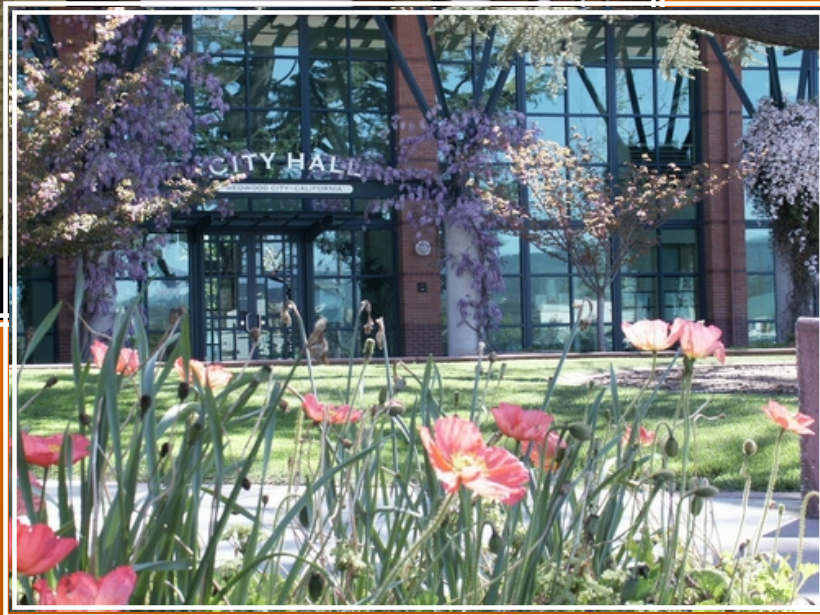




Comprehensive Annual Financial Report



FISCAL YEAR ENDED JUNE 30, 2010

City of Redwood City
REDWOOD CITY, CALIFORNIA



City of Redwood City
Redwood City, California

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Fiscal Year Ended June 30, 2010

Prepared by
City of Redwood City Finance Department

**City of Redwood City
Redwood City, California
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2010**

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December 3, 2010

Honorable Mayor Ira,
Members of the City Council,
City Manager, and Citizens of the
City of Redwood City
Redwood City, California

Submitted for your information and consideration is the Comprehensive Annual Financial Report of the City for the fiscal year ended June 30, 2010.

This report has been prepared by the City's Finance Department. The responsibility for both the accuracy of the printed data and the completeness and fairness of the presentation including all disclosures rests with the City. It is our opinion that the data presented is accurate in all material respects and that it is presented in a manner designed to fairly set forth the financial positions and results of operations of the City and its related entities as measured by the financial activities of their various funds, and that all disclosures necessary for the reader to gain a full understanding of their financial activities have been included. The financial statements have been prepared following the guidelines recommended by the Government Finance Officers Association and the standards adopted by the Governmental Accounting Standards Board.

Caporicci & Larson, a firm of licensed certified public accountants, has issued an unqualified ("clean") opinion of the City's financial statements for the fiscal year ended June 30, 2010. The independent auditor's report is located at the front of the financial section of this report.

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's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Redwood City's MD&A can be found immediately following the report of the independent auditors.

REPORTING ENTITY AND ITS SERVICES

Redwood City is a full service City, which was incorporated in 1867 and became a Charter City in 1929. The City operates under a council-manager form of government and provides a range of services that include police and fire protection, recreation and parks, libraries, street maintenance and construction, infrastructure improvements, planning and zoning, water delivery, port facilities, and storm drains. Although the City maintains sewer lines and pump stations, the sewer plant and treatment services are provided by the South Bayside System Authority, a joint powers authority of which Redwood City is an equity holder.

This report includes all funds of Redwood City. The City Council serves in separate session as the governing bodies of the Redwood City Redevelopment Agency, the Redwood City Facilities and Infrastructure Authority, and the Public Financing Authority although these agencies are legal entities apart from the City. Under the City Charter, the City Council appoints the Board of Port Commissioners who oversees the operations of the Port of Redwood City, which is considered a department of the City of Redwood City.

The general fund of the Redevelopment Agency and the agency's low and moderate income housing fund are shown as special revenue funds. Debt service paid during the year is shown under debt service funds. The Port of Redwood City is an enterprise activity and is presented as an enterprise fund.

Financial information for separate legal entities related to the City including the Redwood City Facilities and Infrastructure Authority, Redwood City Public Financing Authority, and Redwood City Redevelopment Agency is blended in the City's financial statements in accordance with Governmental Accounting Standards Board Statement No. 14.

FINANCIAL INFORMATION

Accounting System and Budgetary Control

The City's accounting records for governmental operations are maintained on a modified accrual basis, with the revenues being recorded when both measurable and available, and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's enterprises are maintained on the accrual basis.

In developing and modifying the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding:

- The safeguarding of assets against loss from unauthorized use or disposition, and
- The reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognizes that:

- The cost of a control should not exceed the benefits likely to be derived, and
- The evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that all of the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary control is maintained at the program level by encumbering estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders that result in an overrun of budget balances are not released until additional appropriations are made available. Open encumbrances are reported as reservations of fund balance at year-end.

As demonstrated by the statements and schedules included in the financial section of this report, the City of Redwood City continues to meet its responsibility for sound financial management.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy

The local economy is reflecting the national recession with the unemployment rate in Redwood City increasing to 9.2% as of June 2010 from 8.9% as of June 2009. The number of employed residents in Redwood City declined from 38,600 in June 2009 to 37,300 in June 2010.

The Redwood City commercial real estate market, however, is showing some signs of stabilizing with the vacancy rate decreasing to 17.0% as of the second quarter 2010 compared to 19.9% as of the second quarter 2009.

California Public Employees Retirement System (CalPERS)

CalPERS incurred portfolio losses of 5.1% and 24% in FY 2007/08 and FY 2008/09 respectively. The combined effects of these losses, in conjunction with the expected annual returns of 7.75% not being met, has been to significantly reduce the funded status of the retirement system. As a result the CalPERS governing board has approved change that includes the use of a temporary smoothing method to phase-in the impact of these losses over a three year period.

Another looming issue with CalPERS is whether or not the CalPERS Board will lower the assumed investment rate of return (currently at 7.75%). CalPERS has been reviewing this assumption in light of the current economic projections to determine if this is still a reasonable rate of return upon which to base retirement contributions. If this rate is lowered (a more likely scenario than it being increased) then the City's contribution to CalPERS is expected to increase.

State of California

Part of the State's adopted FY 2009/10 budget included shifting \$2.05 billion from Redevelopment Agencies in California to the State in FY 2009/10 and FY 2010/11. Redwood City's Redevelopment Agency lost about \$3.56 million in FY 2009/10 and is expected to lose \$733,000 in FY 2010/11. The California Redevelopment Association filed a legal challenge to this shift but the trial court found in the State's favor.

On November 2, 2010 California voters overwhelmingly approved Proposition 22, an amendment to the State Constitution, which is intended to prohibit the State of California from redirecting local taxes and various fuel taxes from local governments. As is often the situation in California, voter approved initiatives are challenged in court so it may be some time before it will be known if proposition 22 is challenged, and if so, if its validity is upheld. Should this initiative be upheld and become law one significant threat to municipal revenues will have been eliminated.

Downtown Parking Operations

With the opening of the downtown cinema/retail complex in 2006 along with the 590 space underground parking garage that is owned and operated by the City, the parking enterprise fund that was formerly financially self-sufficient now requires an annual subsidy from the City. In FY 2010/11 the City expects to transfer \$750,000 from the general fund to the parking fund to support the parking fund's operations. The length of time that this subsidy continues and the extent to which it continues are a function of how quickly paid parking activity in the downtown area increases and whether such increased demand will justify increased parking fees. It is expected that some level of general fund financial support to the parking fund will be required for the indefinite future.

Sales Taxes

Sales tax is critical general fund revenue as it accounts for about 18% of total general fund revenues. As a result of the pullback in consumer and business purchases, locally generated sales tax in FY 2009/10 was down \$0.5 million or 3.4% compared to FY 2008/09. The majority of this decline is attributable to lower business-to-business (software sales, chemical products, electronic equipment, heavy industry, and leasing) sales.

The City continues to rely heavily on sales tax generated by businesses engaged in selling software. A threat to this revenue stream is the progressive migration of businesses delivering software to their customers electronically (via Internet download or over dedicated phone lines) which then, under regulations adopted by the State of California Board of Equalization, provides that such products are no longer subject to sales tax.

Costco, a major big box retailer and one of the City's larger sales tax generators, replaced their former 121,400 square foot store with a 160,000 square foot store and added a gas station with 12 fueling stations. Construction began spring 2009 and was completed by the end of October 2009. This welcome expansion is expected to generate additional sales tax revenue for the City.

Property Taxes

Property tax projections for FY 2010/11 call for a 1% decrease over FY 2009/10 with indications that growth will remain flat in FY 2011/12. The downturn in the housing market has affected the San Francisco Peninsula, although not as severely as some areas of the State. Based on property transfer tax revenues it appears that the housing market is still not showing signs of recovery and that assessed values will not be increasing significantly in the near term.

Educational Revenue Augmentation Fund Refunds

In FY 1992/93 and FY 1993/94, the State shifted property taxes from cities, counties, and special districts to school districts to supplant funding that the State was providing to school districts. The funds shifted from cities, the county, and special districts are placed into the Educational Revenue Augmentation Fund by the county controller. The controller then disburses these funds to school districts based upon the formula prescribed by State law. Any funds remaining in the Educational Revenue Augmentation Fund (after the distribution to the school districts) are returned to the cities, county, and special districts in proportion to the amount they contributed to the Educational Revenue Augmentation Fund. The continued receipt of these funds, which amounted to \$3.9 million in FY 2009/10 and \$3.0 million in FY 2008/09, depends upon the complicated school financing formula and the State legislature not redirecting these revenues elsewhere.

Long-Term Financial Planning

The City Council has made economic development a high priority and has directed staff to develop strategies in support of this goal. Staff has been supporting this focus area through a range of efforts including the completion of significant City-sponsored plans, review of major private development proposals, and key initiatives that will directly support economic development throughout the community with special attention paid to downtown.

The City adopted a new General Plan which includes considerable improvements to the City's basis for overseeing new development. The new General Plan is not an update of its 1990 plan, but rather an entirely new blueprint for the City, including an evolved land use designation map. Newly allowed development options have been designated based on broad community input and the plan is receiving consistent and strong interest from developers, including the submittal of conceptual plans for three large-scale multi-family residential development proposals which will become allowed under the new plan.

The Downtown Precise Plan is another City-led planning effort which is nearing completion. This plan is intended to encourage significant private investment in downtown. It will contain explicit development guidelines that will cover all aspects of sites and building. Developers interested in undertaking projects in the downtown area will be provided with a clear understanding of the type of projects that the City and public desire. By providing such clear guidance the City hopes that this will assist investors and developers contemplating downtown projects.

Recently the City supported the completion of a multi-year review process for a multi-family residential project. The project, One Marina, has been amended appreciably by the developer over an almost ten year period. The most recent revision is considered the final form and the developer is seeking building and construction permits for the first of 231 condominium units. The City has provided financing support for much needed infrastructure by establishing a Mello-Roos Community Facilities District. A hotel site is part of the overall entitlements and is protected for fifteen years in a development agreement. In anticipation of the hotel market improving over time, City staff will actively pursue hoteliers for this highly attractive waterfront property.

Since the spring of 2009 the City has begun to comprehensively assess a significant development proposal for the Cargill Saltworks property – 1,400 acres of land east of U.S. Highway 101 that continues to be used for extracting salt from the San Francisco Bay. The proposal submitted by DMB Associates envisions 50% of the property to be used for a mix of housing, retail, and commercial uses while the remaining 50% would be dedicated to wetlands restoration, open space, and recreation.

At this time the City has completed several detailed technical studies to establish that, although complicated, the project is viable. A very thorough, multi-year process of public engagement and environmental review to shape the plan and its alternatives has been started in order to prepare for the decision making process which will likely be several years from now. Development of this property could have significant fiscal impacts upon the City. These impacts will also be studied as part of the review process.

Stanford University has submitted a proposal to redevelop a 35 acre site in Redwood City that was formerly known as the Mid-Point Technology Park. The proposed project includes administrative offices, research and development uses, and a medical clinic. This project has the potential to bring many jobs into the community. The City has engaged a consultant to thoroughly analyze the fiscal impact of this project as the property involved in this project would not generate any property taxes because the university is a non-profit organization and is exempted under California law from paying property taxes. The fiscal studies as well as the environmental review are nearing completion at this time.

Additional focused economic development efforts include projects that will support the downtown and seek to address enduring high vacancy rates. A zoning amendment was approved in early 2010 which allows for a broader range of land uses in the downtown area. Interest from real estate professionals and property owners is high. Several high tech start-up businesses have recently opened in downtown Redwood City in the past year citing the location as favorable for access to transit, downtown amenities and services, and the overall business-friendly environment. Also, through Redevelopment funding, the existing Storefront Improvement Program is being revised to further incentivize property and business owners to upgrade out-dated or deteriorating storefronts. These efforts as well as others that are forthcoming are anticipated to decrease vacancy rates and increase business patronage downtown.

Relevant Financial Policies

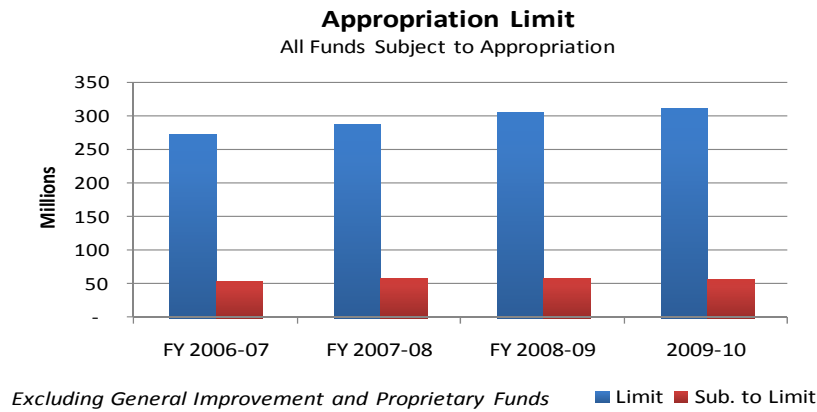
In April 1999 the City Council adopted a policy targeting the unreserved portion of the general fund's fund balance designated for subsequent year's expenditures to fall within a range from 15% to 20% of anticipated general fund revenues.

At the March 2010 budget study session the City Council directed staff to prepare a recommended FY 2010/11 budget with revenues and expenditures in balance. This was a departure from guidance provided in previous years in which the City Council elected to use a portion of reserves to finance projected deficits. Accordingly, the FY 2010/11 adopted budget contained \$6.4 million in expenditure reductions and \$635,500 in revenue increases owing primarily to increased fees.

Appropriation Limit

Article XIII B of the California State Constitution, which became effective in FY 1979/80, and which was modified (by Proposition 111) in November 1989, establishes, by formula, an appropriation limit for governmental agencies. Using the appropriations of FY 1978/79 as the base year, the limit is modified by the change in the composite consumer price index, population, and the value of commercial property development within the City limits during each fiscal year. Article XIII B also sets the guidelines as to what is to be included in the appropriation limits.

The appropriation limit for Redwood City for the FY 2009/10 is at \$312,057,259 while the actual appropriations subject to the limit amounted to \$57,558,996. The following graph indicates the trend in appropriations subject to limitation:



OTHER INFORMATION

Annual Independent Audit

The annual audit of the books and financial records of Redwood City was completed by Caporicci & Larson, certified public accountants appointed by the City Council. The independent auditor's report has been made a part of this report.

Awards

The Government Finance Officers Association (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City of Redwood City for its Comprehensive Annual Financial Report (CAFR) for the FY ended June 30, 2009. This is the 23rd consecutive year that Redwood City has received this prestigious award. In order to be awarded a certificate of achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A certificate of achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the certificate of achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of this report could not have been achieved without the efficient and dedicated services of the entire staff of the Finance Department. Special thanks are extended to Alison Freeman for her leadership in overseeing this process, Kyi Khin, Toni Saldou, Cecilia Lucas, Jennifer Chang, and Rajesh Sewak for their important contributions, and to Sylvia Peters for her relentless dedication to assembling this document.

I would also like to thank and commend Mayor Jeff Ira and the Redwood City Council, former City Manager Peter Ingram, and Interim City Manager Robert Bell for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner in the best interests of the residents of Redwood City.

Respectfully submitted,

Brian J. Ponty
Director of Finance
City of Redwood City
Redwood City, California

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Redwood City
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized handwritten signature in black ink.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Enow".

Executive Director

CITY OF REDWOOD CITY - REDWOOD CITY, CALIFORNIA

PRINCIPAL OFFICIALS

June 30, 2010

CITY COUNCIL

Jeff Ira, Mayor	November 2013
Alicia C. Aguirre, Vice Mayor.....	November 2011
Ian Bain	November 2011
Rosanne Foust.....	November 2011
Jeffrey Gee	November 2013
Barbara Pierce.....	November 2011
John D. Seybert	November 2013

INTERIM CITY MANAGER

Robert B. Bell*

DEPARTMENT DIRECTORS

Deputy City Manager	Magda Gonzàlez
City Clerk	Silvia Vonderlinden
Building, Infrastructure, and Transportation.....	Chu Chang
Finance	Brian Ponty
Fire Chief	James Skinner
Human Resources	Robert Bell
Library	David Genesy
Parks, Recreation, and Community Services	Chris Beth
Planning, Housing, and Economic Development.....	Jill Ekas
Police Chief.....	Louis Cobarruviaz
Public Works Services	Evan Boyd

CITY ATTORNEY

Pamela Thompson

City of Redwood City
1017 Middlefield Road
Redwood City, California 94063
Telephone: (650) 780-7070
Fax: (650) 366-2447
E-Mail: mail@redwoodcity.org
Web Site: www.redwoodcity.org

**Robert Bell was appointed as the Interim City Manager on November 15, 2010*

CITY OF REDWOOD CITY - REDWOOD CITY, CALIFORNIA

FINANCE DEPARTMENT STAFF

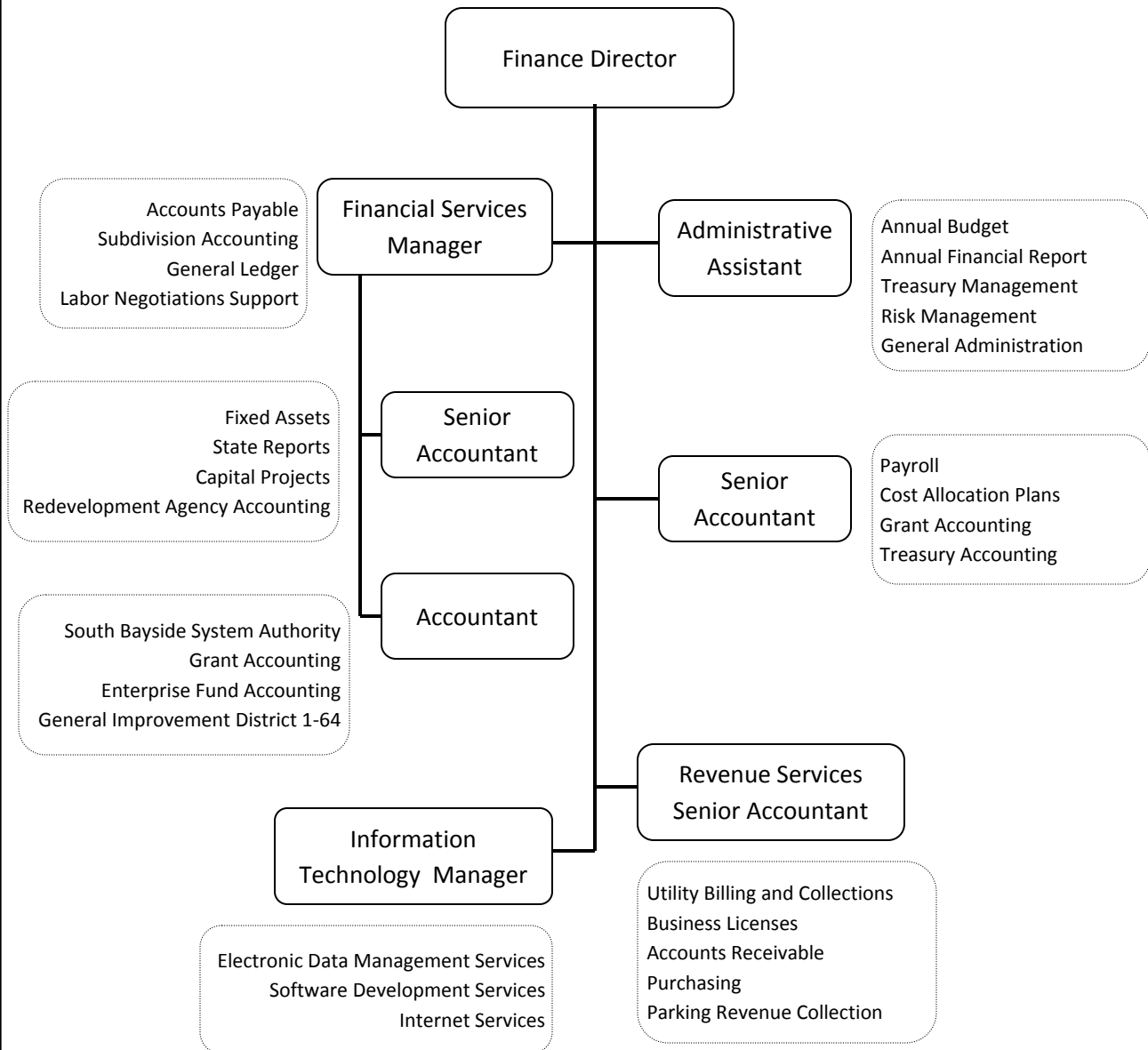
June 30, 2010

Brian Ponty.....Director of Finance
Alison FreemanFinancial Services Manager
Kyi Khin.....Senior Accountant
Rajesh SewakSenior Accountant
Cecilia LucasSenior Accountant
Jennifer ChangAccountant
Sylvia Bravo Peters.....Administrative Assistant



June 30, 2010

Finance Department



CORE PURPOSE

Build a Great Community Together

CORE VALUES

Excellence:

Passion to Do Our Best in Each Moment

Integrity:

Do the Right Thing, Not the Easy Thing

Service:

We Care and It Makes a Difference

Creativity:

Freedom to Imagine and Courage to Act



Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
of the City of Redwood City
Redwood City, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redwood City, California (City), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redwood City as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2010, 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* and should be considered in assessing the results of our audit.

The Management Discussion and Analysis and the Required Supplementary Information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the Honorable Mayor and Members of City Council
of the City of Redwood City
Redwood City, California
Page Two

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining fund statements and schedules and the statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund statements and schedules has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information identified in the table of contents as the Introductory and Statistical Sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

Caproni & Larson, Inc.

San Francisco, California
December 3, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City's Comprehensive Annual Financial Report presents a narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter and basic financial statements.

FISCAL YEAR 2009/10 FINANCIAL HIGHLIGHTS

Excluding one-time-only revenues, the City experienced little to no growth in revenues as the local economy continued to suffer during the recession. Financial highlights of the year include the following:

- The City's total net assets increased \$6.6 million in FY 2009/10, after a \$15 million decrease in the preceding year. At June 30, 2010, net assets totaled \$421.4 million.
- Total City revenues, including program and general revenues, were \$164.9 million, an increase of \$1.4 million over the prior year, while total expenses were \$158.4 million, a decrease of \$.3 million from FY 2008/09.
- Net assets in governmental activities decreased \$2.4 million, while net assets in business activities increased \$8.9 million.
- Governmental program revenues were \$27 million, an increase of \$3 million from FY 2008/09's \$24 million.
- Governmental program expenses decreased to \$113.4 million in FY 2009/10, down \$1 million from the prior year.
- Revenues from business-type activities decreased to \$53 million in FY 2009/10, down \$1.6 million from the prior year.
- Expenses of business-type activities increased to \$45 million in FY 2009/10, a \$.8 million increase from the prior year.
- General fund revenues of \$82.7 million increased by \$.5 million from the prior year.
- General fund balance of \$24.7 million at the fiscal year end decreased by \$14.4 million from the prior year.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

This Comprehensive Annual Financial Report is in six parts:

1. Introductory section, which includes the transmittal letter and general information
2. Management's Discussion and Analysis (this part)
3. The Basic Financial Statements, which include the government-wide and the fund financial statements, along with the notes to these financial statements
4. Required supplementary information
5. Combining statements for non-major governmental funds and fiduciary funds
6. Statistical information

The Basic Financial Statements

The Basic Financial Statements comprise the City-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the City's financial activities and financial position.

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

All of the City's activities are grouped into government activities and business-type activities, as explained below. All the amounts in the Statement of Net Assets and the Statement of Activities are separated into governmental activities and business-type activities in order to provide a summary of these two activities of the City as a whole.

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

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

The Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities present information about the following:

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

Business-type Activities — All the City's enterprise activities are reported here, including water, sewer, parking, and the Port of Redwood City. Unlike governmental services, these services are supported by charges paid by users based on the amount of the service they use.

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

The government-wide financial statements may be found on pages 16-17 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Redwood City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Redwood City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial statements provide detailed information about each of the City's most significant funds, called major funds. The concept of major funds, and the determination of which are major funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them in total. Instead, each major fund is presented individually, with all non-major funds summarized and presented only in a single column.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Subordinate schedules present the detail of these non-major funds. Major funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of the City's activities.

Governmental fund financial statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the governmental fund financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Redwood City maintains 25 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the capital outlay fund, the redevelopment agency fund, and the low and moderate income housing fund, which are considered to be major funds. Data from the other 21 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Redwood City adopts an annual appropriated budget for its general fund, redevelopment agency fund, and low and moderate income housing fund. A budgetary comparison statement has been provided for the general fund, redevelopment agency fund, and low and moderate income housing fund to demonstrate compliance with this budget.

The governmental fund financial statements may be found on pages 20-23 of this report.

Proprietary funds are maintained in two ways. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for water, sewer, parking, and Port operations. Internal services funds are used to account for costs of the City's equipment services, the City's insurance program, the costs of the City's telephone/communications and information technology services, maintenance and repair of buildings, custodial services, delivery service, and employee benefits. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The proprietary fund financial statements may be found on pages 25-27 of this report.

Since the City's internal service funds provide goods and services only to the City's governmental and business-type activities, their activities are reported only in total at the fund level. Internal service funds may not be major funds because their revenues are derived from other City funds. These revenues are eliminated in the City-wide financial statements and any related profits or losses are returned to the activities which created them, along with any residual net assets of the internal service funds.

Comparisons of budget and actual financial information are presented only for the general fund and other major funds that are special revenue funds.

Fiduciary Funds

The City maintains fiduciary funds that account for tax free employee and employer contributions made under the provisions of section 125 of the Internal Revenue Code (cafeteria benefits fund), for employer contributions to a retiree medical insurance fund, and for transactions involving the Pacific Shores Community Facilities District, and the Shores Transportation Improvement District. The City's fiduciary activities are reported in the separate Statement of Fiduciary Net Assets and the Agency Funds Statement of Changes in Assets and Liabilities. The

MANAGEMENT’S DISCUSSION AND ANALYSIS

accounting used for fiduciary funds is much like that used for proprietary funds. These activities are excluded from the City’s other financial statements because the City cannot use these assets to finance its own operations.

The fiduciary fund financial statement may be found on page 28 of this report.

Notes to the Financial Statements

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The Notes to the Financial Statements may be found on pages 29-63 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may over time serve as a useful indicator of the City’s financial position. The City’s assets exceeded liabilities by \$421.4 million at June 30, 2010.

City’s Net Assets (in Millions)

	Governmental Activities		Business-type Activities		Total		Variance
	2010	2009	2010	2009	2010	2009	
	\$	\$	\$	\$	\$	\$	
Cash and investments	111.125	125.737	47.644	48.134	158.769	173.871	-8.686%
Other assets	31.839	29.126	38.320	37.189	70.159	66.315	5.797%
Capital assets	213.733	216.760	162.384	154.815	376.117	371.575	1.222%
Total assets	<u>356.697</u>	<u>371.623</u>	<u>248.348</u>	<u>240.138</u>	<u>605.045</u>	<u>611.761</u>	-1.098%
Long-term debt outstanding	63.002	76.223	80.935	82.972	143.937	159.195	-9.584%
Other liabilities	32.807	32.112	6.852	5.569	39.659	37.681	5.249%
Total liabilities	<u>95.809</u>	<u>108.335</u>	<u>87.787</u>	<u>88.541</u>	<u>183.596</u>	<u>196.876</u>	-6.745%
Net assets:							
Invested in capital assets, net of debt	169.093	161.627	90.878	81.617	259.971	243.244	6.877%
Restricted	54.629	52.369	5.660	5.548	60.289	57.917	4.096%
Unrestricted							
Other unrestricted net assets	<u>37.166</u>	<u>49.292</u>	<u>64.023</u>	<u>64.432</u>	<u>101.189</u>	<u>113.724</u>	-11.022%
Total net assets	<u>260.888</u>	<u>263.288</u>	<u>160.561</u>	<u>151.597</u>	<u>421.449</u>	<u>414.885</u>	1.582%

The largest portion (62%) of the City’s net assets reflects its capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to residents; accordingly, these assets are not available for future spending. Although the City’s investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City’s net assets (14%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$101.2 million) may be used to meet the government’s ongoing obligations (although portions of these unrestricted net assets may by law or contract be only used for specified purposes and may not necessarily be used for any general governmental purpose) to residents and creditors.

MANAGEMENT’S DISCUSSION AND ANALYSIS

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City’s net assets increased by \$6.6 million during the current fiscal year.

Changes in City’s Net Assets (in Millions)

	Governmental Activities		Business-type Activities		Total		Variance
	2010	2009	2010	2009	2010	2009	
	\$	\$	\$	\$	\$	\$	
Revenues							
Program revenues:							
Community development	6.613	3.966			6.613	3.966	66.742%
Human Services	0.506	0.407			0.506	0.407	24.324%
Public safety	5.576	5.347			5.576	5.347	4.283%
Transportation	4.379	4.375			4.379	4.375	0.091%
Environmental support and protection	3.241	1.650			3.241	1.650	96.424%
Leisure, cultural and information services	5.067	6.608			5.067	6.608	-23.320%
Policy development and implementation	1.681	1.660			1.681	1.660	1.265%
Water			23.256	25.579	23.256	25.579	-9.082%
Sewer			22.241	20.259	22.241	20.259	9.783%
Parking			1.005	0.840	1.005	0.840	19.643%
Port of Redwood City			6.073	6.702	6.073	6.702	-9.385%
General revenues:							
Taxes/special assessments	81.110	80.960	0.026	0.028	81.136	80.988	0.183%
Investment earnings	1.630	2.037	0.436	1.264	2.066	3.301	-37.413%
Other	2.093	1.813	0.003	0.028	2.096	1.841	13.851%
Total revenues	<u>111.896</u>	<u>108.823</u>	<u>53.040</u>	<u>54.700</u>	<u>164.936</u>	<u>163.523</u>	0.864%
Expenses							
Community development	18.413	15.809			18.413	15.809	16.472%
Human services	1.554	1.623			1.554	1.623	-4.251%
Public safety	46.094	48.501			46.094	48.501	-4.963%
Transportation	13.535	13.930			13.535	13.930	-2.836%
Environmental support and protection	4.124	2.891			4.124	2.891	42.650%
Leisure, cultural and information services	22.168	23.947			22.168	23.947	-7.429%
Policy development and implementation	4.727	4.767			4.727	4.767	-0.839%
Interest on long term debt	2.763	2.987			2.763	2.987	-7.499%
Water			20.702	21.595	20.702	21.595	-4.135%
Sewer			17.776	16.125	17.776	16.125	10.239%
Parking			2.478	2.561	2.478	2.561	-3.241%
Port of Redwood City			4.038	3.896	4.038	3.896	3.645%
Total expenses	<u>113.378</u>	<u>114.455</u>	<u>44.994</u>	<u>44.177</u>	<u>158.372</u>	<u>158.632</u>	-0.164%
Change in net assets before transfers and extraordinary item	(1.482)	(5.632)	8.046	10.523	6.564	4.891	34.206%
Transfers	(0.918)	(1.068)	0.918	1.068			
Extraordinary item - pollution remediation				(19.797)		(19.797)	-100.000%
Change in net assets	(2.400)	(6.700)	8.964	(8.206)	6.564	(14.906)	-144.036%
Net assets - July 1, as restated	<u>263.288</u>	<u>269.988</u>	<u>151.597</u>	<u>159.803</u>	<u>414.885</u>	<u>429.791</u>	-3.468%
Net assets - June 30	<u>260.888</u>	<u>263.288</u>	<u>160.561</u>	<u>151.597</u>	<u>421.449</u>	<u>414.885</u>	1.582%

GOVERNMENTAL ACTIVITIES

Governmental activities prior to transfers decreased the City's net assets by \$1.5 million. Including transfers, governmental activities decreased \$2.4 million. Transfers in FY 2009/10 consisted primarily of the \$.9 million transfer out of the general fund to the parking fund to cover parking operations. Key elements of these changes are as follow:

Key elements of the increase/decrease in revenues for governmental activities are as follows:

General governmental revenues increased only .38%, or \$23 thousand from FY 2008/09 as decreases in investment earnings were offset by minor increases in other general governmental revenues.

Community development revenues increased due to the increase in planning revenue related to the Saltworks and Stanford projects. Human services revenues increased due to an increase in grant funded programs for Fair Oaks Community Center. Public safety revenues increased due to increased traffic fines related to photo red light enforcement. Environmental support and protection revenues increased due to the receipt of air quality and energy conservation grants. Leisure, cultural and information services decreased primarily due to a one-time increase in grant revenue related to the opening of the new Redwood Shores Library in the prior year.

Key elements of the increase/decrease in expenses for governmental activities are as follows:

Total expenses were down .9% or \$1.1 million due to increases in community development, and environmental support and protection, offset by declines in human services, public safety, transportation, leisure cultural and information services, policy development and implementation, and interest expense. Community development expenses increased \$2.6 million due to the raid on redevelopment agency funds by the State of California as the State struggled to balance its budget. Environmental support and protection expenses increased \$1.2 million due to the dredging of the Redwood Shores lagoon, and expenses related to Redwood Shores levee certification. Public safety expenses decreased \$2.4 million due to budget reductions. Transportation expenses decreased \$395 thousand due to a reduction in the sidewalk replacement program expenses. Leisure, cultural and information services expenses declined \$1.8 million due to budget reductions and one-time expenses in the prior year related to the opening of the Redwood Shores Library.

BUSINESS-TYPE ACTIVITIES

Business-type activities prior to transfers increased the City's net assets by \$8.1 million in FY 2009/10.

Key elements accounting for increases or decreases in revenues and expenses are as follows:

Business-type revenues were lower in FY 2009/10 than the previous year as the increase in utility rates was offset by the decrease in one-time grant revenue and decreased consumption. Parking fund revenues increased due increased traffic downtown as people were drawn to the downtown area by the theater, restaurants, and City sponsored events. Port revenues decreased \$.6 million due to the receipt of Grant revenue in the previous year.

The water utility's expenses were lower in FY 2009/10 primarily due to a decrease in project expenses related to water conservation and water meter replacement.

Sewer utility expenses increased 10% due to the increased payments to South Bayside System Authority for wastewater treatment.

The expenses of the parking fund decreased 3.2% mainly due to the one-time expenses in the prior year related to pump repair in the downtown underground parking garage and improved cost containment.

The Port of Redwood City experienced a minimal 3.6% increase in expenses due to increased operating expenses.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The general government functions are contained in the general, special revenue, debt service, and capital project funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

At June 30, 2010, the City's governmental funds reported combined fund balances of \$102.1 million, which reflects a decrease of \$12.3 million from the beginning year balance.

Governmental fund revenues increased \$3.9 million this year to \$111.2 million. Increases occurred in the general fund, capital outlay fund, and grants fund revenues. Expenditures, including capital outlay, increased \$7.5 million this year to \$122.7 million. Most of the increase was attributable to an increase in principal expenditure as the City redeemed the 1998 City Hall Lease Revenue Certificates of Participation and the 1997 Tax Allocation Bonds in the current fiscal year. This increase was partially offset by decreased capital outlay expenditures due to the purchase of the CEMEX property in the prior fiscal year.

The general fund is the primary operating fund of the City. At June 30, 2010, unreserved fund balance of the general fund was \$21 million of which \$17.6 million is available for subsequent years' expenditures while total fund balance decreased to \$24.7 million from a beginning fund balance of \$39.1 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 27% of total fund expenditures, while total fund balance represents 32% of that same amount. The City's general fund balance decreased by \$14.4 million during the current fiscal year.

The following are the major funds that qualified under the reporting criteria for major funds selection:

General Fund - General fund revenues increased approximately \$.5 million this fiscal year primarily due to increases in property tax, and planning revenue related to the Saltworks and Stanford projects, offset by declines in all other categories of revenues. Sales taxes decreased \$.5 million and utility users' tax decreased \$.3 million due to the recession. The increase in property tax resulted from an increase in the amount of reimbursement from San Mateo County for prior year payments to the Education Revenue Augmentation Fund (ERAF). The general fund received \$3.9 million from the county as its share of the ERAF rebate in FY 2009/10, an increase of \$955,420.

ERAF, which was created by state law in the early 1990's, allowed the state to shift on an ongoing basis a portion of each city, county, and special district's property taxes to school districts. This shift allowed the state to decrease the state's general fund support to schools throughout the state and concomitantly reduced state funding of schools. Within each county, ERAF revenues are allocated to schools based upon a formula that considers, among several factors, the average daily attendance and the amount of each school district's own property tax revenue. Within San Mateo County, the outcome of applying this formula was that the school districts did not require all of the funds shifted from the cities, county, and special districts. Consequently, these funds were returned to each entity in proportion to the amount that was initially collected.

General fund expenditures decreased \$2.4 million as a result of adopted budget reductions and a citywide salary freeze to offset the effects of the recession.

Transfers out of the general fund increased \$10.3 million in FY 2009/10 primarily due to an increase in transfer to the 1998 City Hall Lease Revenue Certificates of Participation fund to cover the early redemption of the outstanding certificates of participation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Outlay Fund - This fund accounts for resources provided to finance general governmental capital projects. In FY 2009/10, the capital outlay fund generated \$3 million in revenue, most of which was from interest and intergovernmental grants. This fund was also the recipient of \$7.4 million of transfers from the general fund. Total outlays were \$7.6 million of which \$2 million met with City's criteria for capitalization. The balance (\$5.6 million) was expended in FY 2009/10. Total outlays in the prior year (FY 2008/09) were \$13.3 million. Of the capital outlay fund's \$22.2 million fund balance, \$22.1 million is reserved or designated for specific capital projects.

Redevelopment Agency Fund – This fund accounts for resources provided to finance the City's Redevelopment Agency, a separate legal entity organized pursuant to the community redevelopment law of the Health and Safety Code of the State of California. The City Council also serves on the Board of Directors of the Redevelopment Agency. The Redevelopment Agency's fund balance decreased by \$3.6 million due to the required \$3.6 million payment made to the State of California to assist the State in covering its budget deficit.

Low and Moderate Income Housing Fund – This fund accounts for redevelopment property tax increment revenues which are restricted for low and moderate income housing. The fund balance increased by \$3.1 million as projects were delayed, and cash was loaned to the Redevelopment Agency fund to enable the Redevelopment Agency fund to make the required \$3.6 million payment to the State of California.

Proprietary Funds

Enterprise fund net assets totaled \$160.6 million at the end of the fiscal year, an increase of \$9 million over the prior year balance of \$151.6 million. Enterprise operating revenues were \$50 million this year, an increase of \$1.5 million over last year, while net non-operating revenues (expenses) were \$1.7 million compared to \$4.9 million the prior year. Net non-operating revenues (expenses) experienced a \$3.2 million change due to the decreases in grant revenue of \$3 million and decrease in the interest expense of \$.6 million, offset by minor changes in other non-operating revenues (expenses).

Enterprise fund operating expenses were \$44 million this year, up \$1.3 million from the prior year, most of which was due to higher operating expenses in the sewer utility funds.

Water Utility - Net assets of the water utility fund increased \$2.8 million in the current year to a total of \$58.6 million. This increase resulted from a decrease in expenses related to water conservation and water meter replacement, and a decrease in interest expense.

Sewer Utility - The sewer utility fund realized operating income of \$2.6 million in the current year, down slightly from the operating income of \$2.7 million in the prior year. Revenues increased by \$1.5 million while expenses increased \$1.7 million over the prior year due to increased costs associated with the South Bayside System Authority for wastewater treatment.

Parking Fund - Operating revenues increased by \$165,000 this year to \$1 million, while operating expenses remained at \$2.5 million. The general fund transferred \$979,000 into the parking fund to partially cover the operating deficit.

Port Fund - Operating revenues were up 4.4% while operating expenses were up 4.6% from FY 2008/09. Interest income decreased 69% from \$346,000 to \$108,000. Overall, net assets increased from \$23 million to \$25 million, or 9%.

GENERAL FUND BUDGETARY HIGHLIGHTS

Property taxes exceeded budget by \$.7 million primarily due to the receipt of a \$3.9 million payment from the County of San Mateo due to the over-deduction of Education Revenue Augmentation Fund amounts from the City

MANAGEMENT'S DISCUSSION AND ANALYSIS

in prior years, which exceeded the estimated amount by \$1.4 million and offset the \$.7 million unfavorable budget variance of the secured and unsecured property tax.

Sales and other taxes were less than budget by \$1.1 million mostly due to an unanticipated decline in sales tax revenue (\$.8 million), transient occupancy taxes (\$.2 million) and utility users' tax (\$.5 million), offset by higher property transfer tax (\$.5 million).

Licenses and permits were less than budget by \$.7 million due to continued decline in construction activity during the year.

Interest income was \$120,000 less than budgeted as interest rates continued to decline.

Charges for services were \$.2 million less than budgeted primarily due to a continued decline in plan checking and planning services revenue related to decreased construction activity, offset by unanticipated increases in planning services revenues related to the Stanford and Saltworks projects.

Other revenue exceeded budget by \$117,000 due primarily to the write off of old developer deposits for which records do not exist.

Expenditures, overall, were \$3 million less than budgeted primarily due to an unspent appropriation of \$.2 million for the City's General Plan and \$.6 million in reimbursable planning projects which are encumbered as of June 30, 2010, savings in law enforcement of \$.4 million due to vacancies, and citywide vacancies due to a temporary hiring freeze across departments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of FY 2009/10, the City had \$376.1 million, net of depreciation, invested in a broad range capital assets used in governmental and business-type activities, as shown in the table below. Additional information on the City's capital assets can be found in Note 4 and Note 16 of this report.

Capital Assets at Year-end (in Millions)

	Governmental Activities		Business-Type Activities		Total		Variance
	2010	2009	2010	2009	2010	2009	
	\$	\$	\$	\$	\$	\$	
Land	34.105	34.105	3.448	3.448	37.553	37.553	0.000%
Streets	102.497	101.113			102.497	101.113	1.369%
Construction in progress	9.422	10.419	24.603	22.955	34.025	33.374	1.951%
Buildings	83.181	80.956	58.169	56.832	141.350	137.788	2.585%
Equipment	20.503	20.175	1.470	1.445	21.973	21.620	1.633%
Improvements	15.803	13.705	119.874	112.377	135.677	126.082	7.610%
Harbor improvements			4.171	3.446	4.171	3.446	21.039%
Parks, bridges, etc.	27.346	27.346			27.346	27.346	0.000%
Traffic signals	2.815	2.661			2.815	2.661	5.787%
Storm drains	9.612	9.612			9.612	9.612	0.000%
Less accumulated depreciation	(91.551)	(83.332)	(49.351)	(45.688)	(140.902)	(129.020)	9.209%
Total capital assets	213.733	216.760	162.384	154.815	376.117	371.575	1.222%

Governmental Activities

The 9.6% decrease in Construction in Progress is driven by the completion of construction projects in connection with the Courthouse Plaza, Library building improvements, park facilities, and major street improvements which translated into increases in buildings, streets, and improvements. Equipment increased primarily due to the purchase of a fire engine.

Business-Type Activities

The \$1.6 million increase in Construction in Progress resulted primarily from the recycled water project. Buildings increased due to the increase in boating facilities at the Port. Equipment increased primarily due to the purchase of a new accounting system for the Port. The increase in improvements was related to the water and sewer system replacement and the recycled water distribution system. The increase in Harbor improvements was related to road and storm drain improvements at the Port.

Long-Term Debt - Issues described in detail in Notes 6 and 7 to Financial Statements.

Outstanding Debt (in Millions)

	Governmental Activities		Business-Type Activities		Total		Variance
	2010	2009	2010	2009	2010	2009	
	\$	\$	\$	\$	\$	\$	
Revenue bonds	9.808	20.228	78.236	80.141	88.044	100.369	-12.280%
Tax increment bonds	43.423	46.133			43.423	46.133	-5.874%
Loans	0.127	0.169	1.848	1.876	1.975	2.045	-3.423%
Accrued sick leave and vacation	9.644	9.693	0.851	0.955	10.495	10.648	-1.437%
Total long term debt	63.002	76.223	80.935	82.972	143.937	159.195	-9.584%

SPECIAL ASSESSMENT DISTRICT DEBT

Special assessment districts in different parts of the City have also issued debt to finance infrastructure and facilities construction in their respective districts.

At June 30, 2010, a total of \$23.2 million in special assessment district debt was outstanding, issued by two special assessment districts. This debt is secured only by special assessments on the real property in the district issuing the debt, and is not the City's responsibility, although the City does act as these Districts' agent in the collection and remittance of assessments.

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

Redwood City continues to be impacted by the recession that enveloped the nation in late 2007. Although the recession officially ended in June 2009 the affects continue to impact local governments in California. Redwood City, like many cities, is heavily dependent upon property taxes and sales taxes with these revenues accounting for 42% and 18% of general fund revenues respectively. Both of these revenue sources are heavily reliant on the consumer who has pulled back in the recent recession due of the massive job losses, continued high unemployment, and stock market declines.

Until we see a decline in unemployment to levels seen before the onset of the most recent recession we are not optimistic that annual increases in property tax and sales tax revenues will rebound to healthy levels.

With very slow growth expected for property taxes and sales taxes in the coming years along with higher expected contributions to the California Public Employees Retirement System, staff is projecting annual deficits in the general fund in the coming years that top out at \$5 million (or 6% of general fund revenues) in FY 2014/15 despite the City Council approving more than \$6 million of expenditure reductions in FY 2010/11.

MANAGEMENT'S DISCUSSION AND ANALYSIS

It is expected that the Council will consider a range of options in the coming years to bring revenues and expenditures back into balance – reductions in salary and benefit costs for current employees, more programmatic reductions, and placing tax increases before the voters.

One potential bright spot occurred in November 2010 when the voters approved Proposition 22 which is intended to prohibit the State from borrowing or diverting revenues from local governments. Should this amendment to the State Constitution operate as anticipated one significant threat to the fiscal stability of local governments will have been removed.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Comprehensive Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. Questions about this report should be directed to the Finance Department, at 1017 Middlefield Road, Redwood City, CA 94063



*City of Redwood City
Comprehensive Annual Financial Report
June 30, 2010*

STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

The Statement of Net Assets and the Statement of Activities are statements required by Governmental Accounting Standards Board Statement No. 34. Their purpose is to summarize the entire City's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the City's assets and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis of accounting — the effect of all the City's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between City funds have been eliminated.

The Statement of Net Assets reports the difference between the City's total assets and the City's total liabilities, including all the City's capital assets and all its long-term debt. The Statement of Net Assets presents similar information to the old balance sheet format, but presents it in a way that focuses the reader on the composition of the City's net assets, by subtracting total liabilities from total assets.

The Statement of Net Assets summarizes the financial position of the City's governmental activities in a single column, and the financial position of all City business-type activities in a single column; these columns are followed by a total column that presents the financial position of the entire City.

The City's governmental activities include the activities of its general fund, along with all its special revenue, capital projects and debt service funds. Since the City's internal service funds service these funds, their activities are consolidated with governmental activities, after eliminating inter-fund transactions and balances. The City's business-type activities include all its enterprise fund activities.

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

The Statement of Activities presents the City's expenses first, listed by program, and follows these with the expenses of its business-type activities. 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 and business-type activity. The City's general revenues are then listed in the governmental activities or business-type activities column, as appropriate, and the Change in Net Assets is computed and reconciled with the Statement of Net Assets.

Both these statements include the financial activities of the City and the Redevelopment Agency of the City of Redwood City, which is legally separate but is a component unit of the City because it is controlled by the City, which is financially accountable for the Agency's activities.

CITY OF REDWOOD CITY, CALIFORNIA
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities \$	Business-Type Activities \$	Total \$
ASSETS			
Cash and investments available for operations	100,214,672	35,729,624	135,944,296
Cash and investments, restricted	10,910,311	11,913,512	22,823,823
Receivables (net of allowance for uncollectibles):			
Taxes and assessments - current	5,587,515		5,587,515
Accounts	1,369,878	3,458,326	4,828,204
Loans	13,192,699		13,192,699
Accrued interest	1,276,537	26,330	1,302,867
Due from other governmental agencies	2,843,655	1,742,157	4,585,812
Inventory of supplies at cost	208,124		208,124
Deposits	254,302	136,424	390,726
Prepaid items	29,450	238,719	268,169
Investment in land held for redevelopment	5,795,950		5,795,950
Capital assets:			
Nondepreciable	43,526,558	28,050,709	71,577,267
Depreciable buildings, property, equipment and infrastructure, net	170,206,373	134,333,234	304,539,607
Unamortized bond issuance costs	1,280,901	1,301,517	2,582,418
Investment in sewer authority		31,416,948	31,416,948
	<u>356,696,925</u>	<u>248,347,500</u>	<u>605,044,425</u>
LIABILITIES			
Accounts payable	5,593,135	4,117,061	9,710,196
Accrued interest payable	486,881	1,282,750	1,769,631
Accrued payroll	2,444,789		2,444,789
Deposits payable	4,838,369	773,364	5,611,733
Insurance claims payable:			
Due in one year	3,133,466		3,133,466
Due in more than one year	7,922,860		7,922,860
Unearned revenue	2,166,757	223,799	2,390,556
Accrued sick leave and vacation:			
Due in one year	350,539	458,193	808,732
Due in more than one year	9,293,649	393,186	9,686,835
Net OPEB obligation due in more than one year	6,220,378	454,099	6,674,477
Long-Term Debt:			
Due in one year	3,213,378	1,999,042	5,212,420
Due in more than one year	50,144,256	78,085,154	128,229,410
	<u>95,808,457</u>	<u>87,786,648</u>	<u>183,595,105</u>
NET ASSETS			
Invested in capital assets, net of related debt	<u>169,093,206</u>	<u>90,877,809</u>	<u>259,971,015</u>
Restricted for:			
Capital projects	23,500,005	179,486	23,679,491
Debt service	1,898,198	5,480,733	7,378,931
Community development projects	24,746,704		24,746,704
Maintenance	4,333,798		4,333,798
Public safety	150,108		150,108
	<u>54,628,813</u>	<u>5,660,219</u>	<u>60,289,032</u>
Total restricted net assets	<u>54,628,813</u>	<u>5,660,219</u>	<u>60,289,032</u>
Unrestricted net assets	<u>37,166,449</u>	<u>64,022,824</u>	<u>101,189,273</u>
Total net assets	<u>260,888,468</u>	<u>160,560,852</u>	<u>421,449,320</u>

See accompanying notes to financial statements

CITY OF REDWOOD CITY, CALIFORNIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Overhead Charges	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
	\$	\$	\$	\$	\$	\$	\$	\$
Governmental Activities:								
Community development	18,212,661	199,889	3,996,401	2,379,664	238,269	(11,798,216)		(\$11,798,216)
Human services	1,554,411			505,650		(1,048,761)		(1,048,761)
Public safety	46,093,823		1,995,853	1,267,549	2,312,773	(40,517,648)		(40,517,648)
Transportation	13,535,438		304,275	1,342,113	2,732,572	(9,156,478)		(9,156,478)
Environmental support and protection	4,104,953	19,363	1,351,354	274,373	1,615,834	(882,755)		(882,755)
Leisure, cultural and information services	22,143,551	25,377	2,430,818	1,576,587	1,059,211	(17,102,312)		(17,102,312)
Policy development and implementation	6,059,575	(1,333,034)	1,626,141	34,648	19,815	(3,045,937)		(3,045,937)
Interest on long term debt	2,762,933					(2,762,933)		(2,762,933)
Total Governmental Activities	114,467,345	(1,088,405)	11,704,842	7,380,584	7,978,474	(86,315,040)		(86,315,040)
Business-Type Activities:								
Water Utility Fund	20,106,080	595,968	23,063,981		191,945		2,553,878	2,553,878
Sewer Utility Fund	17,322,560	453,950	21,853,009		388,021		4,464,520	4,464,520
Parking Fund	2,438,504	38,487	1,005,328				(1,471,663)	(1,471,663)
Port of Redwood City	4,038,336		5,595,399	478,356			2,035,419	2,035,419
Total Business-Type Activities	43,905,480	1,088,405	51,517,717	478,356	579,966		7,582,154	7,582,154
Total	158,372,825		63,222,559	7,858,940	8,558,440	(86,315,040)	7,582,154	(78,732,886)
General revenues:								
Taxes:								
Property taxes						48,052,021	25,904	48,077,925
Sales taxes						15,023,882		15,023,882
Franchise taxes						3,351,756		3,351,756
Property transfer taxes						714,562		714,562
Business license taxes						1,400,087		1,400,087
Utility users taxes						9,681,668		9,681,668
Transient occupancy taxes						2,657,527		2,657,527
Motor vehicle in lieu taxes						228,797		228,797
Investment Earnings						1,629,298	435,559	2,064,857
Other						2,093,288	2,885	2,096,173
Transfers						(917,651)	917,651	
Total general revenues and transfers						83,915,235	1,381,999	85,297,234
Change in Net Assets						(2,399,805)	8,964,153	6,564,348
Net Assets-Beginning, as restated						263,288,273	151,596,699	414,884,972
Net assets-Ending						260,888,468	160,560,852	421,449,320

See accompanying notes to financial statements



*City of Redwood City
Comprehensive Annual Financial Report
June 30, 2010*

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Major funds are defined generally as having significant activities or balances in the current year. No distinction is made between fund types and the practice of combining like funds and presenting their totals in separate columns (combined financial statements) has been discontinued, along with the use of the general fixed assets and general long-term debt groups of accounts.

The governmental funds described below were determined to be major funds by the City in fiscal year 2009/10.

GENERAL FUND

The general fund is the general operating fund of the City. It is used to account for all financial resources except those to be accounted for in another fund.

CAPITAL OUTLAY FUND

This fund accounts for all miscellaneous capital improvement projects that are financed by the general fund.

REDEVELOPMENT AGENCY FUND

This fund accounts for funds to be provided by loans and/or property tax increment from specific redevelopment areas for redevelopment projects within those areas.

LOW AND MODERATE INCOME HOUSING FUND

This fund accounts for redevelopment property tax increment revenues which may be used strictly for low and moderate income housing.

CITY OF REDWOOD CITY, CALIFORNIA
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2010

	General Fund	Capital Outlay Fund	Redevelopment Agency Fund	Low and Moderate Income Housing Fund	Non-Major Governmental Funds	Total Governmental Funds
	\$	\$	\$	\$	\$	\$
ASSETS						
Cash and investments available for operations	24,537,778	19,650,345	2,856,232	8,687,633	22,449,772	78,181,760
Cash and investments, restricted			1,772,066		9,138,245	10,910,311
Receivables (net of allowance for uncollectibles):						
Taxes and assessments - current	5,380,290				207,225	5,587,515
Accounts	1,305,177		11,105	6,152	30,638	1,353,072
Loans	2,255,859	1,628,571	1,245,479	4,723,615	3,339,175	13,192,699
Accrued interest	409,584		269,594	429,406	54,926	1,163,510
Due from other governmental agencies	998,170	719,704			970,218	2,688,092
Inventory of supplies at cost	1,194					1,194
Advances to other funds		2,645,939		2,812,838		5,458,777
Prepaid items	23,700		5,750			29,450
Investment in land held for redevelopment			293,106	3,410,442	2,092,402	5,795,950
Total Assets	34,911,752	24,644,559	6,453,332	20,070,086	38,282,601	124,362,330
LIABILITIES						
Accounts payable	2,104,820	684,609	1,046,724	500,090	824,576	5,160,819
Accrued payroll	2,444,789					2,444,789
Deposits payable	4,534,264	240,230		62,497	1,378	4,838,369
Deferred revenue			269,594	429,406	24,197	723,197
Unearned revenue	1,093,671		26,780		1,046,306	2,166,757
Advances from other funds		1,500,000	5,458,777			6,958,777
Accrued sick leave and vacation	10,237					10,237
Total Liabilities	10,187,781	2,424,839	6,801,875	991,993	1,896,457	22,302,945
FUND BALANCES						
Reserved for:						
Encumbrances	1,451,782	1,338,800	105,523		791,767	3,687,872
Loans	2,255,859	1,628,571	1,245,479	4,223,615	3,128,481	12,482,005
Land held for redevelopment			293,106	3,410,442	2,092,402	5,795,950
Low income housing						
Inventory	1,194					1,194
Prepaid items	23,700		5,750			29,450
Advances to other funds		2,645,939		2,812,838		5,458,777
Debt service					2,344,490	2,344,490
Unreserved, reported in:						
General fund	20,991,436					20,991,436
Special revenue funds			(1,998,401)	8,631,198	26,073,936	32,706,733
Debt service funds					40,589	40,589
Capital projects funds		16,606,410			1,914,479	18,520,889
TOTAL FUND BALANCES	24,723,971	22,219,720	(348,543)	19,078,093	36,386,144	102,059,385
Total Liabilities and Fund Balances	34,911,752	24,644,559	6,453,332	20,070,086	38,282,601	124,362,330

See accompanying notes to financial statements

CITY OF REDWOOD CITY, CALIFORNIA
RECONCILIATION OF THE
GOVERNMENTAL FUNDS - BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS
JUNE 30, 2010

	\$
TOTAL FUND BALANCES -- TOTAL GOVERNMENTAL FUNDS	102,059,385
<p>Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds above because of the following:</p>	
<p>CAPITAL ASSETS</p>	
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	205,321,248
<p>ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS</p>	
Internal service funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance and central services and maintenance, to individual governmental funds. The assets and liabilities of the Internal Service Funds are therefore included in Governmental Activities in the Statement of Net Assets.	19,743,764
<p>ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES</p>	
The amounts below are revenues in the statement of activities that do not provide current financial resources and therefore are not reported as revenues in the Funds:	
Interest revenue	113,027
Deferred revenue	723,197
<p>LONG TERM ASSETS AND LIABILITIES</p>	
The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:	
Unamortized bond issuance costs	1,280,901
Long-term debt	(53,357,634)
Interest payable	(486,881)
Accrued sick leave and vacation	(8,759,160)
Net OPEB obligation	(5,749,379)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	260,888,468

See accompanying notes to financial statements

CITY OF REDWOOD CITY, CALIFORNIA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund \$	Capital Outlay Fund \$	Redevelopment Agency Fund \$	Low and Moderate Income Housing Fund \$	Non-Major Governmental Funds \$	Total Governmental Funds \$
REVENUES						
Property taxes/special assessments	35,321,346		8,056,625	4,674,050	1,299,448	49,351,469
Sales and other taxes	30,964,483					30,964,483
Licenses and permits	875,019					875,019
Fines, forfeitures and penalties	453,841				762,763	1,216,604
Use of money and property	872,014	379,136	64,406	165,745	2,783,146	4,264,447
Intergovernmental	3,958,303	2,587,173			7,166,241	13,711,717
Contributions	370,914	25,000	156,432		277,215	829,561
Charges for current services	8,312,642	10,107		100	72,734	8,395,583
Other	1,574,879	4,698	710	629	27,523	1,608,439
Total Revenues	82,703,441	3,006,114	8,278,173	4,840,524	12,389,070	111,217,322
EXPENDITURES						
Current Operations:						
Community development	7,170,914	158,340	8,866,696	707,160	1,252,390	18,155,500
Human services	1,465,105					1,465,105
Public safety	45,110,854	185,602			203,994	45,500,450
Transportation	288,645	2,306,004			5,958,252	8,552,901
Environmental support and protection	367,020	1,495,380			2,290,209	4,152,609
Leisure, cultural and information services	19,779,471	669,406			30,578	20,479,455
Policy development and implementation	2,553,593	745,493				3,299,086
Capital outlay	9,686	2,032,774	84,911		2,897,937	5,025,308
Debt service:						
Principal retirement			42,321		14,615,000	14,657,321
Interest and fiscal charges					1,378,637	1,378,637
Total Expenditures	76,745,288	7,592,999	8,993,928	707,160	28,626,997	122,666,372
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,958,153	(4,586,885)	(715,755)	4,133,364	(16,237,927)	(11,449,050)
OTHER FINANCING SOURCES (USES)						
Transfers in	1,365,737	7,520,575			19,769,603	28,655,915
Transfers (out)	(21,695,416)	(3,074,313)	(2,855,161)	(1,076,557)	(888,705)	(29,590,152)
Total Other Financing Sources (Uses)	(20,329,679)	4,446,262	(2,855,161)	(1,076,557)	18,880,898	(934,237)
NET CHANGE IN FUND BALANCES	(14,371,526)	(140,623)	(3,570,916)	3,056,807	2,642,971	(12,383,287)
Fund balances at beginning of period	39,095,497	22,360,343	3,222,373	16,021,286	33,743,173	114,442,672
FUND BALANCES AT END OF PERIOD	24,723,971	22,219,720	(348,543)	19,078,093	36,386,144	102,059,385

See accompanying notes to financial statements

CITY OF REDWOOD CITY, CALIFORNIA
RECONCILIATION OF THE
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
WITH THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

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

	\$
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	(12,383,287)
Amounts reported for governmental activities in the Statement of Activities are different because of the following:	
CAPITAL ASSETS TRANSACTIONS	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
The capital outlay expenditures are therefore added back to fund balance.	5,025,308
Depreciation expense is deducted from the fund balance.	
(Depreciation expense is net of internal service fund depreciation of \$1,080,447 which has already been allocated to serviced funds.)	(8,139,383)
Loss on retirements of capital assets	(20,415)
LONG TERM DEBT PROCEEDS AND PAYMENTS	
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.	
Repayment of debt principal is added back to fund balance.	14,657,321
ACCRUAL OF NON-CURRENT ITEMS	
The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):	
Change in compensated absences	58,854
Change in interest payable	131,249
Interest accreted on capital appreciation debt	(1,515,545)
Amortization of bond premium	31,057
Amortization of issuance costs	(67,976)
Interest receivable and intergovernmental revenue	(808,002)
Transfer net OPEB obligation from Employee Benefits internal service fund to governmental activities	(5,749,379)
ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY	
Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds. The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.	
Change in Net Assets - All Internal Service Funds	6,380,393
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	(2,399,805)

See accompanying notes to financial statements

PROPRIETARY FUND FINANCIAL STATEMENTS

ENTERPRISE FUNDS

WATER UTILITY FUND

This fund is used to account for the provision of water services to the residents of Redwood City and some residents of areas adjacent to the City. All activities necessary to provide such services are accounted for in these funds, including, but not limited to, administration, operations, maintenance, capital improvements, financing, and billing/collections.

SEWER UTILITY FUND

This fund is used to account for the provision of sewer services to the residents of Redwood City and some residents of areas adjacent to the City. All activities necessary to provide such services are accounted for in these funds, including, but not limited to, administration, operations, maintenance, capital improvements, financing, and billing/collections.

PARKING FUND

This fund is used to account for on-street and off-street parking operations within the boundaries of the central business district of the City. All activities necessary to provide metered parking within the district are accounted for in these funds, including, but not limited to, administration, operations and maintenance, capital improvements, meter collection, and financing including related debt service. The authority for the formation of the district and the issuance of revenue bonds are contained in the State of California's Streets and Highway Code.

PORT OF REDWOOD CITY (PORT FUND)

This fund is used to account for Port activities within the Port Department as defined in the City Charter. These activities include, but are not limited to, administration, maintenance and operations, and Port improvements. Management of the Port of Redwood City is provided by the Port Commission, whose members are appointed for four-year terms by the City Council. The only limitation to the commissioner's authority is the power to levy taxes, which must be approved by the City Council. Also, the City Charter provides that the City Treasurer is the Port Treasurer and the City Attorney is the Port Attorney. This fund is included in this report because both the Bureau of Census and the State of California require the City to include a summary of the Port's financial transactions in the respective reports.

INTERNAL SERVICE FUNDS

These funds are used to account for the financing of goods and services provided by one City department to others on a cost reimbursement basis. Internal service funds are included with enterprise funds as both use the same accounting and financial reporting.

CITY OF REDWOOD CITY, CALIFORNIA
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2010

	Business-Type Activities-Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	Water Utility Fund	Sewer Utility Fund	Parking Fund	Port of Redwood City		
	\$	\$	\$	\$	\$	\$
ASSETS						
Current assets:						
Cash and investments available for operations	11,911,798	5,910,760	396,675	17,510,391	35,729,624	22,032,912
Receivables (net of allowance for uncollectibles):						
Accounts	1,881,805	1,042,722	10,123	523,676	3,458,326	16,806
Accrued interest	26,330				26,330	
Due from other governmental agencies	289,224	893,614		559,319	1,742,157	155,563
Inventory of supplies at cost						206,930
Advances to other funds	416,667				416,667	1,500,000
Deposits	136,424				136,424	254,302
Prepaid items				238,719	238,719	
Total current assets	<u>14,662,248</u>	<u>7,847,096</u>	<u>406,798</u>	<u>18,832,105</u>	<u>41,748,247</u>	<u>24,166,513</u>
Noncurrent assets:						
Cash and investments, restricted	11,008,241			905,271	11,913,512	
Capital assets:						
Nondepreciable	22,312,360	1,282,798	822,913	3,632,638	28,050,709	
Depreciable buildings, property, equipment and infrastructure, net	84,825,065	12,892,002	25,374,245	11,241,922	134,333,234	8,411,683
Unamortized bond issuance costs	1,143,482			158,035	1,301,517	
Investment in sewer authority		31,016,948		400,000	31,416,948	
Total noncurrent assets	<u>119,289,148</u>	<u>45,191,748</u>	<u>26,197,158</u>	<u>16,337,866</u>	<u>207,015,920</u>	<u>8,411,683</u>
Total assets	<u>133,951,396</u>	<u>53,038,844</u>	<u>26,603,956</u>	<u>35,169,971</u>	<u>248,764,167</u>	<u>32,578,196</u>
LIABILITIES						
Current liabilities:						
Accounts payable	3,207,983	348,490	35,036	525,552	4,117,061	432,316
Deposits payable	578,538		22,904	171,922	773,364	
Insurance claims payable - current portion						3,133,466
Advances from other funds		416,667			416,667	
Accrued sick leave and vacation - current portion	168,140	78,206	36,785	175,062	458,193	340,302
Revenue bonds payable - current portion	1,718,709			251,364	1,970,073	
Loans/leases payable - current portion				28,969	28,969	
Unearned revenue				223,799	223,799	
Accrued interest payable	1,221,152	583		61,015	1,282,750	
Total current liabilities	<u>6,894,522</u>	<u>843,946</u>	<u>94,725</u>	<u>1,437,683</u>	<u>9,270,876</u>	<u>3,906,084</u>
Noncurrent liabilities:						
Insurance claims payable						7,922,860
Accrued sick leave and vacation	195,186	115,506	82,494		393,186	534,489
Net OPEB obligation	293,461	110,271	50,367		454,099	470,999
Revenue bonds payable	67,939,001			8,326,698	76,265,699	
Loans payable			1,300,000	519,455	1,819,455	
Total noncurrent liabilities	<u>68,427,648</u>	<u>225,777</u>	<u>1,432,861</u>	<u>8,846,153</u>	<u>78,932,439</u>	<u>8,928,348</u>
Total liabilities	<u>75,322,170</u>	<u>1,069,723</u>	<u>1,527,586</u>	<u>10,283,836</u>	<u>88,203,315</u>	<u>12,834,432</u>
NET ASSETS						
Invested in capital assets, net of related debt	37,479,715	14,174,800	24,897,158	14,326,136	90,877,809	8,411,683
Restricted for capital projects			179,486		179,486	
Restricted for debt service	4,754,770			725,963	5,480,733	
Unrestricted	16,394,741	37,794,321	(274)	9,834,036	64,022,824	11,332,081
Total net assets	<u>58,629,226</u>	<u>51,969,121</u>	<u>25,076,370</u>	<u>24,886,135</u>	<u>160,560,852</u>	<u>19,743,764</u>

See accompanying notes to financial statements

CITY OF REDWOOD CITY, CALIFORNIA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2010

	Business-Type Activities-Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	Water Utility Fund	Sewer Utility Fund	Parking Fund	Port of Redwood City		
	\$	\$	\$	\$	\$	\$
Operating Revenues:						
Charges for services	23,063,981	20,310,016	1,005,328	5,595,399	49,974,724	21,001,278
Total Operating Revenues	23,063,981	20,310,016	1,005,328	5,595,399	49,974,724	21,001,278
Operating Expenses:						
Employee services	4,409,064	2,046,888	1,011,286	1,090,383	8,557,621	8,235,398
Maintenance	802,293	419,350	137,223	197,958	1,556,824	2,004,158
Water purchases	8,233,548				8,233,548	
Utilities	234,234	172,785	120,096	175,976	703,091	62,683
Contractual services	828,044	10,931,559	501,745	624,464	12,885,812	487,365
Supplies and services	3,889,581	3,721,127	111,911	837,351	8,559,970	1,278,776
Depreciation and amortization	2,102,655	462,046	580,047	606,616	3,751,364	1,080,447
Insurance and claims						7,875,870
Total Operating Expenses	20,499,419	17,753,755	2,462,308	3,532,748	44,248,230	21,024,697
Operating Income (Loss)	2,564,562	2,556,261	(1,456,980)	2,062,651	5,726,494	(23,419)
Nonoperating Revenues (Expenses):						
Gain (loss) on disposal of equipment	(110,631)	(18,463)			(129,094)	(86,605)
Property taxes			25,904		25,904	
Grant revenue				478,356	478,356	
Investment earnings	268,280	59,236		108,043	435,559	326,423
Interest expense	(91,998)	(4,292)	(14,683)	(505,588)	(616,561)	
Increase (decrease) in investment in sewer authority		1,542,993			1,542,993	
Insurance recovery	2,885				2,885	17,014
Net Nonoperating Revenues (Expenses)	68,536	1,579,474	11,221	80,811	1,740,042	256,832
Net Income (Loss) Before Capital Contributions and Transfers	2,633,098	4,135,735	(1,445,759)	2,143,462	7,466,536	233,413
Capital contributions	191,945	388,021			579,966	381,015
Transfers in			978,527		978,527	6,184,824
Transfers (out)	(14,818)	(5,954)	(40,104)		(60,876)	(418,859)
Total Capital Contributions and Transfers	177,127	382,067	938,423		1,497,617	6,146,980
Change in net assets	2,810,225	4,517,802	(507,336)	2,143,462	8,964,153	6,380,393
Total net assets-beginning, as restated	55,819,001	47,451,319	25,583,706	22,742,673	151,596,699	13,363,371
Total net assets-ending	58,629,226	51,969,121	25,076,370	24,886,135	160,560,852	19,743,764

See accompanying notes to financial statements

CITY OF REDWOOD CITY, CALIFORNIA
 PROPRIETARY FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Water Utility Fund	Sewer Utility Fund	Parking Fund	Port of Redwood City	Totals	Governmental Activities - Internal Service Funds
	\$	\$	\$	\$	\$	\$
Cash flows from operating activities:						
Cash received from customers	24,177,155	20,120,155	999,348	5,474,199	50,770,857	
Cash received from interfund services provided						21,071,333
Cash payments to suppliers for goods and services	(11,159,086)	(13,461,627)	(801,213)	(1,740,975)	(27,162,901)	(11,203,230)
Cash payments to employees for services	(4,514,805)	(2,080,890)	(1,006,383)	(1,059,435)	(8,661,513)	(8,235,174)
Right of way compensation	(2,250,000)	(1,600,101)	(42,000)		(3,892,101)	
Net cash provided by operating activities	<u>6,253,264</u>	<u>2,977,537</u>	<u>(850,248)</u>	<u>2,673,789</u>	<u>11,054,342</u>	<u>1,632,929</u>
Cash flows from noncapital financing activities:						
Nonoperating grant revenue				400,326	400,326	
Insurance recovery	2,885				2,885	17,014
Property taxes			25,904		25,904	
Transfers in	293,461	110,271	988,790		1,392,522	96,430
Transfers out						(554,715)
Advances from other funds		(833,333)			(833,333)	
Advances to other funds	833,333				833,333	1,000,000
Net cash provided by noncapital financing activities	<u>1,129,679</u>	<u>(723,062)</u>	<u>1,014,694</u>	<u>400,326</u>	<u>1,821,637</u>	<u>558,729</u>
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(6,013,256)	(1,410,599)		(1,115,255)	(8,539,110)	(915,420)
Principal retirements	(1,675,000)			(277,721)	(1,952,721)	
Interest paid	(2,990,528)	(8,428)	(14,683)	(499,137)	(3,512,776)	
Contributions	191,945				191,945	
Proceeds from sale of equipment						42,992
Net cash used for capital and related financing activities	<u>(10,486,839)</u>	<u>(1,419,027)</u>	<u>(14,683)</u>	<u>(1,892,113)</u>	<u>(13,812,662)</u>	<u>(872,428)</u>
Cash flows from investing activities:						
Interest on investments	331,173	93,869		114,891	539,933	507,692
Change in fair value of investments	(59,311)	(34,633)			(93,944)	(181,269)
Net cash provided by investing activities	<u>271,862</u>	<u>59,236</u>		<u>114,891</u>	<u>445,989</u>	<u>326,423</u>
Net increase (decrease) in cash and cash equivalents	(2,832,034)	894,684	149,763	1,296,893	(490,694)	1,645,653
Cash and cash equivalents at beginning of year	25,752,073	5,016,076	246,912	17,118,769	48,133,830	20,387,259
Cash and cash equivalents at end of year	<u>22,920,039</u>	<u>5,910,760</u>	<u>396,675</u>	<u>18,415,662</u>	<u>47,643,136</u>	<u>22,032,912</u>
Reconciliation of Net Cash Flow from Operating Activities						
Operating income (loss)	2,564,562	2,556,261	(1,456,980)	2,062,651	5,726,494	(23,419)
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	2,102,655	462,046	580,047	606,616	3,751,364	1,080,447
Change in assets and liabilities:						
Decrease (increase) in accounts receivable	(127,232)	(141,644)	(6,030)	(16,997)	(291,903)	19,672
Decrease (increase) in due from other governmental agencies	1,240,406	(48,217)	50		1,192,239	50,383
Decrease (increase) in inventory/prepaid expenses/deposits	(134,133)		32,340	22,443	(79,350)	183,699
Increase (decrease) in vacation & sick leave payable	(105,741)	(34,002)	4,903	30,948	(103,892)	224
Increase (decrease) in accounts payable	594,492	183,093	(7,838)	27,300	797,047	(373,365)
Increase (decrease) in customer deposits	118,255		3,260	45,031	166,546	
Increase (decrease) in unearned revenue				(104,203)	(104,203)	
Increase (decrease) in insurance claims payable						695,288
Total adjustments	<u>3,688,702</u>	<u>421,276</u>	<u>606,732</u>	<u>611,138</u>	<u>5,327,848</u>	<u>1,656,348</u>
Net cash provided by operating activities	<u>6,253,264</u>	<u>2,977,537</u>	<u>(850,248)</u>	<u>2,673,789</u>	<u>11,054,342</u>	<u>1,632,929</u>
Noncash investing, capital and financing activities:						
Noncash capital contributions	(14,818)	382,067			367,249	401,787
Noncash transfers to cover allocation of net OPEB obligation			(40,104)		(40,104)	5,789,483
Gain (loss) on disposal of equipment	(110,631)	(18,463)			(129,094)	
Increase (decrease) in investment in sewer authority		1,542,993			1,542,993	

See accompanying notes to financial statements

CITY OF REDWOOD CITY
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2010

	<u>Agency Funds</u>
	<u>\$</u>
ASSETS	
Cash and Investments, restricted	6,488,582
Accrued Interest Receivable	1,716
Deposits	<u>30,810</u>
Total Assets	<u><u>6,521,108</u></u>
LIABILITIES	
Due to Bondholders	5,865,181
Employee Benefit Plans Payable	<u>655,927</u>
Total Liabilities	<u><u>6,521,108</u></u>

See accompanying notes to financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Reporting Entity*

The accompanying basic financial statements present the financial activity of the City of Redwood City (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. This City's component units which are described below are all blended.

The City Council serves in separate session as the governing bodies of the Redwood City Redevelopment Agency, the Redwood City Facilities and Infrastructure Authority, and the Public Financing Authority, although these agencies are legal entities apart from the City. Under the City Charter, the City Council appoints the Board of Port Commissioners who oversee the operations of the Port of Redwood City, which is considered a department of the City.

The Redwood City Redevelopment Agency, Redwood City Facility and Infrastructure Authority, and Public Financing Authority are included as component units in the accompanying financial statements. The financial activities of the foregoing entities have been aggregated and merged (termed "blending") with those of the City in the accompanying financial statements, as each meets the criteria for inclusion as set forth in Governmental Accounting Standards Board Statement No. 14. Information concerning the Bay Cities Joint Powers Insurance Authority and South Bayside System Authority are presented in the notes to the financial statements, as the City's relationship to these organizations does not meet the aforementioned criteria for presenting these organizations as component units.

The Redevelopment Agency of the City of Redwood City (Agency) was created under the provisions of the Community Redevelopment Law (California Health and Safety Code) to redevelop certain areas in the City. A Redevelopment Plan was originally adopted in July 1982 (Original Area). It was amended in May 1985 (First Amendment) and again in December 1989 (Second Amendment) to provide an improved physical, social, and economic environment in the Agency's project area. The Agency is authorized to finance the Plan from various sources, including assistance from the City, the state and federal governments, property tax increments, interest income, and the issuance of Agency bonds.

Redwood City Facilities and Infrastructure Authority (RCFISA) was established in 1986 to finance the construction of certain public facilities such as the Main Fire Station, City Hall, and Main Library. After acquiring certain properties from the City, RCFISA leased them back to the City. The lease money provided the funds for the debt service for the certificates of participation issued by the RCFISA to acquire the properties from the City.

The Public Financing Authority (PFA) was established in 1991 to finance construction of the new Police Facility, to finance the defeasance of outstanding certificates of participation issued by the RCFISA, and to issue tax increment bonds on behalf of the Redevelopment Agency. The PFA has since issued various types of debt on behalf of the City and the Agency.

Component unit financial statements for the Redevelopment Agency may be obtained from the City of Redwood City, Finance Department, 1017 Middlefield Road, Redwood City, CA 94063. Separate financial statements are not prepared for other component units.

The Port of Redwood City was established under the City Charter as a department of the City and is managed by the Port Commission of Redwood City, whose members are appointed by the City Council.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

This commission is a semi-autonomous body and has full authority to manage the Port. Its financial system is maintained separately from the City by the Port's own financial staff. The Port's treasurer and legal counsel are the City's Finance Director and the City Attorney, respectively. The financial transactions of the Port are incorporated as an enterprise fund.

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 Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

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

Government-wide Statements: The Statement of Net Assets and the Statement of Activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities, which are presented as internal balances and eliminated in the total primary government column. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and 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) fees, grants, and contributions that are restricted to financing the acquisition or construction of capital assets. 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, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Operating expenses for proprietary funds are those expenses that are essential to the primary operations of the funds. All other expenses are reported as non-operating expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Major Funds

GASB Statement No. 34 defines major funds and requires that the City's major governmental and business-type funds be identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as funds that have assets, liabilities, revenues, or expenditures/expenses 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 also select other funds it believes should be presented as major funds.

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

General fund is to account for all financial resources except those to be accounted for in another fund. It is the general operating fund of the City.

Capital outlay fund is to account for all miscellaneous capital improvement projects that are financed by the general fund.

Redevelopment Agency fund accounts for funds to be provided by loans and/or property tax increment from specific redevelopment areas for redevelopment projects within those areas.

Low and Moderate Income Housing Fund accounts for redevelopment property tax increment revenues which may be used strictly for low and moderate income housing.

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

Water utility fund is to account for the provision of water services to the residents of Redwood City.

Sewer utility fund is to account for the provision of sewer services to the residents of Redwood City.

Parking fund is to account for on-street and off-street parking operations within the boundaries of the central business district of the City.

Port of Redwood City (Port fund) is to account for Port activities within the Port Department including, but not limited to, administration, maintenance and operations, and Port improvements.

The City also reports the following fund types:

Internal Service Funds - Internal service funds are used to account for costs of the City's equipment services, the City's insurance program, the costs of the City's telephone/communications and information technology services, maintenance and repair of buildings, custodial services, and delivery service, and employee benefits. These services are provided to departments and other governments on a cost-reimbursement basis.

Fiduciary Funds - These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City maintains three funds - Employee Benefit Plans Fund, Pacific Shores Community Facilities District Fund, and the Shores Transportation Improvement District Fund - as an agent of the bondholders or City employees.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting

The government-wide and proprietary 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.

Governmental funds are reported using the *current financial resources* measurement focus and the *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 90 days after year-end.

The City's fiduciary funds are agency funds which use the accrual basis of accounting. However, since they are custodial in nature, they do not have a measurement focus.

During fiscal year 2004/05, the State of California changed the distribution method of the City's sales tax allocation under a program called the "Triple Flip." Under the "Triple Flip," 25% of the City's share of sales tax is now distributed from property tax receipts, with remittance of the sales tax to the City coinciding with the semiannual collection of property tax receipts from property owners in December and April. To recognize the sales tax revenue earned as of June 30, the City has changed its availability period for sales tax revenue from 90 days after year-end to seven months after year-end. The change in the availability period for sales tax will enable the City to accurately reflect sales tax earned in the reporting period.

Due to the cash flow problems of the State of California, a portion of the remittance to the City of the June 2010 gasoline tax revenue has been deferred until April 2011. To reconcile the gasoline tax revenue earned as of June 30th, the City has changed its availability period for gasoline tax revenue from 90 days after year-end to ten months after year-end. The change in the availability period for gasoline tax will enable the City to accurately reflect gasoline tax earned in the reporting period.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured.

General capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as *other financing sources*.

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. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The City follows Statements and Interpretations of the Financial Accounting Standards Board and its predecessors that were issued on or before November 30, 1989 in accounting for its business-type activities unless they conflict with Governmental Accounting Standards Board pronouncements.

E. Compensated Absences

In compliance with Governmental Accounting Standards Board Statement No. 16, the City has established a liability for accrued sick leave and vacation in relevant funds. For governmental activities, the current liability for the payouts made after June 30, 2010 for those employees retired on or before June 30, 2010 appears in the respective funds and the long-term liability appears in the government-wide financial statements. This liability is set up for the current employees at the current rates of pay. An employee may accumulate vacation up to two years entitlement and sick leave up to 960 or 1,920 hours depending on the bargaining unit (certain Fire Department employees who work 24 hour shifts may accumulate up to 2,400 hours of sick leave).

An employee may elect to receive compensation in lieu of sick leave credits for any calendar year with payment equal to varying amounts from 25% to 50% of the year's unused sick leave, depending upon the employee's sick leave usage during the year. In addition to sick leave, payouts are made for unused administrative holidays and accrued compensatory time.

If sick leave and vacation are not used by the employee or paid out during the term of employment, compensation is payable to the employee at the time of retirement. Such compensation is calculated at the employee's prevailing rate at the time of retirement or termination. Whereas vacation is compensated at 100% of accumulated hours, sick leave is compensated at 50% of accumulated hours at retirement depending upon varying restrictions of the bargaining units. Upon termination only accrued vacations are compensated. Each year an adjustment to the liability is made based on pay rate changes and adjustments for the current portion. The general fund is primarily responsible for the repayment of the governmental portion of the compensated absences.

Individual proprietary funds are responsible for the repayment of the liability attributable to their respective funds.

F. Cash and Cash Equivalents

The City pools cash resources from all funds in order to facilitate the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No. 3)*, certain disclosure requirements for Deposits and Investment Risks were made in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end, and other disclosures.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested a portion of the pooled funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to the change in interest rates.

Cash equivalents are considered amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the City and are presented as "Cash and Investments" in the accompanying Basic Financial Statements.

For purposes of the statement of cash flows, cash equivalents are defined as investments with original maturities of 90 days or less, which are readily convertible to known amounts of cash. The City considers all pooled cash and investments (consisting of cash and investments and restricted cash and investments) held by the City as cash and cash equivalents because the pool is used essentially as a demand deposit account from the standpoint of the funds. The City also considers all non-pooled cash and investments (consisting of cash with fiscal agent and restricted cash and investments held by fiscal agent) as cash and cash equivalents because investments meet the criteria for cash equivalents defined above.

G. Inventories

Inventories are stated at moving average cost. The cost is recorded as an expenditure at the time an individual inventory item is consumed. As inventories must be maintained at a certain level, a reserve for inventories is set aside in the general fund balances. Consequently, these reserved funds are not available for appropriation.

General fund inventories consist of stationery.

Equipment services fund inventory consists of tires, batteries, testing equipment, automotive parts, and small tools.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1, and are collected for a 12 month period effective July 1 by the San Mateo County tax collector. Taxes are billed once a year in late October and are payable in two equal installments due by December 10 and April 10 of the following year. The taxes not paid by those dates are subject to a penalty of 10%.

In September of 1993, the County of San Mateo Board of Supervisors adopted the “Teeter Plan” for secured property taxes. Under the Teeter Plan, the state law allows the county to advance to the cities all property taxes billed, regardless of whether the taxes have been paid. The county then is entitled to keep all penalties and interest accruing on delinquent taxes. Property taxes on unsecured taxable property are not affected by this change.

Under Proposition 13, adopted by the voters in a statewide ballot in 1978, assessed value is increased by the cost of living index, not to exceed 2% as of January 1 each year except for those properties that have changed ownership during the 12 month period since the lien date. City property tax revenues are recognized when levied to the extent that they result in current receivables.

I. Unbilled Service Receivables

In the water and sewer utilities, residential customers are billed bi-monthly and all commercial and industrial customers monthly. Revenue is recorded as billed to customers on a cyclical basis. No accrual is made for unbilled services. There were no unbilled services in Port, parking, or internal service funds as of June 30, 2010. There is no accrual for unbilled water services as of June 30, 2010; revenues cannot be recognized since water meters are not read at such date. Management believes that the revenue from unbilled services does not have a material effect on total revenue.

J. 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 value on the date contributed. The City’s policy is to capitalize all assets with costs exceeding certain minimum thresholds, \$5,000 for machinery and equipment, \$100,000 for buildings, improvements, and infrastructure, and with useful lives exceeding two years.

With the implementation of GASB Statement No. 34, the City has recorded all its public domain (infrastructure) capital assets placed in service after June 30, 1980, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems using the basic approach.

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. GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City has assigned the useful lives listed as follows to capital assets:

Buildings	20-50 Years	Parks	25 Years
Improvements	33-60 Years	Bridges	30 Years
Equipment	2-15 Years	Traffic Signals	20 Years
Streets	20 Years	Storm Drains	40 Years

K. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

L. Implementation of New GASB Pronouncements

In 2010 the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statement:

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* – the Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Governments possess many different types of assets that may be considered intangible assets, including easements, water rights, patents, trademarks, and computer software. The implementation of this statement has not had a significant impact on the City's financial statements.

M. Upcoming New GASB Pronouncements

In February 2009, the Government Accounting Standards Board issued Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions," which is effective for financial statement periods beginning after June 15, 2010. This pronouncement will have a significant impact on the format and definitions of fund balance reporting at the time of implementation.

NOTE 2 – CASH AND INVESTMENTS

A. Cash and Deposits

The carrying amount of the City's cash and deposits, including restricted cash, was \$2,297,078 at June 30, 2010. Bank balances before reconciling items were \$3,234,154 at June 30, 2010. Of the total bank balances, \$506,895 was insured or held by the City or its agent in the City's name and \$2,727,259 was collateralized.

All cash deposits in banks are fully insured or collateralized. California state law requires that public fund deposits be collateralized by either government securities with a value equal to 110% of the deposits or first trust deed mortgage notes having a value equal to 150%. Per state law each institution

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

must use a third party (which may be the institution’s trust department) to hold the pledged collateral in a pool to secure all the institution’s public fund deposits. The code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash is considered to be held in the City’s name. Banks and savings and loans in California are subject to state-mandated reporting requirements to ensure that the required levels of control are maintained. The City may waive collateral requirements for deposits, which are fully insured with each financial institution up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

Cash balances from all funds are combined and invested to the extent possible pursuant to the City Council approved investment policy and guidelines and state government code. The earnings from these investments are allocated monthly to each fund based on an average of monthly opening and closing balances of cash and investments. Investments are stated at fair value. All enterprise fund investments are considered to be liquid investments for cash flow purposes.

The following is a summary of pooled cash and investments, including cash and investments with fiscal agent at June 30, 2010.

	Government-wide Statement of Net Assets			Fiduciary Fund Financial Statements	Total
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds Statement of Net Assets	
	\$	\$	\$	\$	
Cash and Investment	100,214,672	35,729,624	135,944,296		135,944,296
Restricted Cash and Investments	10,910,311	11,913,512	22,823,823	6,488,582	29,312,405
Total Cash and Investments					<u>165,256,701</u>

B. Risk Disclosures

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City’s investment policy provides that final maturities of securities cannot exceed three years. Specific maturities of investments depend on liquidity needs.

As of June 30, 2010, the City had the following cash and investments available for operations:

	Fair Value	Investment Maturities (in years)		
		1-2 Years	2-3 Years	3-4 Years
	\$	\$	\$	\$
Demand Accounts at Banks	304,449	304,449		
Certificates of Deposit	1,870,000	1,870,000		
Petty Cash	11,800	11,800		
County of San Mateo Investment Pool	31,151,468	31,151,468		
California Local Agency Investment Fund	44,219,859	44,219,859		
U.S. Agencies, Securities, and Corporate Notes:				
Federal Home Loan Bank	28,166,590	7,064,380		21,102,210
Federal National Mortgage Association	21,029,690		4,000,940	17,028,750
Federal Home Loan Mortgage Corporation	9,190,440		3,150,930	6,039,510
TOTAL	<u>135,944,296</u>	<u>84,621,956</u>	<u>7,151,870</u>	<u>44,170,470</u>

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Credit Risk – Defined as the risk of loss of value of an investment due to a downgrade of its rating or the failure or impairment of its issuer. Credit Risk shall be mitigated by investing in investment grade securities and by diversifying the investment portfolio so that failure of any one issue does not unduly harm the City’s capital base and cash flow. In order to limit loss exposure due to Credit Risk, the investment policy limits purchases of commercial paper investments to those rated A-1 by Standard and Poor’s or P-1 by Moody’s Investor’s Service, and corporate bonds to those rated A or better by Standard and Poor’s or Moody’s Investor’s Service.

Under the provisions of the City’s investment policy, and in accordance with California Government Code, the following investments are authorized:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Certificates of Deposit	1 year	7.50%	\$3Million
Banker's acceptances	180 days	No limit	\$3Million
Treasury Bills, Notes and Bonds	3 years	No limit	No limit
Government Agency Securities	3 years	No limit	No limit
Commercial Paper	15 days	No limit	\$1Million
Local Agency Investment Fund	N/A	No limit	\$40Million
Passbook Savings Accounts	1 year	No limit	\$100,000
San Mateo County Investment Fund	N/A	No limit	\$40Million
Money Market/Mutual Funds	N/A	10%	No limit
Corporate Notes	3 years	30%	\$5Million

The City’s investments are rated by the nationally recognized statistical rating organizations as follows:

	Moody’s	S&P	Fitch
U.S. Agencies, Securities, and Corporate Notes:			
Federal Home Loan Bank	Aaa	AAA	
Federal National Mortgage Association	Aaa	AAA	AAA
Federal Home Loan Mortgage Corporation	Aaa	AAA	AAA
Federal Farm Credit	Aaa	AAA	AAA
U.S. Treasury Securities	Aaa	AAA	AAA
External Investment Pools:			
San Mateo County Investment Fund	AA/V1+	Not Rated	Not Rated
California Local Agency Investment Fund	Not Rated	Not Rated	Not Rated

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All securities, with the exception of the County Pool and LAIF, are held by third-party custodians (Union Bank of California Trust Division, U.S. Bank and Bank of New York). Union Bank, U.S. Bank and Bank of New York are registered members of the Federal Reserve Bank. The securities held by Union Bank, U.S. Bank and Bank of New York are in street name, and an account number assigned to the City identifies ownership. None of the City’s investments were subject to custodial credit risk.

In fiscal year 1997/98, the City adopted Governmental Accounting Standards Board Statement No. 31, which requires that the City’s investments be carried at fair value instead of cost. Under GASB 31, the City must adjust the carrying value of its investments to reflect their fair value at each fiscal year-end, and it must include the effects of these adjustments in income for that fiscal year. Changes in value at

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

the fiscal year ended June 30, 2010 from the fiscal year ended June 30, 2009 amounted to an unrealized gain of \$1,000,824.

GASB 31 applies to all the City's investments, even if they are held to maturity and redeemed at full face value. Since the City's policy is to hold all investments to maturity, the fair value adjustments required by GASB 31 result in accounting gains or losses (called "recognized" gains or losses) which do not reflect actual sales of the investments (called "realized" gains or losses). Thus, recognized gains or losses on an investment purchased at par will now reflect changes in its value at each succeeding fiscal year-end, but these recognized gains or losses will net to zero if the investment is held to maturity. By following the requirements of GASB 31, the City is reporting the amount of resources which would actually have been available if it had been required to liquidate all its investments at any fiscal year-end.

C. Restricted Cash

The City's restricted cash consisted of \$25,756,619 in cash and investments as of June 30, 2010 held by trustees or fiscal agents. The City had \$3,555,786 in restricted cash and investments held by the City. This restricted cash is pledged for the payment or security of certain bonds, certificates of participation, and lease obligations. The California government code provides that these monies, in the absence of specific statutory provisions governing the issuance of bonds, certificates, or leases, may be invested in accordance with the ordinance, resolutions, or indentures specifying the types of investments its trustees or fiscal agents may make. In some situations, these investments differ from those permitted by the City investment policy. Included in these investments at June 30, 2010 are guaranteed investment contracts with maturity dates in fiscal year 2011, 2034, and 2035 authorized in the bond indenture and by City Council prior to purchase.

D. External Investment Pools

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF. The balance available for withdrawal 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 obligation, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. These investments may include the following:

Structured Notes - are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities - the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2010, the City had \$44,219,859 (estimated fair value) invested in LAIF. LAIF had invested 5.42% of the pool investment funds in Structured Notes and Asset-Backed Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The City valued its investments in LAIF as of June 30, 2010,

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

by multiplying its account balance with LAIF times a fair value factor determined by LAIF. The fair value factor was determined by dividing all LAIF participants' total aggregate fair value by total aggregate amortized costs by total aggregate fair value.

Accordingly, as of June 30, 2010, the City's investment in LAIF at fair value amounted to \$44,219,859 using a LAIF fair value factor of 1.001643776. The fair value of the City's position in the pool is materially equivalent to the value of the pool shares.

The City is also a voluntary participant in the San Mateo County Investment Fund that is regulated by California Government Code Section 16429 under oversight of the Treasurer of the County of San Mateo. The City reports its investment in the San Mateo County Investment Fund at the fair value amount provided by County of San Mateo. Included in the San Mateo County Investment Fund investment portfolio are US Treasury Notes, Obligations issued by agencies of the United States Government, LAIF, Corporate Notes, Commercial Paper, collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations.

NOTE 3 - LOANS RECEIVABLE

As of June 30, 2010, loans receivable consist of the following:

Wyndham Place First Time Homebuyer Loan Program	\$	575,681
City Centre Plaza Loans		1,675,833
First Time Homebuyer Silent Loan Program		797,260
Loans with Non-profits and For Profit Organizations		1,133,153
Housing Rehabilitation Loans		2,441,842
Shores Childcare Loan		2,255,859
Parking Fund Loan		1,300,000
First Community Housing Loan		2,627,000
PAL Loan		328,571
Kainos Home and Training Center Loan		57,500
		<hr/>
Total	\$	<u>13,192,699</u>

A. *Wyndham Place First Time Homebuyer Loan Program*

The City established a First Time Homebuyer Program during fiscal year 1995 on a specific development sponsored by the Redevelopment Agency called Wyndham Place. The program currently involves the resale of Wyndham units where the City has First Right of Refusal. The City or Agency exercises its First Right of Refusal and markets to solicit qualified buyers.

A portion of the City and Agency's Shared Appreciation is used to assist the new buyer in the Resale Program. While the initial program in 1995 made 0% interest loans, current buyers in the Resale Program are assisted according to the needs of the Borrower. Depending on the Borrower's ability to secure private financing for a first mortgage, the City and Agency loan is underwritten based on the Borrower's spendable income.

NOTE 3 - LOANS RECEIVABLE (CONTINUED)

These loans bear no interest and are secured by second deeds of trust on the property, and typically, no payments are due until five years after the date of purchase. As of June 30, 2010 the Agency has outstanding loans of \$246,435 to nine Wyndham Place buyers, while the City has loaned \$329,246 from the HOME Investment Partnership Block Grant, Community Development Block Grant (CDBG), and Rental Rehabilitation Program (RRP) funds to seven Wyndham Place homebuyers. Since these loans are not currently available for expenditure, fund balance has been reserved in this amount.

B. City Centre Plaza Loans

The Redevelopment Agency sold several parcels of land to the developers of the City Centre Plaza project (a residential and commercial development) for \$1,700,000 in 1996. The developers constructed City Center Plaza, which contains 81 affordable housing units, a childcare facility, residential and commercial parking, and 17,900 square feet of retail space. The promissory note from Mezes Court Associate in the amount of \$1,445,000 is to be repaid through 2028 from surplus revenues generated by the housing project and accrued interest at 3%. The promissory note from J.H.R. Trust in the amount of \$255,000 is also due to begin making payments beginning in 2008 and continuing until 2028 and accrues interest at 3% as well. The outstanding balance at June 30, 2010 was \$1,675,833.

C. First Time Homebuyer Silent Loan Program

In 2000, the Redevelopment Agency established a First Time Homebuyer Silent Loan Program. Loans are deferred for the first five years, and then amortized at 4% interest over the remaining 25 years. An Equity Participation requirement shares appreciation based on the amount of the Agency's original loan amount. At June 30, 2010 the Agency had outstanding loans to 10 homebuyers totaling \$797,260. Since these loans are not currently available for expenditure, fund balance has been reserved in this amount.

D. Loans with Non-profits and For Profit Organizations

The City and Agency have loaned \$500,000 to MP Redwood Court Associates and \$650,000 to Hallmark Apartments LLP. The MP Redwood Court Associates loan agreement was entered into in July 2003 for the repair and rehabilitation of housing units. The loan term is 55 years and bears 0% interest. The loan to Hallmark Apartments LLP has interest deferred for the first 30 years after which it bears interest at 3% until the December 2058 maturity. The outstanding balance at June 30, 2010 was \$1,133,153.

E. Housing Rehabilitation Loans

The City and Agency have outstanding loans for housing rehabilitation in the amount of \$2,441,842.

F. Shores Childcare Loan

The City entered into an agreement with Shores Childcare, LLC whereby \$3,200,000 was loaned to Shores Childcare, LLC for construction of a childcare facility on City-owned land in the Redwood Shores area. The term of the loan is 20 years maturing January 2023, with interest payable quarterly and calculated based on the quarterly rate of the State of California Local Agency Investment Fund. The outstanding balance of the loan at June 30, 2010 was \$2,255,859.

NOTE 3 - LOANS RECEIVABLE (CONTINUED)

G. *Parking Fund Loan*

The capital outlay fund has a loan receivable in the amount of \$1,300,000 from the parking fund. Additional details of this loan agreement are outlined in Note 7.

H. *First Community Housing Loan*

The City entered into an agreement with First Community Housing whereby \$2,627,000 (\$200,000 from Community Development Block Grant, \$1,927,000 from Redevelopment Agency low and moderate housing fund, \$500,000 pass-through from County of San Mateo) was loaned to First Community Housing for construction of the Villa Montgomery housing development at El Camino and Vera Avenue. The loan bears interest at 3% for 40 years. The loan will be repaid annually from 70% of the project's net cash flow. The outstanding balance of the loan at June 30, 2010 was \$2,627,000.

I. *Police Activities League Loan*

In March 2006, the City paid off a construction loan in the amount of \$1,500,000 that the Police Activities League (PAL), a separate, private, non-profit agency, entered into with Bay Area Bank to partially finance the construction of the new PAL community center at Taft School. The City Council and PAL agreed that one-half of the amount, or \$750,000, will be paid back to the City by PAL over a period of 15 years. The outstanding balance of the loan at June 30, 2010 was \$328,571.

J. *Kainos Home and Training Center Loan*

In 1997/98, the City entered into an agreement with Kainos Home and Training Center whereby \$57,500 from Community Development Block Grant was loaned to acquire property for Kainos Home and Training Center. The loan is deferred and payable upon the sale of the property, at which time the City would receive repayment of the loan plus any accrued equity based on the prorated City share.

NOTE 4 – CAPITAL ASSETS

A. Summary

Capital assets at June 30 are comprised of the following:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Government activities					
Capital assets not being depreciated:					
Land	34,104,643	-	-	-	34,104,643
Construction in progress	10,419,102	5,486,161	-	(6,483,348)	9,421,915
Total capital assets not being depreciated	44,523,745	5,486,161	-	(6,483,348)	43,526,558
Capital assets being depreciated:					
Buildings	80,955,763	-	-	2,225,027	83,180,790
Accumulated depreciation	(18,467,849)	(1,639,342)	-	-	(20,107,191)
Improvements other than buildings	13,705,141	-	-	2,098,237	15,803,378
Accumulated depreciation	(1,591,888)	(404,314)	-	-	(1,996,202)
Parks	25,097,458	-	-	-	25,097,458
Accumulated depreciation	(10,857,215)	(847,469)	-	-	(11,704,684)
Streets	101,113,085	-	-	1,384,233	102,497,318
Accumulated depreciation	(39,197,807)	(4,404,501)	-	-	(43,602,308)
Bridges	2,248,335	-	-	-	2,248,335
Accumulated depreciation	(1,450,328)	(74,944)	-	-	(1,525,272)
Traffic Signals	2,660,607	-	-	154,704	2,815,311
Accumulated depreciation	(1,503,063)	(118,362)	-	-	(1,621,425)
Storm Drains	9,612,307	-	-	-	9,612,307
Accumulated depreciation	(1,412,947)	(246,279)	-	-	(1,659,226)
Machinery & Equipment	20,175,464	856,355	(1,150,388)	621,147	20,502,578
Accumulated depreciation	(8,850,550)	(1,484,619)	1,000,375	-	(9,334,794)
Net capital assets being depreciated	172,236,513	(8,363,475)	(150,013)	6,483,348	170,206,373
Governmental activity capital assets, net	216,760,258	(2,877,314)	(150,013)	-	213,732,931
Business-Type Activities					
Capital assets not being depreciated:					
Land	3,447,522	-	-	-	3,447,522
Construction in progress	22,955,075	11,413,730	(26,572)	(9,739,046)	24,603,187
Total capital assets not being depreciated	26,402,597	11,413,730	(26,572)	(9,739,046)	28,050,709
Capital assets being depreciated					
Harbor Improvements	3,445,850	-	-	725,220	4,171,070
Accumulated depreciation	(2,379,104)	(103,363)	-	-	(2,482,467)
Buildings	56,832,184	-	-	1,336,863	58,169,047
Accumulated depreciation	(5,684,347)	(1,189,590)	-	-	(6,873,937)
Machinery and equipment	1,445,538	1,439	-	22,503	1,469,480
Accumulated depreciation	(963,947)	(87,020)	-	-	(1,050,967)
Improvements other than buildings	112,376,789	14,657	(171,584)	7,654,460	119,874,322
Accumulated depreciation	(36,660,816)	(2,324,988)	42,490	-	(38,943,314)
Net capital assets being depreciated	128,412,147	(3,688,865)	(129,094)	9,739,046	134,333,234
Business-type activity capital assets, net	154,814,744	7,724,865	(155,666)	-	162,383,943

B. Depreciation Allocation

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

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Governmental Activities

Community Development	\$	213,048
Human Services		77,988
Public Safety		1,146,961
Transportation		4,892,719
Leisure, cultural, and information services		1,897,951
Policy development and implementation		808,840
Environmental support and protection		182,323
Total Depreciation Expense-Governmental Activities	\$	<u>9,219,830</u>

Business-Type Activities

Water Utility Fund	\$	2,056,252
Sewer Utility fund		462,046
Parking Fund		580,047
Port of Redwood City		606,616
Total Depreciation Expense-Business-Type Activities	\$	<u>3,704,961</u>

NOTE 5 – INVESTMENT IN SOUTH BAYSIDE SYSTEM AUTHORITY

Redwood City has an investment of \$28,555,063 in a joint powers authority (JPA) with the cities of San Carlos and Belmont and the West Bay Sanitation District. In addition, the City and the Port of Redwood City have investments of \$2,461,885 and \$400,000, respectively, in South Bayside System Authority (SBSA) stage II construction. SBSA operates and maintains a sewer plant which was jointly constructed with federal and state grants and contributions from participating entities. The SBSA is run by its board of directors which is comprised of four members. The City Councils of each member city and the board of the West Bay Sanitation District each select one of their own members to serve on this board. No member agency has control of SBSA's budget, finances, or operations. The board acts autonomously of the respective member agencies.

Audited financial statements are available from South Bayside System Authority, 1400 Radio Road, Redwood City, CA 94065. The condensed financial information of the JPA as of June 30, 2010 is as follows:

Total Assets	\$	142,492,790
Total Liability		72,564,790
Total Fund Equity	\$	<u>69,928,000</u>
Total Operating Revenues	\$	25,923,456
Total Operating Expenses		19,496,544
Total Operating Income (loss)		6,426,912
Other Income (loss)		1,321,871
Net Income (loss)	\$	<u>7,748,783</u>
Cumulative Agency Balances:		
Belmont	\$	12,814,028
San Carlos		8,612,707
Redwood City		31,016,948
West Bay Sanitation District		17,484,317
Capital Assets (net depreciation)	\$	<u>69,928,000</u>

NOTE 6 – GOVERNMENTAL ACTIVITIES LONG-TERM DEBT

A. *Description*

Redwood City has no outstanding general obligation bonds. The following is the list of long-term obligations of the City.

Revenue Bonds:

1998 Lease Revenue Refunding Bonds - In July 1998, the City issued \$12,160,000 of bonds to refund \$10,995,000 of the 1991 Public Financing Authority bonds. Principal is due in annual installments of \$695,000 to \$1,670,000, with total principal and interest remaining on the bonds in the amount of \$2,917,625 through July 15, 2011. Bonds are payable out of the 1998 Lease Revenue Refunding Bonds debt service fund out of lease payment revenue received from the general fund, and annual principal and interest payments are expected to require less than 10 percent of net revenues.

1998 City Hall Lease Revenue Certificates of Participation - In October 1998, the City issued \$11,700,000 of variable rate demand certificates to provide permanent funding for the new City Hall project that was completed in August 1997. Principal and interest payments were made out of the 1998 City Hall Lease Revenue Certificates of Participation debt service fund from transfers in from the general fund. All the outstanding certificates of \$8,070,000 were redeemed on November 2, 2009. Accordingly, all the certificates were fully paid in 2009/10.

2003 Public Financing Authority Bonds – In December 2003, the City issued \$11,475,000 of bonds to refund \$6,725,000 of the 1991 Public Finance Authority bonds and to provide \$4,390,000 for new projects. Principal is due in annual installments of \$670,000 to \$940,000, with total principal and interest remaining on the bonds in the amount of \$8,422,920 through July 15, 2018, payable out of the Public Financing Authority Bonds debt service fund out of lease payment revenue received from the general fund, requiring less than 10 percent of net revenues. The refunding resulted in an increase in total debt service payments of \$441,654 and an economic gain of \$415,987.

Tax Increment Bonds:

1997 Tax Allocation Refunding Bonds issued in July 1997 by the Redwood City Redevelopment Agency to prepay a loan received by the Agency from the Redwood City Public Financing Authority. Original amount of \$15,430,000 is due in annual installments of \$417,805 to \$1,525,880. The bonds are payable solely from property tax increment generated by the redevelopment agency fund and the low and moderate income housing fund which is expected to produce 135% of the debt service requirements. The outstanding principal of \$2,865,000 was redeemed on December 1, 2009 and accordingly the bonds were fully paid in 2009/10.

2003 Tax Allocation Bonds – In October 2003, the Redwood City Redevelopment Agency issued \$33,997,448 in bonds to finance various downtown improvements. These bonds consist of current coupon bonds and capital appreciation bonds. The current coupon bonds pay interest-only through January 15, 2010. Principal on the current coupon bonds is paid in annual installments of \$1,225,000 to \$2,850,000 from July 15, 2010 to July 15, 2015. Payments reflecting interest and principal of the capital appreciation bonds are due in annual installments of \$510,000 to \$3,505,000 from July 15, 2015 through July 15, 2032. Total principal and interest remaining on the bonds is \$76,284,613. Payments are made from property tax increment generated by the redevelopment agency fund which is expected to produce 135% of the debt service requirements.

NOTE 6 – GOVERNMENTAL ACTIVITIES LONG-TERM DEBT (CONTINUED)

Loans:

Redwood City School District Loan entered into by the Redevelopment Agency in 1998 to finance a portion of the land and buildings located at 2107 Broadway that were acquired for the purpose of eventually being resold to a developer; original amount of \$634,815 at 0% interest due in 15 annual installments of \$42,321 through 2013 payable out of the redevelopment agency fund.

B. Changes in Long-Term Obligations

As of June 30, 2010, the City had the following long-term obligations outstanding:

	Interest Rate	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
	%	\$	\$	\$	\$	\$
<u>Governmental Activities:</u>						
Revenue Bonds						
1998 Lease Revenue Refunding Bonds	4.00-5.00	3,805,000		1,040,000	2,765,000	1,095,000
1998 City Hall Lease Revenue C.O.P.'s	variable	8,585,000		8,585,000		
2003 PFA Refunding Bonds	2.50-4.38	7,835,000		795,000	7,040,000	820,000
Unamortized premiums		2,857		286	2,571	286
Subtotal		<u>20,227,857</u>		<u>10,420,286</u>	<u>9,807,571</u>	<u>1,915,286</u>
Tax Increment Bonds						
1997 Tax Allocation Refunding Bonds	3.80-5.15	4,195,000		4,195,000		
2003 Tax Allocation Bonds	3.50-5.80	33,997,448			33,997,448	1,225,000
Accreted interest payable		7,202,364	1,515,545		8,717,909	
Unamortized premiums		738,514		30,771	707,743	30,771
Subtotal		<u>46,133,326</u>	<u>1,515,545</u>	<u>4,225,771</u>	<u>43,423,100</u>	<u>1,255,771</u>
Loans						
Redwood City School District Loan		<u>169,284</u>		<u>42,321</u>	<u>126,963</u>	<u>42,321</u>
Total Bonds and Loans		<u>66,530,467</u>	<u>1,515,545</u>	<u>14,688,378</u>	<u>53,357,634</u>	<u>3,213,378</u>
Accrued Sick Leave and Vacation						
		<u>9,692,581</u>	<u>291,909</u>	<u>340,302</u>	<u>9,644,188</u>	<u>350,539</u>
Total Governmental Activities Long-Term Debt		<u>76,223,048</u>	<u>1,807,454</u>	<u>15,028,680</u>	<u>63,001,822</u>	<u>3,563,917</u>

At year-end, \$874,791 of internal service fund compensated absences is included in the above amounts. For the governmental activities, compensated absences are generally liquidated by the general fund.

C. Annual Repayment Requirements for Long-Term Debt

Governmental Activities:

Year End June 30	Revenue Bonds		Tax Increment Bonds		Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	\$	\$	\$	\$	\$	\$	\$	\$
2011	1,915,000	367,928	1,225,000	632,713	42,321		3,182,321	1,000,641
2012	2,010,000	281,063	1,265,000	585,975	42,321		3,317,321	867,038
2013	750,000	220,748	2,480,000	511,075	42,321		3,272,321	731,823
2014	775,000	193,091	2,895,000	385,481			3,670,000	578,572
2015	805,000	163,265	3,045,000	229,556			3,850,000	392,821
2016-2020	3,550,000	309,450	10,027,996	7,426,817			13,577,996	7,736,267
2021-2025			6,322,518	11,207,482			6,322,518	11,207,482
2026-2030			4,574,936	12,950,064			4,574,936	12,950,064
2031-2035			2,161,998	8,358,002			2,161,998	8,358,002
	<u>9,805,000</u>	<u>1,535,545</u>	<u>33,997,448</u>	<u>42,287,165</u>	<u>126,963</u>		<u>43,929,411</u>	<u>43,822,710</u>

NOTE 7 – BUSINESS-TYPE ACTIVITIES LONG-TERM DEBT

A. *Description*

Revenue Bonds:

Port of Redwood City 1999 Revenue Bonds were issued on April 1, 1999 in the amount of \$10,945,000 to finance improvements to the Port, the majority of which was expended on cleaning up hazardous waste remaining at the Port's liquid bulk terminal. The bonds are due in annual installments of \$170,000 to \$690,000 through 2030, with total principal and interest remaining of \$14,464,169. The bonds are payable out of net revenues of the Port, which are expected to equal at least 120% of the annual debt service requirement.

Water Revenue Bonds Series 2005A - In February 2005, Redwood City Public Financing Authority issued \$35,790,000 of bonds to finance a portion of the City's recycled water project. Principal and interest is payable in 29 annual installments of \$2,142,585 to \$2,157,925 from February 2006 through February 2034, with total principal and interest remaining of \$51,622,615. The bonds are payable out of net revenues which are expected to equal at least 120% of the annual debt service requirement.

Water Revenue Bonds Series 2006A - In February 2006, Redwood City Public Financing Authority issued \$26,000,000 of bonds to finance a portion of the City's recycled water project. Principal and interest is payable in 29 annual installments of \$520,000 to \$1,505,000 from February 2007 through February 2035, with total principal and interest remaining of \$39,283,810. The bonds are payable out of net revenues which are expected to equal at least 120% of the annual debt service requirement.

Water Revenue Bonds Series 2007A – In February 2007, Redwood City Public Financing Authority issued \$15,150,000 of bonds to finance a portion of the City's recycled water project. Principal and interest is payable in 28 annual installments of \$285,000 to \$910,000 from February 2008 through February 2035, with total principal and interest remaining of \$23,702,013. The bonds are payable out of net revenues which are expected to equal at least 120% of the annual debt service requirement.

Loans:

Yacht Harbor Rehabilitation Loan from the State of California in the original principal amount of \$880,000. The loan is payable in annual installments of principal and interest of \$53,648 through the year 2024, with total principal and interest remaining of \$751,054. The loan is payable out of net revenues of the Port, but subordinated to the Port 1999 Revenue Bonds. At June 30, 2010, the ratio of net revenues to the debt service payment due during FY 2009/10 was 81.83 (8183%).

Parking Fund Loan agreement with the civic center construction fund in the original principal amount of \$1,300,000 to finance the construction of the parking fund's downtown parking structure. Payments are for interest only until funds are available to pay principal. All principal is to be repaid by July 1, 2013 if funds are available. In 2000/01, the civic center construction fund was closed, and the loan receivable was transferred to the capital outlay fund.

NOTE 7 – BUSINESS-TYPE ACTIVITIES LONG-TERM DEBT (CONTINUED)

B. Changes in Debt

	Interest Rate	Beginning Balance	Additions	Retirement	Ending Balance	Due Within One Year
Business-type Activities:	%	\$	\$	\$	\$	\$
Revenue Bonds:						
Port of Redwood City - 1999 Series	4.00-5.25	9,135,000		250,000	8,885,000	260,000
Water Revenue Bonds Series 2005A	2.75-4.25	32,690,000		805,000	31,885,000	830,000
Water Revenue Bonds Series 2006A	3.50-4.50	24,350,000		555,000	23,795,000	575,000
Water Revenue Bonds Series 2007A	4.00-4.50	14,565,000		315,000	14,250,000	325,000
Unamortized Premium		16,388		631	15,757	630
Unamortized Discount		(615,541)		(20,556)	(594,985)	(20,557)
		<u>80,140,847</u>		<u>1,905,075</u>	<u>78,235,772</u>	<u>1,970,073</u>
Loans:						
Yacht Harbor Rehabilitation Loan	4.70	576,145		27,721	548,424	28,969
Parking Fund Loan	variable	1,300,000			1,300,000	
		<u>1,876,145</u>		<u>27,721</u>	<u>1,848,424</u>	<u>28,969</u>
Total Bonds and Loans		<u>82,016,992</u>		<u>1,932,796</u>	<u>80,084,196</u>	<u>1,999,042</u>
Accrued Sick Leave and Vacation		<u>955,271</u>	<u>212,988</u>	<u>316,880</u>	<u>851,379</u>	<u>458,193</u>
Total Business-type Activities Long-Term Debt		<u>82,972,263</u>	<u>212,988</u>	<u>2,249,676</u>	<u>80,935,575</u>	<u>2,457,235</u>

C. Annual Repayment Requirements for Business-type Activities Long Term Debt

Business-type Activities:

Year End June 30	Revenue Bonds		Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
	\$	\$	\$	\$	\$	\$
2011	1,990,000	3,391,475	28,969	89,679	2,018,969	3,481,154
2012	2,070,000	3,315,712	30,273	88,375	2,100,273	3,404,087
2013	2,155,000	3,236,538	31,635	87,014	2,186,635	3,323,552
2014	2,240,000	3,153,963	1,333,058	85,590	3,573,058	3,239,553
2015	2,320,000	3,066,298	34,546	19,102	2,354,546	3,085,400
2016-2020	13,090,000	13,846,388	197,497	70,743	13,287,497	13,917,131
2021-2025	16,100,000	10,842,525	192,446	22,125	16,292,446	10,864,650
2026-2030	20,040,000	6,981,024			20,040,000	6,981,024
2031-2035	18,810,000	2,423,684			18,810,000	2,423,684
	<u>78,815,000</u>	<u>50,257,607</u>	<u>1,848,424</u>	<u>462,628</u>	<u>80,663,424</u>	<u>50,720,235</u>

NOTE 8 – DEBT WITHOUT CITY COMMITMENT

A. Community Facilities District (Mello-Roos) Bonds

On October 17, 2000, the Community Facilities District (CFD) issued \$21,000,000 of bonds on behalf of the developer of the Pacific Shores Project to fund various transportation system improvements within the City's right-of-way that were required as a condition of the development. These bonds are solely obligations of the property owners in this district and are not obligations of the City, nor has any political subdivision of the State of California pledged its full faith and credit for the payment of these bonds.

NOTE 8 – DEBT WITHOUT CITY COMMITMENT (CONTINUED)

The City's only responsibilities with respect to any delinquent assessment installments are solely advancing funds from the reserve fund (established with bond proceeds) to the redemption fund, to the extent that such funds are available, and instituting foreclosure proceedings. The City is not required to advance available funds of the City for payment of principal or interest or to purchase land at a delinquent foreclosure assessment sale. As of June 30, 2010, the outstanding principal amount was \$12,065,000.

On January 17, 2001, the Shores Transportation Improvement District issued \$5,045,000 of Phase I CFD bonds, and on September 3, 2003 the District issued \$7,505,000 of Phase II CFD bonds. The proceeds of these bonds are being used to fund various transportation projects that are required under development agreements with commercial property owners in the Redwood Shores area of the City. These bonds are solely obligations of the property owners in this district and are not obligations of the City, nor has any political subdivision of the State of California pledged its full faith and credit for the payment of these bonds. The City's only responsibilities with respect to any delinquent assessment installments are solely advancing funds from the reserve fund (established with bond proceeds) to the redemption fund, to the extent that such funds are available, and instituting foreclosure proceedings. The City is not required to advance available funds of the City for payment of principal or interest or to purchase land at a delinquent foreclosure assessment sale. As of June 30, 2010, the outstanding principal amount was \$11,175,000.

NOTE 9 – EMPLOYEE BENEFITS

A. *Retirement System*

PERS Safety and Miscellaneous Employees' Plans

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees' Retirement System (PERS), an agent multiple-employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. The City's employees participate in the separate safety (police and fire) and miscellaneous (all other) employee plans. Benefit provisions under both plans are established by state statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both plans are determined annually on an actuarial basis as of June 30 by PERS; the City must contribute these amounts. The plans' provisions and benefits in effect at June 30, 2010 are summarized as follows:

	<u>Public Safety</u>	<u>Miscellaneous</u>
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50
Monthly benefits, as a % of annual salary	3%	2.000% -2.700%
Required employee contribution rates	9%	8%

NOTE 9 – EMPLOYEE BENEFITS (CONTINUED)

Employer contributions are determined by PERS as a percentage of covered payroll and represent the actuarially required contribution. The employer contributions for the past three years are:

	<u>Public Safety</u>	<u>Miscellaneous</u>
2008	30.559%	15.809%
2009	29.903%	15.333%
2010	29.389%	15.423%

Since the City consistently applied the employer contribution rates, as determined by PERS, the City's annual pension cost equaled the City's actuarially required contribution for the fiscal year ended June 30, 2010.

All qualified permanent and probationary employees are eligible to participate in PERS. A credited service year is one year of full time employment. In accordance with the memorandums of understanding with the various employee groups, the City may contribute a portion of the employee contribution. This contribution varies from group to group. These benefit provisions and all other requirements are established by state statute and City ordinance. Contributions necessary to fund PERS on an actuarial basis are determined by PERS and its Board of Administration.

Police and fire safety employees are covered under the "3% at 50" formula. Under this retirement plan, an employee's retirement earnings at age 50 is calculated by multiplying 3% by the employee's years of service. This percentage factor increases with the employee's age upon retirement.

Miscellaneous employees are covered under the "2.7% at 55" formula. Under this retirement plan, an employee's retirement earnings, at age 55, are calculated by multiplying 2.7% by the employee's years of service. An employee with five years of service is eligible to retire at age 50 at a reduced pension amount. The pension amount increases with age and length of service.

PERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the employer must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities.

PERS uses the market-related value method of valuing the plan's assets. An investment rate of return of 7.75% is assumed, including inflation at 3.00%. Annual salary increases are assumed to vary by duration of service. The City's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization periods for the City's plans are as follows:

Public Safety	June 30, 2039
Miscellaneous	June 30, 2029

Audited annual financial statements and ten-year trend information for the fiscal year ended June 30, 2010, the most recent available, are available from PERS at P.O. Box 942709, Sacramento, CA 94229-2709.

Total current payroll for all covered employees for the fiscal year ended June 30, 2010 was \$49,688,254. The payroll subject to retirement amounted to \$20,242,260 for public safety and \$29,445,994 for the miscellaneous group.

NOTE 9 – EMPLOYEE BENEFITS (CONTINUED)

PERS has reported that the value of the net assets in the plan held for pension benefits changed as follows during the year ended June 30, 2009, the most recent available:

	Public Safety	Miscellaneous
	\$	\$
Beginning Balance 6/30/08	161,317,723	149,019,239
Contributions Received	7,787,750	7,244,737
Benefits and Refunds Paid	(8,974,271)	(7,249,546)
Expected Investment Earnings Credited	12,457,004	11,548,808
Expected Actuarial Value of Assets 6/30/09	<u>172,588,206</u>	<u>160,563,238</u>
Market Value of Assets 6/30/09	<u>124,253,016</u>	<u>114,666,894</u>
Actuarial Value of Assets 6/30/09	<u>169,944,594</u>	<u>158,140,679</u>

Additional disclosures will be included when made available by PERS.

Three years of trend information regarding annual pension costs for both plans is summarized as follows:

Fiscal Year	Public Safety			Miscellaneous		
	Annual Pension Cost	Percentage of APC	Net Pension Obligation	Annual Pension Cost	Percentage of APC	Net Pension Obligation
	\$	Contributed		\$	Contributed	
2008	5,840,047	100%	0	4,560,851	100%	0
2009	6,020,395	100%	0	4,601,649	100%	0
2010	5,948,998	100%	0	4,541,486	100%	0

As of June 30, 2009, the most recent actuarial valuation date, the public safety plan was 75.6% funded, the actuarial liability (AAL) for benefits was \$224,860,040, and the actuarial value of plan assets was \$169,944,594, resulting in an unfunded actuarial accrued liability (UAAL) of \$54,915,446. The covered payroll (annual payroll of active employees covered by the plan) was \$20,350,983 and the ratio of UAAL to the covered payroll was 269.8%.

For the miscellaneous plan, the plan was 80.7% funded, the AAL for benefits was \$196,007,388, and the actuarial value of plan assets was \$158,140,679, resulting in a UAAL of \$37,866,709. The covered payroll was \$30,942,372 and the ratio of UAAL to the covered payroll was 122.4%.

The Schedule of Funding Progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

B. Post Employment Benefits

The City administers a single-employer defined benefit post employment healthcare plan. Permanent employees who retire under the City’s retirement plan (CalPERS) are, pursuant to their respective collective bargaining agreements, eligible to have their medical insurance premiums reimbursed by the City up to the Kaiser family premium rate. Medical insurance premiums for spouses and other dependents generally are not paid by the City. In the case of public safety disability retirement, the City provides medical insurance for dependents. Currently there are 318 retirees receiving this benefit.

NOTE 9 – EMPLOYEE BENEFITS (CONTINUED)

The City is not required by law or contractual agreement to provide funding for retiree health costs other than the pay-as-you-go amount necessary to provide current benefits to retirees. The City’s retiree health plan is being managed through the California Employer’s Retiree Benefits Trust (CERBT), an irrevocable trust fund that allows public employers to prefund the future cost of their retiree health insurance benefits and other post employment benefits for their covered employees or retirees.

The CERBT’s administrator, CalPERS, issues a publicly available financial report consisting of financial statements and required supplementary information for CERBT in aggregate. The report may be obtained by writing to CalPERS, Lincoln Plaza North, 400 Q Street, Sacramento, CA 95811. During FY 2009/10, the City contributed \$3,830,000, or 103%, of the actuarially required contributions to the retiree health plan.

The City’s annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City’s annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation.

Annual Required Contribution	\$ 3,729,000
Interest on net OPEB obligation	517,000
Adjustment to annual required contribution	<u>(416,000)</u>
Annual OPEB Cost	3,830,000
Contributions made to irrevocable trust	(2,207,196)
Benefit payments made outside of trust	<u>(1,622,804)</u>
Increase in net OPEB obligation	0
Net OPEB obligation - beginning of the year	<u>6,674,477</u>
Net OPEB obligation - end of the year	<u><u>\$ 6,674,477</u></u>

The City annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2010 and the two preceding years were as follows:

Year Ended	Annual OPEB Cost \$	Annual OPEB Cost Contributed %	OPEB Obligation (Asset) \$
6/30/2008	4,744,124	31	3,263,392
6/30/2009	5,027,000	32	6,674,477
6/30/2010	3,830,000	100	6,674,477

As of June 30, 2009, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability (AAL) for benefits was \$37,264,000, and the actuarial value of plan assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$37,264,000. The covered payroll (annual payroll of active employees covered by the plan) was \$43,764,165 and the ratio of UAAL to the covered payroll was 85%.

NOTE 9 – EMPLOYEE BENEFITS (CONTINUED)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2009 actuarial valuation, the actuarial cost method used is Entry Age Normal (EAN) cost method. Under the EAN cost method, the plan's Normal Cost is developed as a level percent of payroll throughout the participants' working lifetime. Entry age is based on current age minus years of service. The Actuarial Accrued Liability (AAL) is the cumulative value on the valuation date of prior Normal Cost. For the retirees, the AAL is the present value of all projected benefits. The Unfunded AAL is being amortized as a level dollar closed 30 year basis, as a level percent of payroll with a remaining amortization period at June 30, 2009 of 30 years.

GASB 45 requires the interest rate to represent the underlying expected return for the source of funds used to pay benefits. The actuarial methods and assumptions included 7.75% interest rate. Annual inflation assumed to increase at 3% per annum and Aggregate Payroll assumed to increase at 3.25% per annum. The study also used assumptions for the salary merit and longevity increases, and demographic assumptions such as mortality, withdrawal, and disability based on CalPERS 1997-2002 Experience Study. Retirement assumption was also based on CalPERS 1997-2002 Experience Study of the Miscellaneous Plan 2.7% at 55 years, with expected retirement age of approximately 59, and Public Safety 3% at 50 years, with expected retirement age of approximately 54 for Police and 55 for Fire.

C. Cafeteria Benefit Plan

The City has a cafeteria benefit plan established pursuant to section 125 of the IRS code. Under this plan eligible employees may direct a contribution, made by the City, into any combination of the following three benefit categories:

1. Medical Insurance Premium Account
2. Out of Pocket Medical Spending Account
3. Dependent Care Spending Account

In addition to directing the City's contribution to the above categories, eligible employees may elect to contribute pre-tax dollars to these categories. Under no circumstances may an employee direct more than \$5,000 annually into the Dependent Care Spending Account and \$8,000 annually into the Medical Spending Account. This cap applies to both City contributions and employee pre-tax contributions. There are no legal limits on contributions to the Health Premium Account.

NOTE 9 – EMPLOYEE BENEFITS (CONTINUED)

All regular full-time and part-time employees employed on a regular and continuous basis, including certain contractual employees, are eligible to participate in this plan. Temporary and casual employees are not eligible. The plan year adopted by the City begins on January 1 and ends December 31. To obtain reimbursement of expenses incurred within a plan year within the spending accounts (items 2 or 3), employees must submit claims within 90 days of the end of the plan year or separation of service from the City, whichever occurs first. Funds unclaimed after 90 days of the close of the plan year are then remitted to the City.

D. Deferred Compensation Plans

City employees may defer a portion of their compensation under four separate, optional City-sponsored deferred compensation plans created in accordance with Internal Revenue Code Section 457. Under these plans, 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 plans.

Effective January 1, 1998, the City signed new deferred compensation plan administration agreements with the deferred compensation providers to provide for the administration and management of employees' deferred compensation plan assets. These agreements incorporate changes in the law governing deferred compensation plan assets which now require plan assets to be held for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these new plans are not the City's property and are not subject to claims by general creditors of the City, they have been excluded from these financial statements.

Effective January 28, 2003, the City implemented a retirement enhancement plan (401-A defined contribution plan) for certain executive management employees. In February 2005, a plan amendment was adopted to extend the 401-A plan to all members of the executive management employees. Under this plan, the City contributes 2% of the employees' compensation into the 401-A plan.

Effective October 1, 2002 for the Redwood City Management Employees Association, and effective September 1, 2003 for the Police Sergeants Association, the City contributes an amount equal to 2% of the base monthly salary to a deferred compensation plan offered by the City to members of the Associations.

NOTE 10 – NET ASSETS AND FUND BALANCES

GASB Statement No. 34 adds the concept of net assets, which is measured on the full accrual basis, to the concept of fund balance, which is measured on the modified accrual basis.

A. Net Assets

Net assets are the excess of all the City's assets over all its liabilities, regardless of fund. Net assets are divided into three captions under GASB Statement No. 34. These captions apply only to net assets, which is determined only at the government-wide level and are described below:

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

NOTE 10 – NET ASSETS AND FUND BALANCES (CONTINUED)

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

Unrestricted describes the portion of net assets which is not restricted as to use.

B. Fund Balances, Reserves and Designations

In the fund financial statements, fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities. Portions of a fund's balance may be reserved or designated for future expenditure.

Reserves:

Portions of fund balance have been reserved for specific purposes as follows:

Encumbrances – A reservation is reported for encumbrances outstanding at year-end since they are not considered an expenditure or liability and are reappropriated in the subsequent year.

Loans – An amount equal to the non-current portion of loans is reserved as it is not available to finance current operations. The non-current portion is that principal portion of a loan which is not expected to be repaid within 12 months.

Land Held for Redevelopment – Land held by governmental funds for redevelopment is reserved as it is not available to finance current operations.

Low Income Housing - Pursuant to California Health and Safety Code, Division 24, Section 3334.2, 20% of all property tax increment revenues received by the Redevelopment Agency must be set aside and used exclusively for projects related to low and moderate income housing.

Inventory - Inventory held within governmental funds is reserved as it is not available to finance current operations.

Prepaid Items - Expenditures that are paid in the current fiscal year for services or products to be provided in the following fiscal year.

Advances to Other Funds - Long-term amounts to be repaid by other funds are reserved.

Debt Service - Funds which legally may only be used for debt service are reserved within the appropriate fund.

Designations:

Subsequent Year's Expenditures - In accordance with Article XIII B of the California Constitution, any unspent funds at the year-end should either be returned to the taxpayers or designated for expenditures in the subsequent year. It is the Council's desire to appropriate this money in the following year.

Capital Projects - The City maintains reserves for unexpended appropriations for capital outlay projects within the fund in which these projects have been appropriated.

NOTE 10 – NET ASSETS AND FUND BALANCES (CONTINUED)

Street Projects - The City maintains a reserve for unexpended appropriations for capital outlay projects within the general fund. Since these projects are funded by transfers from the general fund, the City desires to ensure that sufficient resources will be available to transfer to the special gas tax fund when capital outlay expenditures are incurred.

Sandpiper Park - Funds received from the sale of land to the Belmont/Redwood Shores School District are held in reserve and will be expended over a 15-year period to supplement funding for the maintenance of Sandpiper Park.

Library Bequest – Funds received by the library to be used for specific library-related programs.

Retiree Medical Benefits - The City has designated funds to be utilized in progressively funding the annual required contribution after the City implements GASB Statement No. 45 in fiscal year 2007/08.

General Plan - Funds received from building permits to be set aside for maintenance of the City's general plan.

Geographic Information System (GIS) – Funds received from building permits to be set aside for maintenance of the City's GIS computer program.

Unrealized Gain – This description represents the income recorded to mark the City's investments to fair value. As the City intends to hold all investments to maturity, the unrealized gain will not materialize, and therefore, it is reflected as designated fund balance.

Fund balances unreserved at June 30, 2010 are as follow:

	Schedule of Unreserved Fund Balances				
	General Fund	Capital Outlay Fund	Redevelopment Agency Fund	Low & Moderate Income Housing Fund	Non-Major Funds
Unreserved and designated for:	\$	\$	\$	\$	\$
Subsequent years' expenditures	17,594,163				606,073
Capital projects	1,206,498	16,298,816		8,631,198	14,169,738
Street projects					4,966,482
Sandpiper Park	807,285				
Library bequest	89,712				
Retiree medical benefits	700,310				
General plan	188,297				
Geographic Information System		33,068			
Unrealized gain	405,171	222,247			205,514
Total unreserved and designated fund balance	20,991,436	16,554,131	0	8,631,198	19,947,807
Undesignated		52,279	(1,998,401)		8,081,197
Total unreserved fund balance	20,991,436	16,606,410	(1,998,401)	8,631,198	28,029,004

NOTE 10 – NET ASSETS AND FUND BALANCES (CONTINUED)

C. Reconciliation of General Fund Fund Balance to Governmental Activities Unrestricted Net Assets

As of June 30, 2010, unrestricted net assets of governmental activities reconciles with the general fund fund balance as follows:

Reconciliation of General Fund Fund Balance to Governmental Activities Unrestricted Net Assets	
General Fund Fund Balance	\$ 24,723,971
Add Unrestricted Net Assets of the following funds:	
Capital Projects Funds	
Capital Outlay Fund	22,219,720
Internal Service Funds	
Equipment Services	6,894,970
Self Insurance	1,169,849
Internal Services	702,479
Employee Benefits	2,564,783
Add:	
Accrued Interest Receivable	113,027
Deferred Revenue	723,197
Unamortized bond issuance costs	1,280,901
Deduct:	
Compensated Absences	(8,759,160)
Net OPEB obligation	(5,749,379)
Debt issued for purposes other than capital assets	<u>(8,717,909)</u>
Unrestricted Net Assets of Governmental Activities	<u>\$ 37,166,449</u>

Funds not listed in the above reconciliation had no unrestricted net assets at June 30, 2010.

D. Deficit Fund Equity/Net Assets

The Redevelopment Agency fund had a deficit fund balance of \$348,543 due to the required but unplanned payment to the State of California as the State experienced budget difficulties, and relied on local agencies to provide financial assistance.

NOTE 11 – FUNDS WITH EXPENDITURES EXCEEDING APPROPRIATIONS

The budgetary expenditures exceeded appropriations in the Redevelopment Agency fund due to the unplanned payment to the State of California. Sufficient revenues were not available to fund this payment and therefore, funds were advanced from the Low and Moderate Income Housing fund.

The budgetary expenditures exceeded appropriations in the 1997 Tax Allocation Refunding bonds fund due to unbudgeted arbitrage rebate penalty paid to the Federal government. Sufficient revenues were available to fund these expenditures.

NOTE 12 – INTERFUND TRANSFERS AND TRANSACTIONS

A. Transfers

The following interfund transfers were made during the year:

<u>Fund Receiving Transfers</u>	<u>Fund Making Transfers</u>	<u>Amount Transferred</u>
General Fund	Non-major Governmental Funds	\$ 788,705 ^{(1) (6)}
	Capital Outlay Fund	532,742 ⁽²⁾
	Internal Service Funds	44,290 ⁽²⁾
Capital Outlay Fund	General Fund	7,420,575 ⁽³⁾
	Non-major Governmental Funds	100,000 ⁽³⁾
Non-major Governmental Funds	General Fund	13,296,314 ^{(3) (4) (5)}
	Capital Outlay Fund	2,541,571 ⁽³⁾
	Redevelopment Agency Fund	2,855,161 ⁽⁵⁾
	Low and Moderate Income Housing Fund	1,076,557 ⁽⁵⁾
Parking Fund	General Fund	978,527 ⁽⁴⁾
Internal Service Funds	Water Utility Fund	14,818 ⁽³⁾
	Sewer Utility Fund	5,954 ⁽³⁾
	Parking Fund	40,104 ⁽⁷⁾
	Internal Service Funds	374,569 ⁽⁷⁾
Total Interfund Transfers		<u>\$ 30,069,887</u>

The reasons for these transfers are set forth below:

- ⁽¹⁾ Reimburse General Fund for expenditures incurred for maintenance in the Redwood Shores area.
- ⁽²⁾ Reimburse General Fund for interest earned by funds supported by the General Fund.
- ⁽³⁾ Allocation of funds to construct/purchase general capital assets.
- ⁽⁴⁾ Allocation of funds to support operations.
- ⁽⁵⁾ Transfer of amounts required to fund debt service payments.
- ⁽⁶⁾ Transfer of remaining balances from debt service funds.
- ⁽⁷⁾ Allocation of net OPEB obligation to participating funds.

B. Long-Term Interfund Loans

<u>Fund Receiving Advance</u>	<u>Fund Making Advance</u>	<u>Amount of Advance</u>
Redevelopment Agency Fund	Capital Outlay Fund	\$ 2,645,939
	Low and Moderate Income Housing fund	2,812,838
Sewer Utility Fund	Water Utility Fund	416,667
Capital Outlay Fund	Self Insurance Fund	1,500,000
Total Long-Term Interfund Loans		<u>\$ 7,375,444</u>

During FY 2004/05, the capital outlay fund advanced \$3,000,000 to the redevelopment agency fund to finance various downtown improvements. During FY 2008/09 the redevelopment agency repaid \$115,622 of the advance, and during FY 2009/10 the redevelopment agency repaid \$238,439. During FY 2006/07 the water utility fund advanced \$2,500,000 to the sewer utility fund to cover the unanticipated increase in the capital replacement fund needs of the South Bayside System Authority. During FY 2007/08 the sewer utility fund repaid \$416,667 of the advance, \$833,333 in FY 2008/09, and \$833,333 in FY 2009/10. During FY 2008/09, the self insurance fund advanced \$2,500,000 to the capital

NOTE 12 – INTERFUND TRANSFERS AND TRANSACTIONS (CONTINUED)

outlay fund to finance the purchase of real property. During FY 2009/10 the capital outlay fund repaid \$1,000,000 of the advance. During FY 2009/10, the low and moderate income housing fund advanced \$2,812,838 to the redevelopment agency fund to partially finance the amount taken away from the redevelopment agency by the State of California.

NOTE 13 – RISK MANAGEMENT AND SELF-INSURANCE FUND

A. *Workers' Compensation and Property Insurance*

The City is self-insured for workers' compensation for the first \$350,000 per occurrence and has a commercial insurance policy that covers the City's exposure above the retained limits up to the statutory limits required by the State of California. The City paid \$266,450 during FY 2009/10 for the coverage.

The City's workers' compensation policy includes coverage for the Port of Redwood City. The Port carries property and liability insurance policies with limits of \$10,000,000 and \$150,000,000, respectively.

B. *General Liability and Automobile*

The City is a member of the Bay Cities Joint Powers Insurance Authority (BCJPIA), which is a liability pool consisting of 18 San Francisco Bay Area government agencies, for general liability and auto liability coverage. In FY 2009/10 the City maintained a \$350,000 self-insured retention with coverage from \$350,000 to \$1,000,000 through the BCJPIA. The purpose of the pool is to provide certain levels of liability coverage, claims administration, and loss control support to member agencies. Annually, each agency pays an actuarially-determined premium based upon a formula which takes into account the prior three years' loss experience, annual payroll, and population. This premium pays for administrative costs and funds liability reserves. The premium paid in FY 2009/10 was \$520,109.

The BCJPIA belongs to the California Affiliated Risk Management Authority (CARMA) which is an excess liability pool comprised of the BCJPIA and five other local government insurance pools. CARMA provides coverage from \$1,000,001 to \$29,000,000. A layer from \$1,000,001 to \$3,000,000 is self-insured by CARMA, the layer from \$3,000,001 to \$29,000,000 is reinsured through agreements with commercial insurers.

The City also carries all risk coverage on buildings and their contents at current appraised value.

NOTE 13 – RISK MANAGEMENT AND SELF-INSURANCE FUND (CONTINUED)

Audited financial statements are available from the Bay Cities Joint Powers Insurance Authority at 1020 19th Street, Sacramento, California 95814. The following is the BCJPIA condensed audited financial results for the year ended June 30, 2010:

	\$
Assets	23,330,841
Reserves for Claims	9,973,434
Liabilities ¹	3,294,530
Net Assets Unrestricted	10,062,877
Member Contributions	10,348,260
Other Income	198,228
Provisions for Claims and Claim Adjustment Expenses	1,972,272
Operating Expenses ²	6,701,274
Change in Net Assets	1,872,942

¹ Excluding claims liabilities

² Excluding provisions for claims

C. Self-Insurance Fund

The City maintains a self-insurance internal service fund for its workers' compensation and general liability self-insurance programs. This fund accounts for revenues from departmental charges and operating expenses, including settlements within the City's self-insured retentions. Reserves for incurred but not reported claims are maintained within this fund. These reserves are based on an actuarial analysis performed by Richard E. Sherman & Associates, Inc. in accordance with GASB 10.

Changes in the self-insurance fund's claims payable liability for fiscal years ended 2008, 2009, and 2010 were:

	Beginning Balance	Current Year Claims/ Changes in Estimates	Claim Payments	Ending Balance
	\$	\$	\$	\$
2007/08	9,656,840	1,096,552	(1,007,612)	9,745,780
2008/09	9,745,780	1,685,063	(1,069,805)	10,361,038
2009/10	10,361,038	2,122,455	(1,427,167)	11,056,326

Settlements have not exceeded coverage for each of the past three fiscal years.

NOTE 14 – REDWOOD CITY REDEVELOPMENT AGENCY

The Agency has purchased parcels of land for redevelopment in order to develop or redevelop blighted properties within the city limits of Redwood City. Such land parcels are accounted for at the lower of cost, estimated net realizable value, or agreed-upon sales price if a disposition agreement has been made with a developer.

The Agency has entered into agreements with developers and other government entities for the purpose of ensuring the redevelopment of properties in its area. The Agency's agreements with developers, termed disposition and development agreements or owner participation agreements,

NOTE 14 – REDWOOD CITY REDEVELOPMENT AGENCY (CONTINUED)

generally require the Agency to assist in financing land acquisition or operating costs of a specific project, but are based on the developer's performance on that project as measured by increases in property taxes and sales taxes generated by the project or to provide affordable housing to the community. The increases in these taxes are the only source of Agency assistance for the project.

The Agency has agreements termed pass-throughs with government entities. These agreements require the Agency to pass through to these entities a portion of the property tax increases it collects, representing the increases these entities would have expected to collect if the Agency had not been formed.

NOTE 15 – LITIGATION AND CONTINGENT LIABILITIES

The City generally follows the practice of recording liabilities resulting from claims and legal actions only when they become fixed or determinable in amount.

There are lawsuits pending in which the City is a party. In the opinion of the City Attorney, the City has adequate legal defenses and/or reserves to cover such liability if it does arise.

NOTE 16 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of June 30, 2010, the City has the following significant commitment (which are encumbered): \$2,485,497 for the Recycled Water System Development.

NOTE 17 – SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

Redwood City is a member of the South Bayside Waste Management Authority (SBWMA), a joint powers authority established to purchase the solid waste transfer station located in San Carlos, California from Browning-Ferris Industries, now Allied Waste Systems (Allied), and then lease the transfer station back to Allied. Currently there are 12 public entities that are members of this organization. Each of these members also, by individual and separate legislative action, has entered into a franchise agreement with Allied for solid waste collection within their respective jurisdictions.

The SBWMA issued \$20 million in bonds in 1999 to provide funds for the purchase of the transfer station. The lease payments received from Allied for the use of the transfer station provide funds for the SBWMA to pay the principal and interest on the outstanding bonds. The debt issued by the SBWMA is not an obligation of any of the member entities. Allied in turn includes the lease payments to the SBWMA as an eligible cost to be recovered from solid waste collection customers under the terms of their franchise agreements. During FY 2009/10, SBWMA issued \$58.5 million in bonds to finance improvements at the solid waste transfer station, and the remaining balance of the 1999 bonds were retired.

The SBWMA also serves as a regional forum for member entities to collectively pursue other solid waste management matters such as rate setting, solid waste reduction, and meeting recycling goals as required by state law.

NOTE 17 – SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY (CONTINUED)

Audited financial statements are available from the SBWMA, c/o the City of San Carlos, 600 Elm Street, San Carlos, CA 94070. The following is SBWMA's condensed unaudited financial results for the year-ended June 30, 2010.

Total assets	\$ 83,370,612
Total liabilities	<u>62,009,547</u>
Total equity	<u>\$ 21,361,065</u>

NOTE 18 – RELATED PARTY TRANSACTIONS

In June 2000, the City's Redevelopment Agency authorized a First Time Homebuyer Program targeted to City employees and school teachers from the Redwood City Elementary School District. Under the program, the Agency offers first time homebuyers financial assistance in the purchase of a home within the City of Redwood City. These loans bear no interest and are secured by third deeds of trust on the property. No payments are due until five years after the date of purchase. This loan program is extended to City employees who meet the criteria of the program. As of June 30, 2010, one employee had a loan due to the City in the amount of \$40,592.

In August 2003, the City made a housing assistance loan to the City Attorney to acquire real property in compliance with the employment agreement for \$250,000 repayable in 30 years with an interest rate of 5.00% per annum on the unpaid loan balance. Interest of 3.75% per annum shall be deferred (non-compounded) and payable on the earlier of: (1) the transfer of the fee title to the property in whole or in part by the sale or otherwise; (2) within 12 months of the termination of his employment for any reason with the City; (3) within six months after the property ceases to be his principal residence; or (4) 30 years after the recordation of the deed of trust. During FY 2009/10 this loan was repaid.

NOTE 19 – PROPOSITION 1A BORROWING BY THE STATE OF CALIFORNIA (FOR LOCAL GOVERNMENTS THAT PARTICIPATED IN THE SECURITIZATION PROGRAM)

Under the provisions of Proposition IA and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period.

The amount of this borrowing pertaining to the City of Redwood City was \$2,902,322.

Authorized with the 2009-10 State budget package, the Proposition IA Securitization Program was instituted by the California Statewide Communities Development Authority (California Communities), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition IA receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition IA receivables and issued bonds (Prop IA Bonds) to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no

NOTE 19 – PROPOSITION 1A BORROWING BY THE STATE OF CALIFORNIA (CONTINUED)

obligation on the bonds and no credit exposure to the State. The City participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition IA. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

NOTE 20 – PRIOR PERIOD ADJUSTMENT

The City recorded a prior period adjustment to the investment in sewer authority recorded in the sewer utility fund to more accurately reflect the amount the City has invested in the South Bayside System Authority.

	<u>Net Assets, as Previously Reported</u>	<u>Prior Period Adjustment</u>	<u>Net Assets, as Restated</u>
	\$	\$	\$
A. Government-wide Statements			
Business Activities: Net Assets	142,395,773	9,200,926	151,596,699
B. Fund Financial Statements			
Sewer Utility Fund	38,250,393	9,200,926	47,451,319

REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds, debt service funds, and capital projects funds.

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, special revenue, and debt service funds. Capital projects funds' budgets are adopted on a project length basis and are not presented here.

The City Manager submits a recommended operating budget in May each year to the City Council for the fiscal year commencing the following July 1, showing proposed expenditures by programs and the means of financing them.

The City Council conducts budget study sessions, which are open for public comment, before adopting the budget. Once the budget is adopted, expenditures may not legally exceed appropriations at program level except when the excess is attributable to a particular activity for which the City has been reimbursed. This is especially apparent in the Community Development Program where developers reimburse the City through sub-division fees and environmental impact report fees.

At the request of the department head through the City Manager, the City Council may, by resolution, transfer appropriations between sub-programs and fund. Any increase or decrease to the total appropriations provided for in the budget must also be carried through by resolution passed by the City Council. The City Manager may authorize the transfer of funds between object categories within a sub-program of a department. The adoption and administration of the Port of Redwood City budget, unless property tax revenues are requested, is exclusively under the control of the Board of Port Commissioners.

Budgeted amounts are as originally adopted, or as amended by the City Council during the fiscal year. Individual amendments were not material in relation to the original appropriations.

All unexpended appropriations lapse at the end of the fiscal year. Appropriations for capital projects or appropriations that are encumbered are re-appropriated and carried over in the following year's budget.

CITY OF REDWOOD CITY, CALIFORNIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, July 1	\$ 39,095,497	\$ 39,095,497	\$ 39,095,497	\$
Resources (inflows):				
Property taxes/special assessments	34,614,370	34,614,370	35,321,346	706,976
Sales and other taxes	32,026,740	32,026,740	30,964,483	(1,062,257)
Licenses and permits	1,600,030	1,600,030	875,019	(725,011)
Fines, forfeitures and penalties	430,000	467,500	453,841	(13,659)
Use of money and property	1,230,038	1,230,038	872,014	(358,024)
Intergovernmental	3,406,594	4,236,095	3,958,303	(277,792)
Contributions	153,766	506,566	370,914	(135,652)
Charges for current services	7,602,574	8,507,909	8,312,642	(195,267)
Other	1,322,400	1,322,400	1,574,879	252,479
Amounts available for appropriation	82,386,512	84,511,648	82,703,441	(1,808,207)
Charges to appropriations (outflows)				
Current Operations:				
Community development	7,698,821	8,762,628	7,170,914	1,591,714
Human services	1,430,792	1,565,792	1,465,105	100,687
Public safety	45,191,814	45,523,932	45,110,854	413,078
Transportation	304,192	304,192	288,645	15,547
Environmental support and protection	367,020	367,020	367,020	
Leisure, cultural and information services	19,958,918	20,137,259	19,779,471	357,788
Policy development and implementation	2,955,189	3,082,634	2,553,593	529,041
Capital outlay	14,250	14,250	9,686	4,564
Total charges to appropriations	77,920,996	79,757,707	76,745,288	3,012,419
OTHER FINANCING SOURCES (USES)				
Transfers in	768,405	1,306,531	1,365,737	59,206
Transfers (out)	(11,579,025)	(18,847,387)	(21,695,416)	(2,848,029)
Total Other Financing Sources (Uses)	(10,810,620)	(17,540,856)	(20,329,679)	(2,788,823)
Fund balance, June 30	32,750,393	26,308,582	24,723,971	(1,584,611)

CITY OF REDWOOD CITY, CALIFORNIA
REDEVELOPMENT AGENCY FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, July 1	\$ 3,222,373	\$ 3,222,373	\$ 3,222,373	\$
Resources (inflows):				
Property taxes/special assessments	7,878,703	7,878,703	8,056,625	177,922
Use of money and property	35,813	35,813	64,406	28,593
Contributions	31,834	61,834	156,432	94,598
Other			710	710
Amounts available for appropriation	<u>7,946,350</u>	<u>7,976,350</u>	<u>8,278,173</u>	<u>301,823</u>
Charges to appropriations (outflows)				
Current Operations:				
Community development	6,483,559	7,733,559	8,866,696	(1,133,137)
Capital outlay	84,911	84,911	84,911	
Debt service:				
Principal retirement	<u>42,321</u>	<u>42,321</u>	<u>42,321</u>	
Total charges to appropriations	<u>6,610,791</u>	<u>7,860,791</u>	<u>8,993,928</u>	<u>(1,133,137)</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out)	<u>(1,793,540)</u>	<u>(2,798,475)</u>	<u>(2,855,161)</u>	<u>(56,686)</u>
Total Other Financing Sources (Uses)	<u>(1,793,540)</u>	<u>(2,798,475)</u>	<u>(2,855,161)</u>	<u>(56,686)</u>
Fund balance, June 30	<u><u>2,764,392</u></u>	<u><u>539,457</u></u>	<u><u>(348,543)</u></u>	<u><u>(888,000)</u></u>

CITY OF REDWOOD CITY, CALIFORNIA
 LOW AND MODERATE INCOME HOUSING FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative) \$
	Original \$	Final \$		
Fund balance, July 1	16,021,286	16,021,286	16,021,286	\$
Resources (inflows):				
Property taxes/special assessments	4,641,276	4,641,276	4,674,050	32,774
Use of money and property	112,528	112,528	165,745	53,217
Charges for services			100	100
Other			629	629
Amounts available for appropriation	4,753,804	4,753,804	4,840,524	86,720
Charges to appropriations (outflows)				
Current Operations:				
Community development	1,428,428	1,428,428	707,160	721,268
Total charges to appropriations	1,428,428	1,428,428	707,160	721,268
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(284,014)	(536,081)	(1,076,557)	(540,476)
Total Other Financing Sources (Uses)	(284,014)	(536,081)	(1,076,557)	(540,476)
Fund balance, June 30	19,062,648	18,810,581	19,078,093	267,512

REQUIRED SUPPLEMENTARY INFORMATION

NOTE 2 – PUBLIC EMPLOYEES RETIREMENT SYSTEM SCHEDULE OF FUNDING PROGRESS

Public Safety Plan:

Actuarial						
Valuation Date	Value of Assets	Entry Age Accrued Liability	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
	\$	\$	\$	%	\$	%
2007	150,380,632	187,870,529	37,489,897	80.0	18,146,020	206.6
2008	161,888,639	204,759,656	42,871,017	79.1	19,776,620	216.8
2009	169,944,594	224,860,040	54,915,446	75.6	20,350,983	269.8

Miscellaneous Plan:

Actuarial						
Valuation Date	Value of Assets	Entry Age Accrued Liability	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
	\$	\$	\$	%	\$	%
2007	137,754,272	162,321,731	24,567,459	84.9	29,321,854	83.8
2008	149,521,428	175,726,139	26,204,711	85.1	30,553,814	85.8
2009	158,140,679	196,007,388	37,866,709	80.7	30,942,372	122.4

NOTE 3 – OTHER POSTEMPLOYMENT BENEFITS SCHEDULE OF FUNDING PROGRESS

Actuarial						
Valuation Date	Value of Assets	Entry Age Accrued Liability	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
	\$	\$	\$	%	\$	%
2006		51,844,000	51,844,000		42,505,693	122.0
2008		55,758,000	55,758,000		44,799,251	124.5
2009		37,264,000	37,264,000		43,764,165	85.2

GENERAL FUND

The general fund accounts for resources traditionally associated with governments that are not required to be accounted for in another fund. Library operations, whose expenditures must be approved by the Library Board, are accounted for as part of this fund along with the general governmental expenditures not accounted for in other funds.

CITY OF REDWOOD CITY, CALIFORNIA
GENERAL FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 2010 AND 2009

	2010	2009
ASSETS	\$	\$
Cash and investments available for operations	24,537,778	40,611,643
Receivables (net of allowance for uncollectibles):		
Taxes and assessments - current	5,380,290	3,904,453
Accounts	1,305,177	1,460,788
Loans	2,255,859	2,494,920
Accrued interest	409,584	772,652
Due from other governmental agencies	998,170	1,080,161
Inventory of supplies at cost	1,194	559
Prepaid expenditures	23,700	6,350
 Total Assets	 34,911,752	 50,331,526
LIABILITIES		
Accounts payable	2,104,820	2,200,792
Accrued payroll	2,444,789	2,371,095
Deposits payable	4,534,264	5,614,007
Deferred revenue		42,346
Unearned revenue	1,093,671	1,007,789
Accrued sick leave and vacation - current	10,237	
 Total Liabilities	 10,187,781	 11,236,029
FUND BALANCE		
Reserved for encumbrances	1,451,782	2,129,163
Reserved for loans	2,255,859	2,494,920
Reserved for inventory	1,194	559
Reserved for prepaid expenditures	23,700	6,350
Unreserved		
Designated for subsequent years expenditures	17,594,163	18,782,793
Designated for capital projects	1,206,498	9,211,205
Designated for street projects		3,340,548
Designated for Sandpiper Park	807,285	1,047,893
Designated for library bequest	89,712	84,533
Designated for general plan	188,297	166,705
Designated for retiree medical benefits	700,310	1,163,498
Designated for unrealized gain	405,171	667,330
 Total Fund Balance	 24,723,971	 39,095,497
 Total Liabilities and Fund Balance	 34,911,752	 50,331,526

CITY OF REDWOOD CITY, CALIFORNIA
GENERAL FUND
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009

	2010			2009		
	Budget	Actual	Variance with Final Budget Positive (Negative)	Budget	Actual	Variance with Final Budget Positive (Negative)
	\$	\$	\$	\$	\$	\$
REVENUES						
Property taxes	34,614,370	35,321,346	706,976	33,067,107	34,410,116	1,343,009
Sales and other taxes	32,026,740	30,964,483	(1,062,257)	34,889,276	31,674,430	(3,214,846)
Licenses and permits	1,600,030	875,019	(725,011)	1,417,030	902,723	(514,307)
Fines, forfeitures and penalties	467,500	453,841	(13,659)	600,000	469,111	(130,889)
Uses of money and property	1,230,038	1,082,755	(147,283)	1,631,801	1,845,741	213,940
Net increases (decreases) in fair value of investments		(210,741)	(210,741)		(915,808)	(915,808)
Intergovernmental	4,236,095	3,958,303	(277,792)	4,231,754	4,189,875	(41,879)
Charges for current services	8,507,909	8,312,642	(195,267)	7,476,593	7,279,108	(197,485)
Other	1,828,966	1,945,793	116,827	1,961,298	2,335,622	374,324
Total revenues	84,511,648	82,703,441	(1,808,207)	85,274,859	82,190,918	(3,083,941)
EXPENDITURES						
Community development	8,762,628	7,170,914	1,591,714	8,929,428	6,866,493	2,062,935
Human services	1,565,792	1,465,105	100,687	1,514,452	1,511,733	2,719
Public safety	45,538,182	45,120,540	417,642	46,822,780	46,516,692	306,088
Transportation	304,192	288,645	15,547	294,257	249,257	45,000
Environmental support and protection	367,020	367,020		294,541	294,541	
Leisure, cultural, and information services	20,137,259	19,779,471	357,788	21,846,079	21,608,340	237,739
Policy development and implementation	3,082,634	2,553,593	529,041	3,058,154	2,113,024	945,130
Total expenditures	79,757,707	76,745,288	3,012,419	82,759,691	79,160,080	3,599,611
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,753,941	5,958,153	1,204,212	2,515,168	3,030,838	515,670
OTHER FINANCING SOURCES (USES)						
Transfers in	1,306,531	1,365,737	59,206	940,600	998,700	58,100
Transfers (out)	(18,847,387)	(21,695,416)	(2,848,029)	(9,196,296)	(11,388,924)	(2,192,628)
Total Other Financing Sources (Uses)	(17,540,856)	(20,329,679)	(2,788,823)	(8,255,696)	(10,390,224)	(2,134,528)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(12,786,915)	(14,371,526)	(1,584,611)	(5,740,528)	(7,359,386)	(1,618,858)
Fund balance at beginning of year		39,095,497			46,454,883	
Fund balance at end of year		24,723,971			39,095,497	

CITY OF REDWOOD CITY, CALIFORNIA
GENERAL FUND
SCHEDULE OF REVENUES COMPARED WITH BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	2010		Variance with Final Budget Positive (Negative)	2009
	Budget	Actual		Actual
Property Taxes:	\$	\$	\$	\$
Property taxes - secured and unsecured	34,614,370	35,321,346	706,976	34,410,116
Total Property Taxes	<u>34,614,370</u>	<u>35,321,346</u>	<u>706,976</u>	<u>34,410,116</u>
Sales and Other Taxes:				
Sales tax	15,777,628	15,023,882	(753,746)	15,552,681
Franchises	1,604,212	1,486,757	(117,455)	1,564,348
Transient occupancy tax	2,814,000	2,657,527	(156,473)	2,761,433
Property transfer tax	260,000	714,562	454,562	270,010
Business license tax	1,370,900	1,400,087	29,187	1,484,285
Utility users tax	10,200,000	9,681,668	(518,332)	10,041,673
Total Sales and Other Taxes	<u>32,026,740</u>	<u>30,964,483</u>	<u>(1,062,257)</u>	<u>31,674,430</u>
Licenses and Permits:				
Building permits	1,450,000	774,352	(675,648)	782,457
Fire and other permits	150,030	100,667	(49,363)	120,266
Total Licenses and Permits	<u>1,600,030</u>	<u>875,019</u>	<u>(725,011)</u>	<u>902,723</u>
Fines, Forfeitures and Penalties:				
Parking fines	467,500	453,841	(13,659)	469,111
Total Fines, Forfeitures and Penalties	<u>467,500</u>	<u>453,841</u>	<u>(13,659)</u>	<u>469,111</u>
Uses of Money and Property:				
Rent and concessions	400,500	373,274	(27,226)	404,800
Interest income	829,538	709,481	(120,057)	1,440,941
Total Uses of Money and Property	<u>1,230,038</u>	<u>1,082,755</u>	<u>(147,283)</u>	<u>1,845,741</u>
Net Increase (Decrease) in Fair Value of Investments		<u>(210,741)</u>	<u>(210,741)</u>	<u>(915,808)</u>
Intergovernmental:				
Motor vehicle in lieu tax	200,000	228,797	28,797	262,990
Public safety sales tax	567,000	526,899	(40,101)	538,386
Police training allowance	45,000	10,291	(34,709)	28,625
Homeowners' property tax relief	190,000	185,161	(4,839)	184,613
State mandated programs grant		38,170	38,170	20,586
Grants - County, State, and Federal	2,904,095	2,598,758	(305,337)	2,756,251
Abandoned vehicle fees	30,000	70,227	40,227	77,286
Port contribution	300,000	300,000		321,138
Total Intergovernmental	<u>4,236,095</u>	<u>3,958,303</u>	<u>(277,792)</u>	<u>4,189,875</u>
Charges for Current Services:				
Fire services	470,000	476,519	6,519	507,846
Police services	150,000	202,063	52,063	257,997
Plan checking	656,000	379,881	(276,119)	401,112
Garbage collections - net	1,929,160	1,805,319	(123,841)	1,882,783
Engineering services	95,000	83,999	(11,001)	145,963
Planning services	1,905,000	2,057,690	152,690	815,787
Library fees	110,000	125,782	15,782	134,948
Recreation programs	1,913,897	1,871,028	(42,869)	1,869,255
Other current service charges	1,278,852	1,310,361	31,509	1,263,417
Total Charges for Current Services	<u>8,507,909</u>	<u>8,312,642</u>	<u>(195,267)</u>	<u>7,279,108</u>
Other:				
Contributions	506,566	370,914	(135,652)	216,921
Miscellaneous	1,322,400	1,574,879	252,479	2,118,701
Total Other	<u>1,828,966</u>	<u>1,945,793</u>	<u>116,827</u>	<u>2,335,622</u>
Total Revenue	<u>84,511,648</u>	<u>82,703,441</u>	<u>(1,808,207)</u>	<u>82,190,918</u>

CITY OF REDWOOD CITY, CALIFORNIA
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	2010		Variance with Final Budget Positive (Negative)	2009 Actual
	Budget	Actual		
Community Development:	\$	\$	\$	\$
Community planning	3,805,747	2,991,966	813,781	2,463,072
Building regulation	1,812,117	1,628,137	183,980	1,710,675
Administration	205,862	129,417	76,445	139,530
Engineering services	1,088,019	930,806	157,213	1,025,515
Community engagement	799,691	665,796	133,895	626,230
Code enforcement	867,050	824,792	42,258	901,471
Redevelopment	3,748,999	2,992,146	756,853	3,619,655
Less reimbursements from other funds	<u>(3,564,857)</u>	<u>(2,992,146)</u>	<u>(572,711)</u>	<u>(3,619,655)</u>
Total Community Development	<u>8,762,628</u>	<u>7,170,914</u>	<u>1,591,714</u>	<u>6,866,493</u>
Human Services:				
Human services assistance program	231,594	231,594		249,038
Social services center	<u>1,334,198</u>	<u>1,233,511</u>	<u>100,687</u>	<u>1,262,695</u>
Total Human Services	<u>1,565,792</u>	<u>1,465,105</u>	<u>100,687</u>	<u>1,511,733</u>
Public Safety:				
Law enforcement	28,542,362	27,841,038	701,324	29,025,039
Fire safety	<u>16,995,820</u>	<u>17,279,502</u>	<u>(283,682)</u>	<u>17,491,653</u>
Total Public Safety	<u>45,538,182</u>	<u>45,120,540</u>	<u>417,642</u>	<u>46,516,692</u>
Transportation:				
Street system/sidewalk maintenance, repair	<u>304,192</u>	<u>288,645</u>	<u>15,547</u>	<u>249,257</u>
Total Transportation	<u>304,192</u>	<u>288,645</u>	<u>15,547</u>	<u>249,257</u>
Environmental Support and Protection:				
Street cleaning/storm water collection, disposal	<u>367,020</u>	<u>367,020</u>		<u>294,541</u>
Total Environmental Support and Protection	<u>367,020</u>	<u>367,020</u>		<u>294,541</u>
Leisure, Cultural, and Information Services:				
Parks and recreation	12,762,808	12,532,212	230,596	13,206,668
Information services	<u>7,374,451</u>	<u>7,247,259</u>	<u>127,192</u>	<u>8,401,672</u>
Total Leisure, Cultural, and Information Services	<u>20,137,259</u>	<u>19,779,471</u>	<u>357,788</u>	<u>21,608,340</u>
Policy Development and Implementation:				
Legislative/policy determination	331,680	311,770	19,910	313,651
Management/policy execution	963,699	932,000	31,699	973,349
Legislative services/records management	732,630	609,496	123,134	673,606
Financial services	1,408,635	1,308,409	100,226	1,329,465
Legal services	1,011,912	935,369	76,543	865,789
Human Resources	1,346,505	1,369,125	(22,620)	1,287,344
Other administrative support services	3,643,899	3,443,750	200,149	3,108,902
Less reimbursements from other funds	<u>(6,356,326)</u>	<u>(6,356,326)</u>		<u>(6,439,082)</u>
Total Policy Development and Implementation	<u>3,082,634</u>	<u>2,553,593</u>	<u>529,041</u>	<u>2,113,024</u>
Total Expenditures	<u>79,757,707</u>	<u>76,745,288</u>	<u>3,012,419</u>	<u>79,160,080</u>

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for revenue derived from specific taxes or other dedicated revenue sources (other than for major capital projects) that are restricted by law or administrative action to expenditures for specified purposes.

Special Gas Tax Street Improvement Fund – This fund accounts for revenue received from the State of California derived from gasoline taxes. These funds may only be used for street purposes as specified in the State of California Streets and Highway Code.

Transportation Grants Fund – This fund accounts for grants and developer contributions received for specific transportation projects.

Grants Fund – This fund accounts for grants received for specific purposes. These include funds received under the Housing and Community Development Act.

Traffic Safety Fund – This fund accounts for revenues received from traffic fines and used for traffic safety programs.

Transportation Fund – This fund accounts for the City's share of special sales tax for transportation. Expenditures from this fund may only be incurred on transportation-related programs.

Seaport Landscape Maintenance Fund - This fund accounts for funds to be provided by property owners in the Seaport Boulevard area for maintenance of landscaping on Seaport Boulevard.

Seaport Centre Maintenance Fund – This fund accounts for funds provided by property owners in the Seaport Centre area for the maintenance and repair of drains and sewer lines connecting the Centre facilities to the public facilities.

Redwood Shores Maintenance Fund – This fund accounts for funds collected from property owners in the Redwood Shores area for the maintenance of various public areas.

Redwood Shores Landscape Maintenance Fund – This fund accounts for funds collected from property owners for landscape maintenance of certain areas in Redwood Shores.

Supplemental Law Enforcement Services Fund – This fund accounts for funds from the State of California "Citizens Option for Public Safety" program.

Traffic Mitigation Fees Fund – This fund accounts for developer contributions received for general transportation projects.

DEBT SERVICE FUNDS

Debt service funds are used to account for the payment of interest and principal on general debt of the City and related entities.

Public Financing Authority Bonds Fund – This fund was created in 1991 as a financing mechanism to provide for the defeasement of the Facilities and Infrastructure Authority bonds (issued in 1986) and for funds to construct a new police facility. Lease/leaseback bonds were issued in July 1991 and were completely refunded in fiscal year 2003/04 through the issuance of 2003 Public Financing Authority bonds. The 2003 bonds were issued for the refunding and to provide funding for new projects. These

bonds are guaranteed by lease payments from the City. The City Council sits as the Authority's governing board.

1997 Tax Allocation Refunding Bonds Fund – This fund accounts for bonds issued in 1997 to prepay a loan received by the Redevelopment Agency from the Redwood City Public Financing Authority, which in turn used the proceeds to defease the Public Financing Authority Series B bonds.

2003 Tax Allocation Bonds Fund – This fund accounts for bonds issued in 2003 to finance various downtown improvements.

1998 Lease Revenue Refunding Bonds Fund – This fund accounts for bonds issued in 1998 to advance refund a portion of the Public Financing Authority bonds issued in 1991.

1998 City Hall Lease Revenue Certificates of Participation Fund – This fund accounts for certificates of participation issued in 1998 to reimburse the City for the cost of constructing the new City Hall that was completed in August 1997.

CAPITAL PROJECTS FUNDS

Capital projects funds are established to account for resources used for the acquisition and construction of capital facilities by the City except for those financed by the proprietary funds or special revenue funds. Funding for these projects is provided by the general fund and by special assessment districts. Currently the City has the following funds:

Facilities Fee Construction Fund – This fund derives its revenue from fees collected from the developers in the Redwood Shores area. Funds are used for improvements to roads, drainage, water, traffic lights, canals, etc. in the area.

General Improvement District (GID) 1965 Construction Fund – This fund accounts for general improvement bonds issued to finance the drainage improvements, water line improvements, and sewage line improvements in the district area.

Parks Impact Fee Fund – This fund accounts for parks impact fees charged to developers on new development projects, to enable the City to expand and improve its system of parks, parkland, and recreational facilities to provide services to future development.

Shores Transportation Improvement District Fund – This fund accounts for community facility district bonds that were issued and developer contributions that were received by the City to fund various transportation projects in the Redwood Shores area.

Pacific Shores Community Facilities District Fund - This fund accounts for the various transportation system improvements within the City's right-of-way in the Pacific Shores district that are financed by community facilities district bond.

CITY OF REDWOOD CITY, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2010

SPECIAL REVENUE FUNDS

	Special Gas Tax Street Improvement Fund \$	Transportation Grants Fund \$	Grants Fund \$	Traffic Safety Fund \$	Transportation Fund \$	Seaport Landscape Maintenance Fund \$
ASSETS						
Cash and investments available for operations	4,932,780	7,062,441	1,863,484	4,033	865,066	423,618
Cash and investments, restricted			110,829			
Receivables (net of allowance for uncollectibles):						
Taxes and assessments - current	121,065				86,160	
Accounts			17,053	6,765		6,820
Loans			3,339,175			
Accrued interest			24,197			
Due from other governmental agencies		617,395	180,897	115,867		
Investment in land held for redevelopment			2,092,402			
Total Assets	5,053,845	7,679,836	7,628,037	126,665	951,226	430,438
LIABILITIES						
Accounts payable	19,467	72,932	326,828	105,185	23,540	1,003
Deposits payable			1,378			
Deferred revenue			24,197			
Unearned revenue		1,046,306				
Total Liabilities	19,467	1,119,238	352,403	105,185	23,540	1,003
FUND BALANCES						
Reserved for:						
Encumbrances	50,012		85,161	25,000	1,300	
Loans			3,128,481			
Land held for redevelopment			2,092,402			
Debt service						
Unreserved:						
Designated for subsequent years' expenditures						
Designated for capital projects		4,565,439	1,063,311		794,554	94,080
Designated for street projects	4,966,482					
Designated for unrealized gain	3,568	6,227	15,128			2,166
Undesignated	14,316	1,988,932	891,151	(3,520)	131,832	333,189
Total Fund Balances	5,034,378	6,560,598	7,275,634	21,480	927,686	429,435
Total Liabilities and Fund Balances	5,053,845	7,679,836	7,628,037	126,665	951,226	430,438

SPECIAL REVENUE FUNDS

Seaport Centre Maintenance Fund \$	Redwood Shores Maintenance Fund \$	Redwood Shores Landscape Mtc. Fund \$	Supplemental Law Enforcement Services Fund \$	Traffic Mitigation Fees Fund \$
1,438,096	1,355,278	7,034	138,131	2,187,946 6,313,960
			11,977	3,559 44,082
<u>1,438,096</u>	<u>1,355,278</u>	<u>7,034</u>	<u>150,108</u>	<u>8,549,547</u>
23,275	131,217	33		698
<u>23,275</u>	<u>131,217</u>	<u>33</u>		<u>698</u>
3,111	19,529		29,998	85,121
184,811				6,326,772
1,226,899	1,204,532	7,001	7,488 112,622	116,099 2,020,857
<u>1,414,821</u>	<u>1,224,061</u>	<u>7,001</u>	<u>150,108</u>	<u>8,548,849</u>
<u>1,438,096</u>	<u>1,355,278</u>	<u>7,034</u>	<u>150,108</u>	<u>8,549,547</u>

(Continued)

CITY OF REDWOOD CITY, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2010

	DEBT SERVICE FUNDS				
	Public Financing Authority Bonds Fund \$	1997 Tax Allocation Refunding Bonds Fund \$	2003 Tax Allocation Bonds Fund \$	1998 Lease Revenue Refunding Bonds Fund \$	1998 City Hall Lease Revenue COPs Fund \$
ASSETS					
Cash and investments available for operations					
Cash and investments, restricted	1,101,320			1,256,589	
Receivables (net of allowance for uncollectibles):					
Taxes and assessments - current					
Accounts					
Loans					
Accrued interest	3,795			23,375	
Due from other governmental agencies					
Investment in land held for redevelopment					
Total Assets	<u>1,105,115</u>			<u>1,279,964</u>	
LIABILITIES					
Accounts payable					
Deposits payable					
Deferred revenue					
Unearned revenue					
Total Liabilities					
FUND BALANCES					
Reserved for:					
Encumbrances					
Loans					
Land held for redevelopment					
Debt service	1,105,115			1,239,375	
Unreserved:					
Designated for subsequent years' expenditures					
Designated for capital projects					
Designated for street projects					
Designated for unrealized gain				40,589	
Undesignated					
Total Fund Balances	<u>1,105,115</u>			<u>1,279,964</u>	
Total Liabilities and Fund Balances	<u>1,105,115</u>			<u>1,279,964</u>	

CAPITAL PROJECTS FUNDS

Facilities Fee Construction Fund	GID 1965 Construction Fund	Parks Impact Fee Fund	Shores Transportation Improvement District Fund	Pacific Shores Community Facilities District Fund	Total Nonmajor Governmental Funds
\$	\$	\$	\$	\$	\$
1,415,596	80,005	89,915	586,349	355,547	22,449,772 9,138,245
					207,225 30,638 3,339,175 54,926 970,218 2,092,402
<u>1,415,596</u>	<u>80,005</u>	<u>89,915</u>	<u>586,349</u>	<u>355,547</u>	<u>38,282,601</u>
118,583			1,815		824,576 1,378 24,197 1,046,306
<u>118,583</u>			<u>1,815</u>		<u>1,896,457</u>
415,107			77,428		791,767 3,128,481 2,092,402 2,344,490
250,526 631,380	80,005		429,386	355,547	606,073 14,169,738 4,966,482 205,514 8,081,197
		89,915	14,249 63,471		
<u>1,297,013</u>	<u>80,005</u>	<u>89,915</u>	<u>584,534</u>	<u>355,547</u>	<u>36,386,144</u>
<u>1,415,596</u>	<u>80,005</u>	<u>89,915</u>	<u>586,349</u>	<u>355,547</u>	<u>38,282,601</u>

CITY OF REDWOOD CITY, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010

SPECIAL REVENUE FUNDS

	Special Gas Tax Street Improvement Fund \$	Transportation Grants Fund \$	Grants Fund \$	Traffic Safety Fund \$	Transportation Fund \$
REVENUES					
Property taxes/special assessments					
Fines, forfeitures and penalties				762,763	
Use of money and property		70,117	236,686		10,098
Intergovernmental	1,305,813	2,215,336	2,295,242		1,208,945
Contributions					
Charges for current services	55,796		460	16,478	
Other	12,249		2,176	6,278	
	<u>1,373,858</u>	<u>2,285,453</u>	<u>2,534,564</u>	<u>785,519</u>	<u>1,219,043</u>
EXPENDITURES					
Current Operations:					
Community development			1,252,390		
Public safety				201,004	
Transportation	2,201,217	425,969		1,822,129	1,135,450
Environmental support and protection	511,599	66,985			
Leisure, cultural and information services			9,260		
Capital outlay	246,648	1,016,781			309,118
Debt service:					
Principal retirement					
Interest and fiscal charges					
	<u>2,959,464</u>	<u>1,509,735</u>	<u>1,261,650</u>	<u>2,023,133</u>	<u>1,444,568</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,585,606)</u>	<u>775,718</u>	<u>1,272,914</u>	<u>(1,237,614)</u>	<u>(225,525)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	6,464,676		526,899	1,250,059	
Transfers (out)	(100,000)				
	<u>6,364,676</u>		<u>526,899</u>	<u>1,250,059</u>	
Net change in fund balances	4,779,070	775,718	1,799,813	12,445	(225,525)
Fund balances at the beginning of period	255,308	5,784,880	5,475,821	9,035	1,153,211
FUND BALANCES AT END OF PERIOD	<u>5,034,378</u>	<u>6,560,598</u>	<u>7,275,634</u>	<u>21,480</u>	<u>927,686</u>

SPECIAL REVENUE FUNDS

Seaport Landscape Maintenance Fund	Seaport Centre Maintenance Fund	Redwood Shores Maintenance Fund	Redwood Shores Landscape Maintenance Fund	Supplemental Law Enforcement Services Fund	Traffic Mitigation Fees Fund
\$	\$	\$	\$	\$	\$
212,441	186,950	704,076	195,981		
5,674	20,652	18,760		814	42,959
				140,905	229,581
6,820					
<u>224,935</u>	<u>207,602</u>	<u>722,836</u>	<u>195,981</u>	<u>141,719</u>	<u>272,540</u>
				2,990	307,444
198,959	168,484	462,650	207,602		154,173
			546		
<u>198,959</u>	<u>168,484</u>	<u>462,650</u>	<u>208,148</u>	<u>2,990</u>	<u>461,617</u>
<u>25,976</u>	<u>39,118</u>	<u>260,186</u>	<u>(12,167)</u>	<u>138,729</u>	<u>(189,077)</u>
		(250,000)	10,000		
		(250,000)	10,000		
25,976	39,118	10,186	(2,167)	138,729	(189,077)
<u>403,459</u>	<u>1,375,703</u>	<u>1,213,875</u>	<u>9,168</u>	<u>11,379</u>	<u>8,737,926</u>
<u>429,435</u>	<u>1,414,821</u>	<u>1,224,061</u>	<u>7,001</u>	<u>150,108</u>	<u>8,548,849</u>

(Continued)

CITY OF REDWOOD CITY, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010

DEBT SERVICE FUNDS

	Public Financing Authority Bonds Fund \$	1997 Tax Allocation Refunding Bonds Fund \$	2003 Tax Allocation Bonds Fund \$	1998 Lease Revenue Refunding Bonds Fund \$	1998 City Hall Lease Revenue COPs Fund \$
REVENUES					
Property taxes/special assessments					
Fines, forfeitures and penalties					
Use of money and property	1,102,725	37,939		1,185,048	1,631
Intergovernmental Contributions					
Charges for current services					
Other					
Total Revenues	1,102,725	37,939		1,185,048	1,631
EXPENDITURES					
Current Operations:					
Community development					
Public safety					
Transportation					
Environmental support and protection					
Leisure, cultural and information services					
Capital outlay					
Debt service:					
Principal retirement	795,000	4,195,000		1,040,000	8,585,000
Interest and fiscal charges	279,787	230,037	656,650	166,717	44,900
Total Expenditures	1,074,787	4,425,037	656,650	1,206,717	8,629,900
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	27,938	(4,387,098)	(656,650)	(21,669)	(8,628,269)
OTHER FINANCING SOURCES (USES)					
Transfers in		2,752,242	652,577		8,113,150
Transfers (out)					(538,705)
Total Other Financing Sources (Uses)		2,752,242	652,577		7,574,445
Net change in fund balances	27,938	(1,634,856)	(4,073)	(21,669)	(1,053,824)
Fund balances at the beginning of period	1,077,177	1,634,856	4,073	1,301,633	1,053,824
FUND BALANCES AT END OF PERIOD	1,105,115	1,634,856	4,073	1,279,964	1,053,824

CAPITAL PROJECTS FUNDS

Facilities Fee Construction Fund	GID 1965 Construction Fund	Parks Impact Fee Fund	Shores Transportation Improvement District Fund	Pacific Shores Community Facilities District Fund	Total Nonmajor Governmental Funds
\$	\$	\$	\$	\$	\$
					1,299,448
					762,763
38,964	1,274	939	8,866		2,783,146
		47,634			7,166,241
					277,215
					72,734
					27,523
38,964	1,274	48,573	8,866		12,389,070
					1,252,390
					203,994
			65,022	1,021	5,958,252
667,288	6,642				2,290,209
21,318					30,578
1,171,217					2,897,937
					14,615,000
					1,378,637
1,859,823	6,642		65,022	1,021	28,626,997
(1,820,859)	(5,368)	48,573	(56,156)	(1,021)	(16,237,927)
					19,769,603
					(888,705)
					18,880,898
(1,820,859)	(5,368)	48,573	(56,156)	(1,021)	2,642,971
3,117,872	85,373	41,342	640,690	356,568	33,743,173
1,297,013	80,005	89,915	584,534	355,547	36,386,144

CITY OF REDWOOD CITY, CALIFORNIA
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	SPECIAL GAS TAX STREET IMPROVEMENT FUND			TRANSPORTATION GRANTS FUND		
	Budget \$	Actual \$	Variance with Final Budget Positive (Negative) \$	Budget \$	Actual \$	Variance with Final Budget Positive (Negative) \$
REVENUES						
Property taxes/special assessments						
Fines, forfeitures and penalties						
Use of money and property				95,000	70,117	(24,883)
Intergovernmental	1,235,589	1,305,813	70,224	2,167,556	2,215,336	47,780
Contributions						
Charges for current services		55,796	55,796			
Other		12,249	12,249			
Total Revenues	<u>1,235,589</u>	<u>1,373,858</u>	<u>138,269</u>	<u>2,262,556</u>	<u>2,285,453</u>	<u>22,897</u>
EXPENDITURES						
Current operations:						
Community development						
Public safety						
Transportation	2,232,696	2,201,217	31,479	426,558	425,969	589
Environmental support and protection	513,894	511,599	2,295	66,985	66,985	
Leisure, cultural and information services						
Debt service:						
Principal retirement						
Interest and fiscal charges						
Total Expenditures	<u>2,746,590</u>	<u>2,712,816</u>	<u>33,774</u>	<u>493,543</u>	<u>492,954</u>	<u>589</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,511,001)</u>	<u>(1,338,958)</u>	<u>172,043</u>	<u>1,769,013</u>	<u>1,792,499</u>	<u>23,486</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	3,330,833	6,464,676	3,133,843			
Transfers (out)	(100,000)	(100,000)				
Total Other Financing Sources (Uses)	<u>3,230,833</u>	<u>6,364,676</u>	<u>3,133,843</u>			
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>1,719,832</u>	<u>5,025,718</u>	<u>3,305,886</u>	<u>1,769,013</u>	<u>1,792,499</u>	<u>23,486</u>
Adjustments to budgetary basis:						
Capital outlay		(246,648)			(1,016,781)	
Funds not budgeted:						
Facilities Fee Construction Fund						
GID 1965 Construction						
Parks Impact Fee Fund						
Shores Transportation Improvement District						
Pacific Shores Community Facilities District						
Fund balances at beginning of year		<u>255,308</u>			<u>5,784,880</u>	
Fund balances at end of year		<u>5,034,378</u>			<u>6,560,598</u>	

There were no material changes between the original and final budgeted amounts.

GRANTS FUND			TRAFFIC SAFETY FUND			TRANSPORTATION FUND		
Budget	Actual	Variance with Final Budget Positive (Negative)	Budget	Actual	Variance with Final Budget Positive (Negative)	Budget	Actual	Variance with Final Budget Positive (Negative)
\$	\$	\$	\$	\$	\$	\$	\$	\$
401,033	236,686	(164,347)	488,866	762,763	273,897	9,005	10,098	1,093
2,294,889	2,295,242	353				1,227,859	1,208,945	(18,914)
	460	460		16,478	16,478			
	2,176	2,176		6,278	6,278			
<u>2,695,922</u>	<u>2,534,564</u>	<u>(161,358)</u>	<u>488,866</u>	<u>785,519</u>	<u>296,653</u>	<u>1,236,864</u>	<u>1,219,043</u>	<u>(17,821)</u>
2,876,054	1,252,390	1,623,664	212,613	201,004	11,609			
			1,847,232	1,822,129	25,103	1,165,206	1,135,450	29,756
9,260	9,260							
<u>2,885,314</u>	<u>1,261,650</u>	<u>1,623,664</u>	<u>2,059,845</u>	<u>2,023,133</u>	<u>36,712</u>	<u>1,165,206</u>	<u>1,135,450</u>	<u>29,756</u>
<u>(189,392)</u>	<u>1,272,914</u>	<u>1,462,306</u>	<u>(1,570,979)</u>	<u>(1,237,614)</u>	<u>333,365</u>	<u>71,658</u>	<u>83,593</u>	<u>11,935</u>
	526,899	526,899	1,027,250	1,250,059	222,809			
	<u>526,899</u>	<u>526,899</u>	<u>1,027,250</u>	<u>1,250,059</u>	<u>222,809</u>			
<u>(189,392)</u>	<u>1,799,813</u>	<u>1,989,205</u>	<u>(543,729)</u>	<u>12,445</u>	<u>556,174</u>	<u>71,658</u>	<u>83,593</u>	<u>11,935</u>
							(309,118)	
	<u>5,475,821</u>			<u>9,035</u>			<u>1,153,211</u>	
	<u>7,275,634</u>			<u>21,480</u>			<u>927,686</u>	

(Continued)

CITY OF REDWOOD CITY, CALIFORNIA
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	SEAPORT LANDSCAPE MAINTENANCE FUND			SEAPORT CENTRE MAINTENANCE FUND		
	Budget	Actual	Variance with Final Budget Positive (Negative)	Budget	Actual	Variance with Final Budget Positive (Negative)
	\$	\$	\$	\$	\$	\$
REVENUES						
Property taxes/special assessments	212,500	212,441	(59)	213,400	186,950	(26,450)
Fines, forfeitures and penalties						
Use of money and property	5,002	5,674	672	25,690	20,652	(5,038)
Intergovernmental						
Contributions						
Charges for current services						
Other		6,820	6,820			
Total Revenues	217,502	224,935	7,433	239,090	207,602	(31,488)
Current operations:						
Community development						
Public safety						
Transportation						
Environmental support and protection	199,584	198,959	625	197,378	168,484	28,894
Leisure, cultural and information services						
Debt service:						
Principal retirement						
Interest and fiscal charges						
Total Expenditures	199,584	198,959	625	197,378	168,484	28,894
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	17,918	25,976	8,058	41,712	39,118	(2,594)
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	17,918	25,976	8,058	41,712	39,118	(2,594)
Adjustments to budgetary basis:						
Capital outlay						
Funds not budgeted:						
Facilities Fee Construction Fund						
GID 1965 Construction						
Parks Impact Fee Fund						
Shores Transportation Improvement District						
Pacific Shores Community Facilities District						
Fund balances at beginning of year	403,459			1,375,703		
Fund balances at end of year	429,435			1,414,821		

There were no material changes between the original and final budgeted amounts.

REDWOOD SHORES MAINTENANCE FUND			REDWOOD SHORES LANDSCAPE MAINTENANCE FUND			SUPPLEMENTAL LAW ENFORCEMENT SERVICES FUND		
Budget	Actual	Variance with Final Budget Positive (Negative)	Budget	Actual	Variance with Final Budget Positive (Negative)	Budget	Actual	Variance with Final Budget Positive (Negative)
\$	\$	\$	\$	\$	\$	\$	\$	\$
679,630	704,076	24,446	196,831	195,981	(850)			
21,936	18,760	(3,176)				147,544	814	814
							140,905	(6,639)
<u>701,566</u>	<u>722,836</u>	<u>21,270</u>	<u>196,831</u>	<u>195,981</u>	<u>(850)</u>	<u>147,544</u>	<u>141,719</u>	<u>(5,825)</u>
507,849	462,650	45,199	220,450	207,602	12,848	151,489	2,990	148,499
				546	(546)			
<u>507,849</u>	<u>462,650</u>	<u>45,199</u>	<u>220,450</u>	<u>208,148</u>	<u>12,302</u>	<u>151,489</u>	<u>2,990</u>	<u>148,499</u>
<u>193,717</u>	<u>260,186</u>	<u>66,469</u>	<u>(23,619)</u>	<u>(12,167)</u>	<u>11,452</u>	<u>(3,945)</u>	<u>138,729</u>	<u>142,674</u>
<u>(250,000)</u>	<u>(250,000)</u>		23,619	10,000	(13,619)			
<u>(250,000)</u>	<u>(250,000)</u>		23,619	10,000	(13,619)			
<u>(56,283)</u>	10,186	<u>66,469</u>		(2,167)	<u>(2,167)</u>	<u>(3,945)</u>	138,729	<u>142,674</u>
	<u>1,213,875</u>			<u>9,168</u>			<u>11,379</u>	
	<u>1,224,061</u>			<u>7,001</u>			<u>150,108</u>	

(Continued)

CITY OF REDWOOD CITY, CALIFORNIA
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	TRAFFIC MITIGATION FEES FUND			PUBLIC FINANCING AUTHORITY BONDS FUND		
	Budget \$	Actual \$	Variance with Final Budget Positive (Negative) \$	Budget \$	Actual \$	Variance with Final Budget Positive (Negative) \$
REVENUES						
Property taxes/special assessments						
Fines, forfeitures and penalties						
Use of money and property	210,000	42,959	(167,041)	1,124,787	1,102,725	(22,062)
Intergovernmental						
Contributions	217,750	229,581	11,831			
Charges for current services						
Other						
Total Revenues	427,750	272,540	(155,210)	1,124,787	1,102,725	(22,062)
Current operations:						
Community development						
Public safety						
Transportation	307,444	307,444				
Environmental support and protection						
Leisure, cultural and information services						
Debt service:						
Principal retirement				795,000	795,000	
Interest and fiscal charges				279,787	279,787	
Total Expenditures	307,444	307,444		1,074,787	1,074,787	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	120,306	(34,904)	(155,210)	50,000	27,938	(22,062)
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	120,306	(34,904)	(155,210)	50,000	27,938	(22,062)
Adjustments to budgetary basis:						
Capital outlay		(154,173)				
Funds not budgeted:						
Facilities Fee Construction Fund						
GID 1965 Construction						
Parks Impact Fee Fund						
Shores Transportation Improvement District						
Pacific Shores Community Facilities District						
Fund balances at beginning of year		8,737,926			1,077,177	
Fund balances at end of year		8,548,849			1,105,115	

There were no material changes between the original and final budgeted amounts.

1997 TAX ALLOCATION REFUNDING BONDS FUND			2003 TAX ALLOCATION BONDS FUND			1998 LEASE REVENUE REFUNDING BONDS FUND		
Budget	Actual	Variance with Final Budget Positive (Negative)	Budget	Actual	Variance with Final Budget Positive (Negative)	Budget	Actual	Variance with Final Budget Positive (Negative)
\$	\$	\$	\$	\$	\$	\$	\$	\$
120,000	37,939	(82,061)				1,254,016	1,185,048	(68,968)
<u>120,000</u>	<u>37,939</u>	<u>(82,061)</u>				<u>1,254,016</u>	<u>1,185,048</u>	<u>(68,968)</u>
4,195,000	4,195,000					1,040,000	1,040,000	
185,071	230,037	(44,966)	657,483	656,650	833	167,016	166,717	299
<u>4,380,071</u>	<u>4,425,037</u>	<u>(44,966)</u>	<u>657,483</u>	<u>656,650</u>	<u>833</u>	<u>1,207,016</u>	<u>1,206,717</u>	<u>299</u>
<u>(4,260,071)</u>	<u>(4,387,098)</u>	<u>(127,027)</u>	<u>(657,483)</u>	<u>(656,650)</u>	<u>833</u>	<u>47,000</u>	<u>(21,669)</u>	<u>(68,669)</u>
2,677,073	2,752,242	75,169	657,483	652,577	(4,906)			
<u>2,677,073</u>	<u>2,752,242</u>	<u>75,169</u>	<u>657,483</u>	<u>652,577</u>	<u>(4,906)</u>			
<u>(1,582,998)</u>	<u>(1,634,856)</u>	<u>(51,858)</u>		<u>(4,073)</u>	<u>(4,073)</u>	<u>47,000</u>	<u>(21,669)</u>	<u>(68,669)</u>
	<u>1,634,856</u>			<u>4,073</u>			<u>1,301,633</u>	
							<u>1,279,964</u>	

(Continued)

CITY OF REDWOOD CITY, CALIFORNIA
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	1998 CITY HALL LEASE REVENUE COPs FUND			TOTALS		
	Budget \$	Actual \$	Variance with Final Budget Positive (Negative) \$	Budget \$	Actual \$	Variance with Final Budget Positive (Negative) \$
REVENUES						
Property taxes/special assessments				1,302,361	1,299,448	(2,913)
Fines, forfeitures and penalties				488,866	762,763	273,897
Use of money and property	34,125	1,631	(32,494)	3,300,594	2,733,103	(567,491)
Intergovernmental				7,073,437	7,166,241	92,804
Contributions				217,750	229,581	11,831
Charges for current services					72,734	72,734
Other					27,523	27,523
Total Revenues	34,125	1,631	(32,494)	12,383,008	12,291,393	(91,615)
Current operations:						
Community development				2,876,054	1,252,390	1,623,664
Public safety				364,102	203,994	160,108
Transportation				5,979,136	5,892,209	86,927
Environmental support and protection				1,706,140	1,616,279	89,861
Leisure, cultural and information services				9,260	9,260	
Debt service:						
Principal retirement	8,585,000	8,585,000		14,615,000	14,615,000	
Interest and fiscal charges	82,913	44,900	38,013	1,372,270	1,378,637	(6,367)
Total Expenditures	8,667,913	8,629,900	38,013	26,921,962	24,967,769	1,954,193
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(8,633,788)	(8,628,269)	5,519	(14,538,954)	(12,676,376)	1,862,578
OTHER FINANCING SOURCES (USES)						
Transfers in	8,113,150	8,113,150		15,829,408	19,769,603	3,940,195
Transfers (out)	(538,126)	(538,705)	(579)	(888,126)	(888,705)	(579)
Total Other Financing Sources (Uses)	7,575,024	7,574,445	(579)	14,941,282	18,880,898	3,939,616
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(1,058,764)	(1,053,824)	4,940	402,328	6,204,522	5,802,194
Adjustments to budgetary basis:						
Capital outlay					(1,726,720)	
Funds not budgeted:						
Facilities Fee Construction Fund					1,297,013	
GID 1965 Construction					80,005	
Parks Impact Fee Fund					89,915	
Shores Transportation Improvement District					584,534	
Pacific Shores Community Facilities District					355,547	
Fund balances at beginning of year		1,053,824			29,501,328	
Fund balances at end of year					36,386,144	

There were no material changes between the original and final budgeted amounts.

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods and services provided by one City department to others on a cost reimbursement basis.

Equipment Services Fund – This fund accounts for the costs of operation, maintenance, and replacement of automotive equipment used by other departments. Such costs are billed to the consuming departments at a rate that includes operation, maintenance, and an amount necessary to provide replacement of the equipment at a future date. Additional equipment is budgeted by the consuming department and is then transferred to the equipment services fund after purchase.

Self-Insurance Fund – This fund accounts for the City's total insurance program which includes, but is not limited to, workers' compensation, comprehensive automobile and general liability, and property and crime insurance. Included are administrative costs and costs associated with self-insurance and the purchase of excess insurance to adequately protect the City. User departments are charged for workers' compensation insurance at rates based on loss experience and on departmental budget size.

Internal Services Fund – This fund accounts for the costs of operation of the City's telephone/communications service, maintenance and repair of buildings, custodial services, delivery service, and information technology services. The costs are billed to the user departments based on actual use by the departments.

Employee Benefits Fund – This fund is used to account for providing City workers with self-insured dental benefits and unemployment insurance, and health insurance to retired City employees

CITY OF REDWOOD CITY, CALIFORNIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2010

	Equipment Services Fund	Self Insurance Fund	Internal Services Fund	Employee Benefits Fund	Total
ASSETS	\$	\$	\$	\$	\$
Current assets:					
Cash and investments available for operations	7,078,002	10,614,310	1,780,119	2,560,481	22,032,912
Receivables (net of allowance for uncollectibles):					
Accounts	16,376		430		16,806
Due from other governmental agencies	38,579		116,984		155,563
Inventory of supplies at cost	206,930				206,930
Advances to other funds		1,500,000			1,500,000
Deposits		250,000		4,302	254,302
Total current assets	7,339,887	12,364,310	1,897,533	2,564,783	24,166,513
Noncurrent assets:					
Capital assets:					
Equipment, net	7,851,126		560,557		8,411,683
Net capital assets	7,851,126		560,557		8,411,683
Total noncurrent assets	7,851,126		560,557		8,411,683
Total assets	15,191,013	12,364,310	2,458,090	2,564,783	32,578,196
LIABILITIES					
Current liabilities:					
Accounts payable	172,272	113,216	146,828		432,316
Insurance claims payable - current portion		3,133,466			3,133,466
Accrued sick leave and vacation - current portion	66,874		273,428		340,302
Total current liabilities	239,146	3,246,682	420,256		3,906,084
Noncurrent liabilities:					
Insurance claims payable		7,922,860			7,922,860
Accrued sick leave and vacation	134,360		400,129		534,489
Net OPEB obligation	71,411	24,919	374,669		470,999
Total noncurrent liabilities	205,771	7,947,779	774,798		8,928,348
Total liabilities	444,917	11,194,461	1,195,054		12,834,432
NET ASSETS					
Invested in capital assets	7,851,126		560,557		8,411,683
Unrestricted	6,894,970	1,169,849	702,479	2,564,783	11,332,081
Total net assets	14,746,096	1,169,849	1,263,036	2,564,783	19,743,764

CITY OF REDWOOD CITY, CALIFORNIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

	Equipment Services Fund	Self Insurance Fund	Internal Services Fund	Employee Benefits Fund	Total
	\$	\$	\$	\$	\$
OPERATING REVENUES					
Charges for services	4,032,342	3,569,685	8,734,542	4,664,709	21,001,278
OPERATING EXPENSES					
Employee services	1,089,338	349,300	6,796,760		8,235,398
Maintenance	960,138		1,044,020		2,004,158
Utilities	18,799	3,419	40,465		62,683
Contractual services	18,455	451,845	545	16,520	487,365
Supplies and services	180,365	280,213	818,198		1,278,776
Depreciation	977,710		102,737		1,080,447
Insurance and claims		3,109,001		4,766,869	7,875,870
Total operating expenses	3,244,805	4,193,778	8,802,725	4,783,389	21,024,697
Operating Income (Loss)	787,537	(624,093)	(68,183)	(118,680)	(23,419)
NONOPERATING REVENUES (EXPENSES)					
Gain (loss) on disposal of equipment	(42,231)		(44,374)		(86,605)
Investment earnings	92,085	148,550	27,950	57,838	326,423
Insurance recovery	16,102	912			17,014
Net Nonoperating Revenues (Expenses)	65,956	149,462	(16,424)	57,838	256,832
Net Income (Loss) Before Capital Contributions and Transfers	853,493	(474,631)	(84,607)	(60,842)	233,413
Capital contributions	321,192		59,823		381,015
Transfers in	20,772			6,164,052	6,184,824
Transfers (out)	(57,043)	(19,860)	(341,956)		(418,859)
Total Capital Contributions and Transfers	284,921	(19,860)	(282,133)	6,164,052	6,146,980
Change in net assets	1,138,414	(494,491)	(366,740)	6,103,210	6,380,393
Net assets - beginning	13,607,682	1,664,340	1,629,776	(3,538,427)	13,363,371
Net assets - ending	14,746,096	1,169,849	1,263,036	2,564,783	19,743,764

CITY OF REDWOOD CITY, CALIFORNIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Equipment Services Fund	Self Insurance Fund	Internal Services Fund	Employee Benefits Fund	Total
	\$	\$	\$	\$	\$
Cash flows from operating activities:					
Cash received from interfund services provided	4,093,987	3,569,685	8,742,952	4,664,709	21,071,333
Cash payments to suppliers for goods and services	(1,613,081)	(2,859,052)	(1,947,708)	(4,783,389)	(11,203,230)
Cash payments to employees for services	(1,096,428)	(349,300)	(6,789,446)		(8,235,174)
Net cash provided by operating activities	1,384,478	361,333	5,798	(118,680)	1,632,929
Cash flows from noncapital financing activities					
Insurance recovery	16,102	912			17,014
Transfers in	14,368	5,059	77,003		96,430
Transfers out			(44,290)	(510,425)	(554,715)
Advances to other funds		1,000,000			1,000,000
Net cash used in non-capital financing activities	30,470	1,005,971	32,713	(510,425)	558,729
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(814,178)		(101,242)		(915,420)
Proceeds from sale of equipment	42,992				42,992
Net cash used for capital and related financing activities	(771,186)		(101,242)		(872,428)
Cash flows from investing activities:					
Interest on investments	145,923	225,825	44,291	91,653	507,692
Change in fair value of investments	(53,838)	(77,275)	(16,341)	(33,815)	(181,269)
Net cash provided by investing activities	92,085	148,550	27,950	57,838	326,423
Net increase (decrease) in cash and cash equivalents	735,847	1,515,854	(34,781)	(571,267)	1,645,653
Cash and cash equivalents at beginning of year	6,342,155	9,098,456	1,814,900	3,131,748	20,387,259
Cash and cash equivalents at end of year	7,078,002	10,614,310	1,780,119	2,560,481	22,032,912
Reconciliation of Net Cash Flow from Operating Activities					
Operating income (loss)	787,537	(624,093)	(68,183)	(118,680)	(23,419)
Adjustments to reconcile operating income(loss) to net cash provided by operating activities:					
Depreciation	977,710		102,737		1,080,447
Change in assets and liabilities:					
Increase (decrease) in insurance claims payable		695,288			695,288
Decrease (increase) in accounts receivable	19,439		233		19,672
Decrease (increase) in due from other governmental agencies	42,206		8,177		50,383
Decrease (increase) in inventory/prepaid expense/deposits	(1,301)	185,000			183,699
Increase (decrease) in vacation & sick leave payable	(7,090)		7,314		224
Increase (decrease) in accounts payable	(434,023)	105,138	(44,480)		(373,365)
Total adjustments	596,941	985,426	73,981		1,656,348
Net cash provided by operating activities	1,384,478	361,333	5,798	(118,680)	1,632,929
Noncash investing, capital and financing activities:					
Noncash capital contributions	341,964		59,823		401,787
Noncash transfers to cover allocation of net OPEB obligation	(57,043)	(19,860)	(297,666)	6,164,052	5,789,483

AGENCY FUNDS

Agency funds are used to account for assets held by government in a trustee capacity or as an agent for an individual.

Employee Benefit Plans Fund – This fund is used to account for contributions to certain employee benefit categories established by the City under Section 125 of the Internal Revenue Code for the employees and their dependents and for an employee-funded retiree medical insurance program.

Pacific Shores Community Facilities District Fund – This fund accounts for the Mello-Roos Pacific Shores project special tax bonds that were issued to fund various transportation system improvements within the City's right-of-way in the Pacific Shores district.

Shores Transportation Improvement District Fund – This fund accounts for the Mello-Roos Shores transportation improvement special tax bonds that were issued to fund various transportation projects in the Redwood Shores area.

CITY OF REDWOOD CITY, CALIFORNIA
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Balance July 1, 2009 \$	Additions \$	Withdrawals \$	Balance June 30, 2010 \$
EMPLOYEE BENEFIT PLANS				
ASSETS				
Cash and Investments, restricted				
Cafeteria Benefits Plan	778,306	2,457,982	2,611,171	625,117
Retiree Medical Insurance Plan-IAFF	36,586	738	37,324	
Retiree Medical Insurance Plan-PSA	10,989	224	11,213	
Deposits		124,016	93,206	30,810
Total Assets	<u>825,881</u>	<u>2,582,960</u>	<u>2,752,914</u>	<u>655,927</u>
LIABILITIES				
Cafeteria Benefits Plan Payable	778,306	2,581,998	2,704,377	655,927
Retiree Medical Insurance Plan-Payable-IAFF	36,586	738	37,324	
Retiree Medical Insurance Plan-Payable-PSA	10,989	224	11,213	
Total Liabilities	<u>825,881</u>	<u>2,582,960</u>	<u>2,752,914</u>	<u>655,927</u>
PACIFIC SHORES COMMUNITY FACILITIES DISTRICT				
ASSETS				
Cash and Investments, restricted	4,464,086	1,915,850	2,060,754	4,319,182
Accrued interest receivable				
Total Assets	<u>4,464,086</u>	<u>1,915,850</u>	<u>2,060,754</u>	<u>4,319,182</u>
LIABILITIES				
Due to Bondholders	4,464,086	1,915,850	2,060,754	4,319,182
Total Liabilities	<u>4,464,086</u>	<u>1,915,850</u>	<u>2,060,754</u>	<u>4,319,182</u>
SHORES TRANSPORTATION IMPROVEMENT DISTRICT				
ASSETS				
Cash and Investments, restricted	1,598,321	859,882	913,920	1,544,283
Accrued interest receivable		1,716		1,716
Total Assets	<u>1,598,321</u>	<u>861,598</u>	<u>913,920</u>	<u>1,545,999</u>
LIABILITIES				
Accounts payable				
Due to Bondholders	1,598,321	861,598	913,920	1,545,999
Total Liabilities	<u>1,598,321</u>	<u>861,598</u>	<u>913,920</u>	<u>1,545,999</u>
TOTAL FOR ALL FUNDS				
ASSETS				
Cash and Investments, restricted	6,888,288	5,234,676	5,634,382	6,488,582
Accrued interest receivable		1,716		1,716
Deposits		124,016	93,206	30,810
Total Assets	<u>6,888,288</u>	<u>5,360,408</u>	<u>5,727,588</u>	<u>6,521,108</u>
LIABILITIES				
Due to Bondholders	6,062,407	2,777,448	2,974,674	5,865,181
Employee Benefit Plans Payable	825,881	2,582,960	2,752,914	655,927
Total Liabilities	<u>6,888,288</u>	<u>5,360,408</u>	<u>5,727,588</u>	<u>6,521,108</u>

Statistical Section

This part of the City of Redwood 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.

<u>Contents</u>	<u>Pages</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	98-105
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	106-109
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.	110-114
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 and to help make comparisons over time and with other governments.	115-117
Operating Information These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	118-120

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented Statement 34 in fiscal year 2001/02; schedules presenting government-wide information include information beginning in that year.

Schedule 1
CITY OF REDWOOD CITY, CALIFORNIA
NET ASSETS BY COMPONENT
Last Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Years				
	2002	2003	2004	2005	2006
	\$	\$	\$	\$	\$
Governmental activities					
Invested in capital assets, net of related debt	126,638,968	136,506,505	113,368,966	141,068,539	158,410,981
Restricted	58,751,089	57,991,810	99,314,585	85,744,834	64,855,313
Unrestricted	39,598,336	37,194,924	26,475,064	29,809,721	39,583,698
Total governmental activities net assets	<u>224,988,393</u>	<u>231,693,239</u>	<u>239,158,615</u>	<u>256,623,094</u>	<u>262,849,992</u>
Business-type activities					
Invested in capital assets, net of related debt	66,514,621	65,986,113	67,463,967	38,599,000	28,718,115
Restricted	1,221,600	1,882,447	1,565,104	27,422,661	36,638,784
Unrestricted	49,778,778	50,227,670	49,966,932	52,654,580	55,293,919
Total business-type activities net assets	<u>117,514,999</u>	<u>118,096,230</u>	<u>118,996,003</u>	<u>118,676,241</u>	<u>120,650,818</u>
Primary government					
Invested in capital assets, net of related debt	193,153,589	202,492,618	180,832,933	179,667,539	187,129,096
Restricted	59,972,689	59,874,257	100,879,689	113,167,495	101,494,097
Unrestricted	89,377,114	87,422,594	76,441,996	82,464,301	94,877,617
Total primary government net assets	<u>342,503,392</u>	<u>349,789,469</u>	<u>358,154,618</u>	<u>375,299,335</u>	<u>383,500,810</u>

Note: The city began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 2001/02.

Schedule 1 (Continued)
CITY OF REDWOOD CITY, CALIFORNIA
NET ASSETS BY COMPONENT
Last Nine Fiscal Years
(accrual basis of accounting)

Fiscal Years			
2007	2008	2009	2010
\$	\$	\$	\$
156,907,578	156,560,228	161,627,155	169,093,206
54,756,987	50,323,338	52,368,702	54,628,813
62,441,526	63,104,332	49,292,416	37,166,449
<u>274,106,091</u>	<u>269,987,898</u>	<u>263,288,273</u>	<u>260,888,468</u>
70,506,885	78,785,990	81,617,178	90,877,809
6,139,177	5,785,576	5,548,281	5,660,219
49,663,838	66,030,719	55,230,314	64,022,824
<u>126,309,900</u>	<u>150,602,285</u>	<u>142,395,773</u>	<u>160,560,852</u>
227,414,463	235,346,218	243,244,333	259,971,015
60,896,164	56,108,914	57,916,983	60,289,032
112,105,364	129,135,051	104,522,730	101,189,273
<u>400,415,991</u>	<u>420,590,183</u>	<u>405,684,046</u>	<u>421,449,320</u>

Schedule 2
CITY OF REDWOOD CITY, CALIFORNIA
CHANGES IN NET ASSETS
Last Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Years				
	2002	2003	2004	2005	2006
Expenses	\$	\$	\$	\$	\$
Governmental Activities:					
Community development	9,743,970	12,943,254	13,888,121	13,922,037	15,653,209
Human services	1,291,170	1,336,922	1,255,484	1,260,521	1,279,535
Public safety	29,400,247	32,507,665	34,737,587	39,677,167	41,264,413
Transportation	10,969,531	9,980,803	8,626,048	10,007,929	9,683,728
Environmental support and protection	2,321,351	1,851,119	1,907,457	2,804,327	3,715,183
Leisure, cultural and information services	17,088,331	18,899,190	18,107,209	18,186,423	18,879,833
Policy development and implementation	4,776,742	2,742,242	3,380,711	2,599,708	2,646,873
Interest on long term debt	2,177,099	2,380,718	3,344,344	3,702,727	3,599,533
Total governmental activities expenses	<u>77,768,441</u>	<u>82,641,913</u>	<u>85,246,961</u>	<u>92,160,839</u>	<u>96,722,307</u>
Business-type activities					
Water utility fund	12,958,747	15,618,559	16,773,116	16,692,690	19,846,801
Sewer utility fund	9,443,821	11,087,179	10,786,333	12,742,427	12,785,043
Parking fund	557,893	534,029	448,598	457,482	595,559
Port of Redwood City	2,563,940	2,802,709	4,113,896	4,468,366	4,207,224
Total business-type activities expenses	<u>25,524,401</u>	<u>30,042,476</u>	<u>32,121,943</u>	<u>34,360,965</u>	<u>37,434,627</u>
Total primary government expenses	<u>103,292,842</u>	<u>112,684,389</u>	<u>117,368,904</u>	<u>126,521,804</u>	<u>134,156,934</u>
Program Revenues					
Governmental activities:					
Charges for services:					
Community Development	2,888,760	2,364,991	2,524,334	2,658,444	1,984,721
Public Safety	1,651,498	1,816,376	1,630,877	1,884,219	1,836,985
Transportation	43,322	79,102	184,981	87,945	161,112
Environmental support and protection	1,131,331	1,208,257	1,135,294	1,251,622	1,210,222
Leisure, cultural, and information services	2,145,510	2,463,754	2,751,650	2,709,142	3,023,953
Policy development and implementation	400,417	574,211	646,589	729,524	583,237
Operating grants and contributions	6,918,974	6,404,746	6,570,329	5,740,716	6,337,751
Capital grants and contributions	11,751,373	10,241,725	13,625,850	24,469,000	10,170,784
Total governmental activities program revenues	<u>26,931,185</u>	<u>25,153,162</u>	<u>29,069,904</u>	<u>39,530,612</u>	<u>25,308,765</u>
Business-type activities:					
Water utility fund	13,983,955	13,869,575	16,352,876	16,311,364	18,704,466
Sewer utility fund	9,226,271	9,391,557	10,306,213	10,274,952	11,772,513
Parking fund	502,528	457,535	412,521	550,611	607,515
Port of Redwood City	4,500,516	4,862,180	5,558,597	5,950,512	6,254,362
Total business-type activities program revenues	<u>28,213,270</u>	<u>28,580,847</u>	<u>32,630,207</u>	<u>33,087,439</u>	<u>37,338,856</u>
Net (Expense)/Revenue					
Governmental activities	(50,837,256)	(57,488,751)	(56,177,057)	(52,630,227)	(71,413,542)
Business-type activities	2,688,869	(1,461,629)	508,264	(1,273,526)	(95,771)
Total primary government net expense	<u>(48,148,387)</u>	<u>(58,950,380)</u>	<u>(55,668,793)</u>	<u>(53,903,753)</u>	<u>(71,509,313)</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes:					
Property taxes	26,591,882	26,652,871	28,435,572	29,831,476	36,256,452
Sales taxes	14,937,621	15,090,100	15,745,034	16,476,894	17,902,816
Other taxes	17,005,147	17,208,304	17,458,115	19,545,345	18,370,347
Investment Earnings	4,920,828	4,200,041	484,019	2,432,000	3,321,134
Intergovernmental	46,657	45,181			
Other	1,433,901	1,408,587	1,687,645	1,774,027	1,751,381
Loss on disposal of capital assets	(118,727)	(151,300)			
Transfers	(388,620)	(820,187)	39,536	34,964	38,310
Total governmental activities	<u>64,428,689</u>	<u>63,633,597</u>	<u>63,849,921</u>	<u>70,094,706</u>	<u>77,640,440</u>
Business-type activities:					
Property taxes		25,982	26,095	34,081	50,583
Investment Earnings	1,150,558	920,694	215,312	951,375	2,058,075
Incr. (decr.) in investment in sewer authority	521,441	(143,159)	(651,467)	3,272	
Other		439,860	231,730		
Loss on disposal of capital assets		(20,704)			
Extraordinary item - pollution remediation					
Transfers	388,620	820,187	(39,536)	(34,964)	(38,310)
Total business-type activities	<u>2,060,619</u>	<u>2,042,860</u>	<u>(217,866)</u>	<u>953,764</u>	<u>2,070,348</u>
Total primary government	<u>66,489,308</u>	<u>65,676,457</u>	<u>63,632,055</u>	<u>71,048,470</u>	<u>79,710,788</u>
Change in Net Assets					
Governmental activities	13,591,433	6,144,846	7,672,864	17,464,479	6,226,898
Business-type activities	4,749,488	581,231	290,398	(319,762)	1,974,577
Total primary government	<u>18,340,921</u>	<u>6,726,077</u>	<u>7,963,262</u>	<u>17,144,717</u>	<u>8,201,475</u>

Notes: The city began to report accrual information when it implemented GASB Statement No. 34 in FY 2001/02

Schedule 2 (Continued)
 CITY OF REDWOOD CITY, CALIFORNIA
 CHANGES IN NET ASSETS
 Last Nine Fiscal Years
 (accrual basis of accounting)

Fiscal Years			
2007	2008	2009	2010
\$	\$	\$	\$
13,744,289	16,263,530	15,808,848	18,412,550
1,351,113	1,518,333	1,623,102	1,554,411
42,600,983	45,450,681	48,500,457	46,093,823
13,302,505	10,620,489	13,930,238	13,535,438
2,930,603	2,010,545	2,890,119	4,124,316
19,520,000	20,994,657	23,947,621	22,168,928
2,653,677	2,792,115	4,766,661	4,726,541
3,450,169	3,251,324	2,986,613	2,762,933
<u>99,553,339</u>	<u>102,901,674</u>	<u>114,453,659</u>	<u>113,378,940</u>
19,341,678	22,594,685	21,595,698	20,702,048
16,299,485	15,828,257	16,125,292	17,776,510
1,794,044	2,195,805	2,561,896	2,476,991
4,053,686	3,937,037	3,896,043	4,038,336
<u>41,488,893</u>	<u>44,555,784</u>	<u>44,178,929</u>	<u>44,993,885</u>
<u>141,042,232</u>	<u>147,457,458</u>	<u>158,632,588</u>	<u>158,372,825</u>
3,981,057	3,777,584	2,760,718	3,996,401
1,741,393	1,861,194	1,807,675	1,995,853
250,265	522,453	298,955	304,275
1,296,745	1,380,110	1,371,562	1,351,354
3,169,556	2,515,117	2,508,597	2,430,818
609,683	1,604,897	1,534,944	1,626,141
6,364,633	5,302,686	6,741,821	7,380,584
10,223,691	12,778,701	6,987,681	7,978,474
<u>27,637,023</u>	<u>29,742,742</u>	<u>24,011,953</u>	<u>27,063,900</u>
20,879,685	23,318,628	25,578,282	23,255,926
14,104,270	16,818,581	20,259,668	22,241,030
862,328	1,098,340	840,414	1,005,328
5,676,604	5,689,697	6,702,772	6,073,755
<u>41,522,887</u>	<u>46,925,246</u>	<u>53,381,136</u>	<u>52,576,039</u>
(71,916,316)	(73,158,932)	(90,441,706)	(86,315,040)
33,994	2,369,462	9,202,207	7,582,154
<u>(71,882,322)</u>	<u>(70,789,470)</u>	<u>(81,239,499)</u>	<u>(78,732,886)</u>
39,899,711	43,329,876	47,082,041	48,052,021
19,208,709	18,136,670	15,552,681	15,023,882
17,165,197	18,636,208	18,325,098	18,034,397
4,844,480	5,371,665	2,036,661	1,629,298
1,710,333	1,630,933	1,813,256	2,093,288
(343,138)	(18,064,613)	(1,067,656)	(917,651)
<u>82,485,292</u>	<u>69,040,739</u>	<u>83,742,081</u>	<u>83,915,235</u>
60,688	27,358	28,390	25,904
2,509,321	3,117,508	1,264,220	435,559
230,215	713,444	27,537	2,885
		(19,796,522)	
343,138	18,064,613	1,067,656	917,651
<u>3,143,362</u>	<u>21,922,923</u>	<u>(17,408,719)</u>	<u>1,381,999</u>
<u>85,628,654</u>	<u>90,963,662</u>	<u>66,333,362</u>	<u>85,297,234</u>
10,568,976	(4,118,193)	(6,699,625)	(2,399,805)
3,177,356	24,292,385	(8,206,512)	8,964,153
<u>13,746,332</u>	<u>20,174,192</u>	<u>(14,906,137)</u>	<u>6,564,348</u>

Schedule 3
 CITY OF REDWOOD CITY, CALIFORNIA
 FUND BALANCES - GOVERNMENTAL FUNDS
 Last Nine Fiscal Years
 (modified accrual basis of accounting)

	Fiscal Years				
	2002	2003	2004	2005	2006
	\$	\$	\$	\$	\$
General Fund					
Reserved	2,104,955	4,709,175	4,533,209	4,215,063	3,872,498
Unreserved	38,956,729	34,669,573	34,338,695	34,381,730	39,266,188
Total general fund	<u>41,061,684</u>	<u>39,378,748</u>	<u>38,871,904</u>	<u>38,596,793</u>	<u>43,138,686</u>
All Other Governmental Funds					
Reserved	28,296,507	26,985,963	59,518,306	38,919,889	35,256,257
Unreserved, reported in:					
Special revenue funds	17,429,703	18,642,284	25,556,577	21,745,503	17,875,037
Debt service funds		153,122	4,912	(29,697)	(50,285)
Capital projects funds	<u>37,459,463</u>	<u>35,998,445</u>	<u>26,577,262</u>	<u>38,852,090</u>	<u>29,329,795</u>
Total all other governmental funds	<u>83,185,673</u>	<u>81,779,814</u>	<u>111,657,057</u>	<u>99,487,785</u>	<u>82,410,804</u>
Total governmental funds	<u>124,247,357</u>	<u>121,158,562</u>	<u>150,528,961</u>	<u>138,084,578</u>	<u>125,549,490</u>

Notes: The city began to report accrual information when it implemented GASB Statement No. 34 in FY 2001/02.

Schedule 3 (Continued)
 CITY OF REDWOOD CITY, CALIFORNIA
 FUND BALANCES - GOVERNMENTAL FUNDS
 Last Nine Fiscal Years
 (modified accrual basis of accounting)

Fiscal Years			
2007	2008	2009	2010
\$	\$	\$	\$
4,177,832	5,554,149	4,630,992	3,732,535
40,827,073	40,900,734	34,464,505	20,991,436
<u>45,004,905</u>	<u>46,454,883</u>	<u>39,095,497</u>	<u>24,723,971</u>
40,323,695	25,925,282	25,660,144	26,067,203
19,220,633	24,369,952	28,419,218	32,706,733
(41,058)	46,511	78,418	40,589
<u>18,892,346</u>	<u>26,565,268</u>	<u>21,189,395</u>	<u>18,520,889</u>
<u>78,395,616</u>	<u>76,907,013</u>	<u>75,347,175</u>	<u>77,335,414</u>
<u>123,400,521</u>	<u>123,361,896</u>	<u>114,442,672</u>	<u>102,059,385</u>

Schedule 4
CITY OF REDWOOD CITY, CALIFORNIA
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Last Nine Fiscal Years

	Fiscal Years				
	2002	2003	2004	2005	2006
	\$	\$	\$	\$	\$
REVENUES					
Property taxes/special assessments	29,709,472	29,872,717	31,561,507	33,007,808	39,392,649
Sales and other taxes	26,133,966	26,421,521	28,165,797	29,920,574	32,954,880
Licenses and permits	1,107,393	870,522	938,403	1,086,454	1,167,735
Fines, forfeitures and penalties	821,301	897,369	845,765	1,012,208	948,858
Use of money and property	7,839,927	7,565,675	6,015,632	5,896,426	6,499,826
Intergovernmental	13,482,963	15,110,351	16,716,189	17,029,762	13,503,927
Contributions	3,225,378	1,069,560	184,278	13,265,096	182,492
Charges for current services	5,672,892	6,068,275	6,228,010	5,918,790	6,051,971
Other	793,938	1,272,880	2,218,332	1,297,216	1,193,120
Total Revenues	88,787,230	89,471,484	89,967,680	108,434,334	101,895,458
EXPENDITURES					
Current Operations:					
Community development	9,478,975	12,773,447	13,523,550	13,639,528	15,574,342
Human services	1,200,528	1,240,341	1,168,728	1,153,640	1,195,315
Public safety	28,340,668	31,313,633	33,358,785	37,901,952	40,631,780
Transportation	8,156,689	6,830,315	5,414,455	6,715,527	6,294,030
Environmental support and protection	2,294,328	1,815,648	1,897,796	2,778,068	3,699,378
Leisure, cultural and information services	15,745,546	17,234,983	16,374,283	16,149,697	16,844,333
Policy development and implementation	5,366,413	3,472,890	2,800,134	1,877,692	1,704,545
Capital outlay	21,667,111	11,324,780	19,541,360	33,524,241	22,341,941
Debt service:					
Principal retirement	3,732,321	4,302,321	4,497,321	4,662,321	4,887,321
Interest and fiscal charges	2,524,675	2,437,768	2,222,417	2,757,238	2,426,923
Bond issuance costs			1,756,732		
Total Expenditures	98,507,254	92,746,126	102,555,561	121,159,904	115,599,908
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(9,437,936)	(3,274,642)	(12,587,881)	(12,725,570)	(13,704,450)
OTHER FINANCING SOURCES (USES)					
Transfers in	21,124,312	10,890,957	17,362,991	18,731,139	14,945,169
Transfers (out)	(21,949,078)	(10,705,110)	(17,257,760)	(18,706,330)	(15,234,654)
Sale of property	308,797		4,700	25,387	5,100
Bond proceeds			46,400,161		
Contribution from (to) other funds			2,173,188		
Gain from sale of land held for redevelopment				230,991	
Payment to bond refunding escrow agent			(6,725,000)		
Total Other Financing Sources (Uses)	(515,969)	185,847	41,958,280	281,187	(284,385)
NET CHANGE IN FUND BALANCES	(9,953,905)	(3,088,795)	29,370,399	(12,444,383)	(13,988,835)
Debt service as a percentage of non-capital expenditures	8.14%	8.28%	8.09%	8.47%	7.84%

Notes: The City began to report accrual information when it implemented GASB Statement No. 34 in FY 2001/02.

Schedule 4 (Continued)
 CITY OF REDWOOD CITY, CALIFORNIA
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 Last Nine Fiscal Years

Fiscal Years			
2007	2008	2009	2010
\$	\$	\$	\$
42,495,915	44,573,382	48,371,857	49,351,469
34,234,028	34,567,051	31,674,430	30,964,483
1,519,504	1,557,547	902,723	875,019
972,557	977,774	921,566	1,216,604
8,447,097	8,445,701	4,995,104	4,264,447
11,068,009	13,523,007	10,397,158	13,711,717
736,549	1,190,376	540,186	829,561
7,431,181	7,843,245	7,326,776	8,395,583
1,281,626	1,166,364	2,173,942	1,608,439
<u>108,186,466</u>	<u>113,844,447</u>	<u>107,303,742</u>	<u>111,217,322</u>
13,752,526	15,866,328	15,305,951	18,155,500
1,287,907	1,433,258	1,511,733	1,465,105
40,929,708	44,390,736	46,713,987	45,500,450
7,216,139	6,158,706	8,866,814	8,552,901
2,954,547	1,958,690	2,863,738	4,152,609
17,804,190	19,236,180	21,873,848	20,479,455
2,338,164	918,430	2,785,266	3,299,086
15,600,102	17,326,293	9,894,551	5,025,308
4,822,321	4,067,321	3,747,321	14,657,321
2,213,040	1,945,514	1,608,310	1,378,637
<u>108,918,644</u>	<u>113,301,456</u>	<u>115,171,519</u>	<u>122,666,372</u>
<u>(732,178)</u>	<u>542,991</u>	<u>(7,867,777)</u>	<u>(11,449,050)</u>
14,819,568	13,557,675	14,275,221	28,655,915
(16,236,359)	(14,139,291)	(15,326,668)	(29,590,152)
<u>(1,416,791)</u>	<u>(581,616)</u>	<u>(1,051,447)</u>	<u>(934,237)</u>
<u>(2,148,969)</u>	<u>(38,625)</u>	<u>(8,919,224)</u>	<u>(12,383,287)</u>
7.54%	6.26%	5.09%	13.63%

Schedule 5

CITY OF REDWOOD CITY, CALIFORNIA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year	Real Property		Personal Property		Total Taxable Assessed Value	% Increase/ (Decrease) Over Prior Year	Effective Direct Tax Rate
	State Assessed	Locally Assessed	Locally Assessed	Less: Tax Exempt Property			
	\$	\$	\$	\$	\$	%	%
2001	6,974,964	8,116,944,482	708,711,116	345,014,672	8,487,615,890	11.84	0.2380
2002	7,017,276	9,340,051,644	916,828,406	319,737,483	9,944,159,843	17.16	0.2419
2003	10,629,094	10,175,860,103	808,748,351	322,381,546	10,672,856,002	7.33	0.2389
2004	11,266,243	10,467,971,049	669,230,156	349,724,840	10,798,742,608	1.18	0.2420
2005	11,069,324	10,978,316,191	577,189,796	358,123,641	11,208,451,670	3.79	0.2429
2006	4,454,190	11,577,635,719	527,383,171	365,930,032	11,743,543,048	4.77	0.2389
2007	4,342,506	12,521,555,794	579,933,721	441,803,730	12,664,028,291	7.84	0.2420
2008	5,003,014	13,671,991,606	586,031,204	541,024,340	13,722,001,484	8.35	0.2439
2009	5,003,014	14,734,164,661	676,178,812	642,703,087	14,772,643,400	7.66	0.2350
2010	5,003,014	14,885,525,123	757,610,502	664,018,869	14,984,119,770	1.43	0.2397

Note: In 1978 the voters of the State of California passed Proposition 13 which limited basic property tax to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is the purchase price. The estimated market value of taxable property is not available.

The amount shown above includes assessed value data for both the City and the Redevelopment Agency.

Source: San Mateo County Assessor's records

Schedule 6

CITY OF REDWOOD CITY, CALIFORNIA

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years

(rate per \$100 of assessed values)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Direct Rates										
County	0.2272	0.2272	0.2272	0.2272	0.2272	0.2272	0.2272	0.2272	0.2272	0.2272
City	0.2588	0.2588	0.2588	0.2588	0.2588	0.2588	0.2588	0.2588	0.2588	0.2588
Elementary School	0.2266	0.2266	0.2266	0.2266	0.2266	0.2266	0.2266	0.2266	0.2266	0.2266
High School	0.1497	0.1497	0.1497	0.1497	0.1497	0.1497	0.1497	0.1497	0.1497	0.1497
Community College	0.0650	0.0650	0.0650	0.0650	0.0650	0.0650	0.0650	0.0650	0.0650	0.0650
All others	0.0727	0.0727	0.0727	0.0727	0.0727	0.0727	0.0727	0.0727	0.0727	0.0727
Total Direct Rate	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Overlapping Rates										
Elementary School	0.0235	0.0207	0.0231	0.0295	0.0065	0.0279	0.0265	0.0250	0.0229	0.0238
High School	0.0092	0.0079	0.0130	0.0238	0.0164	0.0223	0.0208	0.0205	0.0282	0.0277
Community College			0.0079	0.0065	0.0282	0.0065	0.0184	0.0171	0.0165	0.0182
Total Overlapping Rate	0.0327	0.0286	0.0440	0.0598	0.0511	0.0567	0.0657	0.0626	0.0676	0.0697
Total Direct and Overlapping Rate	1.0327	1.0286	1.0440	1.0598	1.0511	1.0567	1.0657	1.0626	1.0676	1.0697

Source: San Mateo County Assessor's records (tax rate area 9-001)

* MidPeninsula Open Space District, Bay Area Air Pollution, County Harbor District, Mosquito Abatement District, Sequoia Hospital District, and County Education tax

Schedule 7
 CITY OF REDWOOD CITY, CALIFORNIA
 PRINCIPAL PROPERTY TAX PAYERS
 Current Year and Nine Years Ago

Taxpayer	2010			2001		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
	\$			\$		
Oracle Corporation	538,686,440	1	3.65%	188,057,652	6	2.22%
Pacific Shores Investors LLC	506,398,840	2	3.43%	319,595,227	1	3.77%
Selco Service Corporation	264,821,675	3	1.79%			
Westport Office Park LLC	255,025,089	4	1.73%			
Slough Redwood City LLC	244,812,991	5	1.66%			
SPK - Redwood Shores	180,900,000	6	1.20%			
SRI Eight Pacific Shores LLC	176,540,400	7	1.22%			
Speyer Tishman/Archstone Smith	134,750,265	8	0.91%			
Irvine Co. LLC	130,330,794	9	0.88%			
Metropolitan Life Insurance Co.	119,660,953	10	0.81%	171,490,207	7	2.02%
Oracle Real Estate Group				241,740,957	4	2.85%
Flatirons Funding Ltd. Partnership				189,255,065	5	2.23%
Perry Public Investment Company				300,014,529	2	3.53%
UBS Lease Finance LLC				125,607,030	9	1.48%
Martin Campus LLC				244,270,077	3	2.88%
Spieker Properties, LP				132,554,604	8	1.56%
Woodside Technology Center LLC				119,340,000	10	1.41%
	<u>2,551,927,447</u>		<u>17.27%</u>	<u>2,031,925,348</u>		<u>23.94%</u>

Source: San Mateo County Assessor via MuniServices, LLC.

Schedule 8
CITY OF REDWOOD CITY, CALIFORNIA
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy			Total Collections	
		Amount ¹	Percentage of Levy	Delinquent Tax Collections ²	Amount	Percentage of Levy
2001	14,940,689	14,840,473	99.33	NA	14,840,473	99.33
2002	17,296,568	17,203,409	99.46	NA	17,203,409	99.46
2003	18,432,405	18,086,368	98.12	NA	18,086,368	98.12
2004	18,623,675	18,497,670	99.32	NA	18,497,670	99.32
2005	19,306,928	19,289,656	99.91	NA	19,289,656	99.91
2006	20,217,010	19,687,100	97.38	NA	19,687,100	97.38
2007	21,825,495	21,688,365	99.37	NA	21,688,365	99.37
2008	23,599,098	23,230,333	98.44	NA	23,230,333	98.44
2009	25,185,881	24,732,667	98.20	NA	24,732,667	98.20
2010	25,402,023	25,081,429	98.74	NA	25,081,429	98.74

Source: Audited City financial records - general fund

¹ Amount collected is less than levy as refunds are deducted from the current year tax apportionment and tax roll adjustments are initiated by the County of San Mateo after the levy has been established.

² San Mateo County assesses properties and it bills, collects, and distributes property taxes to all taxing entities including the City. Under State law, known as the Teeter Plan, the County remits the entire amount levied for secured property taxes and handles all delinquencies, retaining interest and penalties

Schedule 9

CITY OF REDWOOD CITY, CALIFORNIA

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Nine Fiscal Years

(amounts expressed in thousands, except per capita amount)

	Governmental Activities				Business-Type Activities			Per Capita	Debt/ Personal Income
	Revenue	GID	Tax	Loans	Revenue	Loans	Total		
	Bonds	Bonds	Increment		Bonds		Primary		
\$	\$	\$	\$	\$	\$	\$	\$	%	
2002	29,725	8,655	11,980	466	10,600	2,039	63,465	835	2.50
2003	27,915	7,175	11,010	423	10,415	2,019	58,957	778	2.28
2004	30,774	5,625	44,890	381	10,225	1,997	93,892	1,239	3.53
2005	28,834	4,005	44,694	339	45,815	1,975	125,662	1,659	4.58
2006	26,794	2,305	45,780	296	70,775	1,952	147,902	1,944	5.20
2007	24,679	800	45,878	254	84,403	1,928	157,942	2,059	5.35
2008	22,493	170	45,998	212	81,981	1,903	152,757	1,977	4.95
2009	20,228		46,133	169	80,141	1,876	148,547	1,909	4.79
2010	9,806		43,423	127	78,236	1,848	133,440	1,698	NA

Note: The city began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 2001/02.

Schedule 10
 CITY OF REDWOOD CITY, CALIFORNIA
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 As of June 30, 2010

<u>Governmental Unit</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
	%	\$
Debt Repaid with Property Taxes		
San Mateo Community College District	10.551	65,941,639
Sequoia Union High School District	25.460	76,996,132
Belmont-Redwood Shores School District	48.688	4,805,506
Belmont-Redwood Shores School District School Facilities Improvement Distr.	99.993	23,473,357
Redwood City School District	58.697	31,123,602
San Carlos School District	2.735	1,520,378
Redwood City Community Facilities District 2000-1	100.000	12,065,000
Redwood City Redwood Shores Community Facilities District No. 99-1	100.000	11,175,000
City of Redwood City 1915 Act Bonds	100.000	0
TOTAL DEBT REPAID WITH PROPERTY TAXES		<u>227,100,614</u>
Other Debt		
San Mateo County General Fund Obligations	10.551	36,832,466
San Mateo County Board of Education Certificates of Participation	10.551	1,359,496
Belmont-Redwood Shores School District Certificates of Participation	48.688	2,660,799
San Carlos School District Certificates of Participation	2.735	2,130
Midpeninsula Regional Park District General Fund Obligations	8.521	9,695,878
City of Redwood City General Fund Obligations	100.000	9,805,000
San Mateo County Mosquito Abatement District Certificates of Participation	14.422	39,661
Menlo Park Fire Protection District	0.035	4,197
TOTAL OTHER DEBT		<u>60,399,627</u>
City Direct Debt		<u>43,552,634</u>
Total Direct and Overlapping Debt		<u><u>331,052,875</u></u>

Source: California Municipal Statistics

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

¹ The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total taxable assessed value.

Schedule 11
 CITY OF REDWOOD CITY, CALIFORNIA
 LEGAL DEBT MARGIN INFORMATION
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Debt Limit</u>	<u>Total Net Debt Applicable to Limit</u>	<u>Total Legal Debt Margin</u>	<u>Total Net Debt Applicable to Limit as % of Debt Limit</u>
	\$	\$	\$	%
2000/01	331,223,646	0	331,223,646	0
2001/02	384,896,150	0	384,896,150	0
2002/03	412,321,408	0	412,321,408	0
2003/04	418,067,529	0	418,067,529	0
2004/05	433,746,574	0	433,746,574	0
2005/06	454,105,241	0	454,105,241	0
2006/07	491,468,701	0	491,468,701	0
2007/08	534,863,468	0	534,863,468	0
2008/09	578,075,493	0	578,075,493	0
2009/10	586,805,199	0	586,805,199	0

Legal Debt Margin Calculation for FY 2009/10

Assessed value	14,984,119,770
Add back: exempt real property	664,018,869
Total assessed value	<u>15,648,138,639</u>
Debt limit (3.75% of total assessed value)	586,805,199
Debt applicable to limit:	
General obligation bonds	0
Less: Amount set aside for repayment of general obligation debt	<u>0</u>
Total net debt applicable to limit	<u>0</u>
Legal debt margin	<u><u>586,805,199</u></u>

Note: Under state finance law, the city's outstanding general obligation debt should not exceed 15% of total assessed property value. However, the city has established a more conservative internal limit of not more than 3.75%. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Schedule 12
 CITY OF REDWOOD CITY, CALIFORNIA
 PLEDGED-REVENUE COVERAGE
 Last Ten Fiscal Years

Water Revenue Bonds						
Fiscal Year	Water Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Interest	Coverage
	\$	\$	\$	\$	\$	
2001	-	-	-	-	-	-
2002	-	-	-	-	-	-
2003	-	-	-	-	-	-
2004	-	-	-	-	-	-
2005	16,978,971	15,403,737	1,575,234	-	487,276	3.23
2006	20,293,404	17,683,109	2,610,295	830,000	1,791,614	1.00
2007	22,655,038	17,288,503	5,366,535	1,325,000	2,531,303	1.39
2008	24,948,741	19,844,501	5,104,240	1,560,000	3,091,798	1.10
2009	24,223,151	19,067,951	5,155,200	1,620,000	3,035,505	1.11
2010	23,332,261	18,396,764	4,935,497	1,675,000	2,976,917	1.06

Special Assessment Bonds						
Fiscal Year	Special Assessment Collections	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Interest	Coverage
	\$	\$	\$	\$	\$	
2001	2,028,012	111,335	1,916,677	1,300,000	635,300	0.99
2002	2,040,238	122,985	1,917,253	1,415,000	513,350	0.99
2003	2,070,322	131,403	1,938,919	1,480,000	425,925	1.02
2004	1,996,071	137,871	1,858,200	1,550,000	334,375	0.99
2005	1,989,048	139,356	1,849,692	1,620,000	238,700	1.00
2006	1,975,482	144,242	1,831,240	1,700,000	138,300	1.00
2007	1,400,778	111,147	1,289,631	1,505,000	48,000	0.83
2008	37,154	15,334	21,820	630,000	10,200	0.03
2009	-	-	-	-	-	-
2010	-	-	-	-	-	-

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses. Special assessment bonds were paid off in 2008.

Schedule 12 (Continued)
 CITY OF REDWOOD CITY, CALIFORNIA
 PLEDGED-REVENUE COVERAGE
 Last Ten Fiscal Years

Port Revenue Bonds						
Fiscal Year	Port Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Interest	Coverage
	\$	\$	\$	\$	\$	
2001	4,842,148	1,730,997	3,111,151	170,000	554,545	4.29
2002	4,643,614	1,747,349	2,896,265	175,000	547,745	4.01
2003	5,404,255	1,945,476	3,458,779	185,000	540,570	4.77
2004	5,597,074	2,406,807	3,190,267	190,000	532,800	4.41
2005	6,104,989	2,576,993	3,527,996	200,000	524,535	4.87
2006	6,665,761	2,367,549	4,298,212	210,000	515,535	5.92
2007	6,597,650	2,505,950	4,091,700	215,000	505,875	5.68
2008	6,282,986	2,547,243	3,735,743	225,000	495,770	5.18
2009	7,048,614	2,516,938	4,531,676	240,000	484,970	6.25
2010	6,181,798	2,626,132	3,555,666	250,000	473,210	4.92

Tax Increment Bonds				
	Property Tax Increment	Debt Service Principal	Interest	Coverage
	\$	\$	\$	
2001	5,483,321	890,000	636,460	3.59
2002	7,918,358	930,000	595,880	5.19
2003	7,677,858	970,000	644,274	4.76
2004	7,999,394	1,010,000	515,800	5.24
2005	8,260,952	1,060,000	1,262,169	3.56
2006	8,374,286	1,105,000	1,078,306	3.84
2007	9,529,346	1,160,000	1,023,032	4.37
2008	10,903,619	1,210,000	1,033,472	4.86
2009	12,671,925	1,270,000	907,932	5.82
2010	12,730,675	4,195,000	886,687	2.51

Schedule 13
 CITY OF REDWOOD CITY, CALIFORNIA
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Fiscal Years

Calendar Year	Population	Personal Income (\$000)	Per Capita Personal Income	Unemployment Rate	Number of Water System Customers
		\$	\$	%	
2001	75,666	2,487,217	32,871	2.50	25,486
2002	75,975	2,536,881	33,391	4.10	22,952
2003	75,798	2,588,653	34,152	4.90	23,482
2004	75,763	2,656,327	35,061	3.30	23,538
2005	75,763	2,746,333	36,249	4.50	23,520
2006	76,086	2,846,986	37,418	3.90	23,566
2007	76,695	2,951,530	38,484	3.90	23,650
2008	77,269	3,087,824	39,962	5.00	23,710
2009	77,819	3,098,753	39,820	8.90	23,718
2010	78,568	N/A	N/A	9.10	23,784

Sources:

Population is provided by the State of California Department of Finance. Population numbers in this schedule reflect the Department of Finance's annual adjustments.

Personal income and per capita personal income is provided by United States Census Data via MuniServices, LLC and is adjusted for inflation.

The unemployment rate for the City of Redwood City is provided by the State of California Employee Development Department and is not seasonally adjusted.

The number of water system customers is provided by the City's utility billing system.

Note:

The most recent fiscal year personal income and per capita income figures are not available until the following fiscal year.

Schedule 14
CITY OF REDWOOD CITY, CALIFORNIA
PRINCIPAL EMPLOYERS
Last Five Years (Historical data not available)

Employer	2006			2007		
	Employees	Rank	% of Total City Employment	Employees	Rank	% of Total City Employment
Oracle Corporation	8,000	1	20.73%	8,000	1	20.00%
County of San Mateo	2,200	2	5.70%	2,200	2	5.50%
Electronic Arts	1,826	3	4.73%	1,826	3	4.57%
Kaiser Permanente	1,800	4	4.66%	1,800	4	4.50%
Sequoia Hospital	1,154	5	2.99%	1,154	5	2.89%
Redwood City School District	1,050	6	2.72%	1,050	6	2.63%
Informatica	1,000	7	2.59%	1,000	7	2.50%
OpenWave Systems	900	8	2.33%	900	8	2.25%
Broad Vision	759	9	1.97%	759	9	1.90%
Sequoia Union High School District	700	10	1.81%	700	10	1.75%

Employer	2008			2009		
	Employees	Rank	% of Total City Employment	Employees	Rank	% of Total City Employment
Oracle Corporation	8,000	1	19.51%	8,000	1	20.73%
San Mateo County	2,200	2	5.37%	2,200	2	5.70%
Electronic Arts	1,826	3	4.45%	1,826	3	4.73%
Kaiser Permanente	1,800	4	4.39%	1,800	4	4.66%
Sequoia Hospital	1,154	5	2.81%	1,154	5	2.99%
Redwood City School District	1,050	6	2.56%	1,050	6	2.72%
Informatica	1,000	7	2.44%	1,000	7	2.59%
OpenWave Systems	900	8	2.20%	900	8	2.33%
Broad Vision	759	9	1.85%	759	9	1.97%
Sequoia Union High School District	700	10	1.71%	700	10	1.81%

Employer	2010		
	Employees	Rank	% of Total City Employment
Oracle Corporation	6,700	1	17.91%
Electronic Arts	3,416	2	9.13%
San Mateo County	2,200	3	5.88%
Kaiser Permanente	2,044	4	5.47%
Sequoia Hospital	1,013	5	2.71%
Redwood City School District	1,000	6	2.67%
Broad Vision	759	7	2.03%
Sequoia Union High School District	700	8	1.87%
City of Redwood City	607	9	1.62%
Informatica Corporation	400	10	1.07%

Source: Redwood City Chamber of Commerce

Notes: The top ten principal employers for previous years are not available, but will be memorialized from 2006 going forward in this document.

Schedule 15
CITY OF REDWOOD CITY, CALIFORNIA
FULL TIME EQUIVALENT EMPLOYEES BY FUNCTION
Last Nine Fiscal Years

Function	Fiscal Years								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Community Development	66.56	70.15	67.76	68.45	70.25	71.00	71.63	73.48	72.68
Human Services	8.23	8.23	7.08	7.08	7.08	7.20	7.20	7.92	7.92
Public Safety	216.50	216.50	209.00	202.00	202.00	202.00	203.42	204.32	194.57
Transportation	27.30	27.30	25.30	20.45	20.45	20.90	22.90	23.10	18.85
Environmental Support/Protection	9.95	9.95	8.88	8.25	15.00	8.25	8.25	8.25	7.95
Leisure/Cultural/Information Services	152.88	156.05	149.84	131.85	131.35	131.24	135.16	156.96	142.08
Policy Development/Implementation	59.35	67.45	64.90	61.46	53.02	62.95	63.57	65.54	63.94
Water	37.00	28.90	28.90	36.05	36.69	35.90	35.90	35.35	35.45
Sewer	15.05	15.05	15.05	15.35	15.35	15.20	15.20	16.20	16.20
Parking	1.70	1.70	1.70	1.90	2.65	5.20	5.47	5.55	5.45
Port	8.00	8.50	9.00	9.00	9.00	9.00	11.00	10.00	10.00
Total	602.52	609.78	587.41	561.84	562.84	568.84	579.70	606.67	575.09

Source: Redwood City Adopted Budget

Note: The City began to report FTE employees by function when it implemented GASB Statement No. 34 in FY 2001/02.

Schedule 16
CITY OF REDWOOD CITY, CALIFORNIA
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Function/Program										
Community Development:										
Building permits	1,767	1,633	1,659	2,760	2,437	2,349	2,366	2,143	2,038	2,003
Building inspections conducted	16,000	16,000	13,900	16,000	16,200	16,415	15,422	14,283	13,122	10,732
Public Safety:										
Police:										
Moving citations (per 1,000 population)	230	270	274	196	163	202	217	217	170	167
Fire:										
Emergency responses - all calls	6,413	6,116	5,893	6,518	6,492	6,738	6,688	7,073	6,671	6,683
Leisure/Cultural/Information Services:										
Number of items in collection	291,267	268,567	255,842	243,776	263,198	291,270	335,590	336,339	329,296	324,672
Water:										
Average daily consumption (thousands of gallons)	11,333	10,643	10,898	11,524	10,614	10,295	10,879	10,465	9,962	9,193

Sources: Various City departments

Notes:

Tracking of moving citations per 1,000 population by the Police Department was started in FY 2000/01.

Schedule 17
CITY OF REDWOOD CITY, CALIFORNIA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function/Program	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public Safety:										
Police:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Number of stations	5	5	5	5	5	5	5	5	5	5
Transportation										
Miles of streets	154	154	154	154	154	154	155	155	155	155
Number of street lights	6,660	6,660	6,660	8,500	8,500	8,500	8,500	8,500	8,500	8,500
Leisure/Cultural/Information Services										
Number of parks	23	23	30	30	30	30	30	37	23	23
Number of libraries	4	4	4	4	4	4	4	4	4	4
Number of recreation center facilities	8	8	8	8	8	8	8	5	5	5
Water										
Miles of water mains	271	273	273	261	263	264	264	264	264	264
Miles of recycled water system lines							3	13	15	15
Sewer										
Miles of sanitary sewers	184	184	184	184	185	185	185	185	193	193
Miles of storm sewers	101	102	102	102	103	103	103	103	129	129

Sources: Various city departments

Note:

The recycled water system lines were built starting in FY 2006/07.

Schedule 18
 CITY OF REDWOOD CITY, CALIFORNIA
 CONSTRUCTION VALUES
 Last Ten Fiscal Years

Fiscal Year	Residential Construction		All Other Construction		Residences/Additions and Alterations		Other Buildings Additions/Alterations		Total Property Values
	Number of Units	Property Value	Number of Permits Issued	Property Value	Number of Permits Issued	Property Value	Number of Permits Issued	Property Value	
		\$		\$		\$		\$	
2001	101	18,461,500	52	245,004,000	1,364	26,151,850	268	74,603,600	364,220,950
2002	39	6,719,000	26	28,695,000	1,293	26,390,000	236	54,199,000	116,003,000
2003	15	3,416,606	0	0	1,373	25,891,130	271	34,441,815	63,749,551
2004	12	3,905,556	14	20,171,356	1,517	30,718,914	351	22,583,528	77,379,354
2005	15	5,557,587	5	16,168,717	1,375	28,805,766	252	36,685,451	87,217,521
2006	63	14,557,510	10	7,028,000	1,209	29,180,052	287	53,593,643	104,359,205
2007	21	6,466,202	14	20,756,000	1,196	32,351,149	320	113,440,767	173,014,118
2008	33	10,698,818	14	38,772,000	1,002	24,882,578	291	79,925,295	154,278,691
2009	36	17,739,134	2	590,000	1,028	20,000,165	972	36,405,222	74,734,521
2010	39	15,495,398	5	6,048,354	1,098	21,065,615	861	26,436,017	69,045,384

Source: Redwood City's Community Development Services Department