

COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of San Pablo, CA
Fiscal Year Ended June 30th 2016



CITY OF SAN PABLO
City of New Directions





CITY OF SAN PABLO, CALIFORNIA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016**

PREPARED BY THE
FINANCE DEPARTMENT

COVER PHOTOS
CITY OF SAN PABLO:
SAN PABLO ARCHWAY



CITY^{OF} SAN PABLO

City of New Directions

CITY OF SAN PABLO, CALIFORNIA

Comprehensive Annual Financial Report
For the Year Ended June 30, 2016

Table of Contents

Page

INTRODUCTORY SECTION:

Table of Contents..... i
Letter of Transmittal.....v
Elected Officials and Administrative Personnel xxvii
Organization Chart xxviii
GFOA Award xxix
San Pablo Zoning District Map.....xxx

FINANCIAL SECTION:

Independent Auditor’s Report..... 1
Management’s Discussion and Analysis5

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Position 20
Statement of Activities..... 21

Fund Financial Statements:

Governmental Funds:

Balance Sheet 24
Statement of Revenues, Expenditures, and Changes in Fund Balances 25
Reconciliation of the Net Change in Fund Balances – Total Governmental
Funds with the Statement of Activities 26

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

General Fund..... 27

CITY OF SAN PABLO, CALIFORNIA

Comprehensive Annual Financial Report
For the Year Ended June 30, 2016

Table of Contents

Page

FINANCIAL SECTION (Continued):

Fiduciary Funds:

Statements of Fiduciary Net Position.....	30
Statement of Changes in Fiduciary Net Position	31
Notes to Financial Statements.....	33

Required Supplementary Information:

Post Retirement Health Care Defined Benefit Plan Schedule of Funding Progress and Schedule of Contributions.....	85
Schedule of the City’s Proportionate Share of the Net Pension Liability – Miscellaneous Plan	86
Schedule of Contributions – Miscellaneous Plan	87
Schedule of the City’s Proportionate Share of the Net Pension Liability – Safety Plan.....	88
Schedule of Contributions – Safety Plan	89

Supplemental Information:

Non-major Governmental Funds:

Combining Balance Sheets	96
Combining Statements of Revenues, Expenditures, and Changes in Fund Balances.....	98
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	100

Agency Funds:

Combining Statement of Changes in Assets and Liabilities.....	106
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CITY OF SAN PABLO, CALIFORNIA

**Comprehensive Annual Financial Report
For the Year Ended June 30, 2016**

Table of Contents

Page

STATISTICAL SECTION:

Net Position by Component - Last Ten Fiscal Years	109
Changes in Net Position - Last Ten Fiscal Years	110
Fund Balances of Governmental Funds - Last Ten Fiscal Years	113
Changes in Fund Balance of Governmental Funds – Last Ten Fiscal Years.....	114
Assessed and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	116
Property Tax Rates - All Overlapping Governments - Last Ten Fiscal Years.....	117
Principal Property Taxpayers – Current Year and Nine Years Ago	118
Property Tax Levies and Collections – Last Ten Fiscal Years	119
Ratio of Outstanding Debt by Type – Last Ten Fiscal Years.....	120
Computation of Direct and Overlapping Debt	121
Computation of Legal Bonded Debt Margin.....	122
Bonded Debt Pledged Revenue Coverage, Redevelopment Agency Tax Allocation Bonds - Last Ten Fiscal Years.....	123
Debt Service Coverage Schedule – Tenth Township and Legacy Project Areas	124
Demographic and Economic Statistics - Last Ten Fiscal Years	125
Principal Employers – Current Year and Nine Years Ago.....	126
Full-Time Equivalent City Government Employees by Function – Last Ten Fiscal Years	127
Operating Indicators by Function/Program	128
Capital Asset Statistics by Function/Program	129



CITY^{OF} SAN PABLO

City of New Directions



Letter of Transmittal

December 9, 2016

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

State law requires all general-purpose local governments to publish a complete set of financial statements, presented in conformity with Generally Accepted Accounting Principles (GAAP) within six months of the close of each fiscal year. Therefore, we are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the City of San Pablo, California for the fiscal year ended June 30, 2016. Responsibility for both the accuracy of the data and the completeness and fairness of the information—including all disclosures—rests with the City. To the best of the City staff's knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of the operations of the various entities of the City of San Pablo. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. Generally accepted accounting principles require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

INTERNAL CONTROLS

Accounting for all of the City's activities is centralized under the Finance Department. The department has been delegated the responsibility for maintaining the integrity of the City's recorded financial data. The Finance Department, in conjunction with the City's management team, is also responsible for establishing and maintaining an internal control structure designed to ensure that the City's assets are protected from loss, theft or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met, while recognizing that this assurance is not absolute. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by management. City administration believes the existing internal control systems are adequate to provide reasonable assurance that the City's assets are safeguarded against loss and that the financial records are reliable for preparing financial statements and maintaining accountability for assets. This belief is supported by the City's "unmodified" auditor's report issued in 2016.

Letter of Transmittal

INDEPENDENT AUDIT

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

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

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

Profile of San Pablo

The City of San Pablo was incorporated in 1948 as a general law city under the laws of the State of California. Located in West Contra Costa County off Interstate 80, San Pablo is just minutes away from the Bay Area cultural centers of Berkeley, Oakland and San Francisco. The City is governed by a five member City Council, under the Council-Manager form of government. As of January 1, 2016, the City had a population estimated at 30,829 encompassed within its 2.6 square miles. The City maintains a 2016/17 Total Operating Funds Budget of \$35.0 million with 180.4 full-time equivalent (FTE) employees.

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



Letter of Transmittal

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

BUDGET POLICIES / PROCESS

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

The biennial budget process begins every other January with a strategic planning meeting. The individual departments then prioritize and recommend the budgetary funding requirements necessary to perform both their objectives and the City Council's strategic goals and initiatives. These funding requests are then balanced and prioritized to fit within the constraints of projected revenue assumptions. The City Manager's Office and the Finance Department review all budget proposals and revenue assumptions, as well as all current financial obligations, before preparing the document that is proposed to the City Council. In May, an in-depth review first takes place at a meeting of the Budget, Fiscal and Legislative Standing Committee. In June, the City Council holds a public hearing and workshop to review the proposed budget before final budget adoption occurs later that month by a resolution of the City Council pursuant to the City's Municipal Code requirements.



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

Letter of Transmittal

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

ECONOMIC OUTLOOK

The City can be characterized as a mature community that is mostly built out. During the last ten years, the City population has remained relatively constant with little residential development activity. Residential property values which dropped precipitously after their peak in FY 2007/08 have increased in value by 40 percent over the last three years. Indeed, at \$320,000, median home prices are up 14.3% over the first nine months of 2016 compared to all 12 months of 2015; this is the second largest percentage increase in the County, second only to the City of Oakley. In general, the recession had far greater impacts in communities such as San Pablo's, which experienced high property appreciation during the previous decade. Significantly, foreclosure rates across the county and in San Pablo are now approaching their pre-recession norm.



Assessed values are also up. The City experienced 7.7 percent growth from FY 2015/16 to FY 2016/17, the fourth largest increase in Contra

Costa County. Moreover, the City is well poised for more growth for the next two or three years: the County Assessor restored \$28.8 million in previously reduced property values which was just 21 percent of the value awaiting restoration at the beginning of FY 2015/16. An additional 882 homes are awaiting review and upward adjustment since the assessed value of these homes was reduced sometime between 2008 and 2012 and remains below the trended Proposition 13 value.

As the local economy continues to improve, unemployment rates continue to drop. The unemployment rate for Contra Costa County was at 4.5 percent in October 2016 and 6.9 percent for City of San Pablo, giving residents more incentive to go shopping. Indeed, San Pablo's share of the Contra Costa County sales tax pool increased by 21.1 percent over the previous year, while San Pablo sales were up 5.7 percent over second quarter sales tax from the previous year after factoring out reported aberrations.

Despite the recovering economy, interest rates continue to be at all-time low or near record-low levels, thus keeping investment income at very low levels. The low interest rates and subsequent low returns are not expected to change in the short-term. This low interest rate environment will have a greater negative impact on San Pablo than other jurisdictions, because of the large cash reserves maintained to meet reserve policy requirements. Only a few short years ago, the City was able to earn nearly 5% on its cash reserves. Over the next year, rates of return are expected to remain in the 0.7 – 1.2% range.

Letter of Transmittal

FINANCIAL MANAGEMENT & SUSTAINABILITY

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

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

- A credit rating of "AA-" by Standard & Poor's Rating Services (S&P) on January 9, 2015. S&P cited the City's strong financial performance supported by strong fiscal management practices as key credit positives.
- Net increases to fund balance for the past several years, leading to healthy cash reserves. In 2016, the net increase to the General Fund balance was \$14,295,244.
- Adoption of the "Fiscal Resiliency Reserve Policy" in October 2013 which created additional framework, usage, and payback requirements when dipping into cash reserves. Perhaps most importantly, the policy created designated cash reserves to fund known large expenditures, which have not yet materialized, such as vehicle replacements, OPEB liabilities, capital projects, etc. These designated reserves are updated annually. Additionally, the City added the Casino Revenue Stability Reserve in June 2016, allowing the City to set aside up to 50% of unused audited fund balance as a rainy day fund to guard against the sudden loss of casino revenue.
- Introduction of the Chameleon budgeting system in July 2013 with monthly financial reports prepared for managers citywide, in addition to updating the City's Five-Year Financial Plan.
- Addition of a comprehensive set of written Financial Policies and Procedures to standardize Finance Department procedures, strengthen internal controls and ensure compliance with City regulations.



Letter of Transmittal

Compensation & Labor Negotiation Strategy: This initiative attempts to implement a fiscally responsible cost reduction and containment strategy which will allow the City to remain competitive in recruiting and retaining valuable employees while allowing for long-term fiscal sustainability for the City.

With this framework, management staff met with employee labor groups throughout the spring of 2014 to develop labor agreements which were set to expire on June 30, 2014 for both public safety and non-public safety employees. With the help of City Council members and city employees and their respective bargaining units, the City was able to eliminate retiree medical benefits for elected officials, as well as reduce the City's long-term retiree medical costs for employees. Ultimately, labor agreements were struck which called for modest and sustainable salary increases of 2.0% per year for the next three years. Coupled with previous concessions in which employees contribute 10.3% or 12.3% of their salary depending on job title to fund a significant portion of their retirement cost, the City is now in a good place to maintain fiscal stability, while remaining an attractive and desirable place to work. All City labor agreements expire again in June 2016, and management staff again intends to maintain the same fiscal constraint in the upcoming negotiations.



Other Post-Employment Benefits (OPEB): Governmental Accounting Standards Board (GASB) Statement No. 45 was established in 2004 and requires the City to report the costs of OPEB as the employee earns the benefit, rather than as the benefit is paid. While there is no requirement that the City pre-fund, or set aside the full Annual Required Contribution (A.R.C.) on an annual basis, the City Council established a funding strategy which includes pay-as-you-go financing plus an additional amount to pre-fund benefits. Pre-funding OPEB obligations is projected to provide the City with savings over the long-term, as pre-funding contributions will be invested on a long-term basis until they are needed to pay for OPEB obligations. Pre-funding will ultimately allow for investment income, rather than City contributions, to provide the majority of funds needed to cover OPEB obligations in the future. This funding strategy has resulted in the City having plan assets of \$ \$7,244,815 as of June 30, 2016.

Revenue Enhancement Strategies:

- **Measure Q:** In December 2012, the City received its first tax receipts from Measure Q, a voter-approved ½ cent sales tax measure passed in June 2012. Measure Q generated \$1,512,936 in FY 2015/16, outperforming budget of \$1,370,821 by over 10 percent. As a general—not special—tax, these revenues flow into the general fund and are not limited to specific uses. They are, however, designed to augment City economic development efforts, programming for youth services, and enhancing police activities. Measure Q drops to ¼ cent in November 2017 and expires in November 2022. In June 2012, San Pablo residents turned out in record numbers to support Measure Q. At 73.6%, Measure received the second highest voter support in all the State.



Letter of Transmittal

- **Measure K:** In December 2014, the City began receiving its first tax receipts from Measure K, another voter-approved sales tax measure. Measure K, however, is a special tax collected in perpetuity that can only be used to fund emergency medical services in the City of San Pablo. At a rate of one-quarter cent of all taxable sales, the tax generated \$754,366 during FY 2015/16, outperforming its budgeted figure of \$650,000 by over 16 percent. San Pablo voters passed Measure K in June 2014 with a 71% approval rating, increasing the sales tax rate from 9.0% to 9.25%.
- **Fees for Planning, Building, and Public Works:** The City contracts with an outside consultant to review and analyze the City's Planning, Building, and Public Works fee structure to determine: (1) an appropriate fee which will allow the City to recover the costs of providing specific services to the public; (2) a fee structure that is reasonable when compared to other local agencies; and (3) whether or not the City has established a fee for all services provided. The first major update to the fee structure took effect in July 2012 and regular updates have happened ever since. Charges for service hit a high in FY 2013/14 at \$1.73 million, falling to \$1.38 million in FY 2014/15 and decreasing again in FY 2015/16 to \$1.11 million. The most recent update to the Master Fee Schedule took place in May 2016, so that impacts of fee increases will be evident in FY 2016/17.

COMMUNITY ENGAGEMENT

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



The 2014 awards focused on successful efforts to address the underlying conditions that affect the health of America's communities. City of San Pablo submitted an application listing three examples of successful community exchange, civic engagement, collaboration, and innovation: the Health Element & the Childhood Obesity Prevention Task Force; the San Pablo Economic Development Corporation (SPEDC); and the San Pablo Police Department's Community Partnership Programs.

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

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

Letter of Transmittal

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

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

Community Outreach - New Methods: Since November 2012, the City Council has maintained a contract with a social media professional services provider to administer all City social media accounts to actively promote City activities, programs and services. Community engagement vis-à-vis social media such as the City’s Facebook page and Twitter account continues to rise exponentially. Community members can also subscribe online to receive various electronic communications, including bid postings, job announcements and news flashes.

ECONOMIC DEVELOPMENT

The City of San Pablo works cooperatively with the San Pablo Economic Development Corporation (SPEDC), a 501(c) (3), to develop job training and readiness programs and to eliminate barriers to employment for San Pablo residents. The program also provides business attraction and site development services geared toward creating local jobs and reducing the unemployment rate. Although these are complex problems, the City has made tremendous progress through partnerships and refocusing available resources. SPEDC partners with Contra Costa College to provide grants to San Pablo residents to provide vocational training for specific technical jobs such as automotive mechanic, EMT and medical assistant. SPEDC also partners with Moler Barber College to assist students to earn a barbering license, with RichmondBUILD to assist in construction training and job placement, and with “FLOW” to provide a nine-week technical course in forklift, logistics, operations, and warehouse training. The SPEDC partnership with the Stride Center helps prepare residents to work in the Bay Area’s information and communication technology sector. “Removing Barriers,” one of SPEDC’s most recognizable programs, has garnered international attention. This program is a partnership with New Skin to remove unwanted tattoos, which may also be a barrier to productive employment. As a result of these activities and an improving economy, the unemployment rate in San Pablo has fallen to 6.9% in October 2016. While still somewhat higher than the rest of Contra Costa County at 4.5%, this is a far cry from the unemployment rate of over 20% that the City reached at the height of the Great Recession.



Letter of Transmittal

LOCAL SUCCESSOR AGENCY

Redevelopment Agency: For decades, San Pablo relied on its redevelopment agency as a tool to revitalize blighted areas and provide funding for much needed infrastructure projects throughout the City. This practice ended on January 31, 2012 after State legislation dissolved all local redevelopment agencies (RDA's) in California and required that all RDA assets be transferred to the State. Since then, the City has had to acquire alternative funding sources for redevelopment projects, including general fund revenues, and federal, state and local grants.



As a result, the City took on the role of “Successor Agency” to finalize transfer of RDA assets and to manage and administer ongoing financial obligations that were put into place before dissolution. In September 2013, the City obtained a Finding of Completion approving transfer of assets and authorizing execution of the “recognized obligation payment schedule” (ROPS). Going forward, this status allows the Successor Agency to spend the remainder of the bond proceeds as well as provide flexibility for the disposition / use of the real property transferred from the Redevelopment Agency to the Successor Agency.

In 2014, the Successor Agency completed a refinancing of outstanding Redevelopment Agency bond debt. By combining multiple issues of bond debt into Series 2014A and Series 2014B Tax Allocation Bonds (TAB's), the Successor Agency was able to issue bonds totaling \$54,565,000, which saved taxpayers over \$5,000,000 in debt service payments over the life of the bonds. While the vast majority of the savings was realized by other taxing entities (about 10 percent of savings was realized by the City), this transaction helped the City consolidate loan payments and simplify loan administration. On November 1, 2016, City staff further issued \$2.685 million in Successor Agency Tax Allocation Refunding Bonds, again to reduce bond interest rates on all outstanding Successor Agency debt issuances except for the 2004 series bonds which mature on June 1, 2019. The City will save approximately \$10,000 annually in debt service expense.

Letter of Transmittal

MAJOR CAPITAL PROJECTS IN PROGRESS

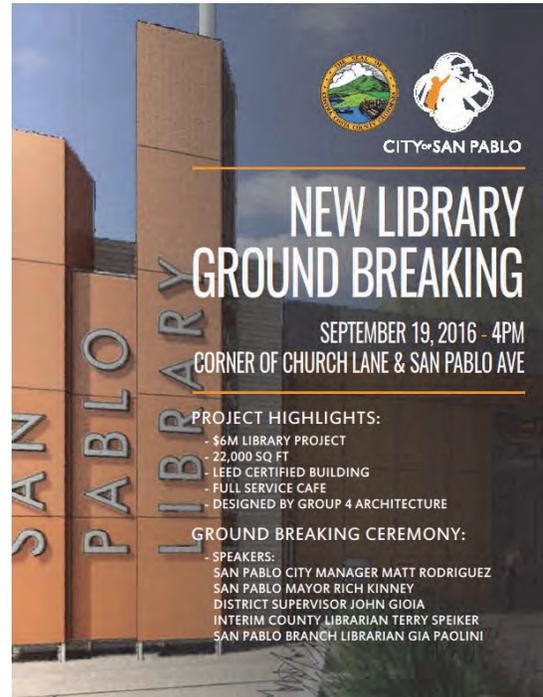
City of San Pablo Branch Library: When the old Walgreen's Drug Store moved to its new location at Plaza San Pablo, the prime corner location it used to occupy at San Pablo Avenue and Church Lane became available as the site for the City of San Pablo's modern branch library. A long-term lease was signed, building design completed and approved by City Council and a ground breaking ceremony was held in September 2016. Construction is currently underway. The library project is estimated to cost approximately \$7 million.

Municipal Broadband: On June 15, 2015, the City Council adopted a Municipal Broadband Policy to facilitate the City's continued investigation into a municipal broadband network to enhance citywide telecommunications, to promote jobs and economic development through private investment, and to encourage digital and technological communications for businesses and residents.

In December 2015, the City entered into an agreement with OHIvey, a municipal broadband technologies consultant, to study the feasibility of a municipal broadband fiber optic project. Since that time, additional work has been completed to begin the planning process, including environmental review.

Development of Plaza San Pablo, including WIC Building and City Hall: The City is working to develop the site at Plaza San Pablo, formerly known as Circle S. Construction of roads, lighting and other infrastructure needs is largely complete, and a new Walgreen's Drug Store opened along San Pablo Avenue in March 2016. The City is partnering with Contra Costa County to construct a new 7,000 square foot facility behind the West County Health Center to dispense Women, Infants and Children (WIC) services to West County residents. WIC is a federally-funded health and nutrition program that helps pregnant and postpartum women, infants and children under 5 years old to eat healthy foods and live a healthy, active life.

Development plans are also underway to construct a new city hall on the site with funding from the 2015 Lease Revenue Bonds and other sources, including the City's General Fund. Conceptual drawings for a two-story, 42,000 square foot building have been rendered. The City is currently negotiating a contract with its development partner, Capital Partners, Inc. for the design and construction of the facility and redevelopment of the existing City Hall complex.



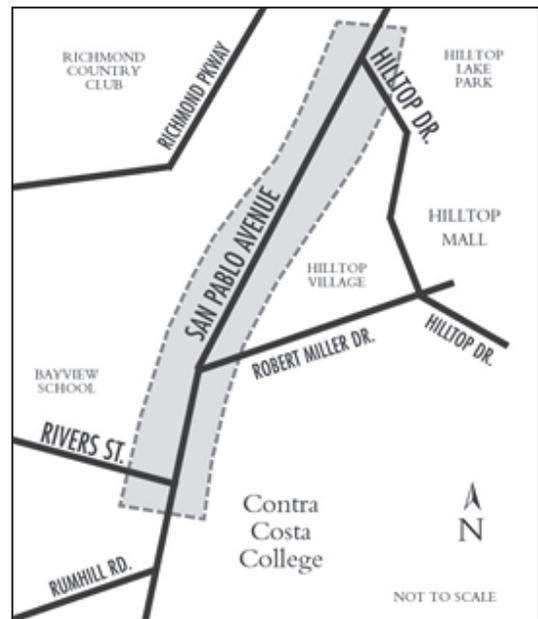
Letter of Transmittal

Undergrounding of Utilities on El Portal West: With Rule 20A funding from local utility companies, the City took the lead in preparing plans and construction documents to underground utilities along El Portal West. The City will front the money for project construction estimated at approximately \$1,000,000, and the utility companies will reimburse the City for their portion of the cost, currently totaling \$872,296. Remaining costs will be covered by the City's general fund. The construction contract was awarded in November 2016 and construction began in December 2016.

MAJOR TRANSPORTATION INFRASTRUCTURE PROJECTS

Complete Streets Plan: The San Pablo Avenue Complete Streets Study focuses on improving multimodal access, safety and connections along the San Pablo corridor by identifying needs and prioritizing improvements that will facilitate pedestrian, bicycle and transit trips. Funded by a CalTrans Environmental Justice Transportation Planning Grant, the heart of this process is a public outreach effort to bring together surrounding residents, business owners, partner agencies, and other key stakeholders to ensure that the final plan recommendations are both relevant to, and supported by, the local community. A project design consultant was secured, beginning design work in July 2015 and completing it in October 2016. Construction documents are currently under review by CalTrans with an estimated E76 approval (authorization to proceed for work involving federal funds) in February 2017. Once received, construction can begin.

Major Interchange Improvements: The cities of San Pablo and Richmond co-sponsored this project, which involves replacement and widening of the San Pablo Dam Road overcrossing, relocation of the McBryde Avenue access from westbound I-80, relocation of the El Portal access to westbound I-80, realignment of Amador Street, and replacement of the I-80/Riverside Avenue pedestrian overcrossing serving Riverside Elementary School. Design of this \$113 million project is now complete with construction being separated into phases. Phase One construction is currently underway using \$29 million in funding secured in part from the Contra Costa Measure J transportation sales tax. Phase Two construction is not ready yet as funding is still being secured. The project, managed by the Contra Costa Transportation Authority (CCTA), included a public outreach component with design input from the community. The project went out to bid in January 2015 and is scheduled for completion by May 2017.



Letter of Transmittal

Wayfinding Signage and Installation: In conjunction with a West Contra Costa Transportation Advisory Commission (WCCTAC) project, the City of San Pablo secured \$330,000 in funding to install wayfinding signs using Contra Costa County Measure J transportation sales tax, and secured a grant from the Metropolitan Transportation Commission to develop wayfinding signage to transit centers in West Contra Costa and other major destinations. Once design was complete, a construction contract was approved in December 2014 with construction beginning in February 2015. Construction was completed in May 2016.

I-80 ICM: The City has participated in the “Smart Corridor” project through its membership in the West Contra Costa Transportation Advisory Committee (WCCTAC). This project implements advanced traffic management along I-80 from the Carquinez Bridge to the



MacArthur Maze, San Pablo Avenue, and the major arterials that connect the two. This project includes adaptive ramp metering; lane-use signals on the freeway; variable advisory speeds; and special traffic signal timing to handle diversion to local streets due to freeway incidents as well as trailblazer signs to direct diverted traffic back onto the freeway downstream of incidents. This is a multi-agency project involving the jurisdictions along the corridor, CalTrans, transit agencies, and regional agencies. Construction of the project was completed in 2014 with the system becoming fully activated in September 2016.

OTHER CAPITAL PROJECTS

Capital Projects Completed: Many significant projects were completed during FY 2015/16:

- 2015 Pavement Rehabilitation Project
- Miscellaneous Park Improvements Recommended by First 5
- Yuba Avenue Drainage Diversion
- Drain Pipe Replacement under Hillcrest Road
- Playground Equipment at Davis Park
- Sub-drain Inspection/Cleaning by Princeton Plaza
- Monitor/Replace Hydraulgers by Princeton Plaza
- Roof Repairs at Church Lane Senior Center, Davis Park Senior Center, Davis Park Multi-Use Room

Letter of Transmittal

Other significant CIP projects started during FY 2015/16, but not yet completed include: Randy Lane Drainage Relocation; the Hazard Mitigation Plan, the Storm Drain Upgrade Program, and Installation of a Playground Structure at Davis Park as recommended by First 5.

MAJOR CAPITAL PROJECTS RECENTLY COMPLETED

Rumrill Sports Park: The former Burlington Northern & Santa Fe (BNSF) Railroad Corporation yard, a brownfield, was sold to the City of San Pablo and developed into a much-needed multi-use sports park (Rumrill Sports Park). The 4.5-acre park features three synthetic turf youth playing fields with lighting for night games and a smaller practice field available for youth leagues, pick-up games, and practices. The park also contains a picnic/barbeque area, tot lot, offices, restrooms, 62 parking spaces, security cameras and vendor kiosks. This park concept was developed through a series of community outreach meetings in which San Pablo residents identified the need for more open space structured for youth play.



The City received a total of \$6.96 million in funding from several sources: State of California Proposition 84 Statewide Parks Program (\$3,000,000); New Markets Tax Credits (\$2,817,360); Federal Environmental Protection Agency (\$600,000); East Bay Regional Park Measure WW (\$425,538); and a Department of Resources, Recycling and Recovery (Cal Recycle) grant (\$125,064). The City then loaned \$5,329,000 to Healthy Eating Activing Living, LLC (HEAL) to construct and operate the park.

Because the park sits atop an old rail yard, contaminated dirt had to be removed and mitigated. Working with environmental consultants and the California State Department of Toxic Substance Control, City staff developed a plan to clean the site. Once approved, remediation of contaminated dirt began in late August 2014 and construction was completed in August 2015.



Wildcat Creek Trail Project: This project involves the construction of a paved pedestrian / bicycle trail along the north bank of Wildcat Creek between Davis Park and 23rd Street (approximately 900 lineal feet). The trail will be an extension of the existing trail system from Davis Park to the Bay, and a crucial link in the future Wildcat Creek Regional Trail connecting the Bay and Ridge Trails. Included in the project scope is a pocket park at the trail head on 23rd Street, and lighting and creek restoration along the trail. Funding sources include a Transportation Development Act (TDA) grant, Environmental Enhancement and Mitigation Program grant, Bay Trail Project grant, and Redevelopment Agency Bond Proceeds. The trail was dedicated in March 2015.

Letter of Transmittal



San Pablo Community Center (PW 535):

In 2014, the City of San Pablo and the SPEDC completed construction of the San Pablo Community Center (SPCC), a 10,500 square foot facility that includes a large multi-purpose space with a kitchen, two smaller meeting/class rooms, a teen lounge, a computer room, and a fitness room. Located on a 20,000 square foot site adjacent to the Helms Middle School, the City partnered with the West Contra Costa Unified School District City to develop a ground lease and a joint use

agreement for the exterior fields and the gymnasium when school is not in session. The Community Center, however, is entirely a City-operated facility. The project was funded using a variety of sources, including a New Market Tax Credits grant application and grant funds from the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Proposition 84). The facility is LEED-certified (Leadership in Energy and Environmental Design, an internationally-recognized green building certification system). The Community Center was honored as the Outstanding Facility for 2014 by the California Park & Recreation Society's District 3 (Alameda and Contra Costa Counties).

Municipal Solar Project: The Municipal Solar Project is a 325.62 kW-DC solar installation at City Hall, the Police Department and the Church Lane Senior Center. Developed as a collaboration of the four member cities of the Small Cities Climate Action Partnership (San Pablo, El Cerrito, Albany and Piedmont), the group awarded the contract as a design-build proposal for each City site. The final



approved cost of the City of San Pablo project was \$1,703,995. The City received a 15-year, 1% interest rate loan of \$1,150,000 from the California Energy Commission to cover construction costs with the balance coming from the City's General Fund. In addition, the City has reserved California Solar Initiative Rebates totaling \$250,000 to be disbursed over the first five years. The Project will offset 24% of the City's total electricity usage and reduce greenhouse gas emissions by 18%, thus helping the City reach its Climate Action Plan goals. Construction of the project was completed in early 2014, and electric vehicle charging stations became operational later that fall.

Letter of Transmittal

COMMUNITY SERVICE INITIATIVES

Services for Families and Youth: The Community Services Division is comprised of four divisions; Recreation, Youth Services, Seniors & Paratransit. These services are committed to the healthy development of children, youth, families and seniors. The Division focuses on developing positive opportunities, programs and partnerships that will provide children, youth, and seniors with skills, knowledge, support, and resources leading to healthy and productive lives. Our Community Services Department offers a wide variety of programs, services, and some initiatives that support a community where government, families, schools, law enforcement, volunteerism, and organizations work together to create an environment conducive to support people of all ages.

Full Service Community Schools: The San Pablo City Council adopted an initiative with the goal of transforming all schools in the City into Full Service Community Schools (FSCS). In a Full Service Community School (Community School), the school district, city, county, community and faith-based organizations, businesses, families and philanthropists form a strong, deep and transparent partnership. They can jointly address the identified needs of students, families and the community in a comprehensive, integrated and accountable way. The group shares leadership, works toward a common vision and agenda, and shares responsibility for results. A Community School focuses on the needs of the whole child – physical, emotional, social and academic – to create the conditions necessary for all children to learn and to be successful. Unlike traditional schools, a Community School strengthens families and communities so that they are better able to support student success. These connections will align both the academic and service elements of the initiative to promote student success, healthy and prosperous families and a healthy community.



Community Schools Collaborative: In 2015, the Community Schools Collaborative replaced the Youth Futures Task Force in order to align efforts with the Full Service Community Schools Initiative. The Community Schools Collaborative brings various agencies and systems together to address the whole child through comprehensive school-based services. Team members meet for professional development and as a learning community to share resources and best practices for working with children, youth, and families in San Pablo. The Collaborative works to sustain violence prevention efforts, while also supporting and enhancing services in the Community Schools Coordination, Out of School Time, and Youth Leadership and Development service areas.

Letter of Transmittal

San Pablo Team for Youth: San Pablo Team for Youth (TFY) is the funding arm of the Community Schools Initiative. TFY provides funds to public and non-profit agencies to expand and/or enhance school-based programs and services for children, youth, and families in alignment with the San Pablo Community Schools Initiative.



Childhood Obesity Prevention Task Force:

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

Community Events: The City of San Pablo Community Services Department provides community events throughout the year and has added events over the past two years. Community Services now offers a total of seven events including City Hall-O-Ween, Veterans Day Celebration, Egg Hunt, Holiday Tree



Lighting, Punt Pass & Kick Competition, Family Dance, and the 4th of July Celebration. In addition to these community events the department also offers a mobile farmers' market through Freshest Cargo and Movies in the Park in the summer months. The City also provides sponsorship and logistical support for the collaborative Cinco de Mayo event that is a collaborative effort with the City of Richmond.

Letter of Transmittal

San Pablo Community Center: The San Pablo Community Center (SPCC) has been open since June 2014 and is thriving with new programs, meeting spaces, services, and activities. The center serves as the



local hub and focal point for offering a variety of programs and services that are affordable and target children and adults of all ages. These programs are designed to provide opportunities that will foster lifelong learning, promote personal development, and enhance the quality of life for San Pablo residents. In August 2016, a coffee shop, East Bay Coffee Company, joined the Community Center and is open Monday through Saturday. The Recreation Division has seen a significant increase in program offerings with new clients coming in weekly.

Senior and Disabled Transportation Service: Senior and Disabled Transportation Services were first established with funds from Measure C, Contra Costa County's 1998 transportation sales tax measure. The measure provided for a half-cent on the dollar sales tax for twenty years to fund many transportation projects, including accessible transportation for seniors and people with disabilities. In 2004, Contra Costa voters approved Measure J which continued the original half-cent transportation sales tax and funded the same senior and disabled transportation services. An estimated \$123 million will be available to senior and disabled transportation services throughout the county over the 30-year duration of the measure. San Pablo Senior and Disabled Transportation Service currently offers subsidized and daily shuttle trips to San Pablo residents over the age of 55 and to people with disabilities over the age of 18. The program connects seniors and people with disabilities to basic services in the community, such as medical appointments, education, day to day errands and human services (Senior Centers, Community Centers, etc.). The specialized service promotes independence for seniors and people with disabilities and meets the specific needs of the community.



Multi-Purpose Senior Center: Established in 1979, the San Pablo Senior Center provides multi-purpose space and programming focused on senior nutritional, transportation and social needs to enhance their quality of life. Services include recreational and educational activities and special events. The center also serves as a focal point for linking seniors with much needed social services, as well as fostering social interaction through activities and volunteerism, and providing opportunities for continued intellectual growth and development. With an average attendance of 150 seniors per day, the Senior Center successfully cultivates and promotes healthy and active aging in San Pablo and its surrounding areas.

Letter of Transmittal

Rumrill Sports Complex: The Rumrill Sports Complex opened in June 2015 and has three lighted synthetic-turf fields. This sports park is filled daily with local youth sports organizations, adult leagues and city-run programs and camps.

PUBLIC SAFETY

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



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

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

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

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

Letter of Transmittal

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



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

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

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



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

Letter of Transmittal

Homicide Clearance Rates: The San Pablo Police Department has historically enjoyed a high homicide clearance rate when compared to the national average. The Detective Division is comprised of highly trained and motivated individuals with a proven track record of conducting in-depth criminal investigations. Using a collaborative approach, investigators work closely with our P.O.P. Unit and other local agencies to solve unsolved murder cases. Recent history confirms the Department's reputation. From January 1, 2015 through December 31, 2015, the City experienced two homicides, clearing one to date.

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

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



SPECIAL PROJECTS / TECHNOLOGY

Information Technology (IT): IT manages the City's information and computer infrastructure by providing network computer and telephone communications support. The work is primarily divided into three parts: network and system planning and management, database maintenance and management, and helpdesk and end-user support.

Major Projects: During FY 2015/16, IT completed several major projects. (1) Network servers reached end-of-life and were replaced with new servers with upgraded operating systems and services; old network servers were decommissioned. (2) IT also installed ESET anti-virus software on the network, since Microsoft stopped promoting their network Endpoint anti-virus solution. (3) Windows email service was upgraded and transferred to a Generation 9 Network Server. (4) IT provided support to issue new ID cards for all employees to improve campus security. (5) Staff replaced antiquated audio equipment in Maple Hall and Council Chambers and acquired tablet computers for City Councilmember use at City Council meetings.

Major Projects In-Process: IT staff helped lead a research team investigating body-worn cameras for all Police interactions and how best to store and retrieve the video. This project is scheduled for completion in FY 2016/17. Staff also began a major telephone system upgrade as well as replacement of all laptop computers with tablet computers in Police patrol cars.

Letter of Transmittal

PLANNING & DEVELOPMENT SERVICES

Review of Citywide Public Buildings: Fiscal Year 2015/16 was a busy year for Development Services. The department completed design review, building plan check, and inspection services for several projects, including the San Pablo Community Center, Rumrill Soccer Complex, Senior Center roof, Maple Hall entry doors, Davis Park concession stand, the San Pablo Public Library, Fire Station #70 and City Hall.

Adoption of Building Codes: The City worked collaboratively with the Contra Costa Fire Department to adopt the 2016 State Building Codes.

Long-Range Planning: City staff participated in the development of the regional Plan Bay Area on behalf of the Association of Bay Area Governments (ABAG) and the Metropolitan Transportation Commission (MTC). Staff also completed and implemented the Targeted Industries Study, an economic development tool, the Bicycle and Pedestrian Master Plan, and an annual report on the status of the Housing Element to the State of California.

Current Planning: During FY 2015/16, Development Services rezoned the Doctor's Medical Center site to commercial mixed-use and oversaw the Moose Lodge demolition and re-use project review. Additionally, the department conducted planning review and/or site layout feedback for construction of the new Walgreens; Wyman Slide roadway repair; Plaza San Pablo roadway infrastructure; El Portal gas station construction; Women, Infants and Children building construction; and Plaza San Pablo Parcel map review. Current



planning services was also provided to among many other smaller projects. Additionally, the Planning Commission held public hearings on various current and long-range planning projects.

California Environmental Quality Act (CEQA): Development Services participated in CEQA review for several large citywide and regional projects, including the Municipal Broadband Master Plan, La Quinta Hotel Mitigation Monitoring, Community Choice Electric Aggregation, the Chevron Refinery Modernization project and the Richmond Rail Connector.

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



Letter of Transmittal

ACKNOWLEDGEMENTS

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

Respectfully submitted,

Matt Rodriguez
City Manager

J. Kelly Sessions
Finance Director



Letter of Transmittal

CITY OF SAN PABLO
ELECTED OFFICIALS AND
ADMINISTRATIVE PERSONNEL
JULY 1, 2016

ELECTED PERSONNEL

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

ADMINISTRATIVE PERSONNEL

City Manager	Matt Rodriguez
City Attorney	Lynn Tracy Nerland
Assistant City Manager	Reina Schwartz
Assistant to the City Manager/Economic Development	Charles Ching
Assistant to the City Manager/Personnel	Tina Gallegos
Chief of Police	Lisa Rosales
Community Services Director	Greg Dwyer
Development Services Director	Michele Rodriguez
Finance Director	J. Kelly Sessions
Information Technology Manager	Larry Johnson
Public Works Director	Barbara Hawkins

CITY OF SAN PABLO ORGANIZATIONAL CHART, FY 2015/16 (last revised Feb 16, 2016)

TOTAL FTE: 180.4

SAN PABLO CITY COUNCIL

6.0 FTE

CITY ATTORNEY 1.0

1.0 Secretary to the City Attorney

2.0 FTE

CITY MANAGER 1.0

1.0 Executive Assistant to CM
1.0 Deputy City Clerk

7.0 FTE

CHIEF OF POLICE 1.0

ASSISTANT TO THE CITY MANAGER 1.0

HR FUNCTIONS/
MANAGEMENT SUPPORT

**ASSISTANT CITY MANAGER 1.0
(PERSONNEL ADMINISTRATOR)**

1.0 Administrative Clerk
RISK MANAGEMENT
Municipal Pooling Authority (MPA)

ASSISTANT TO THE CITY MANAGER 1.0

ECONOMIC DEVELOPMENT/
SUCCESSOR AGENCY

COMM. SERVS. MANAGER 1.0

COMMUNITY SERVS.

DEVELOPMENT SERVS. MANAGER 1.0

DEVELOPMENT SERVS.

FINANCE DIRECTOR 1.0

FINANCE DEPARTMENT

INFORMATION TECH. MANAGER 1.0

INFO. TECH. SERVS.

CITY ENGINEER 1.0

ENG., ENV. SERVS. & MAINT.

POLICE COMMANDERS 3.0

POLICE DEPARTMENT

RECREATION SERVICES

1.0 Rec. Supervisor
2.0 Rec Coordinator
1.0 Admin. Clerk II
0.5 Program Assistant (P/T)
7.0 Building Attendant (P/T)
8.0 Rec. Leader I (P/T)
4.9 Rec Leader II (P/T)
3.0 Rec Specialist I (P/T)
0.7 Rec Specialist II
1.0 Sr. Rec Specialist (P/T)
0.4 Art Curator (P/T)
1.6 Admin Intern (P/T)

SENIOR SERVICES

0.5 Rec. Supervisor
0.8 Sr. Ctr. Services Aide
1.5 Building Attendant (P/T)
1.0 Admin Intern (P/T)

YOUTH SERVICES

1.0 Comm. Servs. Coordinator
1.0 Program Coordinator
0.5 Prog. Assistant (P/T)

PARATRANSIT

0.5 Rec. Supervisor
1.0 Sr. Ctr. Services Aide
2.5 Paratransit Driver

42.4 FTE

BUILDING SERVICES

(Contract Services)
1.0 Building Inspector

PLANNING SERVICES

1.0 Planning Aide
1.0 Assistant Planner
1.0 Assistant/Associate Planner
0.5 Admin. Intern (P/T)

PERMIT SERVICES

1.0 Sr. Permit Tech.
1.0 Admin. Secretary
1.0 Admin. Clerk
0.5 Admin. Intern (P/T)

9.0 FTE

BUDGET & FISCAL SERVICES

1.0 Finance Supervisor
1.0 Management Assistant
1.0 Fiscal Clerk II
2.0 Fiscal Clerk I

6.0 FTE

INFO. TECHNOLOGY SERVICES

1.0 Info. Tech. Administrator
1.0 Info. Tech. Technician
0.5 Info. Tech. Intern (P/T)

3.5 FTE

ENGINEERING

0.5 Management Analyst
1.0 Sr. Civil Engineer
1.0 Sr. PW Inspector
1.0 Assistant Engineer
1.0 Admin. Clerk
1.0 Engineering Aide

ENVIRONMENTAL SERVICES

1.0 Maintenance Worker III
0.5 Maintenance Worker I
1.5 Environmental Prog. Analyst

BUILDING & FLEET MAINTENANCE

1.0 Maintenance Worker I
1.0 Maintenance Worker III
1.0 Sr. Maintenance Worker

STREET LIGHTING & LANDSCAPE

1.0 Administrative Clerk
0.5 Maintenance Aide
0.5 Maintenance Operations Sup.
2.0 Maintenance Worker I
.25 Management Analyst
1.0 Sr. Maintenance Worker

STREET MAINT. & GRAFFITI

0.5 Maintenance Operations Sup.
2.0 Maintenance Worker III
3.5 Maintenance Worker I
1.5 Maintenance Aide (P/T)
.25 Management Analyst

25.5 FTE

SWORN STAFF

10.0 Sergeant
41.0 Police Officer

NON-SWORN STAFF

1.0 Police Executive Assistant
5.0 Police Services Technician
2.0 Jailer
3.0 Police Services Assistant
7.0 Police Admin. Clerk
1.0 Maintenance Worker III
0.5 Background invest. (P/T)
1.5 School Crossing Guard (P/T)
2.0 Police Cadet (P/T)

CODE ENFORCEMENT

1.0 Building Inspector

79.0 FTE



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California**

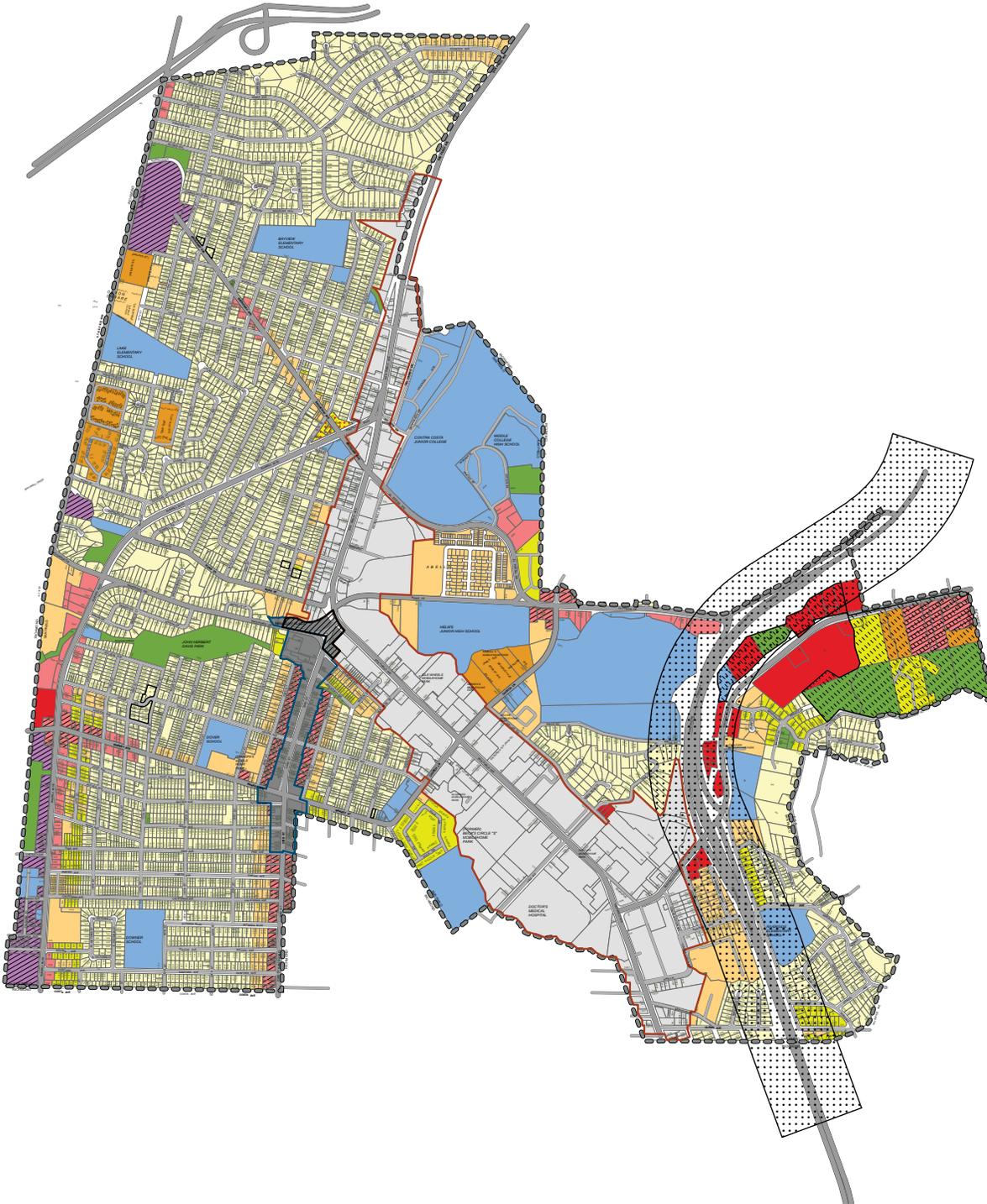
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

CITY OF SAN PABLO

Zoning District Map



Legend

San Pablo City Limit

Zoning

Zoning Districts

- R-1 Single-Family Residential District
- R-2 Two-Family Residential District
- R-3 Multifamily Residential
- R-4 High-Density Multifamily Residential
- RMU - Residential Mixed-Use District
- NC - Neighborhood Commercial District
- CR - Regional Commercial District
- CMU - Commercial Mixed-Use District
- IMU - Industrial Mixed-Use District
- I - Institutional District
- OS - Open Space District

Specific Plans

- SP1 - 23rd Street Specific Plan
- SP2 - San Pablo Avenue Specific Plan

Specific Plan Boundary

Specific Plans

- SP1 - 23rd Street Specific Plan
- SP2 - San Pablo Avenue Specific Plan
- 23rd Street/San Pablo Avenue Overlap

Overlay Districts

Overlay Districts

- Air Quality Health Risk Overlay
- Hillside Overlay
- Multifamily Overlay

Adopted: May 18, 2015

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information and discretely presented component unit of the City of San Pablo, California, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the aggregate remaining fund information and discretely presented component unit of the City as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Management adopted the provisions of the Governmental Accounting Standards Board Statement No. 72 – *Fair Value Measurement and Application*, which became effective during the year ended June 30, 2016 as discussed in Note 1K and 3I to the financial statements.

The emphasis of this matter does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

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

Other Information

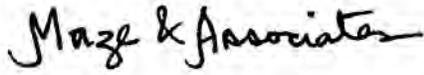
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements as a whole. The Introductory Section, Supplemental Information and Statistical Section listed in the Table of Contents are presented for purposes of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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Maze & Associates". The signature is written in a cursive, flowing style.

Pleasant Hill, California
December 2, 2016



CITY^{OF} SAN PABLO

City of New Directions

Management's Discussion and Analysis

This discussion and analysis of the City of San Pablo's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the Letter of Transmittal, the Basic Financial Statements and the accompanying Notes to the Basic Financial Statements.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$127.0 million. Of this amount, \$42.0 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$11.8 million primarily because revenues exceeded expenditures by \$15.7 million in the General Fund and by \$0.2 million in the Low and Moderate Income Housing Assets Fund, while expenditures exceeded revenues by \$3.0 million in the Public Works Construction Fund and by \$1.4 million in the Lease Revenue Bonds Fund, plus the net of capital assets transactions and other adjustments.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$75.5 million, an increase of \$11.1 million from the prior fiscal year. This growth is due to increases in business license tax of \$3.3 million, sales taxes of \$0.8 million, General Governmental revenue of \$4.6 million, and reductions in capital outlay expense of \$4.3 million, offset by reductions in intergovernmental revenue of \$1.8 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Management's Discussion and Analysis

Transportation Commission. In order to maintain this status, the City will need to increase its expenditure from the General Fund.

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

The City had three Major Funds in 2016 in addition to the General Fund: the Low and Moderate Income Housing Assets Fund, the Public Works Construction Fund and the 2015 Lease Revenue Bonds Fund.

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

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

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

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

Management's Discussion and Analysis

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

The City's net position increased by \$11.8 million in 2016, from \$115.0 million to \$126.9 million. This year over year upturn derives from the change in net position as recorded in the Statement of Activities, which flows through the Statement of Net Position. Net position increased in FY 2015/16 as a result of several transactions:

- Sales tax increased by \$0.8 million, primarily due to the full-year collection Measure K sales tax
- Casino revenue increased by \$3.3 million
- Other miscellaneous revenue increased by \$0.2 million
- Capital grant revenues decreased by \$0.6 million;
- Expenditures decreased by \$10.8 million.

A portion of the City's net position represents resources which are subject to external restrictions on use. This restricted amount is \$25.3 million as of June 30, 2016. The remaining balance of unrestricted net assets of \$42.0 million may be used to meet the City's ongoing obligations to citizens and creditors.

Management's Discussion and Analysis

Governmental Net Position at June 30

	Government Activities	
	2016	2015
Current Assets	106,566,288	94,099,485
Capital Assets	77,914,177	78,085,388
Total Assets	\$ 184,480,465	\$ 172,184,873
Deferred Outflows of Resources		
Related to pensions	4,208,951	2,665,181
Current Liabilities	6,870,174	4,889,529
Long-Term Liabilities	52,585,772	47,990,248
Total Liabilities	\$ 59,455,946	\$ 52,879,777
Deferred Inflows of Resources		
Related to pensions	2,403,072	6,947,231
Net Position:		
Net Investment in Capital Assets	59,552,820	59,671,326
Restricted	25,307,852	24,843,522
Unrestricted	41,969,726	30,508,198
Total Net Position	\$ 126,830,398	\$ 115,023,046

Management's Discussion and Analysis

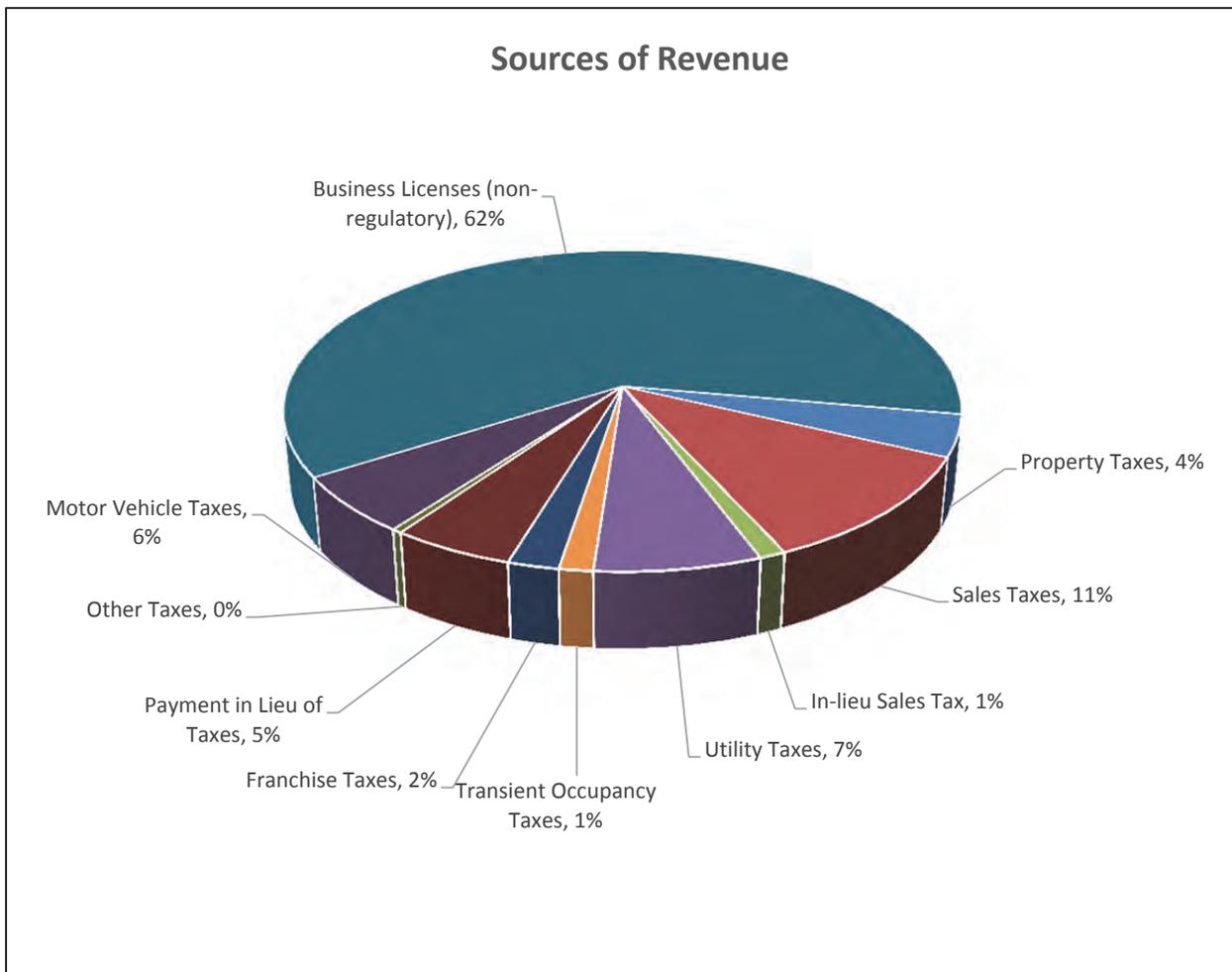
Changes in Governmental Net Position at June 30

Revenues:	2016	2015
Program revenues		
Charges for Services	\$ 2,031,684	\$ 2,308,858
Operating Contributions and Grants	1,679,873	2,064,275
Capital Grants	4,562,945	5,202,454
General Revenues:		
Property Tax	1,562,739	1,676,678
Sales Taxes	4,168,439	3,803,069
In-lieu Sales Tax	406,799	490,239
Utility Taxes	2,572,145	2,467,509
Transient Occupancy Taxes	523,213	455,006
Franchise Taxes	790,828	884,123
Payment in Lieu of Taxes	1,902,362	1,865,060
Other Taxes	157,190	132,130
Motor Vehicle Taxes	2,158,330	1,961,310
Business Licenses (non-regulatory)	22,986,063	19,701,338
Investment Earnings	865,048	633,516
Miscellaneous	705,407	545,773
Total Revenues	47,073,065	44,191,338
Expenses		
General Government	10,749,217	5,868,035
Community:		
Recreation	1,613,344	1,417,109
Development	1,351,207	1,538,176
Housing	23,000	0
Public Works & Engineering	7,253,853	9,591,938
Police	13,239,813	15,207,587
Interest on long-term debt	1,035,279	1,069,642
Total Expenses	35,265,713	34,692,487
Extra/Special Item-Asset transfers		206,625
Change in Net Position	11,807,352	9,705,476
Net Position 7/1	115,023,046	105,317,570
Net Position 6/30	\$ 126,830,398	\$ 115,023,046

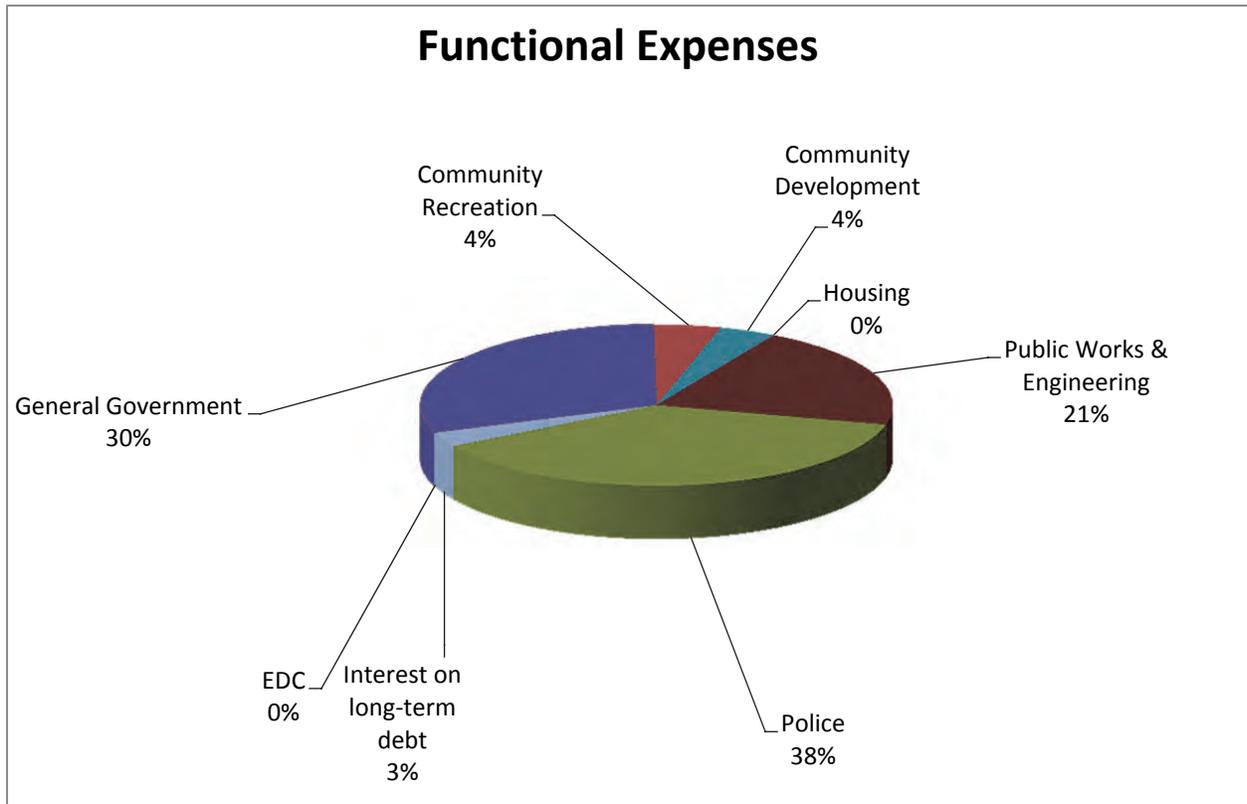
Management's Discussion and Analysis

The cost of all Governmental activities this year was \$35.2 million. Net expenses, as shown in the Statement of Activities, were \$26.9 million. A portion of the cost for these activities was paid either by those directly benefitting from the programs through service charges (\$2.1 million), by other governments and organizations that subsidized certain programs with operating grants and contributions (\$1.7 million), or capital grants and contributions (\$4.6 million). Overall, the City received \$8.3 million in governmental program revenues.

Total resources available during the year to finance governmental operations were \$162.3 million, consisting of net assets at July 1, 2015 of \$115.0 million, program revenues of \$8.3 million and general revenues of \$39.0 million. Total Governmental activities during the year were \$35.2 million, thus net position increased from \$115.0 million to \$126.9 million, a net increase of \$11.8 million.



Management's Discussion and Analysis



As shown in the Sources of Revenue chart on the opposite page, Business Licenses accounted for 62% of the City's Fiscal Year 2016 revenue, which came primarily from Casino San Pablo. Sales taxes accounted for 11%, which included the voter-approved Measure Q rate increase of ½%.

On the year, Functional Expenses totaled \$35.2 million, an increase of \$0.5 million from the previous year. Likewise, all Functional Expense categories decreased from the previous year with the exception of General Government expenses which increased by \$4.8 million to 30% of total expenses. Expense levels increased over last year in large part because of \$1.2 million increase in annual PERS smoothing payments, plus increases in citywide utilities, fuel, and liability insurance. Police expenditures decreased by \$2.0 million to 37% of total expenses because of a change in the way the City pays for pension expenses. Public Works and Engineering decreased by \$2.3 million to 21% of total expenses because of reduced expenditures on large projects that were completed in FY 2015. Recreation expenditures increased by \$0.2 to 4.5% of total expenses, while Community Services and Development Services, decreased by \$0.2 million and \$0.4 million respectively, each at 4% of total expense.

Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

At year end, the City's General Fund had a balance of \$57.4 million. This represents an increase of \$14.3 million compared to 2015. The increase can be attributed to the \$15.7 million in excess of revenues over expenditures, which were offset by a transfer of \$0.3 million to capital projects and debt payment. Total General Fund revenues increased by \$5.4 million over the previous fiscal year mainly due to increased Casino revenue of \$3.2 million and grant drawdowns of \$1.6 million for the completion of Rumrill Sports Park.

The Low and Moderate Income Housing Assets Fund had a fund balance of \$7.3 million.

The Public Works Construction Fund balance decreased by \$3.7 million as a result of the completion of \$10.1 million in projects, offset by project grant funding of \$0.4 million, and transfers from the General Fund of \$7.0 million.

The 2015 Lease Revenue Bond Fund was established in fiscal year 2015 to account for the activities related to the issuance of the 2015 Lease Revenue Bonds in the principal amount of \$15.8 million. Current year activities of \$1.4 million included \$0.5 million release of hold back on property acquisitions and debt payment. Unspent proceeds were \$7.5 million at fiscal year-end, which are restricted for use on capital improvement projects.

Other Governmental Funds increased by \$0.8 million, primarily due to a \$0.2 million increase in revenue, \$0.5 million increase in expenditures, and transfers-in which exceeded transfers-out by \$1.5 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City adopts a biennial budget every other year at which time revenues are projected for the first year of the budget with minor adjustments for the second year. The fiscal year ending June 30, 2016 was the second year of the two-year budget process. Differences between the actual results and the original General Fund budget and the final General Fund budget are as follows:

Sales Taxes. In June 2012, the voters passed Measure Q, which increased the sales tax base by 0.5%. The City projects for the increase conservatively, such that actuals received were \$142,116 over the budget.

Business License. Because the nationwide economic recovery has been slow, the City budgeted conservatively for Business License Tax, which primarily comes from Casino San Pablo, thinking that perhaps there would be a slowdown in Casino revenue. A slowdown never did materialize, such that casino revenue ended the year with a positive variance of totaled \$4.6 million, or 31% over budget.

Management's Discussion and Analysis

Other Taxes. The Hotel Occupancy Tax and Franchise Tax attributed to the increase in this category. Hotel occupancy rates were up, contributing approximately \$46,000 over budget. Moreover, the City did not budget for the additional revenue generated by restructuring the Franchise Tax Agreement for solid waste services with Republic Sanitary Service. The positive variance equaled \$121,555, or 18% over budgeted figures.

Charges for Services. Actual receipts over budget amounts of \$187,997 in Charges for Services was attributable to increased police service, while recreation and senior service revenues increased because of increased fees.

Intergovernmental/Other. The City received unbudgeted grant funds totaling \$3.2 million. \$3.0 million of this revenue was from the State of California for construction of the Rumrill Sports Park, and \$0.2 million from Contra Costa County for the Wayfinding Signage grant.

Expenditures. Expenditures totaling \$25.6 million were 10% less than original budgeted figures and 12% less than the final budgeted figures of \$30.5 million, resulting in expenditure savings of \$4.9 million. \$0.8 million of this gap is attributable to salary and benefit savings, because of many position vacancies throughout the year and conservative budgeting practices of the City. The City also experienced savings in the following line-items: Community Grants & Special Events, \$1.3 million; Special Department Expenditures, \$1.4 million, Professional Services, \$0.8 million, and Capital Improvements of \$0.3 million. This is a result of careful spending practices, conservative budgeting, and work that was not completed.

Transfers. Final budgeted figures for net transfers out were \$9.1 million, which was \$7.7 million higher than what was actually transferred. The difference is due to various Capital Improvement Projects that were completed and closed, while excess funds were transferred into the General Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - Capital assets of the City are those assets which are used in the performance of the City's functions. At June 30, 2016, capital assets net of accumulated amortization and depreciation of the Governmental activities totaled \$66.6 million. Amortization and depreciation on capital assets is recognized in the Government-Wide financial statements. Refer to Note 6 of this report for detailed information regarding capital assets. The City has elected to use the amortization and depreciation method as allowed by GASB Statement No. 34 for infrastructure reporting.

Management's Discussion and Analysis

	Original Cost	Accumulated Depreciation	Book Value
Capital Assets - Governmental:			
Land and land improvements	\$8,409,744		\$8,409,744
Construction in progress	4,263,622		4,263,622
Buildings and improvements	23,950,030	\$5,868,498	18,081,532
Machinery and equipment	3,820,427	1,811,859	2,008,568
Vehicles	2,911,163	2,161,641	749,522
Park and trail improvements	13,801,816	3,208,258	10,593,558
Sports fields	1,506,986	1,144,839	362,147
Roads & streets including sidewalks	73,688,108	43,263,622	30,424,486
Bridges	5,486,753	4,544,940	941,813
Street lights	361,078	327,526	33,552
Storm drains	2,202,142	1,707,873	494,269
Traffic signals	2,931,742	2,001,825	929,917
Trees	1,227,462	606,015	621,447
Total Capital Assets - Governmental	\$144,561,073	\$66,646,896	\$77,914,177

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

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

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

The City of San Pablo Joint Powers Financing Authority issued the Lease Revenue Bonds, Series A (Tax-Exempt) for \$4,255,000 and Series 2015B (Taxable) for \$11,555,000 to provide funds to finance certain capital projects within the City. Principal and interest payments on the 2015A and 2015B Bonds are due semi-annually through 2044 and 2040, respectively.

Refer to Note 7 of this report for detailed information regarding long term debt.

Management's Discussion and Analysis

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In following best management practices, the City takes a conservative approach relative to the assumptions built into the budget cycle. In the operating budget on the revenue side, revenues are projected to be fairly flat over the course of the budget cycle; indeed the adopted FY 2017 revenue budget is approximately \$200,000 less than the FY 2016 budget. In this way, as revenues are increasing over time—assuming that the economy is growing—the budget is balanced at the Year 1 revenue amount, thus building in a structural funding surplus in subsequent fiscal years. On the expenditure side, increasing labor costs and other inflationary factors are built into the multi-year budget according to labor agreements, vendor contracts, etc., thus ensuring sufficient funding.

In an effort to further stabilize the budget and better manage budgetary growth, the City is embarking on a new approach to budgeting. Beginning in the 2017/18 fiscal year, the City will undertake a four-year budget cycle, such that the adopted budget will cover four fiscal years, rather than the usual two. After two years (at mid-cycle), the City will undertake a significant update of the four-year budget to amend that last two fiscal years and add two additional years. This approach will accomplish the following:

- Integrate long-term financial planning with the operating budget
- Encourage long-term budget planning at the department and division level
- Establish ongoing continuity between adopted budgets
- Create a venue to foster focus on near-term and long-term big-picture goals and objectives
- Manage program and FTE expansion and reduce budget creep
- Normalize expenditures over the four-year budget cycle
- Acknowledge long-term labor agreements and plan for increasing labor costs

Adopted revenue budgets are based on year end actuals from the previous full fiscal year and year end projections from the current fiscal year, while taking into account local economic conditions and other real world considerations. Moreover, key assumptions made in each fiscal year are conservative, including a continued slow-growth economy that will most likely result in modest increases in taxes, fees and other revenues, but which are not significant enough to change estimates much from one year to the next. In this way, revenue estimates for future fiscal years remain at very sustainable levels with a modest inflationary factor built in. Indeed, in each of the last several fiscal years, actual revenues outpaced budgeted revenues by double-digit amounts, while Year 2 of the 2015-17 Biennial Budget was balanced on a revenue estimate that was 0.1 percent greater than the FY 2016 estimate.

Additionally, the City takes a very conservative approach to budgeting for Casino business license revenues. With actuals of \$22.6 million in FY 2016, Casino business licenses are the City's largest revenue source, comprising 59% of the General Fund. To mitigate this risk and dependence on a single revenue source, the City budgets at figures significantly less than previous fiscal year actuals, even though Casino revenues have increased year over year by at least 5.0% for six of the last nine fiscal years, and with average growth of 8.6%. Indeed, the City's initial Adopted Biennial Budget for this revenue source was \$18.0 million in both Fiscal Years 2016 and 2017, 26.1 percent less than FY 2016 actuals.

Management's Discussion and Analysis

The same conservative approach holds true for essentially all revenue sources. The Adopted Budget for General Fund revenues in Fiscal Year 2016 and Fiscal Year 2017 is set at \$30.9 and \$30.7 million respectively, while Fiscal Year 2016 actuals total \$41.3 million. From an all funds perspective, \$35.6 million is budgeted in both Fiscal Year 2016 and 2017, a full \$11.4 million less than the \$47.0 million in actuals received in FY 2016. Sales tax in particular was expected to increase significantly during the course of FY 2016. Measure K, a 0.25% sales tax measure for emergency medical services, was approved by voters in June 2014 and Measure K sales tax receipts began flowing into the City in December 2014. Fiscal Year 2016 was the first full year of Measure K sales tax receipts. Budgeted at \$650,000 annually in FY 2016 and FY 2017, FY 2016 totaled over \$750,000.

On the expenditure side, all job positions, including vacancies, are conservatively budgeted at the fourth step of a five-step range. New positions added during the course of the two-year budget cycle are fully funded in the fiscal year in which they are added and in all subsequent years. A 2.0% cost of living adjustment (COLA) for all employees is added as well, in accordance with labor contracts in force through the remainder of FY 2017. All benefits-eligible employees are budgeted to receive medical insurance at the two-party rate. Additionally, all increasing employee benefit costs are updated annually and added to each fiscal year's budget for such things as increases to pension costs, medical and dental insurance rates, retiree health costs, etc.

To address fiscal uncertainty, the City adopted the Fiscal Resiliency Reserve Policy in October 2013. The policy requires Catastrophic Reserves at 50% of the General Operating Fund budget, and a Budget Stabilization Reserve at 5.0% of the General Fund budget. The policy also establishes General Fund Designated Reserves which allow the City to allocate funding for large, future expenses, including such things as CalPERS retirement rate increases, unfunded liabilities such as compensated absences, vehicle replacements, etc. Additionally, the policy establishes the Future Capital Projects Reserves for funding large capital projects in the absence of RDA funding. The policy also established the City Manager's Contingency Account at 1% of the General Fund budget to pay for unbudgeted and unforeseen expenses that arise during the normal course of business. Additionally, the City added the Casino Revenue Stability Reserve in June 2016, allowing the City to set aside up to 50% of unused audited fund balance as a rainy day fund to guard against the sudden loss of casino revenue. The City expects to set aside funds in this new reserve with FY 2016 audited fund balance.

The dissolution of all redevelopment agencies statewide continues to impact San Pablo activities as the City must rely on other revenue sources to fund capital projects rather than RDA bond proceeds. As evidence of the changed environment, all assets of the former RDA were transferred to the Local Successor Agency, which continued to unwind and dissolve all RDA financial and contractual obligations. In June 2014, the State Department of Finance approved the City's Long Range Property Management Plan, giving the City authority to move forward with the use and disposition of all remaining properties as proposed. The City expects the final unwinding activities to be complete in calendar year 2017.

Management's Discussion and Analysis

To plan for future capital project needs, in February 2015 the City issued \$4.3 million in tax-exempt lease revenue bonds (LRB's) and \$11.6 million in taxable LRB's. The City's creditworthiness was reviewed by the credit rating agency Standard & Poor's, which determined the "city's recent and expected budgetary performance to be strong" and the "city's management conditions as strong, supported by financial policies and practices that we consider good." As such, Standard & Poor's issued a bond rating of "AA-", which allowed the City to obtain very favorable interest rates, beating even the City's most optimistic projections. To date, the City has expended \$7.5 million of the taxable bonds to purchase property and medical office buildings from the West Contra Costa Healthcare District. The City is moving forward with various projects that could potentially be funded with the remaining bond funds, including construction of a new branch library and City Hall, installation of municipal broadband throughout the City, and various other Capital Improvement projects.

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

In Fiscal Year 2015, a second project was completed that will also impact the San Pablo community for generations to come: the Rumrill Sports Park. The former Burlington Northern & Santa Fe (BNSF) Railroad Corporation yard was sold to the City for development into a much-needed multi-use sports park. The park boasts three lighted youth soccer fields and one smaller field for pick-up games and practices. The park also includes a picnic/barbeque area, play area, office/restrooms and on-site parking. This park concept was developed through a series of community outreach meetings in which the residents of San Pablo identified the need for more open space structured for youth play. Construction began in August 2014 and the grand opening was held on September 8, 2015. The City secured funding of approximately \$7.0 million, including \$2.8 million from the New Markets Tax Credits program and \$1.5 million in grants.

REQUESTS FOR INFORMATION

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



CITY^{OF} SAN PABLO

City of New Directions

**STATEMENT OF NET POSITION
AND STATEMENT OF ACTIVITIES**

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

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

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

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

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

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

CITY OF SAN PABLO
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Primary Government</u>	<u>Component Unit</u>
	Governmental Activities	Economic Development Corporation
ASSETS		
Cash and investments available for operations (Note 3)	\$58,384,405	\$1,172,108
Restricted cash and investments (Note 3)	7,504,351	559,355
Accounts receivable, net	2,661,806	19,765
Due from other governments, net	1,754,765	
Prepays and deposits (Note 1H)	49,200	10,326
Employee loans receivable (Note 5A)	6,795	
Notes receivable under Redevelopment Agency programs, net (Note 5B)	19,391,982	
Helms Community Center and Rumrill Sports Park leveraged loans (Notes 5I and 5J)	11,839,080	
Property held for resale (Note 1I)	564,835	
Net OPEB asset (Note 9D)	4,409,069	
Capital assets (Note 6):		
Land and construction in progress	12,673,366	1,835,000
Depreciable capital assets, net	65,240,811	14,728,551
Total assets	184,480,465	18,325,105
DEFERRED OUTFLOWS OF RESOURCES		
Related to pensions (Note 9B)	4,208,951	
LIABILITIES		
Accounts payable and accrued liabilities	2,304,862	116,316
Deposits payable	705,977	
Claims payable (Note 11)	40,437	
Unearned revenue	2,220,928	
Compensated absences (Note 1G)	1,127,737	
Net pension liability (Note 9B)	27,190,297	
Long-term debt (Note 7):		
Due in one year	470,233	
Due in more than one year	25,395,475	16,806,000
Total liabilities	59,455,946	16,922,316
DEFERRED INFLOWS OF RESOURCES		
Related to pensions (Note 9B)	2,403,072	
NET POSITION (Note 8)		
Net investment in capital assets	59,552,820	316,906
Restricted for:		
Capital projects	3,045,746	
Low and moderate income housing	22,262,106	
Economic development projects		1,085,883
Total restricted net position	25,307,852	1,085,883
Unrestricted net position	41,969,726	
Total net position	\$126,830,398	\$1,402,789

See accompanying notes to financial statements

CITY OF SAN PABLO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in in Net Position	Net (Expense) Revenue and Changes in in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants	Primary Government	Component Unit
					Governmental Activities	Economic Development Corporation
Primary Government:						
Governmental Activities:						
General Government	\$10,749,217	\$435,262			(\$10,313,955)	
Community:						
Recreation	1,613,344	334,418			(1,278,926)	
Development	1,351,207	504,454	\$189,574		(657,179)	
Housing	23,000		220,514		197,514	
Public Works & Engineering	7,253,853	187,923	1,000,858	\$4,562,945	(1,502,127)	
Police	13,239,813	569,627	268,927		(12,401,259)	
Interest on long-term debt	1,035,279				(1,035,279)	
Total Governmental Activities	<u>\$35,265,713</u>	<u>\$2,031,684</u>	<u>\$1,679,873</u>	<u>\$4,562,945</u>	<u>(26,991,211)</u>	
Component Unit:						
Economic Development Corporation	<u>\$1,558,560</u>		<u>\$978,590</u>			<u>(\$579,970)</u>
General revenues:						
Taxes:						
Property taxes					1,562,739	
Sales taxes					4,168,439	
In-lieu sales tax					406,799	
Utility taxes					2,572,145	
Transient occupancy taxes					523,213	
Franchise taxes					790,828	
Payment in lieu of taxes					1,902,362	
Business licenses (nonregulatory)					22,986,063	
Other taxes					157,190	
Intergovernmental unrestricted:						
Motor vehicle in lieu fees					2,158,330	
Use of money and property					865,048	129,903
Miscellaneous					705,407	
Total general revenues					<u>38,798,563</u>	<u>129,903</u>
Change in Net Position					11,807,352	(450,067)
Net Position-Beginning					<u>115,023,046</u>	<u>1,852,856</u>
Net Position-Ending					<u>\$126,830,398</u>	<u>\$1,402,789</u>

See accompanying notes to financial statements



CITY^{OF} SAN PABLO

City of New Directions

FUND FINANCIAL STATEMENTS

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

The funds described below were determined to be Major Funds by the City for fiscal 2016. Individual non-major funds may be found in the Supplemental Section.

GENERAL FUND

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The major revenue sources for this Fund are property taxes, sales taxes, utility users tax, franchise fees, business licenses, unrestricted revenues from the State, fines and forfeitures and interest income. Expenditures are made for public safety, recreation, and the other services described above.

LOW AND MODERATE INCOME HOUSING ASSETS

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

PUBLIC WORKS CONSTRUCTION

This fund accounts for major City capital improvement projects.

2015 LEASE REVENUE BONDS

This fund accounts for capital improvement projects funded by the proceeds of the 2015 Lease Revenue Bonds.

CITY OF SAN PABLO
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016

	General	Low and Moderate Income Housing Assets	Public Works Construction	2015 Lease Revenue Bonds	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments available for operations (Note 3)	\$52,010,212	\$2,214,572	\$372,986		\$3,786,635	\$58,384,405
Restricted cash and investments (Note 3)				\$7,504,351		7,504,351
Accounts receivable	2,654,331		7,475			2,661,806
Due from other governments	1,326,974		232,631		195,160	1,754,765
Prepays and deposits (Note 1H)	49,200					49,200
Employee loans receivable (Note 5A)	6,795					6,795
Redevelopment Agency program loans, net (Note 5B)		19,391,982				19,391,982
Helms Community Center and Rumrill Sports Park leveraged loans (Notes 5I and 5J)	11,839,080					11,839,080
Property held for resale (Note 1I)		564,835				564,835
Total Assets	\$67,886,592	\$22,171,389	\$613,092	\$7,504,351	\$3,981,795	\$102,157,219
LIABILITIES						
Accounts payable and accrued liabilities	\$1,791,153	\$3,529	\$80,179		\$430,001	\$2,304,862
Deposits payable	180,909				525,068	705,977
Unearned revenue	1,563,297		232,631			1,795,928
Total Liabilities	3,535,359	3,529	312,810		955,069	4,806,767
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - due from other governments	425,000					425,000
Unavailable revenue - loans and notes receivable	6,510,080	14,911,308				21,421,388
Total Deferred Inflows of Resources	6,935,080	14,911,308				21,846,388
FUND BALANCES						
Fund balance (Note 8)						
Nonspendable	5,384,995					5,384,995
Restricted		7,256,552		7,504,351	3,139,992	17,900,895
Assigned	1,315,623		300,282			1,615,905
Unassigned	50,715,535				(113,266)	50,602,269
TOTAL FUND BALANCES	57,416,153	7,256,552	300,282	7,504,351	3,026,726	75,504,064
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$67,886,592	\$22,171,389	\$613,092	\$7,504,351	\$3,981,795	

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

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds. 77,914,177

NON-CURRENT REVENUES

Revenues which are unavailable on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities. 21,421,388

LONG TERM ASSETS, LIABILITIES AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

The assets, deferred outflows of resources, liabilities and deferred inflows of resources below are not due and payable in the current period and therefore are not reported in the Funds:

Net OPEB asset	4,409,069
Deferred outflows of resources related to pensions	4,208,951
Claims payable	(40,437)
Compensated absences	(1,127,737)
Net pension liability	(27,190,297)
Long term debt	(25,865,708)
Deferred inflows of resources related to pensions	(2,403,072)

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$126,830,398

See accompanying notes to financial statements

CITY OF SAN PABLO
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	General	Low and Moderate Income Housing Assets	Public Works Construction	2015 Lease Revenue Bonds	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$719,960				\$842,779	\$1,562,739
Sales taxes	3,304,334				1,715,412	5,019,746
In-lieu sales tax	406,799					406,799
Utility users tax	2,572,145					2,572,145
Business license tax	22,665,705					22,665,705
Other taxes	3,334,876					3,334,876
Licenses and permits					320,358	320,358
Fines and forfeits	253,290					253,290
Intergovernmental	6,125,560		\$414,151		1,406,691	7,946,402
Charges for services	629,254				717,812	1,347,066
Use of money and property	1,063,595	\$220,514		\$1,163	18,464	1,303,736
Miscellaneous	211,478		4,367		80,287	296,132
Total Revenues	41,286,996	220,514	418,518	1,163	5,101,803	47,028,994
EXPENDITURES						
Current:						
General Government	9,612,295				1,200,000	10,812,295
Community:						
Recreation	1,490,995					1,490,995
Development					1,417,014	1,417,014
Housing		23,000				23,000
Public Works & Engineering	275,565				3,084,862	3,360,427
Police	13,735,117				18,059	13,753,176
Capital outlay	308,912		3,390,369	500,000	16,252	4,215,533
Debt service:						
Principal retirement	144,982			210,000		354,982
Interest and fiscal charges	25,882			711,457		737,339
Total Expenditures	25,593,748	23,000	3,390,369	1,421,457	5,736,187	36,164,761
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	15,693,248	197,514	(2,971,851)	(1,420,294)	(634,384)	10,864,233
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of property	206,584				12,000	218,584
Transfers in (Note 4A)	2,034,248		1,150,206	915,957	1,620,962	5,721,373
Transfers (out) (Note 4A)	(3,662,125)		(1,888,733)		(170,515)	(5,721,373)
Total Other Financing Sources (Uses)	(1,421,293)		(738,527)	915,957	1,462,447	218,584
NET CHANGE IN FUND BALANCES	14,271,955	197,514	(3,710,378)	(504,337)	828,063	11,082,817
Fund balances at beginning of period	43,144,198	7,059,038	4,010,660	8,008,688	2,198,663	64,421,247
FUND BALANCES AT END OF PERIOD	\$57,416,153	\$7,256,552	\$300,282	\$7,504,351	\$3,026,726	\$75,504,064

See accompanying notes to financial statements

CITY OF SAN PABLO
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2016

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$11,082,817

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures are added back to fund balance	4,281,182
Depreciation expense is deducted from fund balance	(4,452,393)

LONG-TERM DEBT PROCEEDS AND PAYMENTS

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

Repayment of debt principal is added back to fund balance	354,982
Interest accrued to principal is deducted from fund balance	(297,940)

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):

Net OPEB asset	137,559
Compensated absences	(126,406)
Claims payable	36,934
Unavailable revenue - loans and notes receivable	(174,513)
Net pension liability and deferred outflows/inflows of resources related to pensions	965,130

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$11,807,352</u></u>
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See accompanying notes to financial statements

CITY OF SAN PABLO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$2,066,642	\$313,313	\$719,960	\$406,647
Sales taxes	2,909,702	2,909,702	3,304,334	394,632
In-lieu sales tax	568,382	568,382	406,799	(161,583)
Utility users tax	2,535,693	2,535,693	2,572,145	36,452
Business license tax	18,000,000	18,000,000	22,665,705	4,665,705
Other taxes	3,101,858	3,101,858	3,334,876	233,018
Fines and forfeits	195,071	195,071	253,290	58,219
Intergovernmental:				
Motor vehicle in lieu	13,167	1,766,496	2,152,285	385,789
Other	333,506	438,506	3,973,275	3,534,769
Charges for services	441,257	441,257	629,254	187,997
Use of money and property	659,603	659,603	1,063,595	403,992
Miscellaneous	36,680	36,680	211,478	174,798
Total Revenues	30,861,561	30,966,561	41,286,996	10,320,435
EXPENDITURES				
Current:				
General government	8,345,150	12,786,628	9,612,295	3,174,333
Community:				
Recreation	1,692,270	1,769,347	1,490,995	278,352
Development	2,356,556			
Public Works & Engineering	615,383	364,351	275,565	88,786
Police	14,770,167	14,860,050	13,735,117	1,124,933
Capital outlay	298,580	601,205	308,912	292,293
Debt Service:				
Principal		145,000	144,982	18
Interest and fiscal charges			25,882	(25,882)
Total Expenditures	28,078,106	30,526,581	25,593,748	4,932,833
EXCESS OF REVENUES OVER EXPENDITURES	<u>2,783,455</u>	<u>439,980</u>	<u>15,693,248</u>	<u>15,253,268</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property			206,584	206,584
Transfers in			2,034,248	2,034,248
Transfers (out)	(2,188,882)	(9,113,252)	(3,662,125)	5,451,127
Total Other Financing Sources (Uses)	<u>(2,188,882)</u>	<u>(9,113,252)</u>	<u>(1,421,293)</u>	<u>7,691,959</u>
NET CHANGE IN FUND BALANCE	<u>\$594,573</u>	<u>(\$8,673,272)</u>	14,271,955	<u>\$22,945,227</u>
Fund balance at beginning of year			43,144,198	
FUND BALANCE AT END OF YEAR			<u>\$57,416,153</u>	

See accompanying notes to financial statements



CITY^{OF} SAN PABLO

City of New Directions

FIDUCIARY FUNDS

FIDUCIARY FUNDS

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

RETIREE HEALTH SAVINGS PLAN TRUST FUND

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

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY

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

CITY OF SAN PABLO
 FIDUCIARY FUNDS
 STATEMENTS OF FIDUCIARY NET POSITION
 JUNE 30, 2016

	<u>Retiree Health Savings Plan Trust Fund</u>	<u>Successor Agency to the Redevelopment Agency Private-Purpose Trust</u>	<u>Agency Funds</u>
ASSETS			
Investments - Mutual Fund (Note 3)	\$7,244,815		
Restricted cash and investments (Note 3)		\$10,069,614	\$2,828,596
Loans receivable (Note 12B)		1,064,799	
Property held for resale (Note 12C)		7,537,984	
Due from other governments			779,793
Capital assets (Note 12D):			
Land and construction in progress		2,819,393	
Depreciable capital assets, net		1,287,878	
	<u>7,244,815</u>	<u>22,779,668</u>	<u>\$3,608,389</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred amount on refunding of debt (Note 12E)		<u>4,091,195</u>	
LIABILITIES			
Accounts payable		5,225	\$189,599
Deposits held as agent for others			3,418,790
Long-term obligations (Note 12E):			
Due in one year		4,447,201	
Due in more than one year		68,717,347	
		<u>73,169,773</u>	<u>\$3,608,389</u>
Total liabilities		<u>73,169,773</u>	<u>\$3,608,389</u>
NET POSITION (DEFICIT) HELD IN TRUST FOR OPEB BENEFITS AND OTHER GOVERNMENTS			
	<u>\$7,244,815</u>	<u>(\$46,298,910)</u>	

See accompanying notes to financial statements

CITY OF SAN PABLO
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Retiree Health Savings Plan Trust Fund</u>	<u>Successor Agency to the Redevelopment Agency Private-Purpose Trust</u>
ADDITIONS		
Property taxes		\$8,159,295
Employer contributions	\$495,353	
Net investment income		171,304
Other		78
Total additions	<u>495,353</u>	<u>8,330,677</u>
DEDUCTIONS		
Premiums paid	662,418	
Community Development		771,744
Depreciation (Note 12D)		65,752
Debt service:		
Interest and fiscal charges		2,849,011
Total deductions	<u>662,418</u>	<u>3,686,507</u>
Change in net position	(167,065)	4,644,170
NET POSITION (DEFICIT) HELD IN TRUST FOR OPEB BENEFITS AND OTHER GOVERNMENTS		
Beginning of year	<u>7,411,880</u>	<u>(50,943,080)</u>
End of year	<u>\$7,244,815</u>	<u>(\$46,298,910)</u>

See accompanying notes to financial statements



CITY^{OF} SAN PABLO

City of New Directions

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of San Pablo was incorporated as a general law city on April 27, 1948. San Pablo is a community of approximately 29,465 residents situated in Contra Costa County on the east side of San Francisco Bay. San Pablo is located approximately 17 miles east of the City of San Francisco and 12 miles north of the City of Oakland and is surrounded by the City of Richmond. The City operates under the Council-Manager form of government and provides the following services: public safety, highways and streets, recreation, public improvements, planning and zoning and general administration services.

The City is governed by a five member council elected by City residents. The City is legally separate and fiscally independent which means it can issue debt, set and modify budgets and fees and sue or be sued. The accompanying basic financial statements include the financial activities of the City as well as separate legal entities which are described below.

The accompanying basic financial statements present the financial activity of the City, which is the primary government presented, along with the financial activities of its component units, which are entities for which the City is financially accountable. Although they are separate legal entities, blended component units are in substance part of the City's operations and are reported as an integral part of the City's financial statements. Each discretely presented component unit, on the other hand, is reported in a separate column in the basic financial statements to emphasize it is legally separate from the government.

PRIMARY GOVERNMENT

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

Blended Component Unit

The City of San Pablo Joint Powers Financing Authority is a separate governmental entity whose purpose is to assist in the financing and refinancing of certain redevelopment activities of the former Redevelopment Agency and certain programs and projects of the City. The Authority is administered by a Governing Board whose members are the City Council of the City of San Pablo. The Authority does not issue separate financial statements.

The City of San Pablo Retiree Health Savings Plan is governed by the City's Resolution 2007-024 and is used to account for contributions and investment income restricted to pay medical and dental benefits. Benefit and contribution provisions are established by the City Council. Eligibility, actuarial interest rates, administration and certain other tasks are the responsibility of the Council established by the above Resolution. The financial activities of the Plan have been included in these financial statements in the Retiree Health Savings Plan Trust Fund. The Plan does not issue separate financial statements.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

DISCRETELY PRESENTED COMPONENT UNIT

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

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

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

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

B. *Basis of Presentation*

The City's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

These Standards require that the financial statements described below be presented.

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government (the City) and its blended and discretely presented component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) capital grants and contributions, all of which are capital grants under California law. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category—*governmental* and *fiduciary*—are presented. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

C. Major Funds

Major funds are defined as governmental funds which have either assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may select other governmental funds it believes should be presented as major funds.

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

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

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

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

2015 Lease Revenue Bonds – This fund accounts for capital improvement projects funded by the proceeds of the 2015 Lease Revenue Bonds.

The City also reports the following fiduciary fund types:

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

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

D. Basis of Accounting

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

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

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

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Certain indirect costs are included in program expenses reported for individual functions and activities.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations.

Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

E. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City only has one item that qualifies for reporting in this category related to pensions as discussed in Note 9.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of net position and balance sheet report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category, unavailable revenue, which arises only under a modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from due from other governments, and loans and notes receivable. The City also has deferred inflows of resources related to pensions as discussed in Note 9. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

F. Property Tax

Property tax revenue is recognized in the fiscal year for which the tax and assessment is levied. The County of Contra Costa levies, bills and collects property taxes and special assessments for the City; under the County's "Teeter Plan" the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1.

Secured property tax is due in two installments, on November 1 and February 1, becomes a lien on those dates and becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31.

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

G. Compensated Absences

Compensated absences comprise unpaid vacation and certain compensated time off, which are accrued as earned. For all governmental funds amounts expected to be paid out for permanent liquidation are recorded as fund liabilities, the long-term portion is recorded in the statement of net position. The liability for compensated absences is determined annually; the net decrease in the liability was \$126,406 at June 30, 2016 and was allocated to the General Government, Community Development, Public Works, Engineering, Police and Community Recreation on the Statement of Activities. Sick pay does not vest and therefore is not accrued. The change in compensated absences was as follows:

Beginning Balance	\$1,001,331
Additions	970,037
Payments	(843,631)
Ending Balance	<u>\$1,127,737</u>
Due in One Year	<u>\$1,127,737</u>

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

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. *Prepays and Deposits*

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements. The General Fund had prepaid items of \$49,200 at June 30, 2016.

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

I. *Property Held for Resale*

Land parcels held for resale are accounted for at the lower of cost or net realizable value or agreed upon sales price if a disposition agreement has been made with a developer.

J. *Estimates and Assumptions*

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

K. *Fair Value Measurements*

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

A. *Budget Policy*

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

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen's comments.
3. The budget is legally enacted by City Council resolution.
4. All budget adjustments and transfers between funds and between departments must be approved by the City Council by resolution during the fiscal year. The City Manager and Finance Manager are authorized to transfer any unencumbered appropriations within a department. The legally adopted budget requires that expenditures not exceed total appropriations at the department level within each fund.
5. Formal budgetary integration is employed as a management control device during the year for all budgeted funds.
6. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all funds except the Low and Moderate Income Housing Assets, Traffic Congestion Relief, HCD Grant and Measure K Special Revenue Funds. In addition, the Public Works Construction Capital Projects Fund and 2015 Lease Revenue Bonds Capital Projects Fund are budgeted on a project length basis and therefore are not comparable on an annual basis.

B. *Excess of Expenditures over Appropriations*

The General Fund incurred debt service expenditures in excess of appropriations in the amount of \$25,882, and the Law Enforcement Services Special Revenue Fund incurred police expenditures in excess of appropriations in the amount of \$18,059. The funds had sufficient revenues to finance these expenditures.

NOTE 3 - CASH AND INVESTMENTS

The City pools cash from all sources and all funds except Cash and Investments held by Trustees so that it can be invested at the maximum yield consistent with safety and liquidity, while individual funds can make expenditures at any time.

A. *Policies*

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the City's name and places the City ahead of general creditors of the institution.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 3 - CASH AND INVESTMENTS

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

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

B. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of debt instruments or agency agreements.

Primary Government Cash and Investments	
Cash and investments available for operations	\$58,384,405
Restricted cash and investments	7,504,351
Component Unit Cash and Investments	
Cash and investments available for operations	1,172,108
Restricted cash and investments	559,355
Fiduciary Funds Cash and Investments	
Restricted cash and investments	
in Fiduciary Funds (separate statement):	
Retiree Health Savings Plan Trust	7,244,815
Successor Agency to the Redevelopment	
Agency Private Purpose Trust	10,069,614
Agency Funds	2,828,596
Total cash and investments	\$87,763,244

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 3 - CASH AND INVESTMENTS (Continued)

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

The City's Investment Policy and the California Government Code allow the City to invest in the following, provided the credit ratings of the issuers are acceptable to the City; and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the City's Investment Policy where the City's Investment Policy is more restrictive.

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

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 3 - CASH AND INVESTMENTS (Continued)

D. Investments Authorized by Debt Agreements

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

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

(A) For the 2015 Lease Revenue Bonds, investments are restricted to the Federal Home Loan Bank System, Government National Mortgage Association, Farmer's Home Administration, Federal Home Loan Mortgage Corporation or Federal Housing Administration; provided that with respect to the funds and accounts established under the Indenture, such obligations shall at no time exceed an amount equal to ten percent (10%) of the aggregate principal amount of the Bonds Outstanding.

(B) For the 2015 Lease Revenue Bonds, limited to 30 days.

E. Investments Authorized for Economic Development Corporation

Economic Development Corporation investments conform with the California Government Code.

F. Investments Authorized for the Retiree Health Savings Plan Trust

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

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 3 - CASH AND INVESTMENTS (Continued)

G. Interest Rate Risk

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

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

	Cash and Investments Available for Operations	Restricted Cash and Investments	Total	Maturity Date or Earliest Call Date	Credit Rating
<i>City Investments:</i>					
Federal Instrumentalities:					
Federal Farm Credit Bank	\$511,845		\$511,845	January 17, 2017	AA+
Federal Farm Credit Bank	600,090		600,090	May 22, 2017	AA+
Federal Farm Credit Bank	1,002,450		1,002,450	September 14, 2018	AA+
Federal Home Loan Bank	1,003,031		1,003,031	September 9, 2016	AA+
Federal Home Loan Bank	602,343		602,343	June 9, 2017	AA+
Federal Home Loan Bank	758,469		758,469	June 8, 2018	AA+
Federal Home Loan Bank	757,778		757,778	August 14, 2018	AA+
Federal National Mortgage Association	500,730		500,730	March 14, 2017	AA+
Federal National Mortgage Association	2,511,785		2,511,785	September 20, 2017	AA+
Federal National Mortgage Association	2,014,520		2,014,520	March 5, 2018	AA+
Federal Home Loan Mortgage Corporation	500,115		500,115	July 28, 2016	AA+
U.S. Treasury Note	1,004,492		1,004,492	January 15, 2018	AA+
U.S. Treasury Note	1,000,977		1,000,977	November 15, 2016	AA+
U.S. Treasury Note	1,002,491		1,002,491	January 31, 2017	AA+
U.S. Treasury Note	1,001,874		1,001,874	March 15, 2017	AA+
U.S. Treasury Note	1,002,305		1,002,305	June 30, 2017	AA+
U.S. Treasury Note	500,469		500,469	September 30, 2017	AA+
Medium Term Notes:					
Walt Disney Company	1,009,538		1,009,538	September 15, 2016	A
Toyota Motor Credit	1,002,425		1,002,425	September 15, 2016	AA-
Colgate-Palmolive Company	501,971		501,971	January 15, 2017	AA-
Exxon Mobil Corporation	1,001,189		1,001,189	March 15, 2017	AA+
Berkshire Hathaway Finance Corporation	1,008,295		1,008,295	May 15, 2017	AA
IBM Corporation	1,056,386		1,056,386	September 13, 2017	AA-
Wal-Mart Stores, Inc.	502,533		502,533	April 11, 2018	AA
Apple Inc.	1,002,461		1,002,461	May 3, 2018	AA+
Oracle Corporation	501,866		501,866	October 15, 2017	AA-
Pfizer Inc.	1,002,305		1,002,305	May 15, 2017	AA
Cisco Systems Inc.	710,536		710,536	February 28, 2029	AA-
Local Agency Investment Fund	28,874,685	\$2,917,436	31,792,121	167 days average maturity	Not Rated
Wells Fargo Advantage Government Money Market Funds		17,461,836	17,461,836	42 days average maturity	AAAm
Wells Fargo Advantage Treasury Plus Money Market Funds	1,193,301		1,193,301	46 days average maturity	AA+
<i>Retiree Health Savings Plan Trust:</i>					
Vantage Point MP Long Term Growth Mutual Fund (Equities)		7,244,815	7,244,815		
<i>Cash with Banks and Petty Cash - City of San Pablo</i>	2,764,439		2,764,439		
<i>Cash with Banks - Economic Development Corporation</i>	1,172,108	559,355	1,731,463		
Total Cash and Investments	<u>\$59,579,802</u>	<u>\$28,183,442</u>	<u>\$87,763,244</u>		

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 3 - CASH AND INVESTMENTS (Continued)

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the authority of the Treasurer of the State of California and is not registered with the Securities and Exchange Commission as an investment company. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2016 the average maturity was 167 days.

H. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The actual ratings for the City's investments as of June 30, 2016 are included in the above table.

I. Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2016:

Investment Type	Level 1	Level 2	Total
Investments by Fair Value:			
U.S. Treasury Notes	\$5,512,608		\$5,512,608
Federal Agency		\$10,763,156	10,763,156
Medium Term Notes		9,299,505	9,299,505
Local Agency Investment Fund		31,792,121	31,792,121
Total Investments at Fair Value	<u>\$5,512,608</u>	<u>\$51,854,782</u>	57,367,390
Investments Measured at Amortized Cost:			
Money market mutual funds			1,193,301
Held by Bond Trustee:			
Money market mutual funds			<u>24,706,651</u>
Total Investments			83,267,342
<i>Cash with Banks and Petty Cash - City of San Pablo</i>			2,764,439
<i>Cash with Banks - Economic Development Corporation</i>			1,731,463
Total Cash and Investments			<u><u>\$87,763,244</u></u>

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investments classified in Level 1 of the fair value hierarchy, are valued using quoted prices in active markets. Federal Agency Securities and Medium Term Notes, classified in Level 2 of the fair value hierarchy, are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The California Local Agency Investment Fund, classified in Level 2 of the fair value hierarchy, is valued based on the fair value factor provided by the Treasurer of the State of California, which is calculated as the fair value divided by the amortized cost of the investment pool. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by our custodian bank.

NOTE 4 – INTERFUND TRANSACTIONS

A. Transfers Between Funds

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

Fund Receiving Transfers	Fund Making Transfers	Transfer Amount
<i>Major Funds:</i>		
General Fund	Public Works Construction Capital Projects Fund	\$1,888,733 (A)
	Public Safety Special Revenue Fund	145,515 (B)
Public Works Construction Capital Projects Fund	General Fund	1,150,206 (C)
2015 Lease Revenue Bonds Capital Projects Fund	General Fund	915,957 (E)
<i>Non-Major Funds:</i>		
Gas Tax Special Revenue Fund	General Fund	996,687 (D)
Street Lighting and Landscaping Special Revenue Fund	General Fund	62,194 (D)
Measure K Special Revenue Fund	General Fund	426,767 (D)
Development Services Special Revenue Fund	General Fund	110,314 (D)
	Measure C/J Special Revenue Fund	25,000 (D)
		\$5,721,373

The reasons for these transfers are set forth below:

- | | |
|--|--|
| (A) Return unspent capital project funds | (C) Transfer amounts required to fund capital projects |
| (B) Transfer to fund public safety | (D) Transfer to cover revenue shortage |
| (E) Transfer for debt service requirements | |

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 5 - LOANS AND NOTES RECEIVABLE

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

A. *Employee Loans Receivable*

Elected officials and full-time City employees are eligible to obtain an interest free loan up to \$3,000 to purchase a computer. All requests for loans are subject to review and approval by the Finance Manager. Repayment of these loans is handled through payroll deductions, which are spread out equally for up to two years. Employees must pay off any outstanding balance of their loans upon ending employment with the City. As of June 30, 2016, 11 employees had \$6,795 in such loans.

B. *Notes Receivable under Redevelopment Agency Programs*

The Agency engaged in programs designed to encourage construction of or improvement to low-to-moderate income housing. Under these programs, grants or loans are provided under favorable terms to homeowners or developers who agree to expend these funds in accordance with the Agency's terms. With the dissolution of the Redevelopment Agency as discussed in Note 12, the City agreed to become the successor to the Redevelopment Agency's housing activities and as a result the Low and Moderate Income Housing Asset Fund assumed the loans receivable of the Redevelopment Agency's Low and Moderate Income Housing Fund as of February 1, 2012. The balances of the notes receivable in the Low and Moderate Income Housing Asset Fund at June 30, 2016 are set forth below:

Supplemental Education Revenue Augmentation Fund	\$4,480,674
Casa Adobe-Senior Citizen Units	1,112,628
Housing Initiative Program	10,589,092
San Pablo Housing Investors	1,650,116
East Bay Asian Local Development Corporation	1,559,472
Lao Family Community Development	600,482
Subtotal	19,992,464
Less: Allowance for conditional grant	(600,482)
Total	\$19,391,982

C. *Supplemental Education Revenue Augmentation Fund Loans*

During the fiscal year ending June 30, 2010 the Agency approved an interfund advance of \$3,000,000 from the Agency Low and Moderate Income Housing Fund to the Redevelopment Agency Projects Fund for the purpose of paying the Agency's share of the countywide Supplemental Education Revenue Augmentation Fund (SERAF). This loan does not bear interest and was to be repaid in five years. With the dissolution of the Agency effective February 1, 2012, the Successor Agency assumed the obligation to repay the advance and has recorded a loan payable to the Low and Moderate Income Housing Asset Fund subject to revised repayment terms as discussed in Note 12 below. The balance of the loan at June 30, 2016 was \$1,615,674.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 5 - LOANS AND NOTES RECEIVABLE (Continued)

In August 2011 the Agency approved a second interfund advance for the year ended June 30, 2011 of \$2,865,000 from the Agency's Low and Moderate Income Housing Fund to the Redevelopment Agency Projects Fund for the purpose of funding the full amount of the Agency's 2010 SERAF payment. This loan does not bear interest and was to be repaid in five years. With the dissolution of the Agency effective February 1, 2012, the Successor Agency assumed the obligation to repay the advance and has recorded a loan payable to the Low and Moderate Income Housing Asset Fund as discussed in Note 12 below. The balance of the loan at June 30, 2016 was \$2,865,000.

These loans were previously reported as interfund advances. However, the liability has been assumed by the Successor Agency following the dissolution of the former Agency. The State of California Department of Finance has stated that repayment of the loans cannot begin prior to fiscal year 2014-2015 and the maximum annual repayment amount is limited by Health and Safety Code Section 34176(e)(6), as discussed in Note 12.

D. Casa Adobe - Senior Citizen Units

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

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

E. Housing Initiative Program

The Redevelopment Agency administered a Housing Initiative Program under which individuals may qualify for first-time home buyer, purchase rehabilitation, second and third trust deed home improvement, dilapidated unit purchase, or foreclosed unit purchase loans. At June 30, 2016 loans outstanding under this Program totaled \$10,589,092.

In October 2007, the Agency revised its first-time home-buyers loan program, which included increasing the maximum amount of assistance from \$75,000 to \$200,000 and requiring the homebuyer to enter a shared appreciation agreement as part of the promissory note. Under the shared appreciation, the homebuyer is required to pay the Agency a share of the net appreciated value of the home in connection with a transfer of the home before the end of the program loan term (30 years). The percentage of the shared net appreciation is equal to the Agency's share of the original purchase price of the home, less a 5% discount. The balance of these loans is included in the Housing Initiative Program Loans.

The Agency also administered a State-sponsored CalHome Loan Program under which individuals may qualify for first-time home buyer, purchase rehabilitation, second trust deed home improvement, or foreclosed unit purchase loans.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 5 - LOANS AND NOTES RECEIVABLE (Continued)

F. *San Pablo Housing Investors*

Under the terms of an Owner Participation Agreement dated January 6, 2003, the Agency made two loans to San Pablo Housing Investors in fiscal 2004 for the construction of eighty-two low-income rental units for seniors. The first loan of \$99,690 was used for City development fees, and the second loan of \$1,100,000 for construction. The loans carry simple interest rates per annum of 6% and 5.7%, respectively, with loan payments due within twenty years of the Completion Date. The project was completed on June 30, 2003. Payments begin on January 31st following the Completion Date, and then each January 31st thereafter; payments are to be made from fifty percent of “residual receipts” as defined in the agreement. As of June 30, 2016, San Pablo Housing Investors owed principal of \$1,098,651 and interest of \$551,465.

G. *East Bay Asian Local Development Corporation*

Under the terms of an Owner Participation Agreement dated September 28, 2004, the Agency made a construction loan of \$500,000 to East Bay Asian Local Development Corporation (EBALDC) for the development of 84 affordable rental dwelling units and two onsite non-rent restricted management units, with associated parking and common area spaces. The loan does not bear interest and must be repaid in full no later than 55 years from the date of the agreement. Commencing on May 1, 2008 and on each May 1st thereafter, payments are to be made in an amount equal to seventy-five percent of “residual receipts” as defined in the agreement.

On August 16, 2005, an amendment to the Owner Participation Agreement provided EBALDC with a supplemental project loan of up to \$1,200,000. Proceeds will facilitate the original construction project. Repayment terms of this additional loan are the same as the terms of the original loan. As of June 30, 2016, EBALDC has drawn down \$1,199,513 of the supplemental project loan.

The balance of the loans as of June 30, 2016 was \$1,559,472.

H. *Lao Family Community Development*

Under the terms of an Affordable Housing Subsidy Agreement dated December 20, 1993, the Agency made a loan of \$82,500 to Lao Family Community Development, Inc. (Lao) for the development of a 32-unit apartment building with three of the units being affordable to moderate income persons. The loan bears interest at the rate of 6.06%, compounded annually. The agreement was amended on January 22, 1996 to provide an additional subsidy of \$75,000 which bears interest at the rate of 6.83%, compounded annually and increased the affordable units to 15. Both loans are repayable from “residual receipts” as defined in the agreement, and loans are due immediately upon the sale, assignment or transfer of the property without the consent of the Agency, or the expiration of the 30-year affordability covenant. However, unless the Agency directs otherwise, repayment of the loans is to be made to Contra Costa County under the terms of an Intercreditor Agreement; therefore, the City has accounted for this loan as a conditional grant and provided a reserve against the outstanding balance of the loans. As of June 30, 2016, the balance of the loans, including accrued interest, was \$600,482.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 5 - LOANS AND NOTES RECEIVABLE (Continued)

I. Helms Community Center Leveraged Loan

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

The City's loan bears simple interest of 1% and is payable in semi-annual interest-only payments from December 30, 2012 through December 20, 2022; thereafter principal and interest payments are due until June 1, 2049. As of June 30, 2016, the balance of the loan was \$6,510,080.

The loan receivable was previously recorded in the Public Works Construction Capital Projects Fund. Since the project was complete and the General Fund had provided the funding for the loan to the Public Works Construction Capital Projects Fund, the City transferred the loan receivable and associated unavailable revenue to the General Fund during fiscal year 2016.

J. Rumrill Sports Park Leveraged Loan

The City, in partnership with Bank of America, has entered into various agreements which provide for the construction by the Healthy Eating Active Living, LLC (HEAL) of the Rumrill Sports Park consisting of three sports fields, a practice field, vender kiosks, an office and storage building, a picnic area, a tot-lot and parking. The San Pablo Economic Development Corporation (EDC) is the only member of HEAL. Pursuant to NMTC Program requirements, several financial intermediaries controlled by the Bank have been established to finance this project which is estimated to cost \$8.6 million. As required under the agreements with these entities, the City made a loan in the amount of \$5,329,000 and provided a capital grant of \$1,056,530 to the project, and an affiliate of Northern California Community Loan Fund (NCCLF) has loaned HEAL funds to pay for the remaining project costs.

The City's loan bears simple interest of 0.5% and is payable in quarterly interest-only payments from March 15, 2015 through February 23, 2022; thereafter principal and interest payments are due until March 15, 2045. As of June 30, 2016, the balance of the loan was \$5,329,000.

Related transactions with HEAL/EDC

Concurrent with the above agreements, the City also entered into a ground lease agreement, under which the City will lease the property on which the project is being constructed to HEAL for a term of 55-years, and a Management Agreement under which the City agrees to manage the activities of the sports park through February 23, 2045. The City will not begin receiving management fees until the project is completed, which was expected in fiscal year 2016.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 5 - LOANS AND NOTES RECEIVABLE (Continued)

Of the loan proceeds provided by the City and the Bank, HEAL reimbursed the City \$2,652,508 during fiscal year 2016 for costs previously incurred for the above project and paid the City \$1,600,000 to the City cover the rent for the property during the term of the ground lease.

The City also agreed to grant funds to HEAL, as needed, for the purpose of funding the operating expenses for the Sports Park in an amount not to exceed \$4,123,559. The agreement terminates on February 23, 2045. No funds were granted under this agreement during fiscal year 2016.

NOTE 6 - CAPITAL ASSETS

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

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

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

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

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

The Economic Development Corporation has assigned the following useful lives to its capital assets: Buildings, 39 years; furniture and equipment, 3-7 years; and Vehicles, 5 years.

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

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 6 - CAPITAL ASSETS (Continued)

A. Governmental Capital Asset Additions and Retirements

Capital assets recorded at June 30 comprise:

	Balance at June 30, 2015	Additions	Retirements	Transfers	Balance at June 30, 2016
<i>Governmental activities</i>					
Capital assets not being depreciated:					
Land and land improvements	\$8,366,015	\$43,729			\$8,409,744
Construction in progress	11,180,833	3,263,643		(\$10,180,854)	4,263,622
Total capital assets not being depreciated	<u>19,546,848</u>	<u>3,307,372</u>		<u>(10,180,854)</u>	<u>12,673,366</u>
Capital assets being depreciated:					
Buildings and improvements	23,609,909	540,121	(\$200,000)		23,950,030
Machinery and equipment	2,548,485	284,635		987,307	3,820,427
Vehicles	3,029,422	110,154	(228,413)		2,911,163
Park and trail improvements	13,801,816				13,801,816
Sports fields	1,506,986				1,506,986
Roads & streets including sidewalks	64,773,744	38,900		8,875,464	73,688,108
Bridges	5,486,753				5,486,753
Street lights	361,078				361,078
Storm drains	1,884,059			318,083	2,202,142
Traffic signals	2,931,742				2,931,742
Trees	1,227,462				1,227,462
Total capital assets being depreciated	<u>121,161,456</u>	<u>973,810</u>	<u>(428,413)</u>	<u>10,180,854</u>	<u>131,887,707</u>
Less accumulated depreciation for:					
Buildings and improvements	5,293,313	775,185	(200,000)		5,868,498
Machinery and equipment	1,587,447	224,412			1,811,859
Vehicles	2,194,889	195,165	(228,413)		2,161,641
Park and trail improvements	2,335,071	873,187			3,208,258
Sports fields	1,064,620	80,219			1,144,839
Roads & streets including sidewalks	41,138,635	2,124,987			43,263,622
Bridges	4,466,385	78,555			4,544,940
Street lights	324,434	3,092			327,526
Storm drains	1,697,673	10,200			1,707,873
Traffic signals	1,938,984	62,841			2,001,825
Trees	581,465	24,550			606,015
Total accumulated depreciation	<u>62,622,916</u>	<u>4,452,393</u>	<u>(428,413)</u>		<u>66,646,896</u>
Net capital assets being depreciated	<u>58,538,540</u>	<u>(3,478,583)</u>		<u>10,180,854</u>	<u>65,240,811</u>
Governmental activity capital assets, net	<u>\$78,085,388</u>	<u>(\$171,211)</u>			<u>\$77,914,177</u>

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 6 - CAPITAL ASSETS (Continued)

Construction in progress comprised the following at June 30, 2016:

Project	Amount
Circle S Infrastructure Improvements	\$3,515,079
San Pablo Avenue Complete Streets	248,821
Miscellaneous Park Improvements	209,216
Other	290,506
Total construction in progress	\$4,263,622

B. Economic Development Corporation's Capital Assets

The following is a summary of the Economic Development Corporation's changes in capital assets for the fiscal year ended June 30, 2016:

	Balance at June 30, 2015	Transfers	Additions	Balance at June 30, 2016
Capital assets not being depreciated:				
Land - Helms and HEAL	\$1,835,000			\$1,835,000
Construction in progress - HEAL	6,079,490	(\$6,079,490)		
Total capital assets not being depreciated	7,914,490	(6,079,490)		1,835,000
Capital assets being depreciated:				
Building - Helms	8,364,410			8,364,410
Building - HEAL		180,000		180,000
Building improvements - Helms			\$46,235	46,235
Field Improvements - HEAL		5,899,490	553,551	6,453,041
Equipment - Helms			77,107	77,107
Furniture and fixtures - Helms	445,308		14,476	459,784
Vehicles	13,274			13,274
Total capital assets being depreciated	8,822,992	6,079,490	691,369	15,593,851
Less accumulated depreciation	278,562		586,738	865,300
Net capital assets being depreciated	8,544,430	6,079,490	104,631	14,728,551
Capital assets, net	\$16,458,920		\$104,631	\$16,563,551

C. Capital Asset Contributions

Some capital assets may be acquired using federal and State grant funds, or they may be contributed by developers or other governments. Contributed capital assets are valued at their estimated acquisition value on the date contributed.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 6 - CAPITAL ASSETS (Continued)

D. Depreciation Allocation

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

Governmental Activities:	
General Government	\$72,369
Community Recreation	144,740
Community Development	17,340
Public Works	3,960,354
Police	<u>257,590</u>
Total depreciation expense	<u><u>\$4,452,393</u></u>
 Discretely Presented Component Unit:	
Economic Development Corporation	<u><u>\$586,738</u></u>

NOTE 7 – LONG-TERM DEBT

The City generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt. The City's long-term debt is recorded only in the government-wide financial statements.

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

A. Current Year Transactions and Balances

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

	Original Issue Amount	Balance June 30, 2015	Additions	Retirement	Balance June 30, 2016	Current Portion
Lease Revenue Bonds:						
Lease Revenue Bonds Series 2015A 2.00-4.00%, due 6/30/2044	\$4,255,000	\$4,255,000		\$210,000	\$4,045,000	\$220,000
Lease Revenue Bonds Series 2015B 1.00-4.50%, due 6/30/2040	11,555,000	<u>11,555,000</u>			<u>11,555,000</u>	<u>90,000</u>
Total Lease Revenue Bonds		<u>15,810,000</u>		<u>210,000</u>	<u>15,600,000</u>	<u>310,000</u>
Capital Lease:						
Helms Community Center 3.32%, due 12/31/2053	8,764,917	8,971,012	\$297,940	85,000	9,183,952	85,000
Loan:						
Solar Loan 1.0%, due 12/22/2029	1,141,738	<u>1,141,738</u>		<u>59,982</u>	<u>1,081,756</u>	<u>75,233</u>
Total Capital Leases		<u>10,112,750</u>	<u>297,940</u>	<u>144,982</u>	<u>10,265,708</u>	<u>160,233</u>
Total City Debt		<u><u>\$25,922,750</u></u>	<u><u>\$297,940</u></u>	<u><u>\$354,982</u></u>	<u><u>\$25,865,708</u></u>	<u><u>\$470,233</u></u>

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 7 – LONG-TERM DEBT (Continued)

B. San Pablo Joint Powers Financing Authority 2015 Lease Revenue Bonds, Series A and Series B

On February 18, 2015, the City of San Pablo Joint Powers Financing Authority issued \$4,255,000 and \$11,555,000 in 2015 Lease Revenue Bonds, Series A and B, respectively. The proceeds of these bonds will be used to finance certain capital improvement projects and property acquisitions for the City, including a library facility and upgrades to City Hall.

Under a site and facility lease dated March 1, 2015, the Authority will lease the City Hall complex and police department building from the City and pursuant to a lease agreement dated March 1, 2015, the Authority will lease the property to the City. Lease payments from the City to the Authority are pledged for the repayment of the Bonds. Although the lease payments are payable from all legally available funds of the General Fund, the City has agreed that each September, upon the receipt of revenue under the City’s Municipal Services Agreement with the Lytton Band of Pomo Indians, to transfer the full amount of the lease payments for that fiscal year to the Bond Trustee. Annual principal payments on the 2015 A and B Lease Revenue Bonds are due November 1, and semi-annual interest payments are due May 1 and November 1, through 2044 and 2040, respectively.

Debt service requirements are shown below for the bonds:

For the Year Ending June 30	Principal	Interest	Total
2017	\$310,000	\$603,323	\$913,323
2018	320,000	594,298	914,298
2019	330,000	585,805	915,805
2020	335,000	578,652	913,652
2021	345,000	570,144	915,144
2022-2026	1,890,000	2,684,101	4,574,101
2027-2031	2,285,000	2,287,354	4,572,354
2032-2036	2,830,000	1,737,671	4,567,671
2037-2041	3,550,000	1,023,227	4,573,227
2042-2045	3,405,000	252,573	3,657,573
Total	<u>\$15,600,000</u>	<u>\$10,917,148</u>	<u>\$26,517,148</u>

C. Helms Community Center Capital Lease

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

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 7 – LONG-TERM DEBT (Continued)

Debt service requirements are shown below for the capital lease:

Fiscal Year Ended June 30	Payments Due
2017	\$85,000
2018	85,000
2019	86,000
2020	203,113
2021	324,014
2022-2026	1,771,841
2027-2031	2,054,054
2032-2036	2,381,210
2037-2041	2,760,473
2042-2046	3,200,145
2047-2051	3,709,849
2052-2054	2,067,781
Total Payments	18,728,480
Less Imputed Interest	(9,544,528)
Principal	\$9,183,952

D. Solar Panel Loan

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

Debt service requirements are shown below for the loan payable:

Fiscal Year Ended June 30	Principal	Interest	Total
2017	\$75,233	\$10,631	\$85,864
2018	75,988	9,876	85,864
2019	76,750	9,114	85,864
2020	77,496	8,368	85,864
2021	78,296	7,568	85,864
2022-2026	403,396	26,924	430,320
2027-2030	294,597	5,927	300,524
Total	\$1,081,756	\$78,408	\$1,160,164

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 7 – LONG-TERM DEBT (Continued)

E. EDC Notes Payable

On December 12, 2012, the EDC entered into two loan agreements with New Markets Community Capital XI, LLC (NMCC). The first and second loans are for \$6,510,080 and \$2,795,920, respectively. Under the terms of the agreements, the loans bear interest of 1.360% and are payable in semi-annual interest-only payments due June 20 and December 20 until fiscal year 2022. Beginning on June 20, 2023, the EDC will begin making principal payments along with interest semi-annually, with a final payment due on December 1, 2052. At June 30, 2016, the outstanding balances on the loans were \$6,510,080 and \$2,795,920, respectively.

On February 23, 2015, the EDC, through HEAL, LLC, entered into two loan agreements with Northern California Community Capital NMTC Sub-CDE XII, LLC. The first and second loans are in the amounts of \$4,947,116 and \$2,552,884, respectively. Under the terms of the agreements, the loans bear interest of 0.8619% and are payable in quarterly interest-only payments until fiscal year 2022. Beginning on June 15, 2022, the HEAL, LLC will begin making principal payments along with interest quarter-annually, with a final payment due on June 15, 2045. At June 30, 2016, the outstanding balances of the loans were \$4,947,116 and \$2,552,884, respectively.

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

For the Year Ending June 30	Principal	Interest	Total
2017		\$191,206	\$191,206
2018		191,206	191,206
2019		191,206	191,206
2020		190,886	190,886
2021		190,566	190,566
2022-2026	\$2,213,807	974,396	3,188,203
2027-2031	2,949,077	760,427	3,709,504
2032-2036	3,115,131	594,475	3,709,606
2037-2041	3,290,823	418,682	3,709,505
2042-2046	3,025,245	234,306	3,259,551
2047-2051	1,818,109	92,271	1,910,380
2052	393,808	3,433	397,241
Total	<u>\$16,806,000</u>	<u>\$4,033,060</u>	<u>\$20,839,060</u>

NOTE 8 – NET POSITION AND FUND BALANCES

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities.

Net Position is measured on the full accrual basis while Fund Balance is measured on the modified accrual basis, as explained in Note 1D.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 8 – NET POSITION AND FUND BALANCES (Continued)

A. Net Position

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

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

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate income purposes.

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

B. Fund Balances

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities.

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

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

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

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

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

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

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 8 – NET POSITION AND FUND BALANCES (Continued)

Detailed classifications of the City’s fund balances, as of June 30, 2016, are below:

Fund Balance Classifications	General Fund	Special Revenue	Capital Projects		Other Governmental Funds	Total
		Low and Moderate Income Housing Assets	Public Works Construction	2015 Lease Revenue Bonds		
Nonspendable:						
Items not in spendable form:						
Prepays and deposits	\$49,200					\$49,200
Employee loans receivable	6,795					6,795
HEAL loan receivable	5,329,000					5,329,000
Total Nonspendable Fund	5,384,995					5,384,995
Restricted for:						
Redevelopment Low and Moderate Income Housing		\$7,256,552				7,256,552
Street Lighting and Landscaping Local Street and Road Improvements and Maintenance					\$1,919,000	1,919,000
Law Enforcement					244,015	244,015
National Pollution Discharge Elimination System					162,766	162,766
Paratransit					603,065	603,065
Housing Grants					94,246	94,246
2015 Lease Revenue Bonds Projects				\$7,504,351		7,504,351
Emergency Medical Services					116,900	116,900
Total Restricted Fund Balances		7,256,552		7,504,351	3,139,992	17,900,895
Assigned to:						
Capital Projects:						
Other	1,315,623		\$300,282			1,615,905
Total Assigned Fund Balances	1,315,623		300,282			1,615,905
Unassigned:						
General fund	50,715,535				(113,266)	50,602,269
Total Unassigned Fund	50,715,535				(113,266)	50,602,269
Total Fund Balances	\$57,416,153	\$7,256,552	\$300,282	\$7,504,351	\$3,026,726	\$75,504,064

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 8 – NET POSITION AND FUND BALANCES (Continued)

C. Stabilization and Contingency Arrangements

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

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

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

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

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

The required balance of each reserve for the year ended June 30, 2016, and the actual balance for each as of June 30, 2016, which are reported within the unassigned fund balance of the General Fund follows:

	Required Beginning Balance	Balance as of June 30, 2016
Catastrophic	\$14,587,185	\$17,088,368
Budget Stabilization Reserve	1,458,718	1,708,837
Designated	3,955,297	3,955,297
Future Capital Projects	8,550,000	8,550,000
Unassigned		<u>19,436,322</u>
Total General Fund Unassigned Fund Balance		<u><u>\$50,738,824</u></u>

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 8 – NET POSITION AND FUND BALANCES (Continued)

D. Fund Equity Deficits

As of June 30, 2016, the Street Lighting and Landscaping and Development Services Special Revenue Funds had fund deficits of \$28,903 and \$84,363, respectively. These deficits are expected to be eliminated by funding from the General Fund.

NOTE 9 – EMPLOYEE BENEFIT PLANS

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

A. General Information about the CalPERS Pension Plan

Plan Description – All qualified permanent and probationary employees are eligible to participate in the City's separate Safety (police) and Miscellaneous (all other) Employee Pension Rate Plans. The City's Miscellaneous and Safety Rate Plans are part of the public agency cost-sharing multiple-employer defined benefit pension plan (PERF C), which is administered by the California Public Employees' Retirement System (CalPERS). PERF C consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. The City sponsors four rate plans (two miscellaneous and two safety). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plan’s provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous	
	Classic	PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	8%	6.25%
Required employer contribution rates	9.671%	6.237%

	Safety	
	Classic	PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50 - 57
Monthly benefits, as a % of eligible compensation	3%	2.0% to 2.7%
Required employee contribution rates	9%	11.50%
Required employer contribution rates	18.524%	11.153%

- (A) The City’s labor contracts require sworn safety employees hired on or before January 1, 2013 to pay 12.3% of the contributions, consisting of the 9.0% statutorily-required employee share plus 3.3% of the employer share, and all other employees hired on or before January 1, 2013 to pay 10.3% of the contributions, consisting of the 8.0% statutorily-required employee share plus 2.3% of the employer share. Sworn safety and all other employees hired on or after January 1, 2013 are statutorily required to pay the employee share of 11.5% and 6.25%, respectively.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2016, the City’s contributions to the Plan were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Contributions - employer	\$872,009	\$1,663,467	\$2,535,476

B. *Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions*

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

As of June 30, 2016, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$11,275,238
Safety	15,915,059
Total Net Pension Liability	<u>\$27,190,297</u>

The City’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City’s proportionate share of the net pension liability for the Plan as of June 30, 2014 and 2015 was as follows:

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

	Miscellaneous
Proportion - June 30, 2014	0.33724%
Proportion - June 30, 2015	0.41099%
Change - Increase (Decrease)	0.07375%
	Safety
Proportion - June 30, 2014	0.36611%
Proportion - June 30, 2015	0.38625%
Change - Increase (Decrease)	0.02013%

For the year ended June 30, 2016, the City recognized pension expense of \$1,570,346. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$2,535,476	
Differences between actual and expected experience	42,202	(\$196,704)
Changes in assumptions	-	(1,303,980)
Net differences between projected and actual earnings on plan investments	-	(658,671)
Change in proportion and differences between actual contributions and proportionate share of contributions	1,631,273	(243,717)
Total	\$4,208,951	(\$2,403,072)

\$2,535,476 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2017	(\$133,502)
2018	(348,704)
2019	(1,066,096)
2020	818,706
2021	-
Thereafter	-

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

Actuarial Assumptions – For the measurement period ended June 30, 2015, the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2015 and June 30, 2014 total pension liability were based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.5% (1)
Mortality Rate Table	Derived using CalPERS Membership Data for all Funds (2)
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

- (1) Net of pension plan investment and administrative expenses; includes inflation
- (2) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on the CalPERS website.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

Change of Assumptions – GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 measurement date.

Discount Rate – The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	<u>100%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability for the Plan as of the measurement date, calculated using the discount rate for the Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous	Safety
1% Decrease	6.65%	6.65%
Net Pension Liability	\$18,061,627	\$26,316,339
Current Discount Rate	7.65%	7.65%
Net Pension Liability	\$11,275,238	\$15,915,059
1% Increase	8.65%	8.65%
Net Pension Liability	\$5,672,286	\$7,386,199

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

C. Public Agency Retirement System

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

The City’s part-time, seasonal and temporary employees are covered under the Public Agency Retirement System (PARS), a defined contribution plan, which requires these employees to contribute 6% and the City to contribute 1.5% of the employees pay plus administration costs. The City’s required contributions of \$7,815 and the employee’s required contributions of \$37,270 were made during the fiscal year ending June 30, 2016.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

D. Post Retirement Health Care Defined Benefit Plan

Description

In addition to the pension benefits described in A. above, the City provides medical and dental benefits to substantially all retirees under the City of San Pablo Retiree Health Savings Plan, an agent multiple-employer defined benefit healthcare plan. The Plan does not issue separate financial statements. Coverage is also provided for spouses of employees having a minimum of 20 years of service at retirement. As of June 30, 2016 there were 64 participants receiving these health care benefits.

The Plan provisions and benefits in effect at June 30, 2016 are summarized as follows:

	San Pablo Police Association	Local One	City Manager, City Attorney, Executive Managers, and Elected Officials (E)	Confidential/Exempt, Division Managers and AIE
Benefit Types Provided	Medical only	Medical only	Medical and dental	Medical only
Duration of Benefits (A)	Lifetime (B)	Lifetime (B)	Lifetime	Lifetime (B)
Required Service:				
Basic (PEMHCA minimum)	****Retirement under CALPERS (5 years. Service minimum)****			
Supplemental	10 years for single 20 years for two party	15 years	10 years	15 years
Minimum Age	50	50	50	50
Dependent Coverage	Max one dependent (20 years)	Yes	Yes	Yes
City Contribution 100%	100%	100%	100%	100%
City Contribution Cap per Month (Basic) (C)	\$125	\$125	\$125	\$125
City Contribution Cap per Month (Supp)	Kaiser (D)	15 yrs. svc: \$135 25 yrs. svc: \$355 (F)	None	15 yrs. svc: \$135 25 yrs. svc: \$355 (F)

(A) Duration is subject to limitations as specified in the Memorandum of Understanding with each bargaining unit.

(B) Supplemental coverage only to age 65.

(C) Subject to minimum contributions under the Public Employees Medical and Hospital Care Act (PEMHCA) should statutory minimums exceed the rates noted

(D) Those hired before May 1, 1986 who have 20+ years of service with the City of San Pablo are entitled to single coverage beyond age 65

(E) Elected Officials are eligible for retiree medical if served 8 years (2 terms) and were elected prior to 2013, eligible for retiree dental if served 12 years

(F) \$355 per month if receiving 2 party or family coverage

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

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

Funding Policy and Actuarial Assumptions

The City’s policy is to prefund these benefits by accumulating assets in the Trust Fund discussed above pursuant to City Council Resolution 2007-024 (Resolution). The annual required contribution (ARC) was determined as part of a July 1, 2014 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) 6.8% investment rate of return, (b) 2.75% projected annual salary increase, (c) 4% health inflation increases, and (d) 2.75% inflation increases. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the City and plan members to that point. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The actuarial value of assets was determined using a 15-year smoothing formula and a 20% market value corridor. The City’s OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis using a 30-year amortization period.

In accordance with the Resolution, the City’s annual contributions to the Plan are based on pay-as-you-go financing plus an additional amount to prefund benefits as determined by the Council. Generally accepted accounting principles permit assets to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such assets are placed in an irrevocable trust or equivalent arrangement. Contributions to the City’s Trust began on April 20, 2006, thus these assets were excluded from the July 1, 2005 actuarial study. During the fiscal year ended June 30, 2016, the City contributed \$492,879 to the Plan, representing pay-as-you-go premiums. As a result, the City has calculated and recorded the Net OPEB Asset, representing the difference between the ARC, amortization and contributions, as presented below:

Annual required contribution	\$196,633
Interest on net OPEB obligation (asset)	(290,463)
Adjustment to annual required contribution	449,150
Annual OPEB cost	355,320
Contributions made	(492,879)
Increase in net OPEB asset	(137,559)
Net OPEB asset June 30, 2015	(4,271,510)
Net OPEB asset June 30, 2016	(\$4,409,069)

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

The Plan's annual required contributions and actual contributions for the years ended June 30, 2013, 2014, and 2015 are set forth below:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2014	\$458,366	\$375,417	82%	(\$4,100,588)
6/30/2015	339,583	510,505	150%	(4,271,510)
6/30/2016	355,320	495,353	139%	(4,409,069)

The Schedule of Funding Progress information below and the required supplementary information immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the most recent actuarial study is presented below:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Overfunded (Underfunded) Actuarial Accrued Liability (A – B)	Funded Ratio (A/B)	Covered Payroll (C)	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll [(A – B)/C]
7/1/2014	\$7,457,704	\$7,020,530	\$437,174	106.23%	\$12,503,086	3.5%

NOTE 10 - DEFERRED COMPENSATION PLAN

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

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

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 11 – RISK MANAGEMENT

A. *Municipal Pooling Authority (MPA)*

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

Type of Coverage (Deductible)	Coverage Limits
Liability (\$10,000)	\$29,000,000
Cyber Liability (\$50,000)	2,000,000
Public Entity Pollution Liability (\$100,000)	1,000,000
Vehicle - Physical Damage (\$3,000 for police vehicles, \$2,000 for all others)	250,000
Worker's Compensation (no deductible)	Statutory Limit
Government Crime Coverage (\$10,000)	1,000,000
Employment Liability Program (\$100,000)	2,000,000
Property	
All Risk (\$25,000)	1,000,000,000
Flood*	25,000,000
Boiler & Machinery (\$5,000)	100,000,000

* \$100,000 minimum deductible, per occurrence, except Zone A and V, which are subject to a \$250,000 deductible, per occurrence

The Authority is governed by a Board consisting of representatives from member municipalities. The Board controls the operations of the Authority, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board.

The City's deposits with the Authority are in accordance with formulas established by the Authority. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

Audited financial statements for the Authority are available from MPA, 1911 San Miguel Drive, Suite 200, Walnut Creek, CA 94596.

For the years ended June 30, 2016, 2015 and 2014 the amount of settlements did not exceed insurance coverage.

B. *Liability for Uninsured Claims*

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

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 11 – RISK MANAGEMENT (Continued)

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

	June 30,	
	2016	2015
Beginning balance	\$77,371	\$28,144
Provision for current fiscal year claims	44,449	47,829
Change in provision for prior fiscal year claims	(38,392)	52,301
Claims paid	(42,991)	(50,903)
Ending balance	\$40,437	\$77,371

NOTE 12 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES

A. *Redevelopment Dissolution*

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

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

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

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

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

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

**NOTE 12 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY
ACTIVITIES (Continued)**

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

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

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

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

Cash and investments of the Successor Agency as of June 30, 2016 are discussed in Note 3 above. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2016.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

**NOTE 12 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY
ACTIVITIES (Continued)**

B. *Loans Receivable*

The Successor Agency assumed the non-housing loans receivable of the Redevelopment Agency as of February 1, 2012. The Redevelopment Agency engaged in programs designed to encourage construction of or improvement to low-to-moderate income housing. Under these programs, grants or loans were provided under favorable terms to homeowners or developers who agreed to expend these funds in accordance with the Agency’s terms.

During fiscal year 2016, in conjunction with the sale of Successor Agency-owned property, the Successor Agency agreed to loan the funds necessary for the land purchase to the buyer. The loan is secured by a promissory note and deed of trust on the property. The Note bears simple annual interest of 3.25% and interest payments are due annually each December through 2039. The principal balance of the Note is due on December 10, 2039. The balance of the note receivable was \$716,574 as of June 30, 2016.

During fiscal year 2016, the Successor Agency agreed to an additional loan to the buyer. The loan is secured by a promissory note and deed of trust on the property. The Note bears simple annual interest of 3.25% and interest payments are due annually each November through 2040. The principal balance of the Note is due on November 20, 2040. The balance of the note receivable was \$264,559 as of June 30, 2016.

The balances of the notes receivable arising from these programs at June 30, 2016 are set forth below:

Plaza Sobrante	\$16,321
Micro Loan Program	67,345
Pakpour Loan	981,133
Total	\$1,064,799

C. *Property Held for Resale*

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

D. *Capital Assets*

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

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

**NOTE 12 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY
ACTIVITIES (Continued)**

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

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

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

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

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

Capital assets recorded at June 30 comprise:

	Balance at June 30, 2015	Additions	Balance at June 30, 2016
Capital assets not being depreciated:			
Land and land improvements	\$2,819,393		\$2,819,393
Total capital assets not being depreciated	2,819,393		2,819,393
Capital assets being depreciated:			
Buildings and improvements	2,630,082		2,630,082
Machinery and equipment	92,202		92,202
Vehicles	145,213		145,213
Total capital assets being depreciated	2,867,497		2,867,497
Less accumulated depreciation for:			
Buildings and improvements	1,278,180	\$65,752	1,343,932
Machinery and equipment	92,202		92,202
Vehicles	143,485		143,485
Total accumulated depreciation	1,513,867	65,752	1,579,619
Net capital assets being depreciated	1,353,630	(65,752)	1,287,878
Capital assets, net	\$4,173,023	(\$65,752)	\$4,107,271

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

**NOTE 12 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY
ACTIVITIES (Continued)**

E. Long-Term Obligations

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

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

I. Tax Allocation Bonds and Loans

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

	Original Issue Amount	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016	Current Portion
Tax Allocation Bonds:						
Tax Allocation Revenue Bonds Series 2001						
Capital Appreciation Bonds 5.66-5.68%, due 12/01/2029	\$12,055,000	\$2,252,307	\$129,446		\$2,381,753	
Tax Allocation Revenue Bonds Series 2004						
2.00-5.00%, due 12/01/2019	37,755,000	8,610,000		\$675,000	7,935,000	\$2,555,000
SERAF Loan						
2%, due 5/10/2021	1,222,860	1,056,330		85,492	970,838	87,201
Tax Allocation Refunding Bonds Series 2014A						
2.00-5.00%, due 6/15/2031	47,595,000	46,320,000		850,000	45,470,000	1,805,000
Premium	6,429,385	6,051,186		378,199	5,672,987	
Tax Allocation Refunding Bonds Series 2014B						
2.00-5.00%, due 6/15/2023	6,970,000	5,585,000			5,585,000	
Premium	859,238	763,767		95,471	668,296	
Total Tax Allocation Bonds		<u>70,638,590</u>	<u>129,446</u>	<u>2,084,162</u>	<u>68,683,874</u>	<u>4,447,201</u>
Housing Successor Loans:						
2010 Loan	3,000,000	3,000,000		1,384,326	1,615,674	
2011 Loan	2,865,000	2,865,000			2,865,000	
Total Housing Successor Loans		<u>5,865,000</u>		<u>1,384,326</u>	<u>4,480,674</u>	
Total Successor Agency Debt		<u>\$76,503,590</u>	<u>\$129,446</u>	<u>\$3,468,488</u>	<u>\$73,164,548</u>	<u>\$4,447,201</u>

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

**NOTE 12 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY
ACTIVITIES (Continued)**

2. Debt Service Requirements

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

For the Year Ending June 30	Principal (1)	Interest	Total
2017	\$4,447,201	\$2,919,189	\$7,366,390
2018	4,743,945	2,830,581	\$7,574,526
2019	1,650,724	2,664,973	\$4,315,697
2020	7,097,539	2,484,494	\$9,582,033
2021	4,866,429	2,358,954	\$7,225,383
2022-2026	21,470,000	7,144,000	\$28,614,000
2027-2031	19,985,000	2,526,750	\$22,511,750
Total	<u>\$64,260,838</u>	<u>\$22,928,941</u>	<u>\$87,189,779</u>

(1) Includes unaccreted discount totaling \$1,918,247

3. 1999 Tax Allocation Bonds

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

On September, 2014, the Agency issued 2014 Series B Refunding Tax Allocation Bonds in the amount of \$6,970,000 to refund the remaining \$3,380,000 of the 1999 Tax Allocation Bonds.

4. 2001 Tax Allocation Revenue Bonds

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

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

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

**NOTE 12 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY
ACTIVITIES (Continued)**

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

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

As of June 30, 2016, the 2001 Bonds Capital Appreciation Bonds unaccrued discount totaled \$1,918,247 and the outstanding balance increased \$129,446 due to the annual increase in accreted value. Principal and interest payments of \$940,000, \$840,000, \$840,000, \$560,000, \$560,000 and \$560,000 commence December 1, 2024 and continue through December 1, 2029.

5. 2004 Tax Allocation Revenue Bonds

On March 18, 2004, the Agency issued \$37,755,000 of Tax Allocation Revenue Bonds, Series 2004 to defease \$13,910,000 of outstanding 1993 Tax Allocation Bonds, and to fund capital projects in the Legacy and Tenth Township Project Areas. The defeased 1993 Bonds were called on December 1, 2004. The 2004 Bonds are special obligations of the Agency and are secured by the Agency's tax increment revenues. Annual principal payments on the 2004 Bonds are due December 1, and semi-annual interest payments are due June 1 and December 1, through 2019.

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

On August 27, 2014, the Agency issued 2014 Series B Refunding Tax Allocation Bonds in the amount of \$6,970,000 to refund \$5,480,000 of the 2004 Tax Allocation Bonds.

6. 2014 Tax Allocation Bonds, Series A and Series B

On June 1, 2014, the Agency issued \$47,595,000 in 2014 Tax Allocation Bonds, Series A. The proceeds of these bonds, secured by property tax revenues in the Redevelopment Property Tax Trust Fund, were used to refund and defease the outstanding 2001 Tax Allocation Revenue Serial and Term Bonds, a portion of the 2001 Tax Allocation Revenue Capital Appreciation Bonds, a portion of the 2004 Tax Allocation Revenue Bonds and the outstanding balance of the 2006 Subordinate Tax Allocation Bonds. The refunding reduced the total debt service payments over 19 years by \$4,048,958 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$4,034,727. The 2006 Bonds were called on June 27, 2014 and the outstanding balance of the defeased 2004 Bonds was \$3,114,402 as of June 30, 2016.

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

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

**NOTE 12 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY
ACTIVITIES (Continued)**

On August 27, 2014, the Successor Agency issued the 2014 Series B Tax Allocation Bonds in the principal amount of \$6,970,000. The proceeds of these bonds, secured by property tax revenues in the Redevelopment Property Tax Trust Fund, are to be used to refund the total amount outstanding the 1999A Tax Allocations Bonds and a portion of the 2004 Tax Allocation Bonds.

The 2014A and 2014B Bonds are secured by the Successor Agency's property tax revenues in the Redevelopment Property Tax Trust Fund. Annual principal payments on the 2014A Bonds are due December 15, and semi-annual interest payments are due June 15 and December 15, through 2031. Annual principal payments on the 2014B Bonds are due June 15, 2015, 2021, 2022 and 2023, and semi-annual interest payments are due December 15 and June 15, through 2023.

7. *SERAF Loan from State of California*

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

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

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

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

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

**NOTE 12 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY
ACTIVITIES (Continued)**

The above loans had previously been reported as interfund advances within the Redevelopment Agency, but with the transfer of the Redevelopment Agency's liabilities to the Successor Agency, the advances are now reported as long-term debt of the Successor Agency, payable to the Low and Moderate Income Housing Asset Fund of the City of San Pablo, serving as the Housing Successor to the former Agency, pursuant to Health and Safety Code Section 34176(d). These loans were originally required to be repaid by June 30, 2015, however, repayment is now governed by Health and Safety Code Section 34176(e)(6).

The State of California Department of Finance has stated that repayment cannot begin prior to fiscal year 2014-2015, and the maximum annual repayment amount is limited based on calculations in Health and Safety Code Section 34176(e)(6). There was \$1,384,326 in funds available for repayment in fiscal year 2016.

9. *Pledged Revenues*

As discussed above, the Agency has pledged all future tax increment revenues, less amounts required to be set aside in the Redevelopment Agency Low and Moderate Income Housing Fund, for the repayment of the Tax Allocation Bonds. The 1999A, 2001 and 2004 Bonds are considered senior parity obligations, while the 2014A and 2014B Bonds are subordinated to those Bonds. The pledge of all future tax increment revenues ends upon repayment of \$87,189,779 remaining debt service on the Bonds above, which is scheduled to occur in 2031. With the issuance of the 2014B Bonds, projected tax increment revenues are expected to provide coverage over debt service of 149%-241% over the life of the outstanding Bonds. With the dissolution of the Redevelopment Agency discussed above, Tax Increment is no longer distributed, and instead the Successor Agency receives payments from the County's Redevelopment Property Tax Trust Fund (RPTTF) that are to be used to fund debt service on the Bonds, with no distinction between housing and non-housing revenues.

Beginning in fiscal year 2012, under the provisions of the laws dissolving the Redevelopment Agency, the Successor Agency only receives the funds necessary to fulfill its approved obligations. Total tax increment available for distribution to the Successor Agency and other taxing entities for fiscal year 2016 calculated by the County Auditor-Controller was \$5,370,095, and the total received by the Successor Agency for fiscal year 2016 debt service was \$8,159,295, which represented coverage of 191% of the \$4,267,195 of debt service. The lesser tax distribution was deemed sufficient, because the Agency had other revenues/resources available to direct towards debt service.

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

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

**NOTE 12 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY
ACTIVITIES (Continued)**

F. *Commitments and Contingencies*

State Approval of Enforceable Obligations

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

G. *Subsequent Event*

2016 Subordinate Tax Allocation Refunding Bonds

On August 1, 2016, the Successor Agency issued the 2016 Series Tax Allocation Refunding Bonds in the principal amount of \$2,685,531. The proceeds of these bonds, secured by property tax revenues in the Redevelopment Property Tax Trust Fund, are to be used to refund the total amount outstanding for the 2001 Tax Allocations Bonds.

NOTE 13 - JOINT POWERS AGREEMENTS

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

WCCIWMA was established in 1991 to coordinate landfill use reduction in the West Contra Costa County Area as mandated by the State of California. The City was not required to make any contributions to WCCIWMA during fiscal year 2016. The City is represented by one Director.

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

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

WCCTAC was established in 1990 to develop regional strategies and meet regional requirements established by Measure C and to cooperatively address West Contra Costa County transportation issues. The City's payments to WCCTAC are in accordance with a formula under which each member Agency pays a proportionate share of the expenditures based on the number of voting members representing each Agency. The City has one voting member on the WCCTAC and pays 9.1% of the expenditures. For fiscal year 2015-2016, the dues paid to WCCTAC were \$36,675.

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

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 14 – OPERATING LEASES

A. *Rumrill Sports Park Lease*

The City entered into an agreement with the Healthy Eating Active Living, LLC (HEAL), a controlled affiliate of the Economic Development Corporation, in February 2015 to lease the former BNSF property for the Rumrill Sports Park project for a term of 55 years. Under the terms of the lease, HEAL prepaid the rent in the amount of \$1,600,000 in fiscal year 2015. During fiscal year 2016, the City recognized lease rental income in the amount of \$9,697, and the remaining balance of unearned revenue was \$1,590,303 as of June 30, 2016.

B. *Office Building Lease*

The City entered into an agreement with Lifelong Medical Care in July 2015 to lease an office building for a term of five years starting July 1, 2015, with an option to extend for a period of three years under the same terms of the lease. Monthly rental payments of \$26,025 are due from July 1, 2015 through August 1, 2015, increasing to \$37,472 from September 1, 2015 to June 1, 2016. Monthly rental payments subsequent to June 1, 2016 will increase annually by the Consumer Price Index for All Urban Consumers U.S. City Average, All Items, as defined in the lease agreement. During the lease term, the building is to be used for professional medical clinic and office purposes, health care associated services, dental services, retail pharmacy and general office purposes

NOTE 15 - COMMITMENTS AND CONTINGENCIES

A. *Litigation*

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney there is no presently filed litigation which is likely to have a material adverse effect on the financial position of the City.

B. *Pollution Remediation*

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

During fiscal year 2015, the City incurred costs totaling \$2,105,518 associated with the project and the cleanup was accepted as complete by the DTSC on January 16, 2015. The City does not expect to incur any future costs related to the project.

CITY OF SAN PABLO
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 15 - COMMITMENTS AND CONTINGENCIES (Continued)

C. Federal and State Grant Programs

The City participates in several federal and State grant programs. These programs are subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

D. Encumbrances

The City uses an encumbrance system as an extension of normal budgetary accounting for governmental funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as restricted, committed or assigned fund balance, depending on the classification of the resources to be used to liquidate the encumbrance, since they do not constitute expenditures or liabilities. Outstanding encumbrances at year-end are automatically reappropriated for the following year. Unencumbered and unexpended appropriations lapse at year-end. Encumbrances outstanding as of June 30, 2016 were as follows:

	Amount
Major Funds:	
General Fund	\$1,315,623
Public Works Construction Capital Projects Fund	2,139,144
NonMajor Funds:	
Gas Tax Special Revenue Fund	217,240
Street Lighting and Landscaping Special Revenue Fund	143,280
Development Services Special Revenue Fund	55,387
NPDES Special Revenue Fund	22,018
Paratransit Special Revenue Fund	10,308

REQUIRED SUPPLEMENTARY INFORMATION



CITY^{OF} SAN PABLO

City of New Directions

REQUIRED SUPPLEMENTARY INFORMATION

**POST RETIREMENT HEALTH CARE DEFINED BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Overfunded (Underfunded) Actuarial Accrued Liability (A – B)	Funded Ratio (A/B)	Covered Payroll (C)	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll [(A – B)/C]
7/1/2008	\$5,051,901	\$4,386,044	\$665,857	115.18%	\$13,455,712	4.9%
7/1/2011	6,129,795	6,067,235	62,560	101.03%	12,707,312	0.5%
7/1/2014	7,457,704	7,020,530	437,174	106.23%	12,503,086	3.5%

SCHEDULE OF CONTRIBUTIONS

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2014	\$458,366	\$375,417	82%	(\$4,100,588)
6/30/2015	339,583	510,505	150%	(4,271,510)
6/30/2016	355,320	495,353	139%	(4,409,069)

REQUIRED SUPPLEMENTARY INFORMATION

City of San Pablo Miscellaneous Rate Plan, a Cost Sharing-Employer Defined Pension Plan
Last 10 Years*

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY Miscellaneous Plan

Measurement Date	6/30/2014	6/30/2015
Plan's Proportion of the Net Pension Liability (Asset)	0.33724%	0.41099%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	<u>\$8,334,746</u>	<u>\$11,275,238</u>
Plan's Covered-Employee Payroll	<u>\$5,337,473</u>	<u>\$5,425,672</u>
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	156.16%	207.81%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	0.31101%	0.28268%

* Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

REQUIRED SUPPLEMENTARY INFORMATION

City of San Pablo Miscellaneous Rate Plan, a Cost Sharing-Employer Defined Pension Plan
Last 10 Years*

SCHEDULE OF CONTRIBUTIONS Miscellaneous Plan

	<u>2015</u>	<u>2016</u>
Actuarially determined contribution	\$658,427	\$872,009
Contributions in relation to the actuarially determined contributions	<u>658,427</u>	<u>872,009</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>
Covered-employee payroll	<u>\$5,425,672</u>	<u>\$6,288,753</u>
Contributions as a percentage of covered- employee payroll	12.14%	13.87%

* Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

REQUIRED SUPPLEMENTARY INFORMATION

City of San Pablo Safety Rate Plan, a Cost Sharing-Employer Defined Pension Plan
Last 10 Years*

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY Safety Plan

Measurement Date	6/30/2014	6/30/2015
Plan's Proportion of the Net Pension Liability (Asset)	0.36611%	0.38625%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	<u>\$13,732,752</u>	<u>\$15,915,059</u>
Plan's Covered-Employee Payroll	<u>\$6,301,922</u>	<u>\$6,333,912</u>
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	217.91%	251.27%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	0.33960%	0.33061%

* Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

REQUIRED SUPPLEMENTARY INFORMATION

City of San Pablo Safety Rate Plan, a Cost Sharing-Employer Defined Pension Plan
Last 10 Years*

SCHEDULE OF CONTRIBUTIONS Safety Plan

	<u>2015</u>	<u>2016</u>
Actuarially determined contribution	\$1,494,686	\$1,663,467
Contributions in relation to the actuarially determined contributions	<u>1,494,686</u>	<u>1,663,467</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>
Covered-employee payroll	<u>\$6,333,912</u>	<u>\$6,182,357</u>
Contributions as a percentage of covered- employee payroll	23.60%	26.91%

* Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.



CITY^{OF} SAN PABLO

City of New Directions

SUPPLEMENTARY INFORMATION



CITY^{OF} **SAN PABLO**

City of New Directions

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

GAS TAX

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

PUBLIC SAFETY

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

STREET LIGHTING AND LANDSCAPING

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

N.P.D.E.S.

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

DEVELOPMENT SERVICES

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

MEASURE C / J

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

ASSET SEIZURES

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

PARATRANSIT

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

LAW ENFORCEMENT SERVICES

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

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

TRAFFIC CONGESTION RELIEF

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

HCD GRANT

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

MEASURE K

This fund accounts for revenues from Sales Tax Measure K that provides a quarter (1/4) cent sales tax in perpetuity to fund emergency medical services at County Fire Station #70 in San Pablo.



CITY^{OF} SAN PABLO

City of New Directions

CITY OF SAN PABLO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2016

SPECIAL REVENUE FUNDS

	<u>Gas Tax</u>	<u>Public Safety</u>	<u>Street Lighting and Landscaping</u>	<u>N.P.D.E.S.</u>	<u>Development Services</u>	<u>Measure C / J</u>
ASSETS						
Cash and investments available for operations	\$205,095			\$162,791		\$1,708,637
Restricted cash and investments						
Accounts receivable						
Due from other governments	<u>18,073</u>	<u>\$19,465</u>				<u>22,663</u>
Total Assets	<u>\$223,168</u>	<u>\$19,465</u>		<u>\$162,791</u>		<u>\$1,731,300</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$21,873		\$28,903	\$25	\$77,422	
Deposits payable	15,195				6,941	
Due to other funds						
Total Liabilities	<u>37,068</u>		<u>28,903</u>	<u>25</u>	<u>84,363</u>	
FUND BALANCES						
Restricted	186,100	\$19,465		162,766		\$1,731,300
Unassigned			<u>(28,903)</u>		<u>(84,363)</u>	
Total Fund Balance (Deficit)	<u>186,100</u>	<u>19,465</u>	<u>(28,903)</u>	<u>162,766</u>	<u>(84,363)</u>	<u>1,731,300</u>
Total Liabilities and Fund Balances	<u>\$223,168</u>	<u>\$19,465</u>		<u>\$162,791</u>		<u>\$1,731,300</u>

SPECIAL REVENUE FUNDS

<u>Asset Seizures</u>	<u>Paratransit</u>	<u>Law Enforcement Services</u>	<u>Traffic Congestion Relief</u>	<u>HCD Grant</u>	<u>Measure K</u>	<u>Total Nonmajor Governmental Funds</u>
\$156,310	\$614,341	\$698,017	\$147,198	\$94,246		\$3,786,635
		18,059			\$116,900	195,160
<u>\$156,310</u>	<u>\$614,341</u>	<u>\$716,076</u>	<u>\$147,198</u>	<u>\$94,246</u>	<u>\$116,900</u>	<u>\$3,981,795</u>
\$126,844	\$11,276	\$18,060 502,932	\$145,598			\$430,001 525,068
<u>126,844</u>	<u>11,276</u>	<u>520,992</u>	<u>145,598</u>			<u>955,069</u>
29,466	603,065	195,084	1,600	\$94,246	\$116,900	3,139,992 (113,266)
<u>29,466</u>	<u>603,065</u>	<u>195,084</u>	<u>1,600</u>	<u>94,246</u>	<u>116,900</u>	<u>3,026,726</u>
<u>\$156,310</u>	<u>\$614,341</u>	<u>\$716,076</u>	<u>\$147,198</u>	<u>\$94,246</u>	<u>\$116,900</u>	<u>\$3,981,795</u>

CITY OF SAN PABLO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

SPECIAL REVENUE FUNDS

	Gas Tax	Public Safety	Street Lighting and Landscaping	N.P.D.E.S.	Development Services	Measure C / J
REVENUES						
Property taxes			\$842,779			
Sales tax		\$109,739				\$851,307
Licenses and permits					\$320,358	
Intergovernmental	\$670,163			\$326,865	62,929	
Charges for services	178,588			4,968	534,256	
Use of money and property				849	83	8,851
Miscellaneous	(17,700)		71,334	1,450	378	
Total Revenues	831,051	109,739	914,113	334,132	918,004	860,158
EXPENDITURES						
Current:						
General Government						
Community:						
Development					1,154,869	
Public Works & Engineering	1,629,468		1,122,009	333,385		
Police						
Capital outlay	12,170		4,082			
Total Expenditures	1,641,638		1,126,091	333,385	1,154,869	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(810,587)	109,739	(211,978)	747	(236,865)	860,158
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of assets						
Transfers in	996,687		62,194		135,314	
Transfers (out)		(145,515)				(25,000)
Total Other Financing Sources (Uses)	996,687	(145,515)	62,194		135,314	(25,000)
NET CHANGE IN FUND BALANCES	186,100	(35,776)	(149,784)	747	(101,551)	835,158
Fund balances at beginning of year		55,241	120,881	162,019	17,188	896,142
FUND BALANCES (DEFICITS) AT END OF YEAR	\$186,100	\$19,465	(\$28,903)	\$162,766	(\$84,363)	\$1,731,300

SPECIAL REVENUE FUNDS

Asset Seizures	Paratransit	Law Enforcement Services	Traffic Congestion Relief	HCD Grant	Measure K	Total Nonmajor Governmental Funds
						\$842,779
					\$754,366	1,715,412
						320,358
	\$214,057	\$132,677				1,406,691
						717,812
\$259	5,767	435	\$1,354	\$866		18,464
16,108	8,717					80,287
<u>16,367</u>	<u>228,541</u>	<u>133,112</u>	<u>1,354</u>	<u>866</u>	<u>754,366</u>	<u>5,101,803</u>
					1,200,000	1,200,000
	262,145					1,417,014
		18,059				3,084,862
						18,059
						16,252
	<u>262,145</u>	<u>18,059</u>			<u>1,200,000</u>	<u>5,736,187</u>
<u>16,367</u>	<u>(33,604)</u>	<u>115,053</u>	<u>1,354</u>	<u>866</u>	<u>(445,634)</u>	<u>(634,384)</u>
	12,000					12,000
					426,767	1,620,962
						(170,515)
	<u>12,000</u>				<u>426,767</u>	<u>1,462,447</u>
16,367	(21,604)	115,053	1,354	866	(18,867)	828,063
<u>13,099</u>	<u>624,669</u>	<u>80,031</u>	<u>246</u>	<u>93,380</u>	<u>135,767</u>	<u>2,198,663</u>
<u>\$29,466</u>	<u>\$603,065</u>	<u>\$195,084</u>	<u>\$1,600</u>	<u>\$94,246</u>	<u>\$116,900</u>	<u>\$3,026,726</u>

CITY OF SAN PABLO
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2016

	SPECIAL REVENUE FUNDS					
	GAS TAX			PUBLIC SAFETY		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Sales tax				\$102,724	\$109,739	\$7,015
Licenses and permits						
Intergovernmental	\$816,435	\$670,163	(\$146,272)			
Charges for services	160,713	178,588	17,875			
Use of money and property						
Miscellaneous	320	(17,700)	(18,020)			
Total Revenues	977,468	831,051	(146,417)	102,724	109,739	7,015
EXPENDITURES						
Current:						
Community:						
Development						
Public Works & Engineering	2,139,171	1,629,468	509,703			
Police						
Capital outlay	111,008	12,170	98,838			
Total Expenditures	2,250,179	1,641,638	608,541			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,272,711)	(810,587)	462,124	102,724	109,739	7,015
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of property						
Transfers in	1,012,695	996,687	(16,008)			
Transfers out					(145,515)	(145,515)
Total Other Financing Sources (Uses)	1,012,695	996,687	(16,008)		(145,515)	(145,515)
NET CHANGE IN FUND BALANCES	<u>(\$260,016)</u>	186,100	<u>\$446,116</u>	<u>\$102,724</u>	(35,776)	<u>(\$138,500)</u>
Fund balances at beginning of year					55,241	
FUND BALANCES (DEFICITS) AT END OF YEAR		<u>\$186,100</u>			<u>\$19,465</u>	

SPECIAL REVENUE FUNDS

STREET LIGHTING AND LANDSCAPING			N.P.D.E.S.			DEVELOPMENT SERVICES		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$837,386	\$842,779	\$5,393				\$339,677	\$320,358	(\$19,319)
			\$341,712	\$326,865	(\$14,847)	92,160	62,929	(29,231)
			3,000	4,968	1,968	556,857	534,256	(22,601)
				849	849		83	83
	71,334	71,334	500	1,450	950	28,061	378	(27,683)
<u>837,386</u>	<u>914,113</u>	<u>76,727</u>	<u>345,212</u>	<u>334,132</u>	<u>(11,080)</u>	<u>1,016,755</u>	<u>918,004</u>	<u>(98,751)</u>
						1,323,070	1,154,869	168,201
1,963,778	1,122,009	841,769	387,617	333,385	54,232			
<u>20,000</u>	<u>4,082</u>	<u>15,918</u>						
<u>1,983,778</u>	<u>1,126,091</u>	<u>857,687</u>	<u>387,617</u>	<u>333,385</u>	<u>54,232</u>	<u>1,323,070</u>	<u>1,154,869</u>	<u>168,201</u>
<u>(1,146,392)</u>	<u>(211,978)</u>	<u>934,414</u>	<u>(42,405)</u>	<u>747</u>	<u>43,152</u>	<u>(306,315)</u>	<u>(236,865)</u>	<u>69,450</u>
443,672	62,194	(381,478)				59,790	135,314	75,524
<u>443,672</u>	<u>62,194</u>	<u>(381,478)</u>				<u>59,790</u>	<u>135,314</u>	<u>75,524</u>
<u>(\$702,720)</u>	(149,784)	<u>\$552,936</u>	<u>(\$42,405)</u>	747	<u>\$43,152</u>	<u>(\$246,525)</u>	(101,551)	<u>\$144,974</u>
	<u>120,881</u>			<u>162,019</u>			<u>17,188</u>	
	<u>(\$28,903)</u>			<u>\$162,766</u>			<u>(\$84,363)</u>	

(Continued)

CITY OF SAN PABLO
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2016

	SPECIAL REVENUE FUNDS					
	MEASURE C / J			ASSET SEIZURES		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Sales tax	\$439,785	\$851,307	\$411,522			
Licenses and permits						
Intergovernmental						
Charges for services						
Use of money and property	3,000	8,851	5,851		\$259	\$259
Miscellaneous					16,108	16,108
	<u>442,785</u>	<u>860,158</u>	<u>417,373</u>		<u>16,367</u>	<u>16,367</u>
Total Revenues						
EXPENDITURES						
Current:						
Community:						
Development						
Public Works & Engineering						
Police						
Capital outlay						
Total Expenditures						
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>442,785</u>	<u>860,158</u>	<u>417,373</u>		<u>16,367</u>	<u>16,367</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of property						
Transfers in						
Transfers out	(96,000)	(25,000)	71,000			
	<u>(96,000)</u>	<u>(25,000)</u>	<u>71,000</u>			
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	<u>\$346,785</u>	835,158	<u>\$488,373</u>		16,367	<u>\$16,367</u>
Fund balances at beginning of year		896,142			13,099	
FUND BALANCES (DEFICITS) AT END OF YEAR		<u>\$1,731,300</u>			<u>\$29,466</u>	

SPECIAL REVENUE FUNDS

PARATRANSIT			LAW ENFORCEMENT SERVICES		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$295,128	\$214,057	(\$81,071)	\$115,372	\$132,677	\$17,305
3,922	5,767	1,845		435	435
	8,717	8,717			
<u>299,050</u>	<u>228,541</u>	<u>(70,509)</u>	<u>115,372</u>	<u>133,112</u>	<u>17,740</u>
333,933	262,145	71,788		18,059	(18,059)
<u>333,933</u>	<u>262,145</u>	<u>71,788</u>		<u>18,059</u>	<u>(18,059)</u>
<u>(34,883)</u>	<u>(33,604)</u>	<u>1,279</u>	<u>115,372</u>	<u>115,053</u>	<u>(319)</u>
	12,000	12,000			
	<u>12,000</u>	<u>12,000</u>			
<u>(\$34,883)</u>	<u>(21,604)</u>	<u>\$13,279</u>	<u>\$115,372</u>	<u>115,053</u>	<u>(\$319)</u>
	<u>624,669</u>			<u>80,031</u>	
	<u>\$603,065</u>			<u>\$195,084</u>	



CITY^{OF} SAN PABLO

City of New Directions

AGENCY FUNDS

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

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

COMMUNITY ORGANIZATIONS AND ACTIVITIES

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

WEST CONTRA COSTA TRANSPORTATION ADVISORY COMMITTEE

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

CITY OF SAN PABLO
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2016

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
<u>Community Organizations and Activities</u>				
<u>Assets</u>				
Restricted cash and investments	\$745,259	\$189,583	\$212,304	\$722,538
Total Assets	<u>\$745,259</u>	<u>\$189,583</u>	<u>\$212,304</u>	<u>\$722,538</u>
<u>Liabilities</u>				
Accounts payable	\$82,044	\$4,988	\$82,044	\$4,988
Deposits held as agent for others	663,215	184,595	130,260	717,550
Total Liabilities	<u>\$745,259</u>	<u>\$189,583</u>	<u>\$212,304</u>	<u>\$722,538</u>
<u>West Contra Costa Transportation Advisory Committee</u>				
<u>Assets</u>				
Restricted cash and investments	\$2,120,724	\$1,747,885	\$1,762,551	\$2,106,058
Due from other governments	221,744	779,793	221,744	779,793
Total Assets	<u>\$2,342,468</u>	<u>\$2,527,678</u>	<u>\$1,984,295</u>	<u>\$2,885,851</u>
<u>Liabilities</u>				
Accounts payable	\$98,978	\$184,611	\$98,978	\$184,611
Deposits held as agent for others	2,243,490	2,343,067	1,885,317	2,701,240
Total Liabilities	<u>\$2,342,468</u>	<u>\$2,527,678</u>	<u>\$1,984,295</u>	<u>\$2,885,851</u>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Restricted cash and investments	\$2,865,983	\$1,937,468	\$1,974,855	\$2,828,596
Due from other governments	221,744	779,793	221,744	779,793
Total Assets	<u>\$3,087,727</u>	<u>\$2,717,261</u>	<u>\$2,196,599</u>	<u>\$3,608,389</u>
<u>Liabilities</u>				
Accounts payable	\$181,022	\$189,599	\$181,022	\$189,599
Deposits held as agent for others	2,906,705	2,527,662	2,015,577	3,418,790
Total Liabilities	<u>\$3,087,727</u>	<u>\$2,717,261</u>	<u>\$2,196,599</u>	<u>\$3,608,389</u>

STATISTICAL SECTION

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

Financial Trends

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

1. Net Position by Component
2. Changes in Net Position
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax:

1. Assessed and Estimated Actual Value of Taxable Property
2. Property Tax Rates, All Overlapping Governments
3. Principal Property Taxpayers
4. Property Tax Levies and Collections

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratio of Outstanding Debt by Type
2. Computation of Direct and Overlapping Debt
3. Computation of Legal Bonded Debt Margin
4. Bonded Debt Pledged Revenue Coverage, Redevelopment Agency Tax Allocation Bonds
5. Continuing Disclosure Requirements - Debt Service Coverage Schedule

Demographic and Economic Information

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

1. Demographic and Economic Statistics
2. Principal Employers

Operating Information

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

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

Sources

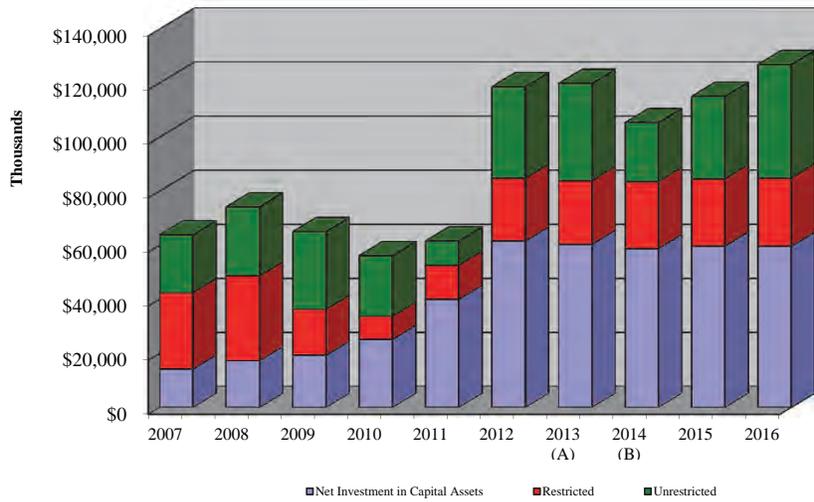
Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.



CITY^{OF} SAN PABLO

City of New Directions

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



	Fiscal Year Ended June 30									
	2007	2008	2009	2010	2011	2012	2013 (A)	2014 (B)	2015	2016
Governmental activities										
Net investment in capital assets	\$14,162,898	\$17,233,098	\$19,236,798	\$25,129,231	\$39,968,889	\$61,548,129	\$60,286,124	\$58,716,354	\$59,671,326	\$59,552,820
Restricted	28,234,327	31,346,751	17,023,526	8,544,531	12,660,690	23,252,245	23,589,889	24,793,010	24,843,522	25,307,852
Unrestricted	21,442,740	25,591,054	28,686,988	22,456,421	8,948,361	33,879,184	35,928,112	21,808,206	30,508,198	41,969,726
Total governmental activities net position	<u>\$63,839,965</u>	<u>\$74,170,903</u>	<u>\$64,947,312</u>	<u>\$56,130,183</u>	<u>\$61,577,940</u>	<u>\$118,679,558</u>	<u>\$119,804,125</u>	<u>\$105,317,570</u>	<u>\$115,023,046</u>	<u>\$126,830,398</u>

(A) The City implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position."
(B) The City implemented the provisions of GASB Statements 68 and 71 in fiscal year 2015, which required the restatement of net position, however amounts prior to 2014 have not been restated.

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

	Fiscal Year Ended June 30,				
	2007	2008	2009	2010	2011
Expenses					
Governmental Activities:					
General Government	\$2,632,986	\$2,993,404	\$3,200,437	\$3,746,905	\$3,873,454
Community					
Recreation	989,126	1,217,942	1,132,500	1,260,952	1,296,966
Development	4,140,354	6,428,706	23,541,394	17,744,655	4,482,336
Housing	228,296	194,708	554,770	244,168	86,761
Public Works & Engineering	5,674,920	5,892,638	6,424,687	6,390,441	7,379,061
Police	10,772,050	14,078,285	13,573,473	14,471,506	14,397,742
Interest and fiscal charges	4,498,283	4,220,723	4,035,250	3,894,561	3,813,714
Total Governmental Activities Expenses	<u>28,936,015</u>	<u>35,026,406</u>	<u>52,462,511</u>	<u>47,753,188</u>	<u>35,330,034</u>
Program Revenues					
Governmental Activities:					
Charges for Services:					
General Government	22,805	16,171	31,223	26,562	66,541
Community:					
Recreation	117,752	127,847	144,942	166,294	251,779
Development	556,322	444,499	438,378	588,719	332,055
Public Works & Engineering	130,443	157,591	57,724	118,661	106,798
Police	724,871	516,367	403,428	338,838	325,909
Operating Grants and Contributions	1,927,514	1,835,557	1,424,555	1,620,850	2,497,146
Capital Grants and Contributions	1,793,276	1,649,247	1,521,513	3,383,502	2,304,659
Total Government Activities Program Revenues	<u>5,272,983</u>	<u>4,747,279</u>	<u>4,021,763</u>	<u>6,243,426</u>	<u>5,884,887</u>
Net (Expense)/Revenue					
Governmental Activities	<u>(23,663,032)</u>	<u>(30,279,127)</u>	<u>(48,440,748)</u>	<u>(41,509,762)</u>	<u>(29,445,147)</u>
General Revenues and Other					
Changes in Net Position					
Governmental Activities:					
Taxes:					
Property Taxes	1,389,901	1,235,060	1,302,668	1,099,009	1,129,241
Incremental Property Taxes	14,959,091	15,434,058	14,675,932	9,751,633	9,415,129
ERAF					
Sales Taxes	1,304,189	1,400,911	1,342,904	1,250,870	1,313,493
In-Lieu Sales Tax	396,968	411,506	472,411	456,357	316,486
Utility Users Tax	1,594,338	1,632,823	1,366,676	1,512,840	2,083,913
Transient Occupancy Taxes (a)					
Franchise Taxes (a)					
Payment in Lieu of taxes (a)					
Business Licenses (nonregulatory)	326,195	296,836	327,507	321,824	313,623
Other Taxes	12,649,876	13,531,030	14,891,478	15,332,960	16,217,232
Intergovernmental unrestricted:					
Motor Vehicle In-Lieu Fees	2,476,028	2,634,391	2,532,312	1,937,853	1,881,451
Use of Money and Property	3,306,358	3,815,626	2,032,690	777,955	666,850
Gain on Sale of Property	497,534	13,275	6,091		1,327,416
Miscellaneous	378,792	204,549	266,488	251,332	228,070
Special item - transfer of loans and cash to County					
Special item - assets transferred from Successor Agency					
Extraordinary item - assets transferred to/liabilities assumed by Successor Agency					
Total Governmental Activities	<u>39,279,270</u>	<u>40,610,065</u>	<u>39,217,157</u>	<u>32,692,633</u>	<u>34,892,904</u>
Change in Net Position					
Governmental Activities	<u>\$15,616,238</u>	<u>\$10,330,938</u>	<u>(\$9,223,591)</u>	<u>(\$8,817,129)</u>	<u>\$5,447,757</u>

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

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

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

(d) The City implemented the provisions of GASB Statements 68 and 71 in fiscal year 2015, however amounts prior to 2015 have not been restated.

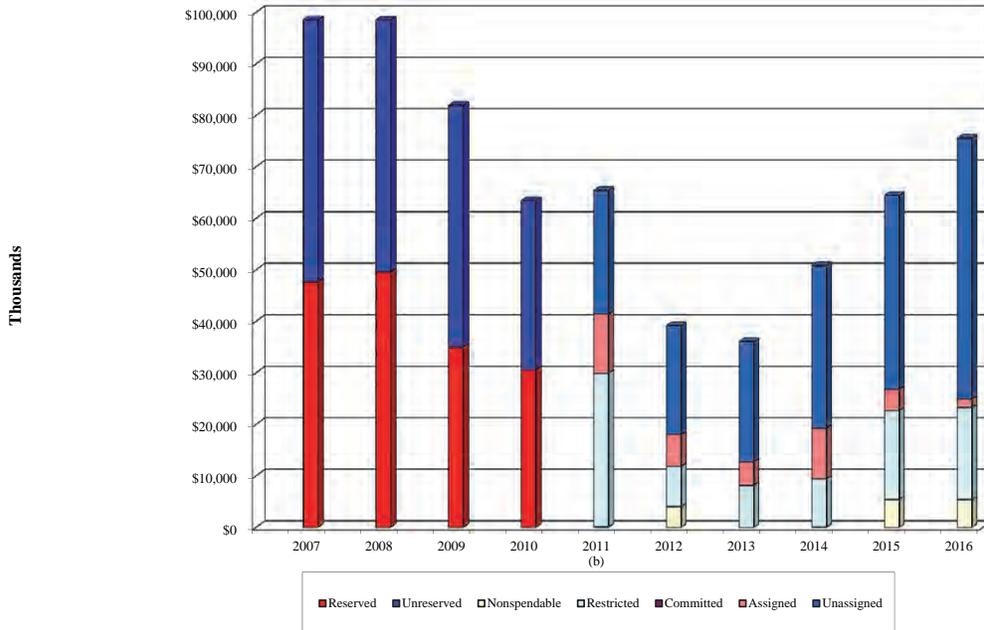
Fiscal Year Ended June 30,				
2012	2013(c)	2014	2015 (d)	2016
\$4,041,867	\$5,680,263	\$5,918,919	\$5,868,035	\$10,749,217
1,141,266	1,342,621	1,306,695	1,417,109	1,613,344
2,062,972	1,176,592	1,115,441	1,538,176	1,351,207
6,937	13,600	12,100		23,000
7,447,687	8,064,981	7,304,089	9,591,938	7,253,853
13,676,212	15,393,927	14,959,000	15,207,587	13,239,813
2,175,282			1,069,642	1,035,279
<u>30,552,223</u>	<u>31,671,984</u>	<u>30,616,244</u>	<u>34,692,487</u>	<u>35,265,713</u>
113,227	218,312	522,654	612,276	435,262
204,475	245,934	236,757	321,941	334,418
289,569	527,404	561,699	483,379	504,454
85,258	143,158	168,230	225,034	187,923
303,410	486,569	396,612	666,228	569,627
2,158,891	1,930,939	1,962,725	2,064,275	1,679,873
3,095,927	1,846,299	7,078,669	5,202,454	4,562,945
<u>6,250,757</u>	<u>5,398,615</u>	<u>10,927,346</u>	<u>9,575,587</u>	<u>8,274,502</u>
(24,301,466)	(26,273,369)	(19,688,898)	(25,116,900)	(26,991,211)
1,345,016	1,229,599	1,515,310	1,676,678	1,562,739
5,051,415				
1,396,988	2,253,736	2,912,396	3,803,069	4,168,439
421,134	468,552	548,465	490,239	406,799
2,339,064	2,473,792	2,553,955	2,467,509	2,572,145
309,167	356,177	424,570	455,006	523,213
540,565	627,473	719,358	884,123	790,828
1,757,473	1,792,638	1,828,490	1,865,060	1,902,362
15,800,631	17,388,179	18,291,111	19,701,338	22,986,063
85,790	109,928	114,542	132,130	157,190
1,688,305	1,654,714	1,713,415	1,961,310	2,158,330
394,790	238,115	246,226	633,516	865,048
344,653	167,902	320,447	545,773	705,407
		1,534,820	206,625	
49,928,093	(1,176,610)			
<u>81,403,084</u>	<u>27,584,195</u>	<u>32,723,105</u>	<u>34,822,376</u>	<u>38,798,563</u>
<u>\$57,101,618</u>	<u>\$1,310,826</u>	<u>\$13,034,207</u>	<u>\$9,705,476</u>	<u>\$11,807,352</u>



CITY^{OF} **SAN PABLO**

City of New Directions

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



	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011 (b)	2012	2013	2014	2015	2016
General Fund										
Reserved	\$45,330	\$55,576	\$71,191	\$32,630						
Unreserved	18,012,835	17,378,837	20,125,976	21,359,353						
Nonspendable					\$94,156	\$4,024,921	\$28,503	\$45,219	\$5,402,621	\$5,384,995
Restricted					206,626					
Assigned						20,215	227,579	763,614	145,329	1,315,623
Unassigned					24,008,243	21,100,922	23,285,950	31,512,493	37,596,248	50,715,535
Total General Fund	<u>\$18,058,165</u>	<u>\$17,434,413</u>	<u>\$20,197,167</u>	<u>\$21,391,983</u>	<u>\$24,309,025</u>	<u>\$25,146,058</u>	<u>\$23,542,032</u>	<u>\$32,321,326</u>	<u>\$43,144,198</u>	<u>\$57,416,153</u> (a)
All Other Governmental Funds										
Reserved	\$47,633,407	\$49,546,081	\$34,879,869	\$30,555,643						
Unreserved, reported in:										
Special revenue funds	1,366,884	1,385,761	1,570,804	1,829,801						
Capital project funds	31,423,052	30,104,970	25,252,717	9,611,508						
Restricted					\$29,624,123	\$7,862,952	\$8,117,456	\$9,387,695	\$17,266,389	\$17,900,895
Assigned					11,451,201	6,112,651	4,365,599	9,082,664	4,010,660	300,282
Unassigned					(10,350)					(113,266)
Total all other governmental funds	<u>\$80,423,343</u>	<u>\$81,036,812</u>	<u>\$61,703,390</u>	<u>\$41,996,952</u>	<u>\$41,064,974</u>	<u>\$13,975,603</u>	<u>\$12,483,055</u>	<u>\$18,470,359</u>	<u>\$21,277,049</u>	<u>\$18,087,911</u> (a)

(a) The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis.

(b) The City implemented the provisions of GASB Statement 54 in fiscal year 2011.

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

	Fiscal Year Ended June 30,				
	2007	2008	2009	2010	2011
Revenues					
Property taxes	\$1,738,546	\$1,584,784	\$1,310,791	\$1,104,259	\$1,129,241
Incremental property taxes	14,959,091	15,434,058	14,675,932	9,751,633	9,415,129
Less ERAF					
Sales taxes	1,304,189	1,400,911	1,342,904	1,893,530	1,336,319
In-lieu sales tax	396,968	411,506	472,411	456,357	316,486
Utility users tax	1,594,338	1,632,823	1,366,676	1,512,840	2,083,913
Business license tax (a)					
Other taxes	12,649,876	13,531,030	14,891,478	15,332,960	16,217,232
Licenses and permits	326,195	296,836	327,507	321,824	313,623
Fines and forfeits	400,117	333,832	248,344	253,830	175,236
Intergovernmental	5,276,263	5,454,369	5,368,548	5,792,474	6,927,565
Charges for services	1,098,195	884,505	784,975	980,009	786,693
Use of money and property	4,165,686	4,339,988	2,217,675	904,473	1,275,476
Miscellaneous	276,206	178,633	237,809	135,070	143,404
Total Revenues	44,185,670	45,483,275	43,245,050	38,439,259	40,120,317
Expenditures					
Current:					
General government	2,462,270	3,502,819	3,092,038	3,608,932	5,077,971
Community					
Recreation	956,875	1,188,497	1,107,073	1,232,619	1,281,164
Development	4,215,123	6,723,506	10,911,000	8,120,814	3,231,110
Housing	518,764	4,192,021	5,778,117	680,286	214,996
Public Works & Engineering	2,947,864	3,569,382	3,266,892	3,173,331	2,912,684
Police	10,589,624	15,246,567	13,504,115	14,281,329	14,109,881
Pass Through to County					
Supplemental Educational Revenue Augmentation Fund Payment				5,939,603	1,222,860
Estimated reduction in value of land held for redevelopment			12,520,417	3,486,168	
Capital outlay	14,634,535	5,317,834	3,983,178	9,741,894	4,993,318
Debt service:					
Principal repayment	1,740,000	1,795,000	1,865,000	3,050,000	3,165,543
Interest and fiscal charges	4,097,085	3,993,540	3,794,982	3,640,060	3,541,450
Total Expenditures	42,162,140	45,529,166	59,822,812	56,955,036	39,750,977
Excess (deficiency) of revenues over (under) expenditures	2,023,530	(45,891)	(16,577,762)	(18,515,777)	369,340
Other Financing Sources (Uses)					
Transfers in	42,988,080	13,741,142	16,958,273	15,160,490	21,666,427
Transfers (out)	(42,988,080)	(13,741,142)	(16,958,273)	(15,160,490)	(21,666,427)
Proceeds or gain from sale of property	2,368,112	35,608	7,094	4,155	1,327,416
Loss from sale of property					
Issuance of debt	36,000,000				1,222,860
Premium on bonds					
Payments to refunded bond escrow	(12,592,131)				
Property held for resale					
transferred to capital assets					(911,727)
Total Other Financing Sources (Uses)	25,775,981	35,608	7,094	4,155	1,638,549
Special and Extraordinary Items					
Transfer of loans receivable and cash to the county					
Reversal of deferred revenues to offset the loans					
Assets transferred to Housing Successor					
Assets transferred to/liabilities assumed by Successor Agency/Housing Successor					
Total Special and Extraordinary Items	0	0	0	0	0
Change in Fund Balance	\$27,799,511	(\$10,283)	(\$16,570,668)	(\$18,511,622)	\$2,007,889
Debt service as a percentage of noncapital expenditures					
	21.2%	14.4%	10.1%	14.2%	16.9%

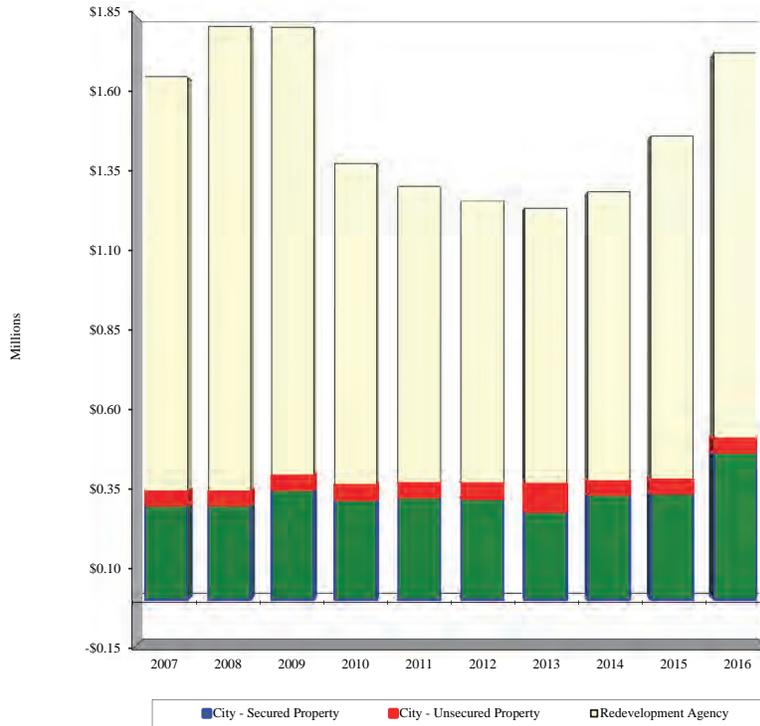
(a) Included in Other Taxes prior to fiscal year 2012.

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

Fiscal Year Ended June 30,

2012	2013	2014	2015	2016
\$1,345,016	\$1,083,129	\$1,515,310	\$1,676,678	\$1,562,739
5,051,415 (b)				
1,774,609	2,561,567	3,272,038	4,188,421	5,019,746
421,134	468,552	548,465	490,239	406,799
2,339,064	2,473,792	2,553,955	2,467,509	2,572,145
15,501,584	17,105,522	17,951,434	19,390,922	22,665,705
2,692,995	2,862,216	3,064,960	3,304,319	3,334,876
299,047	282,657	339,677	310,416	320,358
160,779	199,033	178,497	250,670	253,290
6,732,431	5,341,904	10,466,512	9,707,728	7,946,402
733,972	1,324,955	1,622,447	1,435,849	1,347,066
1,070,834	886,060	494,277	1,076,231	1,303,736
125,916	105,815	265,763	211,850	296,132
<u>38,248,796</u>	<u>34,695,202</u>	<u>42,273,335</u>	<u>44,510,832</u>	<u>47,028,994</u>
4,051,309	5,644,563	5,798,844	6,151,008	10,812,295
1,045,283	1,198,105	1,173,065	1,321,969	1,490,995
1,776,767	1,116,502	1,097,422	1,572,053	1,417,014
6,937	1,850	12,100		23,000
3,039,965	3,108,904	3,153,976	3,458,187	3,360,427
13,601,625	14,879,348	14,858,753	15,435,553	13,753,176
8,925,221	11,656,245	2,912,525	18,095,578	4,215,533
3,290,000			85,000	354,982
2,182,278			778,547	737,339
<u>37,919,385</u>	<u>37,605,517</u>	<u>29,006,685</u>	<u>46,897,895</u>	<u>36,164,761</u>
<u>329,411</u>	<u>(2,910,315)</u>	<u>13,266,650</u>	<u>(2,387,063)</u>	<u>10,864,233</u>
15,145,921	8,671,125	3,904,184	7,075,398	5,721,373
(15,145,921)	(8,671,125)	(3,904,184)	(7,075,398)	(5,721,373)
		1,141,738	15,810,000	218,584
<u>0</u>	<u>0</u>	<u>1,141,738</u>	<u>15,810,000</u>	<u>218,584</u>
5,865,000		358,210	206,625	
(32,469,574)				
<u>(26,604,574)</u>	<u>0</u>	<u>358,210</u>	<u>206,625</u>	<u>0</u>
<u>(\$26,275,163)</u>	<u>(\$2,910,315)</u>	<u>\$14,766,598</u>	<u>\$13,629,562</u>	<u>\$11,082,817</u>
18.6%	0.0%	0.0%	2.9%	3.0%

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

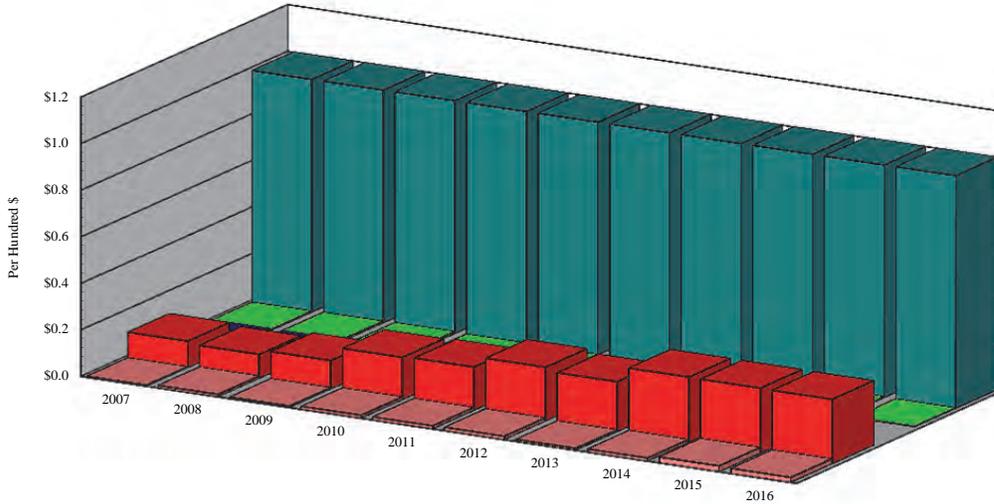


Fiscal Year	Value of City Property Subject to Local Tax Rate			Value of Redevelopment Agency Property Subject to Local Tax Rate			Total Assessed (a)	Estimated Full Market (a)	Total Direct Tax Rate (b)
	Secured Property	Unsecured Property	Total	Tenth Township	Legacy	Total			
2007	\$298,211,215	\$45,156,382	\$343,367,597	\$1,154,590,211	\$154,299,250	\$1,308,889,461	\$1,652,257,058	\$1,652,257,058	0.838%
2008	298,159,072	44,998,015	343,157,087	1,259,837,281	208,574,923	1,468,412,204	1,811,569,291	1,811,569,291	0.851%
2009	346,890,514	45,660,517	392,551,031	1,222,217,550	194,668,521	1,416,886,071	1,809,437,102	1,809,437,102	0.847%
2010	315,643,724	47,360,647	363,004,371	926,984,713	88,794,964	1,015,779,677	1,378,784,048	1,378,784,048	0.805%
2011	322,164,784	46,296,587	368,461,371	854,184,022	82,697,584	936,881,606	1,305,342,977	1,305,342,977	0.789%
2012	317,570,213	49,107,847	366,678,060	819,841,729	74,886,120	894,727,849	1,261,405,909	1,261,405,909	0.782%
2013	277,310,622	89,243,515	366,554,137	811,535,168	60,048,453	871,583,621	1,238,137,758	1,238,137,758	0.773%
2014	330,899,170	44,270,604	375,169,774	834,582,578	78,654,747	913,237,325	1,288,407,099	1,288,407,099	0.098%
2015	335,045,384	44,184,743	379,230,127	960,892,754	124,112,087	1,085,004,841	1,464,234,968	1,464,234,968	0.097%
2016	463,757,740	46,435,464	510,193,204	1,071,145,726	146,395,899	1,217,541,625	1,727,734,829	1,727,734,829	0.108%

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

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

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



Direct and Overlapping Rates



Fiscal Year	Basic County Wide Levy (a)	Bay Area Rapid Transit	East Bay Regional Park District	West Contra Costa Unified School District	Community College	Total Direct and Overlapping Rates (b)	City's Share of 1% Levy per Prop 13 (c)	Redevelopment Agency Rate (d)	Total Direct Rate (e)
2007	\$1.00000	\$0.00500	\$0.00850	\$0.11430	\$0.00430	\$1.13210	\$0.09828	\$1.00850	\$0.83751
2008	1.00000	0.00760	0.00800	0.10350	0.01080	1.12990	0.09828	1.00800	0.85082
2009	1.00000	0.00900	0.01000	0.12300	0.00660	1.14860	0.09828	1.01000	0.84696
2010	1.00000	0.00570	0.01080	0.18280	0.01260	1.21190	0.09828	1.01080	0.80472
2011	1.00000	0.00310	0.00840	0.18690	0.01330	1.21170	0.09828	1.00840	0.78904
2012	1.00000	0.00410	0.00710	0.23220	0.01440	1.25780	0.09828	1.00710	0.78177
2013	1.00000	0.00430	0.00510	0.21570	0.00870	1.23380	0.09828	0.00000	0.77265
2014	1.00000	0.00750	0.00780	0.28180	0.01330	1.31040	0.09828	0.00000	0.09750
2015	1.00000	0.00450	0.00850	0.28030	0.02520	1.31850	0.09828	0.00000	0.09749
2016	1.00000	0.00260	0.00670	0.27810	0.02200	1.30940	0.09828	0.00000	0.10805

Source: HdL Coren & Cone, Contra Costa County Assessor

- (a) In 1978, California voters passed Proposition 13 which set the property tax rate at a 1% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the, 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.
- (b) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all City property owners.
- (c) City's share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the City. ERAF general fund tax shifts may not be included in tax ratio figures.
- (d) Redevelopment Agency (RDA) rate is based on the largest RDA tax rate area (TRA) and includes only rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of ABX1 26 eliminated Redevelopment from the State of California for fiscal year 2013 and years thereafter.
- (e) Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information and excludes revenues derived from aircraft. Beginning in 2013/14 the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during 2012/2013. For the purposes of this report, residual revenue is assumed to be distributed to the City in the same proportions as general fund revenue.

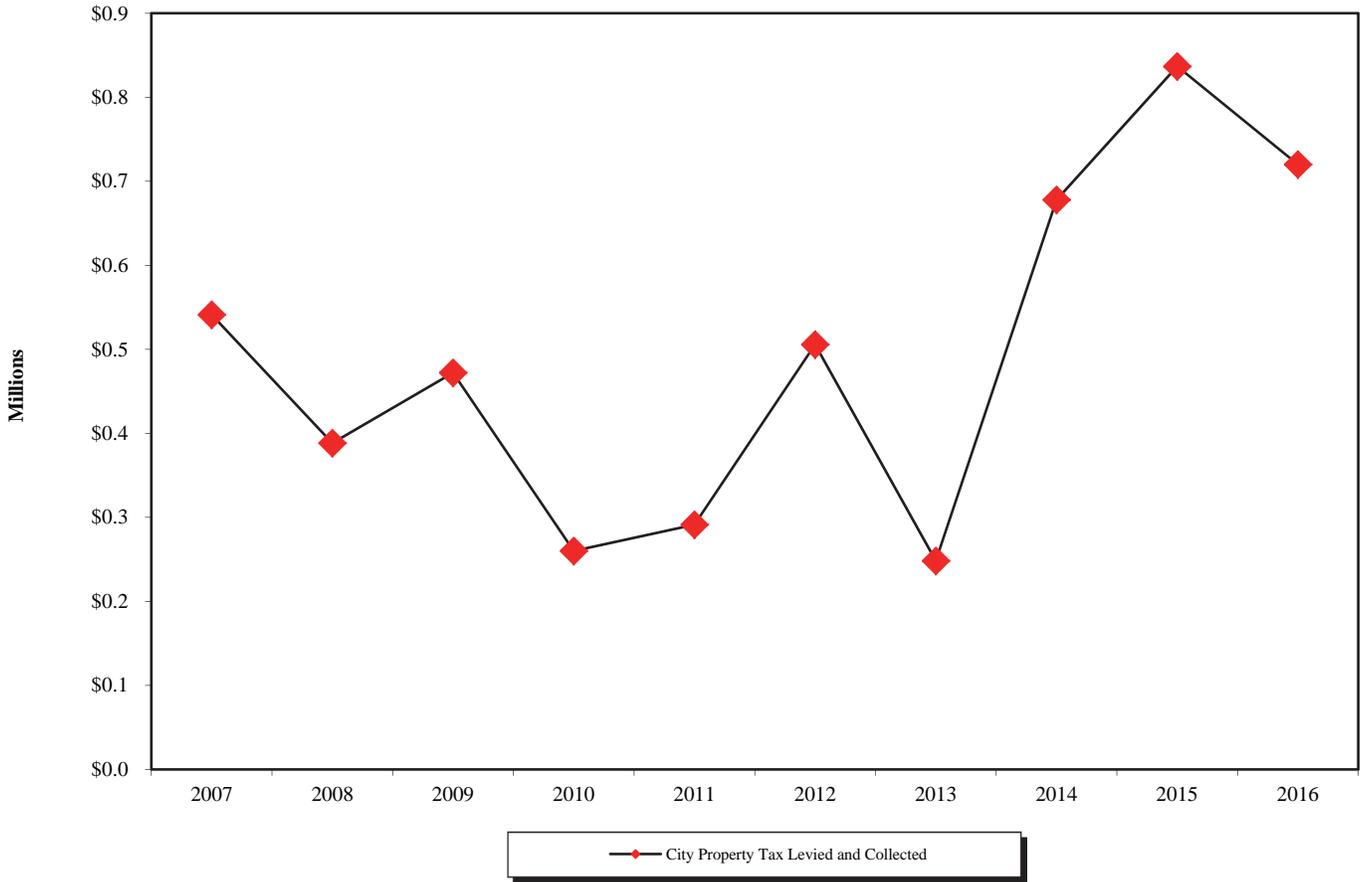
CITY OF SAN PABLO
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2015-2016			2006-2007		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Donahue Schriber Realty Group	\$19,407,152	1	1.3%	\$15,062,857	2	0.9%
Public Storage, Inc.	16,405,198	2	1.1%	9,350,632	5	0.6%
San Pablo Retail Partners II	15,350,688	3	1.0%			
CC San Pablo LP	15,046,742	4	1.0%			
3002 Giant Road LLC	14,395,337	5	1.0%			
Save Mart Supermarkets	13,679,482	6	0.9%	11,769,753	3	0.7%
Gordon Creekside LLC	9,630,483	7	0.6%			
Vale Property LLC	8,196,885	8	0.5%			
CC Home Rentals LLC	7,809,105	9	0.5%			
Lucky NoCal Investor LLC	6,671,247	10	0.4%	8,292,181	7	0.5%
Signature at Abella				11,690,327	4	0.7%
San Pablo Retail Partners LLC				16,947,064	1	1.1%
Murray and Janet Gordon Trust				8,469,582	6	0.5%
Comcast of East San Fernando				7,094,280	8	0.4%
Dennis R. and Sandra D. Hill Trust				6,286,498	9	0.4%
WEC 97K-31 Investment Trust				6,185,814	10	0.4%
Subtotal	\$126,592,319		7.3%	\$101,148,988		6.1%

Total Net Assessed Valuation:
Fiscal Year 2015-2016 \$1,727,734,829
Fiscal Year 2006-2007 \$1,652,257,058

Source: HdL Coren & Cone, Contra Costa County Assessor

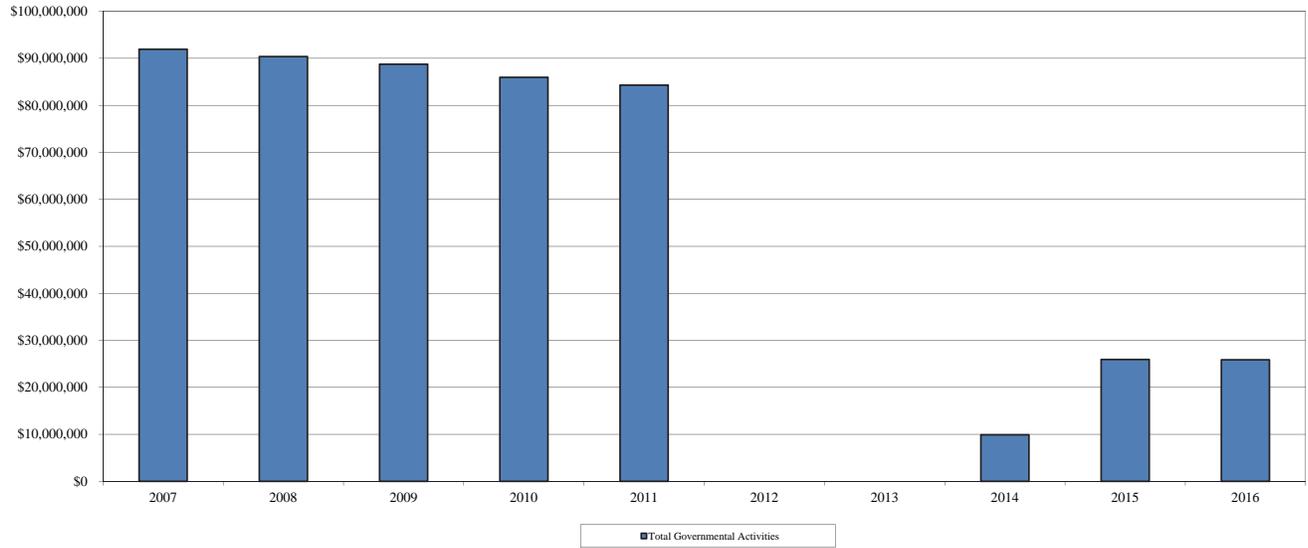
**CITY OF SAN PABLO
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**



Fiscal Year	City Property Tax Levied and Collected (1)	Redevelopment Agency Property Tax Levied and Collected	Total Property Tax Levied and Collected (2)	Percent of Total Tax Collections to Tax Levy
2007	\$541,189	\$14,959,091	\$15,500,280	100%
2008	388,457	15,434,058	15,772,515	100%
2009	472,141	14,675,932	15,148,073	100%
2010	260,080	9,751,633	10,011,713	100%
2011	291,311	9,415,129	9,706,440	100%
2012	505,693	5,051,415	(3) 5,557,108	100%
2013	248,288	0	(3) 248,288	100%
2014	677,924	0	(3) 677,924	100%
2015	836,806	0	(3) 836,806	100%
2016	719,960	0	(3) 719,960	100%

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

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



Fiscal Year	Governmental Activities				Total Governmental Activities	Percentage of Personal Income (a)	Per Capita (a)
	Tax Allocation Bonds	SERAF Loan	Capital Leases and Loans	Lease Revenue Bonds			
2007	\$91,927,978				\$91,927,978	20.82%	\$2,969
2008	90,365,056				90,365,056	17.58%	2,897
2009	88,745,472				88,745,472	16.34%	2,790
2010	85,954,993				85,954,993	16.20%	2,675
2011	83,064,430	\$1,222,317			84,286,747	16.85%	2,913
2012	0 (b)	0 (b)			0	0.00%	0
2013	0 (b)	0 (b)			0	0.00%	0
2014	0 (b)	0 (b)	\$9,906,655		9,906,655	1.99%	339
2015	0 (b)	0 (b)	10,112,750	\$15,810,000	25,922,750	5.03%	879
2016	0 (b)	0 (b)	10,265,708	15,600,000	25,865,708	5.19%	839

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

Sources: City of San Pablo
California Employment Development Department

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

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

**CITY OF SAN PABLO
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2016**

2015-16 Assessed Valuation	\$1,727,734,829
Less: Redevelopment Incremental Valuation	<u>1,217,541,625</u>
Adjusted Assessed Valuation	<u><u>\$510,193,204</u></u>

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable To City of San Pablo</u>	<u>Amount Applicable To City of San Pablo</u>
Direct Debt:			
City of San Pablo	\$25,865,708	100.000%	\$25,865,708
Overlapping Debt:			
Bay Area Rapid Transit District	172,046,226	0.882%	1,518,136
Contra Costa County Pension Debt	212,765,000	0.882%	1,877,438
Contra Costa County Lease Revenue Bonds	320,437,720	0.882%	2,827,542
Contra Costa County Fire Pension Obligation	84,695,000	1.920%	1,625,770
Contra Costa Community College District	578,775,000	0.886%	5,126,645
East Bay Regional Park District	65,804,219	0.882%	580,656
West Contra Costa Unified School District	<u>1,451,541,250</u>	5.701%	<u>82,753,523</u>
Total Overlapping Debt	<u>2,886,064,415</u>		<u>96,309,710</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	<u><u>\$2,911,930,123</u></u>		<u><u>\$122,175,418</u></u> (1)

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

RATIOS TO 2015-16 ADJUSTED ASSESSED VALUATION:

Direct Debt	5.07%
Total Direct and Overlapping Tax Assessment Debt	23.95%

Source: HdL Coren & Cone, Contra Costa County Assessor and Auditor Combined 2015/16 Lien Date Tax Rolls

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

**CITY OF SAN PABLO
COMPUTATION OF LEGAL BONDED DEBT MARGIN
JUNE 30, 2016**

ASSESSED VALUATION:

Secured property assessed value, net of exempt real property	\$1,727,734,829
---	-----------------

BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	\$64,790,056
---	--------------

AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt	\$9,906,655
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Less Tax Allocation Bonds and SERAF Loan not subject to limit	9,906,655
--	-----------

Amount of debt subject to limit	0
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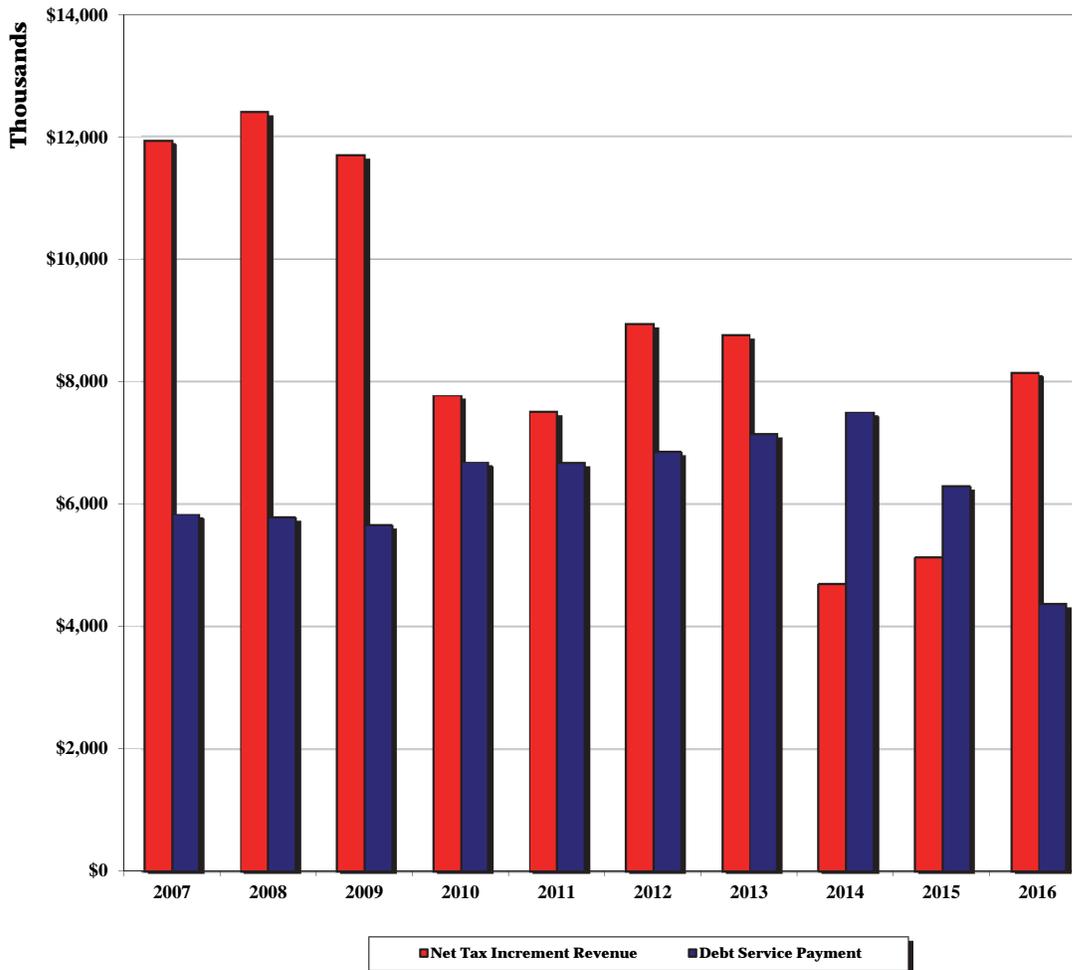
LEGAL BONDED DEBT MARGIN	\$64,790,056
--------------------------	--------------

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
2007	\$61,921,066	0	\$61,921,066	0.00%
2008	67,933,848	0	67,933,848	0.00%
2009	67,853,891	0	67,853,891	0.00%
2010	51,704,402	0	51,704,402	0.00%
2011	48,950,362	0	48,950,365	0.00%
2012	47,302,722	0	47,302,722	0.00%
2013	46,430,166	0	46,430,166	0.00%
2014	48,315,266	0	48,315,266	0.00%
2015	54,908,811	0	54,908,811	0.00%
2016	64,790,056	0	64,790,056	0.00%

NOTE:

- (a) California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth the limit to account for the adjustment of showing assessed valuation at full cash value.

**CITY OF SAN PABLO
BONDED DEBT PLEDGED REVENUE COVERAGE
REDEVELOPMENT AGENCY TAX ALLOCATION BONDS
LAST TEN FISCAL YEARS**



Fiscal Year	Redevelopment Agency Property Tax Increments	Less Low and Moderate Income Housing Set-Aside	Net Tax Increment Revenue	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2007	\$14,959,091	\$3,009,430	\$11,949,661	\$1,740,000	\$4,097,085	\$5,837,085	2.05
2008	15,434,058	3,021,571	12,412,487	1,795,000	3,993,540	5,788,540	2.14
2009	14,675,932	2,965,190	11,710,742	1,865,000	3,794,982	5,659,982	2.07
2010	9,751,633	1,972,660	7,778,973	3,050,000	3,640,060	6,690,060	1.16
2011	9,415,129	1,903,187	7,511,942	3,165,000	3,516,993	6,681,993	1.12
2012	8,952,532 (a)	0 (b)	8,952,532	3,290,000	3,577,017	6,867,017 (c)	1.30
2013	8,773,589 (d)	0 (b)	8,773,589	3,430,000	3,718,205	7,148,205 (e)	1.23 (d)
2014	4,695,660 (d)	0 (b)	4,695,660	3,575,000	3,931,553	7,506,553 (e)	0.63 (d)
2015	5,132,531 (d)	0 (b)	5,132,531	3,260,000	3,044,176	6,304,176 (e)	0.81 (d)
2016	8,159,295 (d)	0 (b)	8,159,295	1,525,000	2,849,011	4,374,011 (e)	1.87 (d)

(a) The Redevelopment Agency was dissolved effective January 31, 2012 and its liabilities were assumed by a Successor Agency effective February 1, 2012. Includes tax increment collected by the former Redevelopment Agency and property taxes collected by the Successor Agency.

(b) As part of the dissolution, the Redevelopment Agency is no longer required to make the low and moderate income housing set-aside.

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

(d) Beginning in fiscal year 2013, tax increment reported in this table is the amount calculated by the County Auditor-Controller. Under the provisions of the laws dissolving the Redevelopment Agency, the Successor Agency only receives the funds necessary to fulfill its approved obligations, and is required to use other resources on hand to fund debt service prior to using the tax increment received.

(e) Includes debt service paid by the Successor Agency.

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

TENTH TOWNSHIP PROJECT AREA

Fiscal Year	Gross Tax Revenues	Housing Set-Aside	Pledged Tax Revenues	Debt Service On					Total Debt Service	Debt Service Coverage
				1993 Bonds	1999 Bonds	2001 and 2004 Tenth Township Bonds	2006 Bonds	2014 A&B Bonds		
2007	\$13,186,910	(\$2,637,382)	\$10,549,528	0	\$895,583	\$2,860,073	\$837,054	\$4,592,710	2.30	
2008	13,230,168	(2,646,034)	10,584,134	0	896,438	2,990,278	1,700,661	5,587,377	1.89	
2009	12,802,280	(2,560,456)	10,241,824	0	900,438	2,991,021	1,562,362	5,453,821	1.88	
2010	9,051,332	(1,810,386)	7,240,946	0	897,782	2,553,326	2,963,452	6,414,560	1.13	
2011	8,594,963	(1,737,391)	6,857,572	0	893,292	2,559,633	2,953,843	6,406,768	1.07	
2012	8,529,190 (a)	0 (b)	8,529,190	0	887,070	2,942,173	2,762,899	6,592,142 (c)	1.29	
2013	8,173,104 (d)	0 (b)	8,173,104	0	890,965	3,631,201	2,351,864	6,874,030 (e)	1.19	
2014	4,291,235 (d)	0 (b)	4,291,235	0	893,377	3,652,390	2,683,687	7,229,454 (e)	0.59	
2015	4,545,428 (d)	0 (b)	4,545,428	0	0	843,427	0	\$5,186,996	6,030,423 (e)	0.75
2016	N/A (d)	0 (d)	N/A (d)	0	0	1,050,812	0	3,372,250	4,423,062 (e)	N/A

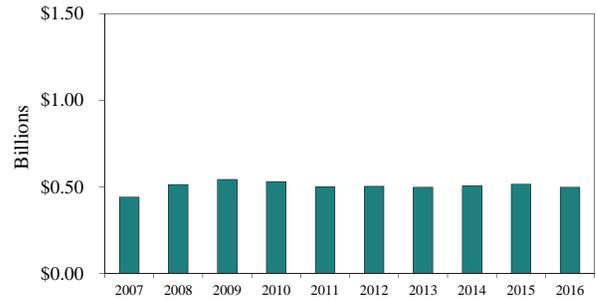
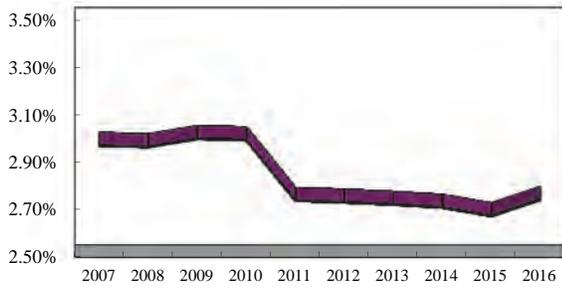
LEGACY PROJECT AREA

Fiscal Year	Gross Tax Revenues	Housing Set Aside	Available Revenue	Debt Service on 2004 Legacy Bonds	Debt Service Coverage
2007	\$1,860,196	(\$372,048)	\$1,488,148	\$334,225	4.45
2008	1,877,687	(375,537)	1,502,150	201,163	7.47
2009	2,023,668	(404,734)	1,618,934	206,161	7.85
2010	811,369	(162,274)	649,095	275,500	2.36
2011	820,166	(165,796)	654,370	275,225	2.38
2012	423,342 (a)	0 (b)	423,342	274,875 (c)	1.54
2013	600,485 (d)	0 (b)	600,485	274,175 (e)	2.19
2014	404,425 (d)	0 (b)	404,425	274,099 (e)	1.48
2015	587,103 (d)	0 (b)	587,103	273,753 (e)	2.14
2016	N/A (d)	N/A (b)	N/A	N/A (e)	N/A

- (a) The Redevelopment Agency was dissolved effective January 31, 2012 and its liabilities were assumed by a Successor Agency effective February 1, 2012. Includes tax increment collected by the former Redevelopment Agency and property taxes collected by the Successor Agency. After January 31, 2012, the distinction between the property taxes collected by the Tenth Township and Legacy Project Areas was not provided, therefore property taxes of \$3,901,117 collected by the Successor Agency have been reported in the Tenth Township Project Area total.
- (b) As part of the dissolution, the Redevelopment Agency is no longer required to make the low and moderate income housing set-aside.
- (c) Includes debt service paid by both the former Redevelopment Agency and the Successor Agency.
- (d) For the fiscal years ended 2013 thru 2015, tax increment reported in this table is the amount calculated by the County Auditor-Controller. Under the provisions of the laws dissolving the Redevelopment Agency, the Successor Agency only receives the funds necessary to fulfill its approved obligations. As of 2016, the County Auditor-Controller no longer tracks this information, therefore, it is Not Available.
- (e) Includes debt service paid by the Successor Agency.

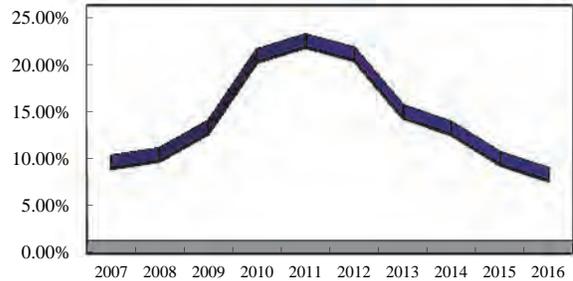
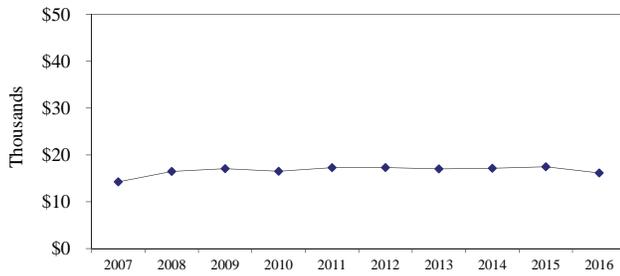
Sources: City of San Pablo Financial Statements

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



■ City Population as a % of County Population

■ Total Personal Income



◆ Per Capita Personal Income

■ Unemployment Rate (%)

<u>Fiscal Year</u>	<u>City Population</u>	<u>Total Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate (%)</u>	<u>Contra Costa County Population</u>	<u>City Population % of County</u>
2007	30,965	\$441,498,970 (a)	\$14,258	9.0%	1,042,341	2.97%
2008	31,190	514,011,200 (a)	16,480	9.8%	1,051,674	2.97%
2009	31,808	543,217,024 (a)	17,078	12.7%	1,060,435	3.00%
2010	32,131	530,514,941 (a)	16,511	20.3%	1,072,953	2.99%
2011	28,931	500,216,990 (a)	17,290	21.9%	1,056,064	2.74%
2012	29,105	503,632,920	17,304 (b)	20.5% (b)	1,065,117	2.73%
2013	29,266	498,078,000	17,019	14.4%	1,074,702	2.72%
2014	29,465	505,502,000	17,156	12.6%	1,087,008	2.71%
2015	29,499	515,554,000	17,477	9.4%	1,102,871	2.67%
2016	30,829	498,050,000	16,155	7.7%	1,123,429	2.74%

NOTES: (a) Data not available. Calculated by multiplying City Population by Per Capita Personal Income
(b) Data not available for fiscal year, therefore data presented is for prior calendar year

Sources: California State Department of Finance
California Employment Development Department

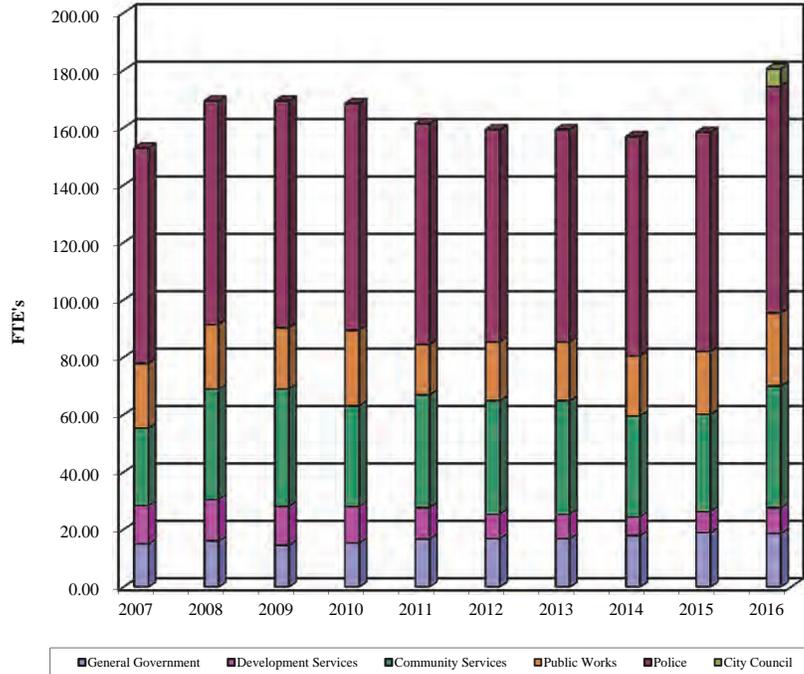
**CITY OF SAN PABLO
Principal Employers
Current Year and Nine Years Ago**

<u>Employer</u>	<u>2015-2016</u>			<u>2006-2007</u>		
	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Doctor's Medical Center* Closed 04/21/2015				935	1	N/A
Contra Costa College*	585	1	4.1%	521	2	N/A
Casino San Pablo*	500	2	3.5%	520	3	N/A
Creekside Health Care Center*	243	3	1.7%	73	8	N/A
City of San Pablo*	182	4	1.3%	152	4	N/A
Vale Care Center*	169	5	1.2%	125	5	N/A
San Pablo Health Care Center*	153	6	1.1%			
Food Maxx	99	7	0.7%	74	9	N/A
Las Mantanas	91	8	0.6%			
Raley's	82	9	0.6%	66	10	N/A
San Pablo Super Market	64	10	0.5%			
Brookvue Care Center*				116	6	N/A
Albertson's (Lucky's)				119	7	N/A
Subtotal	<u>2,168</u>		<u>15.4%</u>	<u>2,701</u>		<u>N/A</u>
Total City Day Population	<u>14,100</u>			<u>N/A</u>		

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

*includes part time employees

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



Adopted for Fiscal Year June 30

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Function										
General Government	14.90	15.95	14.45	15.30	16.60	16.80	16.80	17.80	18.80	18.50 *
Development Services	13.30	14.50	13.60	12.60	10.90	8.50	8.50	6.60	7.40	9.00 *
Community Services	27.10	38.35	40.85	35.10	39.35	39.50	39.50	35.15	33.85	42.40 *
Public Works	22.53	22.53	21.33	26.35	17.45	20.50	20.50	20.80	21.80	25.50
Police	75.00	78.00	79.00	79.00	77.00	74.00	74.00	76.50	76.50	79.00
Total City	152.83	169.33	169.23	168.35	161.30	159.30	159.30	156.85	158.35	174.40
City Council										6.00
Grand Total										<u>180.40</u>

* These figures include all part-time staff were left out of previous FTE counts in the 2007-2015 CAFR's.

CITY OF SAN PABLO
Operating Indicators by Function/Program

Function/Program	Fiscal Years									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police: (calendar year)										
Police calls for Service	36,080	25,336	26,106	25,769	32,140	26,009	27,507	35,242	23,239	28,985
Crime Reports	8,948	7,502	6,352	6,178	5,925	5,887	5,890	5,695	3,857	3,116
Law violations:										
Major crimes: homicides/rape	18	16	22	13	9	12	12	10	12	17
Other major crimes: robbery/larceny/burglary	1,621	1,530	1,983	1,760	1,455	1,601	1,465	799	522	
Arrests	1,989	2,083	1,539	1,729	1,688	1,496	1,789	2,008	1,444	1,862
Traffic collisions	420	455	323	391	396	440	428	354	123	324
Traffic citations	11,979	25,336	4,459	4,229	2,844	2,980	2,851	2,687	1,663	1,813
Public Works:										
Street resurfacing (miles)	N/A	5	8	14	14	0	7	3.3	2.4	1.5
Potholes repaired (square miles)	N/A	N/A	0.75	0.60	1	13	0.62	0.81	0.53	2.47
Street Sweeping (miles)	2,865	2,834	2,834	2,234	2,175	2,700	3,144	3,130	2,813	2,813
Volume of material removed (cubic yards)	912	898	878	880	880	965	1,050	822	735	891
Storm Drains:										
Catch basins cleaned	326	326	326	326	326	236	307	349	499	271
Volume of material removed (cubic yards)	470	25	23	29	71	9	29.165	22.310	107.000	147.950
Community Development:										
Community Services:										
Recreation class participants	1,229	1,444	1,211	1,331	2,479	2,594	3,057	4,107	7,437	9,433
Senior meals served	20,274	18,717	17,072	18,165	17,726	16,975	18,144	17,519	16,946	18,366
Rentals of Maple Hall	75	130	76	72	82	71	135	119	106	298
Rentals - Other Facilities								37	54	79
Education:										
Enrollment:										
Elementary schools (6)	3,547	3,598	3,536	3,114	3,002	3,110	2,960	2,973	2,993	2,697
Middle Schools (1)	767	640	727	930	911	1,660	973	1,040	964	999
High Schools (1)	394	472	467	300	286	400	400	400	400	400

Source: Various City Departments

Notes:

N/A denotes information not available.

CITY OF SAN PABLO
Capital Asset Statistics by Function/Program

Function/Program	Fiscal Years									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police:										
Police stations	1	1	1	1	1	1	1	1	1	1
Police patrol units	16	28	23	23	21	23	19	19	18	17
Community Development:										
Miles of streets	48	48	48	48	48	48	48	48	48	49
Street lights	167	182	182	182	182	182	182	182	182	192
Traffic Signals	25	25	25	25	25	25	25	25	25	27
Roadway Landscaping:										
Landscaped median acreage	1	1	1	1	1	1	1	1	1	1
Street trees	800	800	800	800	800	800	800	840	840	840
Community Recreation:										
Community services:										
City parks	5	6	6	6	6	6	6	7	8	8
City parks acreage	28	28	28	28	28	31.5	22	18.7	23.2	23.2
Playgrounds	2	4	4	4	4	5	5	5	5	5
Event center	0	0	0	0	0	0	0	0	0	0
Historic house	3	2	3	3	3	3	3	3	3	3
City trails	1	1	1	1	1	1	1	1	1	1
City trails miles	1	1	1	1	1	1	1	1	1	1
Community centers	1	1	1	1	1	1	1	2	2	2
Senior centers	2	2	2	2	2	2	2	2	2	2
Baseball/softball diamonds	2	3	3	3	3	3	3	3	3	3
Soccer/football fields	4	6	6	6	6	6	6	6	9	9
Wastewater (1)										
Miles of storm drains	17	17	17	17	17	17	17	17	17	17

Source: Various City Departments

Notes:

(1) Wastewater services are provided by Contra Costa County



CITY^{OF} **SAN PABLO**

City of New Directions