW could not reach agreement. In August, 2009, the Bankruptcy Court entered its order rejecting the IBEW CBA. That order was appealed to the United States District Court for the Eastern District of California, which heard oral argument in March, 2010. The Court has informed the parties not to expect a ruling before May, 2010.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2009

NOTE 2 – BANKRUPTCY (Continued)

After the rejection of the IAFF CBA, the parties entered into mediation and arbitration as mandated by the City Charter. Following five days of mediation and five days of arbitration in January, 2010, and in anticipation of continued arbitration sessions to commence in mid-March, the parties settled and approved a new agreement in March, 2010.

IBEW is the only City labor union without a post petition agreement. Following the mandated City Charter process, mediation is scheduled to commence on March 31, 2010. If no agreement is reached, the parties will commence arbitration in May, 2010.

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. 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 its 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 to Union Bank pursuant to the Pendency Plan discussed above, the City has triggered a default under the Union Bank agreements.

During the period from May to July, 2009, facing further revenue shortfalls, the City suspended all General Fund principal and interest payments to conserve cash. Principal and interest payments resumed on August 1, 2009, at a 2% interest rate. Bond insurance was drawn to fund the debt service shortfall on the 1999 Certificates of Participation, resulting in no payment shortfall to those bondholders. See additional discussion at Note 7E.

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 immediately pay the principal of the certificates in full. Rather, it remains obligated to continue to make lease payments each year pursuant to the terms of the respective leases.

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.

In December 2009, to facilitate negotiation of a plan of adjustment, the City adopted a Bankruptcy Workout Plan as a framework for negotiating with its creditors. The Bankruptcy Workout Plan identifies available resources, policies and program allocations that can collectively lead to fiscal sustainability.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
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NOTE 2 – BANKRUPTCY (Continued)

Negotiations of the terms of a plan of adjustment have commenced, but no plan can be successfully negotiated until the remaining issues with IBEW have been resolved. If those 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 IBEW's objection. 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 the City's 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.

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, 2009 for each of these legal entities is as follows:

	City	Redevelopment Agency	Housing	Subtotal	Sanitation and Flood Control District	Total
Cash on hand	\$6,000		\$200	\$6,200		\$6,200
Deposits	6,673,171		3,420,947	10,094,118	\$851,380	10,945,498
Investments	112,183,139	\$11,117,389	2,135,217	125,435,745	48,628,704	174,064,449
	<u>\$118,862,310</u>	<u>\$11,117,389</u>	<u>\$5,556,364</u>	<u>\$135,536,063</u>	<u>\$49,480,084</u>	<u>\$185,016,147</u>

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NOTE 3 - CASH AND INVESTMENTS (Continued)

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	\$2,026,473	
Other funds	67,880,628	
Total, City		\$69,907,101
Redevelopment Agency		9,960,083
Housing Authority		5,556,364
Sanitation & Flood Control District		40,960,152
		126,383,700

Restricted cash and investments (held by fiscal agents):

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

City		
Mare Island Conversion	21,254,020	
Other funds	12,987,232	
Total, City		34,241,252
Redevelopment Agency		1,157,306
Sanitation & Flood Control District		8,519,932
		43,918,490
		170,302,190

Reported on the Statement of Fiduciary Net Assets

Cash and investments	10,298,012
Restricted investments (held by fiscal agents)	4,415,945
	14,713,957

Total cash and investments	\$185,016,147
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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, 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 pending periodic reimbursement and settlement of inter-agency balances. As of June 30, 2009, the City held balances of cash for each of the above entities representing their equity in the City's checking account.

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NOTE 3 - CASH AND INVESTMENTS (Continued)

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 policies.

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NOTE 3 - CASH AND INVESTMENTS (Continued)

City, Redevelopment Agency, and Housing Authority

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 AA or better	5%/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 Acceptances	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, 2009.

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NOTE 3 - CASH AND INVESTMENTS (Continued)

City, Redevelopment Agency, and Housing Authority

Investment Type	Less than 1 year	1 - 5 years	Total
<i>Held by the City and its Component Units:</i>			
U.S. Government Agencies	\$3,740,825	\$17,280,904	\$21,021,729
Corporate Notes	2,293,769	8,335,957	10,629,726
U.S. Treasury Notes	1,022,692	7,374,580	8,397,272
California Local Agency Investment Fund			
City	34,043,660		34,043,660
Housing Authority	2,135,218		2,135,218
Redevelopment Agency	10,001,189		10,001,189
Money Market Deposit Account	149,179		149,179
Certificates of Deposit	25,000		25,000
<i>Held by Fiscal Agent:</i>			
Money Market Deposit Account	2,320,115		2,320,115
Money Market Mutual Funds	36,712,657		36,712,657
Total Investments	<u>\$92,444,304</u>	<u>\$32,991,441</u>	<u>\$125,435,745</u>

Money market funds are available for withdrawal on demand and at June 30, 2009, have an average maturity which ranged from 1 to 12 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		\$25,100,780	\$579,975	\$3,300,024	\$28,980,779
Corporate Notes and Bonds	\$315,264	8,056,778			8,372,042
California Local Agency Investment Fund	4,060,104				4,060,104
Guaranteed Investment Contract				2,873,784	2,873,784
Money Market Funds	4,341,995				4,341,995
Total Investments	<u>\$8,717,363</u>	<u>\$33,157,558</u>	<u>\$579,975</u>	<u>\$6,173,808</u>	<u>\$48,628,704</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, 2009, these investments have an average maturity of 235 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, 2009 for each entity by investment type as provided by Moody's investment rating system.

City, Redevelopment Agency and Housing Authority

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	\$21,021,729			\$21,021,729
Corporate Notes	5,560,292	\$3,325,354	\$1,744,080	10,629,726
Money Market Mutual Funds	149,179			149,179
<i>Held by Fiscal Agent:</i>				
Money Market Deposit Account	2,320,115			2,320,115
Money Market Mutual Funds	36,712,657			36,712,657
Totals	<u>\$65,763,972</u>	<u>\$3,325,354</u>	<u>\$1,744,080</u>	<u>70,833,406</u>
<i>Not rated:</i>				
California Local Agency Investment Fund				
City				34,043,660
Housing Authority				2,135,218
Redevelopment Agency				10,001,189
Certificates of Deposit				25,000
<i>Exempt from credit rating disclosure:</i>				
U.S. Treasury Notes				8,397,272
Total Investments				<u>\$125,435,745</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	\$28,980,779				\$28,980,779
Corporate Bond and Notes				\$8,372,042	8,372,042
Guaranteed Investment Contract			\$2,873,784		2,873,784
Money Market Funds		\$4,341,995			4,341,995
Totals	<u>\$28,980,779</u>	<u>\$4,341,995</u>	<u>\$2,873,784</u>	<u>\$8,372,042</u>	44,568,600
<i>Not rated:</i>					
California Local Agency Investment Fund					4,060,104
Total Investments					<u>\$48,628,704</u>

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NOTE 3 - CASH AND INVESTMENTS (Continued)

H. Concentration Risk

The City 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, 2009, 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

Unit	Issuer	Investment Type	Reported Amount
Entity-wide	Federal Home Loan Bank	Federal agency securities	\$7,896,731

Sanitation and Flood Control District Concentration Risk

Of the Sanitation and Food Control District's controllable portfolio at June 30, 2009, 23% were with Federal National Mortgage Association, and 27% were with Federal Home Loan Mortgage Corporation.

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, 2009, the Sanitation and Flood Control District had a total bank balance of deposits of \$846,480. \$746,480 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, 2009, 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, 2009 were as follows:

Fund Making Transfers	Fund Receiving Transfers	Amount Transferred	
General Fund	Certificates of Participation Debt Service Fund	\$1,182,524	(A)
	Capital Outlay Capital Projects Fund	226,567	(B)
	Marina Enterprise Fund	343,102	(A)
	Bankruptcy Claims Internal Service Fund	892,418	(C)
Special Revenue Funds:			
Solid Waste Disposal	General Fund	64,159	(E)
Outside Services Fund	General Fund	22,640	(D)
State Lands	Marina Enterprise Fund	278,385	(A)
Repair and Demolition Revolving	General Fund	50,577	(E)
Redevelopment Affordable Housing	Redevelopment Agency Debt Service Fund	519,833	(A)
Administrative Trust	General Fund	25,465	(D)
Debt Service Funds:			
Financing Authority	General Fund	44,327	(E)
Redevelopment Agency Debt Service	General Fund	200,000	(F)
Redevelopment Agency Debt Service	General Fund	100,000	(F)
Redevelopment Agency Debt Service	Redevelopment Agency Flosden Acres Capital Projects Fund	375,781	(G)
Redevelopment Agency Debt Service	Redevelopment Affordable Housing Special Revenue Fund	718,231	(H)
Redevelopment Agency Debt Service	Redevelopment Agency Merged Capital Projects Fund	394,901	(G)
Capital Projects Funds			
Arts and Convention Center	General Fund	115,000	(E)
Certificates of Participation	Certificates of Participation Debt Service Fund	569,204	(A)
Redevelopment Agency Merged	Redevelopment Agency Debt Service Fund	174,487	(A)
Internal Service Funds:			
Insurance	General Fund	1,000,000	(I)
	Total	<u>\$7,297,601</u>	

- (A) To fund debt service payments.
- (B) To transfer technology surcharge fees to capital projects fund.
- (C) To establish cash pool for payment of bankruptcy claims.
- (D) To transfer investment income from unrestricted funds to General Fund.
- (E) To transfer unrestricted resources to General Fund.
- (F) To initiate repayment of long-term advances that the City extended in the early years of the Redevelopment Agency (pre-1990)
(See Note 4E)
- (G) To fund capital projects.
- (H) To transfer 20% low-mod set-aside.
- (I) To transfer back to General Fund a portion of supplemental contributions recorded in the year ended June 30, 2006.

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NOTE 4 – INTERFUND TRANSACTIONS (Continued)

B. Current Interfund Balances

As of June 30, 2009, 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 or other reimbursements.

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Special Revenue Funds		
Community Development Block Grant		\$302,678
HOME Program		71,466
Office of Traffic Safety		70,023
State Lands		68,853
Cold Case Grant		14,908
Capital Projects Funds		
Downtown Development Capital Projects		114,509
Capital Grants & Contribution		270,006
Vallejo Station		535,148
Enterprise Fund		
Local Transportation		148,815
Internal Service Fund		
Insurance	<u>\$1,596,406</u>	
Total	<u>\$1,596,406</u>	<u>\$1,596,406</u>

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.

The following is a summary of long-term working capital advances extended by the City's 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	<u>(300,000)</u>
	<u>\$2,752,000</u>

During the year ended June 30, 2008, the Local Transportation Fund repaid \$300,000 of the long-term working capital advances. 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.

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NOTE 4 – INTERFUND TRANSACTIONS (Continued)

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 5. Interest accrues at 3.5%-4% per annum on unpaid principal balances 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 Fund		
Redevelopment Agency	\$5,297,618	
Capital Project Funds		
Bridge Construction		\$580,000
Arts & Convention Center		4,198,868
Hiddenbrooke Overpass		518,750
Total	<u>\$5,297,618</u>	<u>\$5,297,618</u>

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, 2009, interest of \$365,432 was accrued and \$300,000 was repaid to the City's General Fund. The balances of these additional advances as of June 30, 2009, including interest, were as follows.

<u>Project Area</u>	<u>Balance Due June 30, 2009</u>
Marina Vista	\$3,421,878
Waterfront	4,302,387
Vallejo Central	1,476,949
	<u>\$9,201,214</u>

F. 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, 2009:

<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		1,007,158
Accrued interest		1,715,829
		<u>11,266,737</u>
Tax increment programs:	Non-major Governmental	
Meyers Cookware		300,000
Empress Theatre		4,296,000
		<u>4,596,000</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		2,910,466
Total		<u>5,141,577</u>
CDBG	Non-major Governmental	
Reynnaissance Family Center		920,362
Youth & Family Services		240,000
Single family residential		1,263,790
		<u>2,424,152</u>
Housing Authority	Major Governmental	
Residential Rehabilitation		<u>50,900</u>
<u>Development Programs</u>		
Sereno Village Apartments		
General Fund	Major Governmental	827,816
Neighborhood Park Funds	Non-major Governmental	148,494
VSFCD	Major Enterprise	289,911
		<u>1,266,221</u>
<u>Other</u>		
Water Fund - Trailer City	Major Enterprise	52,285
Water Fund - American Canyon	Major Enterprise	621,088
Golf Fund - Golf Cart Storage	Major Enterprise	221,674
VSFCD	Major Enterprise	12,181
		<u>907,228</u>
	Total	<u>\$25,652,815</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 range from 3.0% to 8.0% and the principal maturity dates range 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, 2009 were \$11,266,737.

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 is non-interest bearing. As of June 30, 2009 the outstanding balance of the loan was \$300,000. The terms of the agreement call for Meyer to repay the note in increasing annual installments, as follows:

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

The obligation of Meyer to repay the remaining \$1,000,000 is contingent upon either on the sale of the property or the refinancing of the existing debt. As a result, the \$1,000,000 is not included as a receivable in the accompanying basic financial statements. Meyer has agreed to pay the Agency either 9% of the net sale proceeds upon any sale of the property as satisfaction in full of the development contribution, or net refinancing proceeds if such a refinancing should occur. Ten years following the issuance of the Certificate of Occupancy (1995), the participation in proceeds from the sale of property or refinancing has been reduced from 9% to 5%.

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.

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For the Year Ended June 30, 2009

NOTE 5 – NOTES & LOANS RECEIVABLE (Continued)

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 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, 2009 the outstanding balance of the loan was \$4,296,000.

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, 2009 were \$5,141,577, \$2,424,152 and \$50,900 in the HOME, CDBG Program, and Housing Authority funds, respectively.

As listed on the preceding Summary of Notes and Loans Receivable, the City has loaned \$831,111 to Vallejo Neighborhood Housing Services (VNHS) for its 22 unit Graham Gardens affordable housing development project. The City financed the loan from a Federal Home Investment Partnership Program grant. VNHS has not proceeded with the construction of the project and is in default under the loan agreement.

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, 2009 the outstanding balance of this loan, including accrued interest, was \$976,310.

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, 2009 was \$289,911.

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 fees. 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, 2009 the outstanding balance of this loan was \$52,285. This note is recorded in the City's Water Enterprise Fund.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2009

NOTE 5 – NOTES & LOANS RECEIVABLE (Continued)

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, 2009 the outstanding balance of this loan was \$621,088.

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, 2009 the outstanding balance of this loan was \$221,674.

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 has been settled through the construction and contribution of transportation infrastructure improvements to the City.

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.

Buildings and improvements	25 to 50 years
Improvements	5 to 50 years
Machinery and equipment	3 to 15 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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Notes to Financial Statements
For the Year Ended June 30, 2009

NOTE 6 – CAPITAL ASSETS (Continued)

A. Capital Asset Activity

The following is a summary of capital asset activity for the year ended June 30, 2009:

	Balance at June 30, 2008	Additions	Retirements	Transfers	Balance at June 30, 2009
Governmental activities					
Capital assets not being depreciated:					
Land	\$135,204,112	\$833,513			\$136,037,625
Construction in progress	31,263,027	7,343,044		(\$17,525,508)	21,080,563
Total capital assets not being depreciated	<u>166,467,139</u>	<u>8,176,557</u>		<u>(17,525,508)</u>	<u>157,118,188</u>
Capital assets being depreciated:					
Buildings and improvements	62,180,499	28,784			62,209,283
Machinery and equipment	24,852,536	361,080	(\$709,165)	509,487	25,013,938
Infrastructure	190,111,423			17,016,021	207,127,444
Total capital assets being depreciated	<u>277,144,458</u>	<u>389,864</u>	<u>(709,165)</u>	<u>17,525,508</u>	<u>294,350,665</u>
Less accumulated depreciation for:					
Buildings and improvements	(18,329,843)	(1,912,017)			(20,241,860)
Machinery and equipment	(17,064,026)	(1,606,736)	668,017		(18,002,745)
Infrastructure	(112,763,353)	(5,380,690)			(118,144,043)
Total accumulated depreciation	<u>(148,157,222)</u>	<u>(8,899,443)</u>	<u>668,017</u>		<u>(156,388,648)</u>
Net capital assets being depreciated	<u>128,987,236</u>	<u>(8,509,579)</u>	<u>(41,148)</u>	<u>17,525,508</u>	<u>137,962,017</u>
Governmental activity capital assets, net	<u>\$295,454,375</u>	<u>(\$333,022)</u>	<u>(\$41,148)</u>		<u>\$295,080,205</u>
Business-type activities					
Capital assets, not being depreciated:					
Land	\$14,847,372				\$14,847,372
Construction in progress	20,267,976	\$6,746,654	(\$633,787)	(\$16,325,052)	10,055,791
Total capital assets not being depreciated	<u>35,115,348</u>	<u>6,746,654</u>	<u>(633,787)</u>	<u>(16,325,052)</u>	<u>24,903,163</u>
Capital assets, being depreciated:					
Buildings and improvements	416,882,645	246,867	(399,133)	11,048,985	427,779,364
Machinery and equipment	75,804,822	577,488	(367,498)	3,347,642	79,362,454
Infrastructure	115,032,127			1,928,425	116,960,552
Total capital assets being depreciated	<u>607,719,594</u>	<u>824,355</u>	<u>(766,631)</u>	<u>16,325,052</u>	<u>624,102,370</u>
Less accumulated depreciation for:					
Buildings and improvements	(137,887,193)	(11,314,340)	21,264		(149,180,269)
Machinery and equipment	(44,029,931)	(4,860,124)	343,873		(48,546,182)
Infrastructure	(73,071,650)	(3,887,041)			(76,958,691)
Total accumulated depreciation	<u>(254,988,774)</u>	<u>(20,061,505)</u>	<u>365,137</u>		<u>(274,685,142)</u>
Net capital assets being depreciated	<u>352,730,820</u>	<u>(19,237,150)</u>	<u>(401,494)</u>	<u>16,325,052</u>	<u>349,417,228</u>
Business-type activity capital assets, net	<u>\$387,846,168</u>	<u>(\$12,490,496)</u>	<u>(\$1,035,281)</u>		<u>\$374,320,391</u>

CITY OF VALLEJO
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For the Year Ended June 30, 2009

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

Finance	\$61,564
Community Development	25,768
Fire services	199,139
Police services	495,340
Public works	7,410,709
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	706,923
	<u>\$8,899,443</u>

Business-Type Activities

Water	\$6,449,964
Local Transportation	4,092,129
Sanitation and Flood Control	8,121,137
Marina	1,035,863
Golf	362,412
	<u>\$20,061,505</u>

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For the Year Ended June 30, 2009

NOTE 7 - 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, 2008	Retirements	Balance June 30, 2009	Current Portion
Governmental Activity Debt:					
Tax Allocation Bonds:					
Waterfront Redevelopment Project					
7.9%, due 5/1/19	\$2,485,000	\$2,030,000	\$95,000	\$1,935,000	\$115,000
Marina Vista Project					
6.0-7.5%, due 9/1/20	3,335,000	2,220,000	110,000	2,110,000	115,000
Vallejo Central Project					
6.0-7.5%, due 9/1/20	1,900,000	1,615,000	50,000	1,565,000	60,000
Vallejo Housing Set Aside					
7.0%, due 10/1/31	5,410,000	4,845,000	130,000	4,715,000	140,000
Other Obligation:					
Redevelopment Waterfront DDA		661,320		661,320	
		<u>11,371,320</u>		<u>10,986,320</u>	<u>430,000</u>
Total Tax Allocation Bonds and other obligations	<u>13,130,000</u>	<u>11,371,320</u>	<u>385,000</u>	<u>10,986,320</u>	<u>430,000</u>
Certificates of Participation:					
1999 COPs					
3.60-5.25%, due 7/15/29	4,815,000	4,115,000	105,000	4,010,000	110,000
2000 COPs					
variable rate, due 9/1/40	12,786,942	7,115,873	112,238	7,003,635	115,312
2002 COPs					
variable rate, due 12/1/23	11,497,776	8,723,689	385,476	8,338,213	403,832
2003 COPs					
variable rate, due 12/1/23	6,743,199	5,832,868	257,084	5,575,784	269,728
		<u>25,787,430</u>	<u>859,798</u>	<u>24,927,632</u>	<u>898,872</u>
Total Certificates of Participation	<u>35,842,917</u>	<u>25,787,430</u>	<u>859,798</u>	<u>24,927,632</u>	<u>898,872</u>
Capital Lease Obligations:					
2001 Site & Facility Lease					
6%, due 6/1/21	1,150,000	903,122	23,425	879,697	74,573
Police CAD/RMS					
4.9%, due 7/1/10	411,052	313,848	170,108	143,740	107,146
Police Holding Cell					
2.97%, due 1/30/13	675,000	267,719	26,366	241,353	55,109
		<u>1,484,689</u>	<u>219,899</u>	<u>1,264,790</u>	<u>236,828</u>
Total Capital Leases Obligations	<u>2,236,052</u>	<u>1,484,689</u>	<u>219,899</u>	<u>1,264,790</u>	<u>236,828</u>
Total Governmental Activity Debt	<u><u>\$51,208,969</u></u>	<u><u>\$38,643,439</u></u>	<u><u>\$1,464,697</u></u>	<u><u>\$37,178,742</u></u>	<u><u>\$1,565,700</u></u>

CITY OF VALLEJO
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Notes to Financial Statements
For the Year Ended June 30, 2009

NOTE 7 - LONG-TERM DEBT (Continued)

	Original Issue Amount	Balance June 30, 2008	Retirements	Balance June 30, 2009	Current Portion
Business-type Activity Debt:					
Revenue Bonds:					
2001 Water Revenue Bonds, variable rate, due 6/1/31	\$23,075,000	\$20,375,000	\$525,000	\$19,850,000	\$545,000
2006 Water Revenue Refunding Bonds, 4-5%, due 5/1/26	45,790,000	44,530,000	1,605,000	42,925,000	1,680,000
Plus: Unamortized bond premium		1,685,512	93,640	1,591,872	
Less: Unamortized loss		(1,758,632)	(97,702)	(1,660,930)	
Total Revenue Bonds	68,865,000	64,831,880	2,125,938	62,705,942	2,225,000
Certificates of Participation:					
2002 COPs, variable rate, due 12/1/23	917,224	781,311	34,524	746,787	36,168
2003 COPs, variable rate, due 12/1/23	1,256,801	1,087,132	47,915	1,039,217	50,271
2000 COPs, variable rate, due 9/1/40	17,593,058	16,069,127	252,762	15,816,365	259,688
2001 COP Golf Course Facilities, variable rate, due 6/1/40	16,350,000	9,670,000		9,670,000	355,000
Less: Unamortized bond discount		(45,135)	(5,109)	(40,026)	
Vallejo Sanitation and Flood Control District 1993 Sanitation and Flood Control	38,905,000	24,560,000	1,540,000	23,020,000	1,620,000
2001 Sanitation and Flood Control, variable rate, due 5/1/28	25,645,000	3,740,000	140,000	3,600,000	140,000
2006 Sanitation and Flood Control District rate 4-5%, due 2036		38,525,000	720,000	37,805,000	750,000
Less: Unamortized bond discount		(256,149)	(55,987)	(200,162)	
Total Certificates of Participation	100,667,083	94,131,286	2,674,105	91,457,181	3,211,127
Loans & Notes Payable:					
Vallejo Sanitation and Flood Control State Clean Water (2004) 2.5%, due 2023	13,798,201	11,230,797	626,302	10,604,495	641,959
State Clean Water (2008) rate 2.4%, due 2025	4,406,072	4,406,072	229,328	4,176,744	217,208
US Dept of Commerce, Water Fund 2.5%, due 8/1/23	2,560,923	953,862	137,914	815,948	
State Safe Drinking Water 0%, due 1/1/25	68,080	56,166	3,404	52,762	1,702
State Safe Drinking Water 2.32%, due 1/2/21	6,675,000	4,483,908	316,845	4,167,063	161,184
Total Loans & Notes Payable	27,508,276	21,130,805	1,313,793	19,817,012	1,022,053
Total Business-type Activity Debt	\$197,040,359	\$180,093,971	\$6,113,836	\$173,980,135	\$6,458,180

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NOTE 7 - 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
2010	\$1,565,700	\$2,608,857	\$6,458,180	\$7,427,421
2011	1,549,984	2,231,331	6,850,210	7,157,676
2012	1,608,843	2,131,154	7,118,228	6,886,884
2013	2,368,109	2,024,585	7,430,378	6,586,940
2014	1,740,229	1,912,722	7,748,646	6,464,981
2015-2019	10,255,048	7,697,869	43,231,762	26,184,229
2020-2024	9,800,770	4,267,262	39,313,625	17,519,862
2025-2029	3,504,313	2,105,587	26,069,101	48,237,796
2030-2034	2,485,325	1,074,111	17,479,675	6,058,407
2035-2039	1,591,312	527,367	10,468,688	2,100,845
2040-2041	709,109	66,441	2,120,888	185,121
Total	<u>\$37,178,742</u>	<u>\$26,647,285</u>	174,289,381	<u>\$134,810,161</u>
			1,591,872	
			(1,660,930)	
			<u>(240,188)</u>	
			<u>\$173,980,135</u>	

Plus: Unamortized bond premium
Less: Unamortized loss
Less: Unamortized bond discount

Net long-term debt

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 (6.25% as of July 1, 2009). 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 \$2,909,860 in remaining debt service on the Agency's long term debt which is scheduled to occur in 2019. For fiscal year 2009 tax increment revenues amounted to \$653,047 which represented coverage of 2.56 over the \$255,370 in debt service.

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For the Year Ended June 30, 2009

NOTE 7 - LONG-TERM DEBT (Continued)

Marina Vista and Vallejo Central Projects – In August 1990, the Vallejo Public Financing Authority (PFA) issued Tax Allocation Bonds 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 \$5,623,320 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 2009 tax increment revenues amounted to \$1,294,647 which represented coverage of 2.93 over the \$441,625 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 \$8,931,275 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 2009, housing set aside tax increment revenues amounted to \$718,231 which represented coverage of 1.55 over the \$464,600 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, 2009, the developer has incurred costs of \$661,320. The obligation will be repaid upon sale of certain Agency property to the developer.

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NOTE 7 - LONG-TERM DEBT (Continued)

E. Certificates of Participation (COPs)

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 2009, the motor vehicle license fee revenues amounted to \$412,620. However, debt service on the COPs is secured by an underlying lease agreement between the City and a financial intermediary. Lease payments are used to pay debt service on the COPs.

For the year ended June 30, 2009, principal due on the bonds was paid, but interest due was paid at a reduced rate under the pendency plan as discussed in Note 2 above. Under the terms of the indenture, the City is obligated to make monthly sinking fund payments to the Trustee. The City did not make scheduled payments for the three payments due in May, June, and July 2009. As a result, the trustee drew the shortfall of \$78,576 from bond insurance to make the scheduled July 15, 2009 bondholder payments. The City resumed monthly sinking fund payments to the trust in August 2009 at a reduced 2% interest rate. In January, 2010, the Trustee again drew the sinking fund payment shortfall from bond insurance in the amount of \$62,916 to fund bond holder payments.

2000, 2001, 2002, and 2003 COPs – 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 such time as these Certificates are remarketed, the indenture provides for interest to 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, 2009	Letter of Credit Amount	Expiration Date
2000 COP	\$22,820,007	\$26,982,791	August 18, 2010
2002 COP	9,085,000	12,651,736	December 4, 2012
2003 COP	6,615,001	8,152,548	(expired)
2001 Golf COP	9,670,000	16,661,770	May 16, 2011
	\$48,190,008		

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NOTE 7 - 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 City has pledged future motor vehicle license fee revenues for the repayment of the COPs, which ends upon repayment of the remaining debt service which is scheduled to occur in 2030. For fiscal year 2009, the motor vehicle license fee revenues amounted to \$412,620. 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. Lease payments are 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.

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NOTE 7 - 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. The City did not make the scheduled \$175,000 principal payment due June 1, 2009, which has been included as current portion of debt in the Golf Enterprise Fund.

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, 2009 was 4.5%. 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, at which time interest is payable on December 1 and June 1. The debt is secured and serviced from the water system operations, subordinate to the 2006 Water Revenue Refunding Bonds. 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 net revenues ends upon repayment of the \$21,164,800 in remaining debt service on the above bonds which is scheduled to occur in 2031. Under the terms of the indenture, net revenues are required to provide a 1.25 debt service coverage ratio.

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NOTE 7 - 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 net revenues ends upon repayment of the \$64,690,450 in remaining debt service on the bonds which is scheduled to occur in 2026. Under the indenture, net revenues are required to provide a 1.25 debt service coverage ratio.

For fiscal year 2009, net revenues amounts to \$33,442,234 and operating costs include operating expenses, but not interest, depreciation or amortizations and amounted to \$24,473,086. Net Revenues available for debt service amounted to \$8,969,148 which represented coverage of 1.7 over the \$5,285,910 in combined system debt service for both 2001 and 2006 Water Revenue Bonds debt service.

G. Notes and Loans Payable

Vallejo Sanitation and Flood Control State Clean Water (2004) -In August 2004 the VSFCB 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 \$2,205,228 at June 30, 2009.

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NOTE 8 – 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, 2009 is as follows:

<i>Special Assessment Bonds</i>	
Fairgrounds Drive #65	\$1,720,000
Glen Cove 2003-1	3,860,000
 <i>Improvement Bonds</i>	
2004 Hiddenbrooke Improvement District Series A	18,475,000
Northeast Improvement District 2003-1	7,675,000
 <i>Revenue Bonds</i>	
2003 Series B (Northeast Quadrant)	<u>2,100,000</u>
Total	<u><u>\$33,830,000</u></u>

NOTE 9 – 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, 2009, \$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, 2009, \$9,970,000 of these bonds remained outstanding.

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, 2009, \$10,655,000 of these bonds remained outstanding.

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NOTE 10 – 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 12.

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. Matured compensated absences balances, unpaid to separated employees during the pendency of the bankruptcy case, are reported in the Bankruptcy Claims Internal Service Fund. 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 have been recorded at the contractual salary rates due to employees at June 30, 2009. Salary reductions and caps on leave buyout balances have been negotiated with International Association of Fire Fighters employees effective March 27, 2010 that will reduce the carrying value of these obligations in the subsequent fiscal year.

Compensated absences activity for the City for the year ended June 30, 2009 is as follows:

	Governmental Activities	Business-Type Activities	Total
Compensated Absences Activity:			
Beginning Balance	\$20,595,168	\$3,318,320	\$23,913,488
Additions	9,344,715	1,933,658	11,278,373
Deletions	(9,239,567)	(2,004,789)	(11,244,356)
Ending Balance	<u>\$20,700,316</u>	<u>\$3,247,189</u>	<u>\$23,947,505</u>
Compensated Absences Classification Presentation:			
Current Portion:			
Internal Service Fund	\$274,889		\$274,889
Entity-wide	<u>7,824,294</u>	<u>\$1,843,605</u>	<u>9,667,899</u>
Current Portion	<u>8,099,183</u>	<u>1,843,605</u>	<u>9,942,788</u>
Noncurrent Portion:			
Internal Service Fund	2,468,789		2,468,789
Entity-wide	<u>10,132,344</u>	<u>1,403,584</u>	<u>11,535,928</u>
Noncurrent Portion	<u>12,601,133</u>	<u>1,403,584</u>	<u>14,004,717</u>
Total	<u>\$20,700,316</u>	<u>\$3,247,189</u>	<u>\$23,947,505</u>
Noncurrent Employee Benefits Payable			
Compensated Absences	\$12,601,133	\$1,403,584	\$14,004,717
Net OPEB Obligation (Note 12)	<u>12,564,153</u>	<u>468,623</u>	<u>13,032,776</u>
Non-current Portion	<u>\$25,165,286</u>	<u>\$1,872,207</u>	<u>\$27,037,493</u>

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NOTE 11 – RETIREMENT PENSION BENEFITS

A. City of Vallejo

1. Plan Description

The City participates in the California Public Employees Retirement System (CalPERS), 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 \$4,203,345 for the year ended June 30, 2009. The City employer was required to contribute for fiscal year 2009 at an actuarially determined rate of 28.069% and 16.754% of annual covered payroll for safety and miscellaneous employees respectively.

3. Annual Pension Cost

The City's annual pension costs of \$11,734,043, \$12,332,457, and \$10,372,222 were equal to the City's required and actual contributions in fiscal years 2007, 2008, and 2009 respectively. The required contribution for 2009 was determined as part of the June 30, 2006 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.

CalPers has realized a 24 percent loss on its investments during the year ended June 30, 2009. The impact of this loss on the City's \$403 million of assets held by CalPers at June 30, 2008 approximates \$97 million. CalPers has adopted an employer contribution rate smoothing policy that will phase in the impact of these losses over three years beginning July 1, 2011.

CITY OF VALLEJO
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NOTE 11 – RETIREMENT PENSION BENEFITS (Continued)

4. Three Year Trend Information and Funding Progress

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing overtime relative to the actuarial accrued liability for benefits.

The following schedule of funding progress is presented for the most recent actuarial valuations as of June 30, 2009:

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
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%
2008	259,677,066	323,988,421	64,311,355	80.2%	24,914,141	258.1%

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
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%
2008	144,075,867	180,864,881	36,789,014	79.7%	21,970,627	167.4%

5. Subsequent Plan Changes

Subsequent to June 30, 2009, effective March 27, 2010, International Association of Fire Fighters employees have new contract terms that provide a lower 2% at Age 50 pension benefit formula for new employees and a higher 13.4% employee contribution rate for those existing employees with a 3% at Age 50 pension benefit formula.

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, are entitled to a monthly retirement benefit based upon compensation, years of 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.

CITY OF VALLEJO
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NOTE 11 – RETIREMENT PENSION BENEFITS (Continued)

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 2008-2009 was 17.194% of covered payroll. PERS establishes and may amend employee and employer contribution requirements.

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 2008-2009 and each of the two preceding fiscal years, contribution requirements and contributions made were as follows:

Fiscal Year Ended June 30	PERS Local Miscellaneous 2.7% @ 55 Cost-Sharing Plan		
	Contribution Requirement	Percent Contributions	Pension Assets
	Dollars	Paid	(Liabilities)
2009	\$1,163,106	100%	\$0
2008	1,083,039	100%	0
2007	987,412	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, and utilizes Social Security for these positions.

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NOTE 12 – POST-EMPLOYMENT BENEFITS

A. Post Retirement Health Benefits - City

The City has 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 benefit level established for each employee organization. Significant benefit changes have been negotiated during the year ended June 30, 2009 and further changes have been subsequently negotiated or imposed.

The following is a summary of benefits by employee group as of 2009 June 30, 2009, along with subsequent changes:

Employee Group	Benefit at June 30, 2009	Changes Subsequent to June 30, 2009	
		Contractual	Imposed
Vallejo Police Officers Association	Up to 100% of Kaiser Bay Area Premium		
International Association of Fire Fighters	Up to 100% of Plan Election	Up to 75% of Kaiser Bay Area Premium, if retired prior to July 1, 2000	
		Up to \$300 per month if retired on or after July 1, 2000	
International Brotherhood of Electrical Workers	Up to 100% of Kaiser Bay Area Premium		Up to 75% of Kaiser Bay Area Premium
Confidential, Administrative, Management, and Professional Employee Association	Up to 80% of Kaiser Bay Area Premium		
Unrepresented Employees	Up to 100% of Plan Election	Up to \$300 per month	

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NOTE 12 – POST-EMPLOYMENT BENEFITS (Continued)

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, 2009 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) 4.5% investment rate of return, (b) 3.25% projected annual salary increase, and (c) 4.50% to 9.30% 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 \$135.7 million and is being amortized as a level percentage of projected payroll using a 30 year amortization period.

The ARC and OPEB unfunded actuarial accrued liability have been computed based upon contractual benefit obligations at June 30, 2009. As noted above, certain benefit reductions have been negotiated or imposed subsequent to June 30, 2009.

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NOTE 12 – 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, 2009, the City contributed \$3,668,781 for pay-as-you-go premiums to the Plan. No assets have been placed in trust or otherwise set aside for this obligation. 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:

	<u>Retiree Health Benefits Internal Service Fund - Governmental Activities</u>
Annual required contribution (ARC)	<u>\$9,749,000</u>
Amortization on the Net OPEB Liability	(442,276)
Interest on the Net OPEB Liability	<u>298,258</u>
Adjustment to annual required contribution	<u>(144,018)</u>
Annual OPEB Cost	9,604,982
Contributions made:	
City portion of current year premiums paid	<u>3,668,781</u>
Contributions less than the ARC	5,936,201
Net OPEB Obligation at June 30, 2008	<u>6,627,952</u>
Net OPEB Obligation at June 30, 2009	<u><u>\$12,564,153</u></u>

The City's annual required contributions and actual contributions for the last two fiscal years are set forth below (in thousands):

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>of OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
6/30/2008	\$9,796,000	\$3,168,048	32%	\$6,627,952
6/30/2009	9,604,982	3,668,781	38%	12,564,153

The Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the December 22, 2009 actuarial study is presented below (in 000's):

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Entry Age Actuarial Accrued Liability</u>	<u>Overfunded (Underfunded) Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payrol</u>
6/30/2008	0	\$135,400	(135,400)	0.00%	\$44,287	(305.7%)
6/30/2009	0	135,665	(135,665)	0.00%	45,726	(296.7%)

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NOTE 12 – POST-EMPLOYMENT BENEFITS (Continued)

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.

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.

3. Annual OPEB Cost

The District's annual OPEB expense (the ARC) and the amount paid for the fiscal year 2008-2009 amounted \$1,053,489 and \$837,356, respectively. The District's annual OPEB cost, the percent paid, and the net OPEB obligation for the fiscal year 2008-2009 was as follows:

Fiscal Year Ended June 30	PARS Public Agency Post-Retirement Health Care Plan					
	Actuarial Valuation Date	Annual OPEB Cost	Percent Contributions Paid	Inc (Dec) in Net OPEB Obligation	Net OPEB Obligation Beg of Year	Net OPEB Obligation End of Year
2009	1/1/2007	\$1,053,489	79.5%	\$216,133	\$252,490	\$468,623
2008	1/1/2007	1,053,489	76.0%	252,490	0	252,490

Note: Disclosure of annual OPEB cost, percent contributed, and net OPEB obligation is required for the current fiscal year and each of the two preceding fiscal years. Three-year data is currently not available and will be shown when three year data becomes available. The District's post-retirement health care plan was implemented prospectively for the fiscal years 2007-2008, the transition year. Accordingly, there was zero net OPEB obligation at transition.

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NOTE 12 – POST-EMPLOYMENT BENEFITS (Continued)

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.

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. Plan assets are stated at current market prices. The table below present funded status information of the Plan for the current year, and is as follows:

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	\$972,186	\$9,445,941	9.3%	\$6,764,563	139.6%

Note: Three-year funding progress data is show as required supplementary information after the notes to financial statements.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2009

NOTE 13 – 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

1. 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, 2009, reserves included:

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

Reserved for **materials, parts, supplies, prepaids, notes and loans 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 **program restrictions** which represent 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.

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Notes to Financial Statements
For the Year Ended June 30, 2009

NOTE 13 – NET ASSETS AND FUND BALANCES (Continued)

C. Deficits

The funds below had fund deficits or net asset deficits at June 30, 2009:

Proprietary Funds:	
Marina	\$1,672,197
Golf	<u>854,218</u>
Total	<u><u>\$2,526,415</u></u>
Non-Major Governmental Funds:	
Redevelopment Agency Debt Service Fund	<u>\$4,373,599</u>
Total	<u><u>\$4,373,599</u></u>
Internal Service Funds:	
Insurance	\$2,951,247
Retiree Health Benefits	12,564,153
Bankruptcy Claims	<u>1,384,017</u>
Total	<u><u>\$16,899,417</u></u>

D. Expenditures in Excess of Budget

The funds below had expenditures in excess of budgets:

General Fund:	
Community Development	\$31,589
Housing Authority Fund	2,018,261
Non-Major Funds:	
Special Revenue Funds	
Mare Island CFD 2002	580,989
Redevelopment Affordable Housing	44,740

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

NOTE 14 – 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.

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Notes to Financial Statements
For the Year Ended June 30, 2009

NOTE 14 – 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, 2009, the City contributed \$333,638 for coverage during the current year.

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 up to \$150,000,000 are insured with California Public Entity Insurance Authority. During the fiscal year ended June 30, 2009, the City contributed \$383,050 for coverage during the current year.

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 \$1,052,003.

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 and \$5,000,000 in the aggregate. Property insurance provides coverage up to \$94,400,652 with a deductible of \$10,000.

B. Liability for Uninsured Claims

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

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Beginning balance	\$11,124,000	\$11,765,000
Increase (decrease) in current year claims and changes in estimates	3,194,684	2,030,531
Claims paid	<u>(2,797,684)</u>	<u>(2,671,531)</u>
Ending balance	<u>\$11,521,000</u>	<u>\$11,124,000</u>
Current portion	<u>\$2,114,469</u>	<u>\$3,027,160</u>

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.

CITY OF VALLEJO
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Notes to Financial Statements
For the Year Ended June 30, 2009

NOTE 15 - COMMITMENTS AND CONTINGENCIES

A. Vallejo Redevelopment Agency

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, 2009 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

The Agency is subject to statutory tax pass-through requirements and has also entered into various tax-sharing agreements with the Solano County and other taxing entities. Portions of tax increments from those project areas are received by the Agency and remitted to the applicable taxing entities.

In fiscal year 2009, the Agency calculated \$841,461 in pass-through payments to the affected jurisdictions. Of this balance, \$773,248 was paid during the fiscal year and \$68,214 represents accrued catch-up payments made subsequent to June 30, 2009 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, 2009 amounted to approximately \$3,287,944.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2009

NOTE 15 - 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 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 was adopted by the WETA Board on June 8, 2009 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
Notes to Financial Statements
For the Year Ended June 30, 2009

NOTE 16 – SUBSEQUENT EVENT

A. *Redevelopment Agency – Supplemental Educational Revenue Augmentation fund (SERAF) Obligation*

The State of California adopted AB26 4X in July 2009 which directs that a portion of the incremental property taxes which had been received in fiscal year 2006-07 by redevelopment agencies be paid instead to the County supplemental educational revenue augmentation fund (SERAF) in fiscal years 2009-10 and 2010-11. The State Department of Finance will determine each agency's SERAF payment by November 15 of each year, and payments are due by May 10 of the applicable year. Based on the calculations in AB26 4X, the Agency's SERAF's are estimated to be \$1,210,230 in fiscal year 2009-10 and \$249,165 in fiscal year 2010-11. The Agency can use any legally available funds to make the SERAF payments. The payment due in fiscal year 2009-10 represents 12% of the Agency's cash and investments available for operations at June 30, 2009. The obligation to make the SERAF payment is subordinate to obligations to repay bonds, however if the Agency fails to make the SERAF payment the Agency may not encumber or expend future funds other than to pay pre-existing indebtedness, contractual obligations and 75% of the amount expended on Agency administration for the preceding fiscal year until the SERAF is paid in full.

NOTE 17 – SUBSEQUENT EVENT

The State of California adopted AB26 4X in July 2009 which directs that a portion of the incremental property taxes which had been received by redevelopment agencies be paid instead to the County supplemental educational revenue augmentation fund (SERAF) in fiscal years 2009-10 and 2010-11. The State Department of Finance will determine each agency's SERAF payment by November 15 of each year, and payments are due by May 10 of the applicable year. Based on the calculations in AB26 4X, the Agency's SERAF's are estimated to be \$1,210,230 in fiscal year 2009-10 and \$249,165 in fiscal year 2010-11. The Agency can use any legally available funds to make the SERAF payments. The payment due in fiscal year 2009-10 represents 12% of the Agency's cash and investments available for operations at June 30, 2009. The obligation to make the SERAF payment is subordinate to obligations to repay bonds, however if the Agency fails to make the SERAF payment the Agency may not encumber or expend future funds other than to pay pre-existing indebtedness, contractual obligations and 75% of the amount expended on Agency administration for the preceding fiscal year until the SERAF is paid in full.

Subsequent to June 30, 2009, the Agency has appropriated sufficient funds to fully settle the fiscal year 2009-10 SERAF obligation.

CITY OF VALLEJO
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Required Supplementary Information
For the Year Ended June 30, 2009

VSFCD Post Employment Benefits

Three-Year Table of Funding Progress

The three-year table of funding progress below for the District's postemployment healthcare plan presents information that shows whether the value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for Plan benefits. The fiscal year 2007-2008 was the first year of implementation of the postemployment healthcare plan. Accordingly, there are no factors that significantly affect the identification of trends in the amounts reported.

Fiscal Year Ended June 30	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
2009	1/1/2007	\$10,418,127	\$972,186	\$9,445,941	9.3%	\$6,764,563	139.6%
2008	1/1/2007	10,418,127	489,318	9,928,809	4.7%	6,548,393	151.6%

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

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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.

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.

Cold Case Grant Fund accounts for revenues received from the Federal Cold Case grant.

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 participation.

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 Participation 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 (GVRD) 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 Acres Capital Projects Fund - accounts for the capital activities and reserves of the Flosden Acres 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 Merged 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, 2009

SPECIAL REVENUE FUNDS						
	Community Development Block Grant Fund #101	HOME Program Fund #102	Mare Island Leasing Fund #107	Mare Island CFD 2002 Fund #112	Mare Island CFD 2005 1A (State) Fund #113	Mare Island CFD 2005 1B (Local) Fund #114
ASSETS						
Cash and investments			\$1,134,360	\$2,397,504	\$524,895	\$322,772
Restricted cash and investments held with fiscal agent						
Accounts receivable	\$2,925	\$31,211	69,544	837,959		
Due from other governments	409,529	75,083				
Advance to other funds						
Notes and loans receivable	2,424,152	5,141,577				
Land held for redevelopment						
Total assets	<u>\$2,836,606</u>	<u>\$5,247,871</u>	<u>\$1,203,904</u>	<u>\$3,235,463</u>	<u>\$524,895</u>	<u>\$322,772</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$109,776	\$11,078	\$310,321	\$39,879	\$4,879	\$945
Due to other funds	302,678	71,466				
Due to other governments		7,078		907,694		
Deferred revenues	2,424,152	5,158,249				
Deposits payable						
Advance from other funds						
Total liabilities	<u>2,836,606</u>	<u>5,247,871</u>	<u>310,321</u>	<u>947,573</u>	<u>4,879</u>	<u>945</u>
FUND BALANCES						
Fund balances						
Reserved for:						
Encumbrances						
Debt service						
Notes and loans receivable						
Land held for redevelopment						
Advance to other funds						
Program restrictions - Appropriated						
Program restrictions - Unappropriated			893,583	2,287,890	520,016	321,827
Unreserved, designated for:						
Capital projects						
Unreserved, undesignated						
Total fund balances			<u>893,583</u>	<u>2,287,890</u>	<u>520,016</u>	<u>321,827</u>
Total liabilities and fund balances	<u>\$2,836,606</u>	<u>\$5,247,871</u>	<u>\$1,203,904</u>	<u>\$3,235,463</u>	<u>\$524,895</u>	<u>\$322,772</u>

SPECIAL REVENUE FUNDS

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	Local Law Enforcement Grant Fund #149
\$230,525	\$182,451	\$1,715,732	\$3,846,260	\$1,050,954	\$2,916		
33,000 157,891	42,500 33,944					\$87,909	
<u>\$421,416</u>	<u>\$258,895</u>	<u>\$1,715,732</u>	<u>\$3,846,260</u>	<u>\$1,050,954</u>	<u>\$2,916</u>	<u>\$87,909</u>	
\$92,263	\$51,816	\$32,445	\$174,126	\$37,681	\$2,916	\$17,886 70,023	
	207,079			7,353 220,498			
<u>92,263</u>	<u>258,895</u>	<u>32,445</u>	<u>174,126</u>	<u>265,532</u>	<u>2,916</u>	<u>87,909</u>	
42,787 286,366		1,054,198 629,089	3,672,134	785,422			
<u>329,153</u>		<u>1,683,287</u>	<u>3,672,134</u>	<u>785,422</u>			
<u>\$421,416</u>	<u>\$258,895</u>	<u>\$1,715,732</u>	<u>\$3,846,260</u>	<u>\$1,050,954</u>	<u>\$2,916</u>	<u>\$87,909</u>	

(Continued)

CITY OF VALLEJO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2009

	SPECIAL REVENUE FUNDS					
	Supplemental Law Enforcement Grant Fund #151	Cadet Program Fund #152	California Department of Corrections Grant Fund #156	Urban Forest Grant Fund #128	Outside Services Fund #129	State Lands Fund #134
ASSETS						
Cash and investments	\$183,639	\$58,998	\$78,475	\$8,506	\$415,487	
Restricted cash and investments held with fiscal agent						
Accounts receivable					20,421	\$77,367
Due from other governments				92,033		
Advance to other funds						
Notes and loans receivable						
Land held for redevelopment						
Total assets	<u>\$183,639</u>	<u>\$58,998</u>	<u>\$78,475</u>	<u>\$100,539</u>	<u>\$435,908</u>	<u>\$77,367</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$11,480	\$7,816	\$46,538	\$8,506	\$3,233	\$4,140
Due to other funds						68,853
Due to other governments			16,937			
Deferred revenues			15,000			4,374
Deposits payable					432,675	
Advance from other funds						
Total liabilities	<u>11,480</u>	<u>7,816</u>	<u>78,475</u>	<u>8,506</u>	<u>435,908</u>	<u>77,367</u>
FUND BALANCES						
Fund balances						
Reserved for:						
Encumbrances						
Debt service						
Notes and loans receivable						
Land held for redevelopment						
Advance to other funds						
Program restrictions - Appropriated	148,168					
Program restrictions - Unappropriated	23,991	45,100				
Unreserved, designated for:						
Capital projects						
Unreserved, undesignated		6,082		92,033		
Total fund balances	<u>172,159</u>	<u>51,182</u>		<u>92,033</u>		
Total liabilities and fund balances	<u>\$183,639</u>	<u>\$58,998</u>	<u>\$78,475</u>	<u>\$100,539</u>	<u>\$435,908</u>	<u>\$77,367</u>

SPECIAL REVENUE FUNDS						DEBT SERVICE FUNDS	
Repair & Demolition Revolving Fund #142	Hazmat Revolving Fund #143	Cold Case Grant Fund #141	Redevelopment Administration Fund #710	Redevelopment Affordable Housing Fund #711	Administrative Trust Fund #601	Financing Authority Fund #301	Certificates of Participation Fund #-various
\$25,947	\$303,031		\$1,560	\$1,848,685	\$642,506		\$27,656
	10,000	\$53,576					136,248
				11,266,737			
<u>\$25,947</u>	<u>\$313,031</u>	<u>\$53,576</u>	<u>\$1,560</u>	<u>\$13,115,422</u>	<u>\$642,506</u>		<u>\$163,904</u>
\$1,132	\$25,271	\$14,908	\$1,560	\$1,022,962	\$600		\$27,656
		38,668		1,715,829	641,906		
<u>1,132</u>	<u>25,271</u>	<u>53,576</u>	<u>1,560</u>	<u>2,738,791</u>	<u>642,506</u>		<u>27,656</u>
				9,550,908			136,248
	287,760			750,000			
24,815				75,723			
<u>24,815</u>	<u>287,760</u>			<u>10,376,631</u>			<u>136,248</u>
<u>\$25,947</u>	<u>\$313,031</u>	<u>\$53,576</u>	<u>\$1,560</u>	<u>\$13,115,422</u>	<u>\$642,506</u>		<u>\$163,904</u>

(Continued)

CITY OF VALLEJO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2009

	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS				
	Redevelopment Agency Debt Service Fund #-various	Capital Outlay Fund #201	Transportation Impact Mitigation Fund #203	Bridge Construction Fund #204	Arts and Convention Center Fund #206	Northgate Fee & Benefit District #94-1 Fund #208
ASSETS						
Cash and investments	\$114,959	\$1,460,492	\$1,325,248	\$3,731,560		\$146,387
Restricted cash and investments held with fiscal agent	1,157,306					
Accounts receivable						
Due from other governments	4,711					
Advance to other funds				580,000	\$4,198,868	
Notes and loans receivable						
Land held for redevelopment						
Total assets	\$1,276,976	\$1,460,492	\$1,325,248	\$4,311,560	\$4,198,868	\$146,387
LIABILITIES						
Accounts payable and accrued liabilities	\$119,669		\$158,842			
Due to other funds						
Due to other governments						
Deferred revenues	233,288			\$80,000	\$402,868	
Deposits payable						
Advance from other funds	5,297,618					
Total liabilities	5,650,575		158,842	80,000	402,868	
FUND BALANCES						
Fund balances						
Reserved for:						
Encumbrances		\$4,994	5,237			\$40,020
Debt service	1,157,306					
Notes and loans receivable						
Land held for redevelopment						
Advance to other funds				500,000	3,796,000	
Program restrictions - Appropriated		699,655	483,278	3,462,285		
Program restrictions - Unappropriated			677,891	269,275		106,367
Unreserved, designated for:						
Capital projects		691,095				
Unreserved, undesignated	(5,530,905)	64,748				
Total fund balances	(4,373,599)	1,460,492	1,166,406	4,231,560	3,796,000	146,387
Total liabilities and fund balances	\$1,276,976	\$1,460,492	\$1,325,248	\$4,311,560	\$4,198,868	\$146,387

CAPITAL PROJECTS FUNDS

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	Downtown Development Capital Projects Fund #220	Capital Grants & Contributions Fund #221	Neighborhood Parks (GVRD) Fund #137
\$7,013,176	\$1,363,735	\$406,163		\$786,515		\$3,553,056	\$2,376,301
	6,958,277						
518,750				243,949	\$267,272	300,749	
							148,494
<u>\$7,531,926</u>	<u>\$8,322,012</u>	<u>\$406,163</u>		<u>\$1,030,464</u>	<u>\$267,272</u>	<u>\$3,853,805</u>	<u>\$2,524,795</u>
\$15,553		\$473			\$152,763 114,509	\$4,973 270,006	
18,750						3,405,813	\$9,733 37,000
<u>34,303</u>		<u>473</u>			<u>267,272</u>	<u>3,680,792</u>	<u>46,733</u>
43,986							138,759
500,000 627,552 6,326,085	\$1,300,000 7,022,012	400,000 5,690		\$1,030,464		173,013	2,339,303
<u>7,497,623</u>	<u>8,322,012</u>	<u>405,690</u>		<u>1,030,464</u>		<u>173,013</u>	<u>2,478,062</u>
<u>\$7,531,926</u>	<u>\$8,322,012</u>	<u>\$406,163</u>		<u>\$1,030,464</u>	<u>\$267,272</u>	<u>\$3,853,805</u>	<u>\$2,524,795</u>

(Continued)

CITY OF VALLEJO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2009

	CAPITAL PROJECTS FUNDS			PERMANENT	Total Nonmajor Governmental Funds
	Redevelopment Agency Flosden Acres Fund #721	Redevelopment Agency Merged Fund 726 & 727	Vallejo Station Fund 222	McCune Collection Fund #603	
ASSETS					
Cash and investments	\$6,760,985	\$1,233,894		\$122,280	\$45,397,610
Restricted cash and investments held with fiscal agent					8,251,831
Accounts receivable	42,259				1,167,186
Due from other governments			\$723,303		2,449,949
Advance to other funds					5,297,618
Notes and loans receivable		4,596,000			23,576,960
Land held for redevelopment		1,343,595			1,343,595
Total assets	\$6,803,244	\$7,173,489	\$723,303	\$122,280	\$87,484,749
LIABILITIES					
Accounts payable and accrued liabilities		\$30,038	\$188,155		\$2,717,371
Due to other funds			535,148		1,447,591
Due to other governments					939,062
Deferred revenues	\$4,420				13,718,223
Deposits payable		169,508			1,501,587
Advance from other funds					5,297,618
Total liabilities	4,420	199,546	723,303		25,621,452
FUND BALANCES					
Fund balances					
Reserved for:					
Encumbrances		41,152			135,389
Debt service					1,293,554
Notes and loans receivable		4,596,000			14,285,667
Land held for redevelopment		1,343,595			1,343,595
Advance to other funds					4,796,000
Program restrictions - Appropriated	3,155,100				12,123,023
Program restrictions - Unappropriated	3,643,724	993,196		\$122,280	32,538,201
Unreserved, designated for:					
Capital projects					715,910
Unreserved, undesignated					(5,368,042)
Total fund balances	6,798,824	6,973,943		122,280	61,863,297
Total liabilities and fund balances	\$6,803,244	\$7,173,489	\$723,303	\$122,280	\$87,484,749

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CITY OF VALLEJO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009

SPECIAL REVENUE FUNDS

	Community Development Block Grant Fund #101	HOME Program Fund #102	Mare Island Leasing Fund #107	Mare Island CFD 2002 Fund #112	Mare Island CFD 2005 1A (State) Fund #113	Mare Island CFD 2005 1B (Local) Fund #114
REVENUES						
Taxes				\$1,052,885		
Licenses, permits and fees				290,572		
Fines and forfeitures						
Intergovernmental	\$826,972	\$452,104				
Use of money and property	74,820	226,137	\$353,862	94,028	\$21,537	\$11,058
Charges for services			981,561	4,734,248	219,804	112,234
Other		53,039		52		
Total Revenues	<u>901,792</u>	<u>731,280</u>	<u>1,335,423</u>	<u>6,171,785</u>	<u>241,341</u>	<u>123,292</u>
EXPENDITURES						
Current:						
Development services						
Community development	901,792	731,280	1,449,682			
Fire services				2,596,212		
Police services				1,179,291		
Public works				1,310,106	124,420	9,467
Nondepartmental				1,462,236		
Capital outlay						
Debt Service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	<u>\$901,792</u>	<u>\$731,280</u>	<u>1,449,682</u>	<u>6,547,845</u>	<u>124,420</u>	<u>9,467</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			<u>(114,259)</u>	<u>(376,060)</u>	<u>116,921</u>	<u>113,825</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES			(114,259)	(376,060)	116,921	113,825
BEGINNING FUND BALANCES			<u>1,007,842</u>	<u>2,663,950</u>	<u>403,095</u>	<u>208,002</u>
ENDING FUND BALANCES			<u>\$893,583</u>	<u>\$2,287,890</u>	<u>\$520,016</u>	<u>\$321,827</u>

SPECIAL REVENUE FUNDS

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	Local Law Enforcement Grant Fund #149
	\$8,577				\$139,988		
\$2,082,516	3,108			\$127,012			
	85,817					\$186,160	\$2,072
132,000	19,764	\$74,428	\$148,463	39,364	9,653		
57,278	1,392,522	708,366	2,808,510				
		1,794	8,615				
<u>2,271,794</u>	<u>1,509,788</u>	<u>784,588</u>	<u>2,965,588</u>	<u>166,376</u>	<u>149,641</u>	<u>186,160</u>	<u>2,072</u>
2,382,796	1,550,137	713,850	2,268,585	22,640	391,672	186,160	2,072
<u>2,382,796</u>	<u>1,550,137</u>	<u>713,850</u>	<u>2,268,585</u>	<u>22,640</u>	<u>391,672</u>	<u>186,160</u>	<u>2,072</u>
(111,002)	(40,349)	70,738	697,003	143,736	(242,031)		
	(64,159)						
	(64,159)						
(111,002)	(104,508)	70,738	697,003	143,736	(242,031)		
440,155	104,508	1,612,549	2,975,131	641,686	242,031		
<u>\$329,153</u>		<u>\$1,683,287</u>	<u>\$3,672,134</u>	<u>\$785,422</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, 2009

	SPECIAL REVENUE FUNDS					
	Supplemental Law Enforcement Grant Fund #151	Cadet Program Fund #152	California Department of Corrections Grant Fund #156	Urban Forest Grant Fund #128	Outside Services Fund #129	State Lands Fund #134
REVENUES						
Taxes						
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental	\$100,000		\$616,577	\$125,767		
Use of money and property	13,284	\$2,794			\$27,140	\$470,954
Charges for services		217,839			494,095	115,461
Other		5,876				
Total Revenues	<u>113,284</u>	<u>226,509</u>	<u>616,577</u>	<u>125,767</u>	<u>521,235</u>	<u>586,415</u>
EXPENDITURES						
Current:						
Development services					168,822	
Community development						308,030
Fire services						
Police services	183,138	225,764	616,577			
Public works				33,734	325,273	
Nondepartmental					4,500	
Capital outlay						
Debt Service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	<u>183,138</u>	<u>225,764</u>	<u>\$616,577</u>	<u>\$33,734</u>	<u>498,595</u>	<u>308,030</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	<u>(69,854)</u>	<u>745</u>		<u>92,033</u>	<u>22,640</u>	<u>278,385</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)					(22,640)	(278,385)
Total Other Financing					<u>(22,640)</u>	<u>(\$278,385)</u>
NET CHANGE IN FUND BALANCES	(69,854)	745		92,033		
BEGINNING FUND BALANCES	<u>242,013</u>	<u>50,437</u>				
ENDING FUND BALANCES	<u>\$172,159</u>	<u>\$51,182</u>		<u>\$92,033</u>		

SPECIAL REVENUE FUNDS

DEBT SERVICE FUNDS

Repair & Demolition Revolving Fund #142	Hazmat Revolving Fund #143	Cold Case Grant Fund #141	Redevelopment Administration Fund #710	Redevelopment Affordable Housing Fund #711	Administrative Trust Fund #601	Financing Authority Fund #301	Certificates of Participation Fund #-various
		\$59,891		\$64,649	\$25,465		\$573
\$4,100	\$15,212 40,000				8,547 6,941	\$44,327	
4,100	55,212	\$59,891		64,649	40,953	44,327	573
48,441	86,249	59,891		460,499	6,941		18,000
					8,547		760,003
							1,199,118
48,441	86,249	59,891		460,499	15,488		1,977,121
(44,341)	(31,037)			(395,850)	25,465	44,327	(1,976,548)
(50,577)				718,231 (519,833)	(25,465)	(44,327)	1,751,728
(50,577)				198,398	(25,465)	(44,327)	1,751,728
(94,918)	(31,037)			(197,452)			(224,820)
119,733	318,797			10,574,083			361,068
\$24,815	\$287,760			\$10,376,631			\$136,248

(Continued)

CITY OF VALLEJO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009

	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS				
	Redevelopment Agency Debt Service Fund #-various	Capital Outlay Fund #201	Transportation Impact Mitigation Fund #203	Bridge Construction Fund #204	Arts and Convention Center Fund #206	Northgate Fee & Benefit District #94-1 Fund #208
REVENUES						
Taxes	\$3,591,154					
Licenses, permits and fees			\$108,828			
Fines and forfeitures						
Intergovernmental						
Use of money and property	65,511	\$50,117	80,999	\$186,214	\$115,000	\$6,647
Charges for services						
Other		390,000				
Total Revenues	<u>3,656,665</u>	<u>440,117</u>	<u>189,827</u>	<u>186,214</u>	<u>115,000</u>	<u>6,647</u>
EXPENDITURES						
Current:						
Development services						
Community development	995,335					
Fire services						
Police services						
Public works						
Nondepartmental		4,500	4,500	4,500		4,500
Capital outlay		451,334	1,506,240	83,133		3,471
Debt Service:						
Principal	484,795					
Interest and fiscal agent fees	1,086,897					
Total Expenditures	<u>2,567,027</u>	<u>455,834</u>	<u>1,510,740</u>	<u>87,633</u>		<u>7,971</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,089,638</u>	<u>(15,717)</u>	<u>(1,320,913)</u>	<u>98,581</u>	<u>115,000</u>	<u>(1,324)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	694,320	226,567				
Transfers (out)	(1,788,913)				(115,000)	
Total Other Financing Sources (Uses)	<u>(1,094,593)</u>	<u>226,567</u>			<u>(115,000)</u>	
NET CHANGE IN FUND BALANCES	<u>(4,955)</u>	<u>210,850</u>	<u>(1,320,913)</u>	<u>98,581</u>		<u>(1,324)</u>
BEGINNING FUND BALANCES	<u>(4,368,644)</u>	<u>1,249,642</u>	<u>2,487,319</u>	<u>4,132,979</u>	<u>3,796,000</u>	<u>147,711</u>
ENDING FUND BALANCES	<u>(\$4,373,599)</u>	<u>\$1,460,492</u>	<u>\$1,166,406</u>	<u>\$4,231,560</u>	<u>\$3,796,000</u>	<u>\$146,387</u>

CAPITAL PROJECTS FUNDS

Hiddenbrooke Overpass Fund #211	Certificates of Participation Fund #-various	Mare Island CFD 2005 IA Facilities Fund #213	N.E. Quadrant Improvement District 03-1 Fund #218	Traffic Congestion Relief Fund #219	Downtown Development Capital Projects Fund #220	Capital Grants & Contributions Fund #221	Neighborhood Parks (GVRD) Fund #137
		\$100,003					\$46,348
\$323,280	\$101,122	15,086	\$3,948	\$1,024,543 \$5,921	\$279,839	\$955,285 129,319	103,711
<u>323,280</u>	<u>101,122</u>	<u>115,089</u>	<u>3,948</u>	<u>1,030,464</u>	<u>279,839</u>	<u>1,084,604</u>	<u>150,059</u>
4,500 21,566	9,000 17,589	4,500 3,195	4,500 364,718		279,839	929,515	
<u>26,066</u>	<u>26,589</u>	<u>7,695</u>	<u>369,218</u>		<u>279,839</u>	<u>929,515</u>	
297,214	74,533	107,394	(365,270)	1,030,464		155,089	150,059
	(569,204)						
	(569,204)						
297,214	(494,671)	107,394	(365,270)	1,030,464		155,089	150,059
7,200,409	8,816,683	298,296	\$365,270			17,924	2,328,003
<u>\$7,497,623</u>	<u>\$8,322,012</u>	<u>\$405,690</u>		<u>\$1,030,464</u>		<u>\$173,013</u>	<u>\$2,478,062</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, 2009

	CAPITAL PROJECTS FUNDS		PERMANENT FUND		Total Nonmajor Governmental Funds
	Redevelopment Agency Flosden Acres Fund #721	Redevelopment Agency Merged Fund # - various	Vallejo Station Fund 222	McCune Collection Fund #603	
REVENUES					
Taxes					\$4,744,042
Licenses, permits and fees					594,313
Fines and forfeitures					130,120
Intergovernmental			\$3,838,657		10,636,200
Use of money and property	\$211,166	\$237,936		\$5,495	3,338,757
Charges for services					11,965,187
Other		22,992			590,914
Total Revenues	211,166	260,928	3,838,657	5,495	31,999,533
EXPENDITURES					
Current:					
Development services					175,763
Community development	299,245	586,751			5,781,055
Fire services					2,682,461
Police services					2,867,205
Public works					8,726,915
Nondepartmental				7,000	1,532,236
Capital outlay			3,838,657		7,499,257
Debt Service:					
Principal					1,244,798
Interest and fiscal agent fees					2,286,015
Total Expenditures	299,245	586,751	3,838,657	7,000	32,795,705
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(88,079)	(325,823)		(1,505)	(796,172)
OTHER FINANCING SOURCES (USES)					
Transfers in	375,781	394,901			4,161,528
Transfers (out)		(174,487)			(3,652,990)
Total Total Other Financing Sources (Uses)	375,781	220,414			508,538
NET CHANGE IN FUND BALANCES	287,702	(105,409)		(1,505)	(287,634)
BEGINNING FUND BALANCES	6,511,122	7,079,352		123,785	62,150,931
ENDING FUND BALANCES	\$6,798,824	\$6,973,943		\$122,280	\$61,863,297

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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, 2009

	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	\$1,161,557	\$826,972	(\$334,585)	\$615,875	\$452,104	(\$163,771)
Use of money and property	200,000	74,820	(125,180)		226,137	226,137
Charges for services						
Other				200,000	53,039	(146,961)
Total Revenues	<u>1,361,557</u>	<u>901,792</u>	<u>(459,765)</u>	<u>815,875</u>	<u>731,280</u>	<u>(84,595)</u>
EXPENDITURES						
Current:						
Executive						
Finance						
Development services						
Community development	2,835,975	901,792	1,934,183	2,505,045	731,280	1,773,765
Fire services						
Police services						
Public works						
Nondepartmental						
Capital Outlay						
Debt service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	<u>2,835,975</u>	<u>901,792</u>	<u>1,934,183</u>	<u>2,505,045</u>	<u>731,280</u>	<u>1,773,765</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,474,418)</u>		<u>1,474,418</u>	<u>(1,689,170)</u>		<u>1,689,170</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	<u>(\$1,474,418)</u>		<u>\$1,474,418</u>	<u>(\$1,689,170)</u>		<u>\$1,689,170</u>
BEGINNING FUND BALANCES						
ENDING FUND BALANCES						

MARE ISLAND LEASING			MARE ISLAND CFD 2002			MARE ISLAND CFD 2005 1A (State)		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
			\$883,203 228,000	\$1,052,885 290,572	\$169,682 62,572			
\$312,739	\$353,862	\$41,123	60,000	94,028	34,028	\$12,000	\$21,537	\$9,537
128,000	981,561	853,561	4,758,269	4,734,248	(24,021)	175,651	175,653	2
500,000		(500,000)		52	52		44,151	44,151
940,739	1,335,423	394,684	5,929,472	6,171,785	242,313	187,651	241,341	53,690
1,449,682	1,449,682		2,596,208	2,596,212	(4)			
			1,309,447	1,179,291	130,156			
			1,795,616	1,310,106	485,510	202,450	124,420	78,030
			265,585	1,462,236	(1,196,651)			
1,449,682	1,449,682		5,966,856	6,547,845	(580,989)	202,450	124,420	78,030
(508,943)	(114,259)	394,684	(37,384)	(376,060)	(338,676)	(14,799)	116,921	131,720
<u>(\$508,943)</u>	<u>(114,259)</u>	<u>\$394,684</u>	<u>(\$37,384)</u>	<u>(376,060)</u>	<u>(\$338,676)</u>	<u>(\$14,799)</u>	<u>116,921</u>	<u>\$131,720</u>
	<u>1,007,842</u>			<u>2,663,950</u>			<u>403,095</u>	
	<u>\$893,583</u>			<u>\$2,287,890</u>			<u>\$520,016</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, 2009

	MARE ISLAND CFD 2005 1B (Local)			STATE GAS TAX		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental				\$2,330,000	\$2,082,516	(\$247,484)
Use of money and property		\$11,058	\$11,058	25,000		(25,000)
Charges for services	\$112,232	112,234	2	132,000	132,000	
Other				22,406	57,278	34,872
Total Revenues	<u>112,232</u>	<u>123,292</u>	<u>11,060</u>	<u>2,509,406</u>	<u>2,271,794</u>	<u>(237,612)</u>
EXPENDITURES						
Current:						
Executive						
Finance						
Development services						
Community development						
Fire services						
Police services						
Public works	22,083	9,467	12,616	2,976,715	2,382,796	593,919
Nondepartmental	70,000		70,000			
Capital Outlay						
Debt service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	<u>92,083</u>	<u>9,467</u>	<u>82,616</u>	<u>2,976,715</u>	<u>2,382,796</u>	<u>593,919</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>20,149</u>	<u>113,825</u>	<u>93,676</u>	<u>(467,309)</u>	<u>(111,002)</u>	<u>356,307</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	<u>\$20,149</u>	<u>113,825</u>	<u>\$93,676</u>	<u>(\$467,309)</u>	<u>(111,002)</u>	<u>\$356,307</u>
BEGINNING FUND BALANCES		<u>208,002</u>			<u>440,155</u>	
ENDING FUND BALANCES		<u>\$321,827</u>			<u>\$329,153</u>	

SOLID WASTE DISPOSAL			HIDDENBROOKE COMMUNITY SERVICES DISTRICT			LANDSCAPE MAINTENANCE DISTRICTS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$5,300	\$8,577	\$3,277						
	3,108	3,108						
65,000	85,817	20,817						
	19,764	19,764	\$26,799	\$74,428	\$47,629	\$47,631	\$148,463	\$100,832
1,428,000	1,392,522	(35,478)	683,485	708,366	24,881	3,122,489	2,808,510	(313,979)
			745	1,794	1,049	36,000	8,615	(27,385)
<u>1,498,300</u>	<u>1,509,788</u>	<u>11,488</u>	<u>711,029</u>	<u>784,588</u>	<u>73,559</u>	<u>3,206,120</u>	<u>2,965,588</u>	<u>(240,532)</u>
1,550,137	1,550,137		945,690	713,850	231,840	3,000,593	2,268,585	732,008
<u>1,550,137</u>	<u>1,550,137</u>		<u>945,690</u>	<u>713,850</u>	<u>231,840</u>	<u>3,000,593</u>	<u>2,268,585</u>	<u>732,008</u>
<u>(51,837)</u>	<u>(40,349)</u>	<u>11,488</u>	<u>(234,661)</u>	<u>70,738</u>	<u>305,399</u>	<u>205,527</u>	<u>697,003</u>	<u>491,476</u>
<u>(75,000)</u>	<u>(64,159)</u>	<u>10,841</u>						
<u>(75,000)</u>	<u>(64,159)</u>	<u>10,841</u>						
<u>(\$126,837)</u>	<u>(104,508)</u>	<u>\$22,329</u>	<u>(\$234,661)</u>	<u>70,738</u>	<u>\$305,399</u>	<u>\$205,527</u>	<u>697,003</u>	<u>\$491,476</u>
	<u>\$104,508</u>			<u>1,612,549</u>			<u>2,975,131</u>	
				<u>\$1,683,287</u>			<u>\$3,672,134</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, 2009

	ASSET SEIZURE			TRAFFIC OFFENDER/VEHICLE IMPOUND PROGRAM		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses, permits and fees				\$175,000	\$139,988	(\$35,012)
Fines and forfeitures	\$100,000	\$127,012	\$27,012			
Intergovernmental						
Use of money and property		39,364	39,364		9,653	9,653
Charges for services						
Other				5,000		(5,000)
Total Revenues	<u>100,000</u>	<u>166,376</u>	<u>66,376</u>	<u>180,000</u>	<u>149,641</u>	<u>(30,359)</u>
EXPENDITURES						
Current:						
Executive						
Finance						
Development services						
Community development						
Fire services						
Police services	100,000	22,640	77,360	450,695	391,672	59,023
Public works						
Nondepartmental						
Capital Outlay						
Debt service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	<u>100,000</u>	<u>22,640</u>	<u>77,360</u>	<u>450,695</u>	<u>391,672</u>	<u>59,023</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		<u>143,736</u>	<u>143,736</u>	<u>(270,695)</u>	<u>(242,031)</u>	<u>28,664</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES		<u>143,736</u>	<u>\$143,736</u>	<u>(\$270,695)</u>	<u>(242,031)</u>	<u>\$28,664</u>
BEGINNING FUND BALANCES		<u>641,686</u>			<u>\$242,031</u>	
ENDING FUND BALANCES		<u>\$785,422</u>				

OFFICE OF TRAFFIC SAFETY			LOCAL LAW ENFORCEMENT GRANT			SUPPLEMENTAL LAW ENFORCEMENT GRANT		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$120,000	\$186,160	\$66,160	\$22,000	\$2,072	(\$19,928)	\$220,000	\$100,000 13,284	(\$120,000) 13,284
<u>120,000</u>	<u>186,160</u>	<u>66,160</u>	<u>22,000</u>	<u>2,072</u>	<u>(19,928)</u>	<u>220,000</u>	<u>113,284</u>	<u>(106,716)</u>
186,160	186,160		22,000	2,072	19,928	220,000	183,138	36,862
<u>186,160</u>	<u>186,160</u>		<u>22,000</u>	<u>2,072</u>	<u>19,928</u>	<u>220,000</u>	<u>183,138</u>	<u>36,862</u>
<u>(66,160)</u>		<u>66,160</u>					<u>(69,854)</u>	<u>(69,854)</u>
<u>(\$66,160)</u>		<u>\$66,160</u>					<u>(69,854)</u>	<u>(\$69,854)</u>
							<u>242,013</u>	
							<u>\$172,159</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, 2009

	CADET PROGRAM			CALIFORNIA DEPARTMENT OF CORRECTIONS GRANT		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental				\$616,577	\$616,577	
Use of money and property		\$2,794	\$2,794			
Charges for services	\$220,000	217,839	(2,161)			
Other	25,000	5,876	(19,124)			
Total Revenues	245,000	226,509	(18,491)	616,577	616,577	
EXPENDITURES						
Current:						
Executive						
Finance						
Development services						
Community development						
Fire services						
Police services	245,000	225,764	19,236	616,577	616,577	
Public works						
Nondepartmental						
Capital Outlay						
Debt service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	245,000	225,764	19,236	616,577	616,577	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		745	745			
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES		745	\$745			
BEGINNING FUND BALANCES		50,437				
ENDING FUND BALANCES		\$51,182				

URBAN FOREST GRANT			OUTSIDE SERVICES			STATE LANDS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
	\$125,767	\$125,767						
			\$19,500	\$27,140	\$7,640	\$478,350	\$470,954	(\$7,396)
			2,246,353	494,095	(1,752,258)	100,000	115,461	15,461
	<u>125,767</u>	<u>125,767</u>	<u>2,265,853</u>	<u>521,235</u>	<u>(1,744,618)</u>	<u>578,350</u>	<u>586,415</u>	<u>8,065</u>
			899,353	168,822	730,531			
						335,662	308,030	27,632
\$47,999	33,734	14,265	1,347,000	325,273	1,021,727			
			4,500	4,500				
<u>47,999</u>	<u>33,734</u>	<u>14,265</u>	<u>2,250,853</u>	<u>498,595</u>	<u>1,752,258</u>	<u>335,662</u>	<u>308,030</u>	<u>27,632</u>
<u>(47,999)</u>	<u>92,033</u>	<u>140,032</u>	<u>15,000</u>	<u>22,640</u>	<u>7,640</u>	<u>242,688</u>	<u>278,385</u>	<u>35,697</u>
			<u>(15,000)</u>	<u>(22,640)</u>	<u>(7,640)</u>	<u>(242,688)</u>	<u>(278,385)</u>	<u>(35,697)</u>
			<u>(15,000)</u>	<u>(22,640)</u>	<u>(7,640)</u>	<u>(242,688)</u>	<u>(278,385)</u>	<u>(35,697)</u>
<u>(\$47,999)</u>	<u>92,033</u>	<u>\$140,032</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>\$92,033</u>		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </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, 2009

	REPAIR & DEMOLITION REVOLVING FUND			HAZMAT 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		\$4,100	\$4,100	\$6,250	\$15,212	\$8,962
Charges for services				40,000	40,000	
Other						
Total Revenues		4,100	4,100	46,250	55,212	8,962
EXPENDITURES						
Current:						
Executive						
Finance						
Development services						
Community development	\$48,441	48,441				
Fire services				86,250	86,249	1
Police services						
Public works						
Nondepartmental						
Capital Outlay						
Debt service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	48,441	48,441		86,250	86,249	1
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(48,441)	(44,341)	4,100	(40,000)	(31,037)	8,963
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	(45,000)	(50,577)	(5,577)			
Total Other Financing Sources (Uses)	(45,000)	(50,577)	(5,577)			
NET CHANGE IN FUND BALANCES	<u>(\$93,441)</u>	(94,918)	<u>(\$1,477)</u>	<u>(\$40,000)</u>	(31,037)	<u>\$8,963</u>
BEGINNING FUND BALANCES		119,733			318,797	
ENDING FUND BALANCES		<u>\$24,815</u>			<u>\$287,760</u>	

REDEVELOPMENT AFFORDABLE HOUSING			ADMINISTRATIVE TRUST FUND		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$39,962	\$64,649	\$24,687	\$10,000	\$25,465	\$15,465
			20,000	8,547	(11,453)
			125,000	6,941	(118,059)
<u>39,962</u>	<u>64,649</u>	<u>24,687</u>	<u>155,000</u>	<u>40,953</u>	<u>(114,047)</u>
			25,000		25,000
415,759	460,499	(44,740)	100,000	6,941	93,059
			20,000	8,547	11,453
<u>415,759</u>	<u>460,499</u>	<u>(44,740)</u>	<u>145,000</u>	<u>15,488</u>	<u>129,512</u>
<u>(375,797)</u>	<u>(395,850)</u>	<u>(20,053)</u>	<u>10,000</u>	<u>25,465</u>	<u>15,465</u>
739,145	718,231	(20,914)			
<u>(526,950)</u>	<u>(519,833)</u>	<u>7,117</u>	<u>(10,000)</u>	<u>(25,465)</u>	<u>(15,465)</u>
<u>212,195</u>	<u>198,398</u>	<u>(13,797)</u>	<u>(10,000)</u>	<u>(25,465)</u>	<u>(15,465)</u>
<u>(\$163,602)</u>	<u>(197,452)</u>	<u>(\$33,850)</u>			
	<u>10,574,083</u>				
	<u>\$10,376,631</u>				

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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, 2009

	Fleet Maintenance/ Replacement	Insurance	Payroll Benefits	Retiree Health Benefits (OPEB)	Bankruptcy Claims	Total
ASSETS						
Cash and investments	\$3,563,091	\$7,027,285	\$277,457		\$892,418	\$11,760,251
Accounts receivable	11,680	1,275	36,524			49,479
Due from other funds		1,596,406				1,596,406
Materials, parts, and supplies	183,670					183,670
Capital assets, net	<u>2,028,579</u>					<u>2,028,579</u>
Total Assets	<u>5,787,020</u>	<u>8,624,966</u>	<u>313,981</u>		<u>892,418</u>	<u>15,618,385</u>
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	87,062	31,585	22,048			140,695
Claims payable, current		2,114,469				2,114,469
Employee benefits payable, current	<u>91,213</u>	<u>23,628</u>	<u>160,048</u>			<u>274,889</u>
Current liabilities	<u>178,275</u>	<u>2,169,682</u>	<u>182,096</u>			<u>2,530,053</u>
Long-term liabilities:						
Claims payable		9,406,531				9,406,531
Employee benefits payable, long term	<u>60,469</u>		<u>131,885</u>	<u>\$12,564,153</u>	<u>2,276,435</u>	<u>15,032,942</u>
Total Liabilities	<u>238,744</u>	<u>11,576,213</u>	<u>\$313,981</u>	<u>12,564,153</u>	<u>2,276,435</u>	<u>26,969,526</u>
NET ASSETS						
Invested in capital assets, net of related debt	2,028,579					2,028,579
Unrestricted	<u>3,519,697</u>	<u>(2,951,247)</u>		<u>(12,564,153)</u>	<u>(1,384,017)</u>	<u>(13,379,720)</u>
Total Net Assets	<u>\$5,548,276</u>	<u>(\$2,951,247)</u>		<u>(\$12,564,153)</u>	<u>(\$1,384,017)</u>	<u>(\$11,351,141)</u>

CITY OF VALLEJO
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

	Fleet Maintenance/ Replacement	Insurance	Payroll Benefits	Retiree Health Benefits (OPEB)	Bankruptcy Claims	Total
OPERATING REVENUES						
Charges for services	\$3,551,144	\$4,683,643	\$1,887,795			\$10,122,582
Other	90,421			\$3,668,742		3,759,163
Total Operating revenues	<u>3,641,565</u>	<u>4,683,643</u>	<u>1,887,795</u>	<u>3,668,742</u>		<u>13,881,745</u>
OPERATING EXPENSES						
Operating expenses	2,624,720	1,021,229		9,604,943	\$2,276,435	15,527,327
Insurance and claims		4,483,107				4,483,107
Depreciation	706,923					706,923
Total Operating expenses	<u>3,331,643</u>	<u>5,504,336</u>		<u>9,604,943</u>	<u>2,276,435</u>	<u>20,717,357</u>
Operating income (loss)	<u>309,922</u>	<u>(820,693)</u>	<u>1,887,795</u>	<u>(5,936,201)</u>	<u>(2,276,435)</u>	<u>(6,835,612)</u>
NONOPERATING REVENUES (EXPENSES)						
Investment income (expense)	132,559	349,235				481,794
Gain on sale of capital assets	63,060					63,060
Total nonoperating revenues (expenses)	<u>195,619</u>	<u>349,235</u>				<u>544,854</u>
Income (loss) before transfers	<u>505,541</u>	<u>(471,458)</u>	<u>1,887,795</u>	<u>(5,936,201)</u>	<u>(2,276,435)</u>	<u>(6,290,758)</u>
Transfers in					892,418	892,418
Transfers (out)		(1,000,000)				(1,000,000)
Change in net assets	505,541	(1,471,458)	1,887,795	(5,936,201)	(1,384,017)	(6,398,340)
BEGINNING NET ASSETS (DEFICIT)	<u>5,042,735</u>	<u>(1,479,789)</u>	<u>(1,887,795)</u>	<u>(6,627,952)</u>		<u>(4,952,801)</u>
ENDING NET ASSETS (DEFICIT)	<u>\$5,548,276</u>	<u>(\$2,951,247)</u>		<u>(\$12,564,153)</u>	<u>(\$1,384,017)</u>	<u>(\$11,351,141)</u>

CITY OF VALLEJO
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

	Fleet Maintenance/ Replacement	Insurance	Payroll Benefits	Retiree Health Benefits (OPEB)	Bankruptcy Claims	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$3,641,343	\$4,682,368	\$1,875,191	\$3,668,742		\$13,867,644
Payments to suppliers	(1,620,839)	(746,639)	(640,498)			(3,007,976)
Payments to or on behalf of employees	(1,017,892)	(267,143)	(1,665,797)	(3,668,742)		(6,619,574)
Claims paid		(4,086,107)				(4,086,107)
Cash Flows from Operating Activities	1,002,612	(417,521)	(431,104)			153,987
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in					\$892,418	892,418
Transfers (out)		(1,000,000)				(1,000,000)
(Increase) decrease in due from other funds		4,972,571				4,972,571
Cash Flows from Noncapital Financing Activities		3,972,571			892,418	4,864,989
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets	(10,768)					(10,768)
Cash Flows from Capital and Related Financing Activities	(10,768)					(10,768)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest	132,559	349,235				481,794
Cash Flows from Investing Activities	132,559	349,235				481,794
Net Cash Flows	1,124,403	3,904,285	(431,104)		892,418	5,490,002
Cash and investments at beginning of period	2,438,688	3,123,000	708,561			6,270,249
Cash and investments at end of period	<u>\$3,563,091</u>	<u>\$7,027,285</u>	<u>\$277,457</u>		<u>\$892,418</u>	<u>\$11,760,251</u>
Reconciliation of operating income (loss) to net cash flows						
from operating activities:						
Operating income (loss)	\$309,922	(\$820,693)	\$1,887,795	(\$5,936,201)	(\$2,276,435)	(\$6,835,612)
Adjustments to reconcile operating income to net cash flows						
from operating activities:						
Depreciation	706,923					706,923
Change in assets and liabilities:						
Receivables, net	(222)	(1,275)	(12,604)			(14,101)
Other assets	(5,178)					(5,178)
Accounts payable and accrued liabilities	(29,629)	2,155	(640,498)			(667,972)
Employee benefits payable	20,796	5,292	(1,665,797)	\$5,936,201	\$2,276,435	6,572,927
Claims payable		397,000				397,000
Cash Flows from Operating Activities	\$1,002,612	(\$417,521)	(\$431,104)			\$153,987

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, 2009

	Balance June 30, 2008	Additions	Deductions	Balance June 30, 2009
<u>Fairgrounds Drive Assessment District</u>				
<u>Assets</u>				
Cash and investments	\$2,109,025	\$2,266,986	\$2,109,025	\$2,266,986
Restricted cash and investments	1		1	
Total Assets	<u>\$2,109,026</u>	<u>\$2,266,986</u>	<u>\$2,109,026</u>	<u>\$2,266,986</u>
<u>Liabilities</u>				
Due to bondholders	<u>\$2,109,026</u>	<u>\$2,266,986</u>	<u>\$2,109,026</u>	<u>\$2,266,986</u>
Total Liabilities	<u>\$2,109,026</u>	<u>\$2,266,986</u>	<u>\$2,109,026</u>	<u>\$2,266,986</u>
<u>Glen Cove Assessment District</u>				
<u>Assets</u>				
Cash and investments	\$2,264,627	\$2,354,312	\$2,264,627	\$2,354,312
Restricted cash and investments	1,235,615	1,187,183	1,235,615	1,187,183
Total Assets	<u>\$3,500,242</u>	<u>\$3,541,495</u>	<u>\$3,500,242</u>	<u>\$3,541,495</u>
<u>Liabilities</u>				
Due to bondholders	<u>\$3,500,242</u>	<u>\$3,541,495</u>	<u>\$3,500,242</u>	<u>\$3,541,495</u>
Total Liabilities	<u>\$3,500,242</u>	<u>\$3,541,495</u>	<u>\$3,500,242</u>	<u>\$3,541,495</u>
<u>NE Quadrant Assessment District</u>				
<u>Assets</u>				
Cash and investments	\$1,115,844	\$1,218,086	\$1,115,844	\$1,218,086
Restricted cash and investments	326,218	301,024	326,218	301,024
Total Assets	<u>\$1,442,062</u>	<u>\$1,519,110</u>	<u>\$1,442,062</u>	<u>\$1,519,110</u>
<u>Liabilities</u>				
Due to bondholders	<u>\$1,442,062</u>	<u>\$1,519,110</u>	<u>\$1,442,062</u>	<u>\$1,519,110</u>
Total Liabilities	<u>\$1,442,062</u>	<u>\$1,519,110</u>	<u>\$1,442,062</u>	<u>\$1,519,110</u>

CITY OF VALLEJO
 AGENCY FUNDS
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2009</u>
<u>Hiddenbrooke Improvement District</u>				
<u>Assets</u>				
Cash and investments	\$3,575,508	\$3,966,370	\$3,575,508	\$3,966,370
Restricted cash and investments	2,267,630	2,332,346	2,267,630	2,332,346
Total Assets	<u>\$5,843,138</u>	<u>\$6,298,716</u>	<u>\$5,843,138</u>	<u>\$6,298,716</u>
<u>Liabilities</u>				
Due to bondholders	\$5,843,138	\$6,298,716	\$5,843,138	\$6,298,716
Total Liabilities	<u>\$5,843,138</u>	<u>\$6,298,716</u>	<u>\$5,843,138</u>	<u>\$6,298,716</u>
<u>NE Quadrant Improvement District</u>				
<u>Assets</u>				
Cash and investments	\$472,247	\$492,258	\$472,247	\$492,258
Restricted cash and investments	599,601	595,392	599,601	595,392
Total Assets	<u>\$1,071,848</u>	<u>\$1,087,650</u>	<u>\$1,071,848</u>	<u>\$1,087,650</u>
<u>Liabilities</u>				
Due to bondholders	\$1,071,848	\$1,087,650	\$1,071,848	\$1,087,650
Total Liabilities	<u>\$1,071,848</u>	<u>\$1,087,650</u>	<u>\$1,071,848</u>	<u>\$1,087,650</u>
<u>TOTAL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and investments	\$9,537,251	\$10,298,012	\$9,537,251	\$10,298,012
Restricted cash and investments held with fiscal agent	4,429,065	4,415,945	4,429,065	\$4,415,945
Total Assets	<u>\$13,966,316</u>	<u>\$14,713,957</u>	<u>\$13,966,316</u>	<u>\$14,713,957</u>
<u>Liabilities</u>				
Due to bondholders	\$13,966,316	\$14,713,957	\$13,966,316	\$14,713,957
Total Liabilities	<u>\$13,966,316</u>	<u>\$14,713,957</u>	<u>\$13,966,316</u>	<u>\$14,713,957</u>

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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 Seven Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ending June 30						
	2003	2004	2005	2006	2007	2008	2009
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	\$ 266,223,475
Restricted	139,275,023	144,466,722	135,874,545	136,337,716	119,741,965	102,874,303	85,263,689
Unrestricted	12,679,669	(31,040,505)	(15,725,473)	(15,929,104)	(18,810,903)	(22,169,645)	(26,867,493)
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>	<u>\$ 324,619,671</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	\$ 203,332,924
Restricted	68,290,291	52,058,389	41,716,706	49,930,075	47,275,222	46,365,386	41,511,141
Unrestricted	25,287,824	30,546,597	6,179,510	12,397,504	676,754	35,217,209	38,002,659
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>	<u>\$ 282,846,724</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	\$ 469,556,399
Restricted	207,565,314	196,525,111	177,591,251	186,267,791	167,017,187	149,239,689	126,774,830
Unrestricted	37,967,493	(493,908)	(9,545,963)	(3,531,600)	(18,134,149)	13,047,564	11,135,166
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>	<u>\$ 607,466,395</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 SEVEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year Ending June 30						
	2003	2004	2005	2006	2007	2008	2009
Expenses							
Governmental activities:							
Legislative and Advisory	\$ 385,570	\$ 374,331	\$ 322,556	\$ 327,583	\$ 277,713	\$ 285,594	\$ 230,008
Executive	1,295,966	1,368,798	1,307,999	1,335,818	1,443,648	686,783	515,508
Finance	1,655,368	1,824,278	1,479,210	1,952,829	2,061,912	1,216,526	1,843,470
Human Resources	912,034	919,935	1,041,490	1,273,713	1,325,483	668,458	500,773
Law	778,393	756,854	687,908	722,436	860,128	867,418	907,159
Development Services	3,455,967	3,273,016	3,188,959	3,681,143	2,839,027	3,252,585	2,612,545
Community Development	46,230,453	58,210,217	51,914,880	37,306,492	44,540,545	33,498,889	38,289,355
Fire services	20,012,832	23,696,187	23,985,109	25,373,064	29,682,741	27,464,830	24,629,574
Police services	31,574,229	34,287,574	34,720,623	37,892,335	41,702,454	43,073,607	37,381,878
Public Works	13,809,365	13,939,915	14,793,797	25,854,625	24,422,136	25,984,476	22,384,988
Nondepartmental	12,832,301	12,151,426	11,710,331	6,826,980	7,284,198	11,045,020	11,426,993
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	2,506,891
Total governmental activities expenses	147,018,517	153,638,259	147,608,045	145,250,867	159,089,950	150,738,832	143,229,142
Business-type activities:							
Water	24,905,227	31,696,161	29,329,743	32,418,880	32,401,050	32,479,434	33,749,246
Local Transportation	18,183,460	20,882,570	24,165,435	29,663,516	30,667,114	28,873,584	28,008,014
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	28,865,210
Marine World JPA	55,545,895	57,942,325	54,198,128	58,203,991	55,980,978	40,016,158	0
Other proprietary funds	2,707,183	3,118,887	3,301,665	4,090,063	4,023,841	3,969,348	4,148,159
Total business-type activities expenses	124,028,131	138,627,414	133,733,149	149,278,560	149,085,613	132,817,516	94,770,629
Total primary government expenses	\$ 271,046,648	\$ 292,265,673	\$ 281,341,194	\$ 294,529,427	\$ 308,175,563	\$ 283,556,348	\$ 237,999,771
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	\$ 18,552,714
Operating grants and contributions	29,887,552	33,810,077	34,786,028	36,629,191	34,636,280	24,514,830	20,365,355
Capital grants and contributions	41,716,347	20,492,269	13,790,057	3,188,226	2,724,007	3,485,972	6,359,992
Total governmental activities program revenues	99,554,603	73,639,709	73,598,295	67,251,875	66,317,210	49,576,065	45,278,061
Business-type activities:							
Charges for services	107,706,944	109,134,399	110,851,695	119,838,664	121,404,636	109,978,623	68,630,750
Operating grants and contributions	28,924,089	9,542,098	9,980,364	13,454,404	16,154,147	16,349,279	13,279,238
Capital grants and contributions	1,015,699	12,241,899	7,974,031	10,571,163	7,430,645	4,391,676	6,467,283
Total business-type activities program revenues	137,646,732	130,918,396	128,806,090	143,864,231	144,989,428	130,719,578	88,377,271
Total primary government program revenues	\$ 237,201,335	\$ 204,558,105	\$ 202,404,385	\$ 211,116,106	\$ 211,306,638	\$ 180,295,643	\$ 133,655,332
Net revenue/(expense)							
Governmental activities	\$ (47,463,914)	\$ (79,998,550)	\$ (74,009,750)	\$ (77,998,992)	\$ (92,772,740)	\$ (101,162,767)	\$ (97,951,081)
Business-type activities	13,618,601	(7,709,018)	(4,927,059)	(5,414,329)	(4,096,185)	(2,097,938)	(6,393,358)
Total primary government net expense	\$ (33,845,313)	\$ (87,707,568)	\$ (78,936,809)	\$ (83,413,321)	\$ (96,868,925)	\$ (103,260,705)	\$ (104,344,439)

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

	Fiscal Year Ending June 30						
	2003	2004	2005	2006	2007	2008	2009
(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	\$ 17,612,113
Incremental property taxes	2,489,068	19,428,752	3,581,499	4,466,603	4,302,203	4,908,635	3,591,154
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	11,480,014
Utility user taxes	11,697,172	11,707,588	11,882,250	12,711,868	12,746,862	13,501,146	13,057,518
Motor vehicles	6,875,520	5,688,734	12,185,788	8,592,520	9,536,759	10,388,740	9,905,427
Other taxes	10,054,753	14,094,574	5,330,846	5,290,946	7,124,909	9,339,334	10,406,286
Mare Island CFD Assessments	-	-	-	-	-	5,311,886	5,022,136
Investment earnings	4,822,338	1,927,541	4,008,728	4,985,424	6,686,545	6,043,677	2,826,200
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	4,038,522
Transfers	(380,487)	(796,567)	1,109,605	190,988	72,871	1,352,629	(621,487)
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>	<u>77,317,883</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	(2,857,059)
Miscellaneous	1,176,453	(674,084)	43,604	37,705	64,536	247,080	171,513
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)	621,487
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>	<u>(2,064,059)</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>	<u>\$ 75,253,824</u>
Change in Net Assets							
Governmental activities	\$ 26,098,188	\$ 3,816,565	\$ 891,748	\$ (6,051,428)	\$ (13,538,602)	\$ (15,923,213)	\$ (20,633,198)
Business-type activities	22,279,692	(5,269,313)	(445,606)	(4,018,053)	121,110	27,955,557	(8,457,417)
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>	<u>\$ (29,090,615)</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									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund										
Reserved	\$ 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	\$ 1,928,641
Unreserved	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	2,397,227
Total General Fund	<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>	<u>\$ 4,325,868</u>
All Other Governmental Funds										
Reserved	\$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	\$ 88,606,846
Unreserved, reported in:										
Special revenue funds	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	98,115
Debt service funds	-	-	(7,536,268)	(3,121,481)	-	(3,531,237)	(3,686,077)	(5,322,945)	(5,529,994)	(5,530,905)
Capital projects funds	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	780,658
Permanent funds	-	-	-	-	-	-	115,963	120,291	-	-
Total all other governmental funds	<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>	<u>\$ 83,954,714</u>

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

	Fiscal Year Ending June 30						
	2003	2004	2005	2006	2007	2008	2009
Revenues:							
Taxes	\$ 66,537,857	\$ 69,534,702	\$ 55,161,490	\$ 57,550,479	\$ 59,919,619	\$ 58,729,898	\$ 55,815,958
Licenses and permits	7,900,520	9,133,758	11,852,968	6,000,434	4,677,963	3,327,060	2,440,614
Fines and forfeitures	1,216,869	1,434,419	1,450,743	3,887,337	1,683,911	1,827,945	1,560,809
Intergovernmental	78,159,185	53,864,845	55,423,739	49,780,261	48,824,041	38,546,090	36,743,052
Investment income	4,663,955	3,902,344	6,419,396	6,702,584	7,789,616	6,891,090	4,520,458
Charges for services	5,159,696	9,485,786	14,692,748	11,326,489	17,925,042	20,234,105	20,026,448
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	841,040
Total revenues	173,497,192	159,274,877	147,718,673	139,695,983	145,363,280	131,389,500	121,948,379
Expenditures							
Current:							
Legislative and Advisory	384,957	368,718	311,994	323,174	270,743	292,370	215,485
Executive	1,292,900	1,316,730	1,413,534	1,374,916	1,425,841	736,846	621,003
Finance	1,797,388	1,620,253	1,286,935	1,864,644	1,926,168	1,159,374	1,696,164
Human resources	910,174	890,623	973,717	1,282,442	1,319,304	723,493	553,254
Law	775,735	733,749	628,677	764,614	871,733	892,284	863,429
Development services	3,463,252	3,224,521	3,078,353	3,650,863	2,786,231	3,248,627	2,633,028
Community Development	21,590,216	21,566,642	52,217,190	39,856,041	46,712,048	33,707,475	39,056,197
Fire services	20,210,256	22,497,654	22,742,661	24,723,674	28,072,502	28,063,568	23,107,207
Police services	30,637,749	32,143,536	32,898,573	36,630,148	40,252,109	41,185,818	34,354,261
Public works	13,466,028	13,001,968	12,204,692	13,793,065	13,486,711	14,077,984	12,713,924
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	11,426,993
Capital Outlay	13,250,922	11,979,002	5,867,421	5,218,215	18,761,691	14,039,215	7,499,257
Debt service:							
Principal	7,349,406	1,450,153	5,056,682	1,657,337	3,966,314	1,497,254	1,464,697
Interest	6,828,458	4,169,649	2,463,555	2,705,865	2,667,960	2,589,723	2,336,172
Total expenditures	154,776,818	156,954,819	147,264,482	140,671,978	169,803,553	153,259,051	138,541,071
Excess (deficiency) of revenues over (under) expenditures	18,720,374	2,320,058	454,191	(975,995)	(24,440,273)	(21,869,551)	(16,592,692)
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	5,783,696
Transfers out	(5,451,508)	(28,038,104)	(16,939,167)	(13,467,901)	(10,580,494)	(8,506,845)	(6,297,601)
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	(513,905)
Net change in fund balances	\$ 29,877,280	\$ 9,717,307	\$ 963,796	\$ (2,589,204)	\$ (23,715,373)	\$ (18,203,261)	\$ (17,106,597)
Beginning fund balance	\$117,244,058	\$147,121,338	\$148,931,220	\$149,895,016	\$147,305,813	\$123,590,440	\$105,387,179
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	\$ 88,280,582
Debt service as a percentage of noncapital expenditures	11%	4%	6%	3%	5%	3%	3%

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

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

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%
2009	10,017,721,922	218,039,859	130,670	(702,322,165)	9,533,570,286	363,508,768	70,359,276	168,820	(44,383,622)	389,653,242	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.

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Source: County Assessor's Office
 HDL Property Report

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

Fiscal Year Ending June 30	2002	2003	2004	2005	2006	2007	2008	2009
City Direct Rates:								
City basic rate	<u>0.24622</u>	<u>0.24622</u>	<u>0.24622</u>	<u>0.24622</u>	<u>0.24622</u>	<u>0.24622</u>	<u>0.24622</u>	<u>0.24622</u>
Total City Direct Rate	0.24622	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	0.00807
Aviation	0.00119	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	0.00219
County Free Library	0.02743	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	0.31331
County School Service Fund Support	0.01134	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	0.00334
Development Center	0.00217	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	0.06490
Library Special Tax Zone 7	0.01385	0.01385	0.01385	0.01385	0.01385	0.01365	0.01365	0.01365
Mosquito Abatement	0.00567	0.00567	0.00567	0.00567	0.00567	0.00587	0.00587	0.00587
Recreation	0.00203	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	0.02758
Solano County Water District	0.01527	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	0.24069
VSFCD Operating	<u>0.01474</u>	<u>0.01474</u>	<u>0.01474</u>	<u>0.01474</u>	<u>0.01474</u>	<u>0.01474</u>	<u>0.01474</u>	<u>0.01474</u>
Total Prop. 13 Direct Rate	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Sc Fid State Wtr Pj Zone Ben #1	0.02000	0.02000	0.02000	0.02000	0.02000	0.02000	0.02000	0.02000
Sec GOB Series 2003-A	0.00000	0.00000	0.01432	0.01532	0.01643	0.01211	0.01189	0.00000
Vallejo Usd Bond 97 Measure A	0.02335	0.01603	0.00000	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	0.01571
Vallejo Usd Measure A 2004	0.00000	0.00000	0.00000	0.01620	0.00874	0.01019	0.00914	0.00962
Vallejo Usd Measure A 1999	0.03277	0.02313	0.00000	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	0.00000
Vallejo Usd State Repay	0.00022	0.00033	0.00014	0.00007	0.00001	0.00000	0.00000	0.00000
Vallejo Usd 2002-A GOB Refunding	0.00000	0.00000	0.05723	0.04535	0.04267	0.03828	0.03597	0.03958
Vallejo Usd Measure A - 2006	0.00000	0.00000	0.00000	0.00000	0.00000	0.01643	0.01153	0.00993
Sec GOB Series 2006B	0.00000	0.00000	0.00000	0.00000	0.00000	0.00336	0.00269	0.00258
Sec GOB Series 2005 Refunding	<u>0.00000</u>	<u>0.00000</u>	<u>0.00000</u>	<u>0.00000</u>	<u>0.00000</u>	<u>0.00000</u>	<u>0.00000</u>	<u>0.01240</u>
Total Voter Approved Rate	0.09167	0.14457	0.14390	0.12260	0.11023	0.11888	0.10677	0.10981
Total Direct Rate	<u>1.09167</u>	<u>1.14457</u>	<u>1.14390</u>	<u>1.12260</u>	<u>1.11023</u>	<u>1.11888</u>	<u>1.10677</u>	<u>1.10981</u>

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 Eight years of data for this schedule.

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

Taxpayer	2009		2000	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Centro Watt Property Owner II	\$ 71,086,350	0.72%	\$ -	-
Park Management Corp.	60,818,310	0.61%	95,568,851	2.07%
Deutsche Bank	51,412,972	0.52%	-	-
Hart Sterling Village Apartment	38,259,100	0.39%	-	-
Sutter Community Hospitals	36,491,372	0.37%	-	-
KW WDC Vallejo	33,381,609	0.34%	-	-
Sundance Vallejo	31,596,963	0.32%	-	-
Spyglass Apartments	29,653,923	0.30%	-	-
Belvedere Homes	28,511,363	0.29%	-	-
Lennar Mare Island	27,042,891	0.27%	-	-
Sky Valley San Francisco Partners	-	-	33,494,000	0.73%
M&H Realty Partners	-	-	25,187,656	0.55%
Arism/Lacaze Vallejo Plaza Assoc.	-	-	24,536,123	0.53%
General Mills, Inc.	-	-	21,855,562	0.47%
Meyer Cookware Industries, Inc.	-	-	21,028,938	0.46%
Security Capital Pacific Trust	-	-	18,441,271	0.40%
Vallejo Somerset LP	-	-	13,937,230	0.30%
MISAWA Homes	-	-	13,339,594	0.29%
Vallejo Highlands Association	-	-	13,295,209	0.29%
Top Ten Totals	\$ 408,254,853	4.11%	\$ 280,684,434	6.09%

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

Source: County Assessor's Office
HDL Report

CITY OF VALLEJO
Property Tax Levies and Collections
Last Eight 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.
2009	18,650,665	18,392,684	98.62%	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 Eight years of data for this schedule.

Source: Solano 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
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
2009	-	10,986,320	24,927,632	1,264,790	37,178,742

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
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
62,705,942	91,457,181	19,817,012	-	173,980,135	211,158,877	4.59%	1,744

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		
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
2009	-	10,986	10,986	0.11%	91

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, 2009

FY 2008-09 Assessed Valuation		\$ 9,923,223,528	
Redevelopment Agency Incremental Valuation		(201,094,616)	
Adjusted Assessed Valuation		<u>\$ 9,722,128,912</u>	
	Percentage Applicable ¹	Total Outstanding Debt 6/30/09	City's Estimated Share of Overlapping Debt 6/30/09
Overlapping Debt Repaid with Property Taxes:			
Solano County Community College District	27.091%	\$ 115,945,090	\$ 31,410,684
Vallejo Unified School District	97.807%	93,880,000	91,821,212
Vallejo Unified School District CFD No. 2	100.000%	24,010,000	24,010,000
City of Vallejo Hiddenbrooke Improvement District No. 1998-1	100.000%	18,825,000	18,825,000
City of Vallejo 1915 Act Bonds	100.000%	15,355,000	15,355,000
Total overlapping debt repaid with property taxes		<u>268,015,090</u>	<u>181,421,896</u>
Direct and Overlapping General Fund Debt:			
Solano County Certificates of Participation	26.077%	133,355,000	34,774,983
Solano County Pension Obligations	26.077%	118,830,000	30,987,299
Solano County Board of Education Certificates of Participation	26.077%	2,990,000	779,702
Vallejo Unified School District Certificates of Participation	97.807%	40,420,000	39,533,589
City of Vallejo General Fund Obliations	100.000%	104,795,000	104,795,000
Total Direct and Overlapping General Fund Debt		<u>400,390,000</u>	<u>210,870,573</u>
City direct debt			-
Total direct and overlapping debt ²			<u>\$ 392,292,469</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 Six Fiscal Years

	Fiscal Year Ending June 30					
	2004	2005	2006	2007	2008	2009
Assessed valuation	\$ 5,662,455,919	\$ 7,017,115,830	\$ 7,935,990,160	\$ 9,169,413,943	\$ 10,053,796,343	\$ 9,533,570,286
Conversion percentage	25%	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	2,383,392,572
Debt limit percentage	15%	15%	15%	15%	15%	15%
Debt limit	\$ 212,342,097	\$ 263,141,844	\$ 297,599,631	\$ 343,853,023	\$ 377,017,363	\$ 357,508,886
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>	<u>\$ 357,508,886</u>
Total debt applicable to the limit as a percentage of debt limit ²	0.0%	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 six 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	Total Debt Service (d)	City system Coverage
2000	-	-	-	-	
2001	-	-	-	-	
2002	-	-	-	-	
2003	-	-	-	-	
2004	-	-	-	-	
2005	29,753,541	19,762,044	9,991,497	4,381,695	2.28
2006	31,254,104	22,646,495	8,607,609	6,047,430	1.42
2007	35,784,017	22,812,283	12,971,734	4,866,200	2.67
2008	37,066,802	22,961,893	14,104,909	4,574,731	3.08
2009	33,442,234	24,473,086	8,969,148	5,285,910	1.70

- a) Data is not readily available prior to fiscal year 2005.
- b) Includes operating revenues, investment earnings, contributions.
- 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	
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
2009	24,660,197	13,893,269	10,766,928	2,501,698	240,565	2,762,964	926,556	-	6,431,783	1.67

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	
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
2009	3,591,153	385,000	776,595	3.09

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)
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%
2009	121,055	4,602,511	38,020	13.8%

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	2009		2000	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Kaiser Permanente Medical Center	3,906	7.03%	2,075	3.77%
Six Flags Discovery Kingdom	1,600	2.88%	1,051	1.91%
Vallejo Unified School District	1,600	2.88%	2,000	3.63%
Kaiser Permanente Call Center	950	1.71%	-	0.00%
Sutter Solano Medical Center	690	1.24%	545	0.99%
City of Vallejo	574	1.03%	545	0.99%
CA Highway Patrol, Regional Off	400	0.72%	299	0.54%
Touro University California	385	0.69%	-	0.00%
U.S. Forest Service	300	0.54%	-	0.00%
Petrochem Corporate Headquarters	225	0.40%	325	0.59%
U.S. Postal Service	-	0.00%	235	0.43%
TIMEC Co	-	0.00%	550	1.00%
U.S. Navy (Mare Island Detachment)	-	0.00%	276	0.50%

"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 Ten Fiscal Years

<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>	<u>2009</u>
General government	64	65	59	62	66	62	61	49	46	45
Public safety	320	344	350	355	350	320	325	329	291	250
Public works	58	60	61	63	67	59	59	63	62	58
Mare Island Coop/CFD	-	14	14	4	4	3	2	5	2	2
Development Services	20	22	23	26	23	20	21	23	29	26
Community Dev	24	23	23	25	26	24	25	22	18	17
Solid Waste Disp	-	-	1	1	1	1	1	1	0	-
Landscape District	3	4	4	4	3	5	5	6	8	8
Risk Management	-	3	3	3	2	3	3	3	2	2
Water	91	79	84	82	83	75	77	95	98	101
Transportation	4	4	4	4	4	6	6	6	5	5
Marina	4	4	4	4	4	4	3	3	3	3
Corp Yard	-	23	23	17	17	16	16	11	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>	<u>528</u>

Source: City of Vallejo Adopted Budget

CITY OF VALLEJO
Operating Indicators
by Function
Last Ten Fiscal Years

	Fiscal Year Ending June 30									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Police:										
Arrests	5,250	7,689	7,783	7,618	2,610	5,250	7,658	8,682	7,589	7,300
Parking citations issued ¹	-	-	4,127	16,054	16,971	15,097	14,108	13,200	12,864	5,178
Fire:										
Number of emergency calls	9,553	10,232	10,257	10,313	10,363	10,547	11,030	11,194	11,739	12,098
Inspections (Fire Prevention)	-	-	1,344	1,547	2,071	1,079	967	1,371	947	842
Inspections (Code Enforcement) ²	5,805	6,791	5,601	6,187	4,148	3,240	4,305	4,247	157	2,776
Public works:										
Street resurfacing (miles)	3.82	13.33	1.93	3.69	1.82	2.95	27.70	2.20	16.47	18.47
Water:										
New connections	610	464	541	397	436	559	314	139	71	30
Average daily consumption (thousands of gallons)	22,780	22,130	21,050	21,500	22,350	20,620	21,030	21,208	20,658	19,402
Development Services:										
Building permits	3,274	3,634	3,381	3,772	3,702	3,473	3,357	3,427	2,000	1,837
Housing Rental units ³	-	-	-	2,266	2,266	2,266	2,266	2,266	2,266	2,267
Housing Vouchers ⁴	-	-	-	2,171	2,246	2,210	2,105	2,041	2,036	2,156
Golf course:										
Golf rounds played ⁵	154,886	152,731	150,904	146,415	130,651	114,353	96,750	112,296	87,416	82,373

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 and forward, amounts listed represent the combined total for the following two golf courses: Blue Rock Springs East and West Golf Courses. 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									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Police:										
Stations	4	4	4	4	4	4	4	4	3	3
Fire:										
Fire stations	7	8	8	8	8	8	8	8	6	6
Public works:										
Streets (miles)	306	315	315	315	315	315	350	351	351	351
Traffic signals	124	131	131	131	131	134	134	151	151	148
Water:										
Water mains (miles)	605	600	600	600	600	605	622	623	623	624
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	2	2

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

Source: City of Vallejo
 Vallejo Golf Club, Inc.