

NEW ISSUE-FULL BOOK-ENTRY

RATING: S&P: "AA-"
(See "RATING" herein)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the El Cerrito Public Financing Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" within.



\$11,750,000
EL CERRITO PUBLIC FINANCING AUTHORITY
SALES TAX REVENUE BONDS
SERIES 2008

Dated: Date of Delivery**Due: May 1, as shown on inside cover**

The above captioned bonds (the "Bonds") are being issued by the El Cerrito Public Financing Authority (the "Authority") to (i) finance various capital improvements to the City of El Cerrito's (the "City") sidewalks, streets and roadways, as more particularly described herein, (ii) pay capitalized interest through November 1, 2008, (iii) fund a deposit to a debt service reserve fund for the Bonds and (iv) pay costs of issuance incurred in connection with the issuance, sale and delivery of the Bonds.

The Bonds are being issued as fully registered bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Ultimate purchasers of Bonds will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, referenced herein to the owners shall mean Cede & Co., and shall not mean the ultimate purchasers of the Bonds. Interest on the Bonds will be payable on May 1 and November 1 of each year, commencing November 1, 2008. Payments of the principal of, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co., by Union Bank of California, N.A., San Francisco, California (the "Trustee"), so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants, as more fully described herein. See "APPENDIX E - DTC AND THE BOOK-ENTRY SYSTEM".

The Bonds are payable from, and secured by a lien on, certain payments received by the Authority from the City under an Installment Sale Agreement (defined herein) and from certain interest and other income derived from certain funds and accounts held under the Trust Agreement (collectively, the "Revenues," as more fully described herein). The obligation of the City to make payments under the Installment Sale Agreement is limited solely to Revenues, consisting generally of all gross income and revenue from the City's Street Improvement Sales Tax (as defined herein). **The pledge of Revenues under the Installment Sale Agreement secures only the obligations to pay installment payments and other obligations under the Installment Sale Agreement.** See "SECURITY FOR THE BONDS - Revenues; Pledge of Revenues".

The Bonds are subject to optional and mandatory redemption prior to maturity as more fully described herein.

The Bonds are limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the Revenues (as described herein). Neither the full faith and credit of the Authority, the City or any member of the Authority is pledged for the payment of the principal of, interest or premium, if any, on the Bonds. Neither the payment of the principal of, interest or premium, if any, on the Bonds constitutes a debt, liability or obligation of the Authority, the City or any member of the Authority for which any such entity is obligated to levy or pledge any form of taxation, except to the extent of the Street Improvement Sales Tax, or for which any such entity has levied or pledged any form of taxation. The Authority has no taxing power.

For a discussion of some of the risks associated with the purchase of the Bonds, see "RISK FACTORS" and "CONSTITUTIONAL LIMITATIONS ON TAXES, RATES AND CHARGES" herein.

This cover page contains information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the Bonds. Investors should read the entire Official Statement before making any investment decision.

**MATURITIES, AMOUNTS, INTEREST RATES,
AND PRICES OR YIELDS**
(SEE INSIDE COVER)

The Bonds are offered when, as and if delivered and received by the Underwriter, subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. Certain legal matters will be passed upon for the City by Orrick, Herrington & Sutcliffe LLP as Disclosure Counsel and for the Authority and the City by the City Attorney of the City. It is anticipated that the Bonds will be available for delivery to DTC on or about June 3, 2008.



Dated: May 20, 2008

RCVD JUN 25 '08

MATURITY SCHEDULE

BASE CUSIP: 28285M[†]

Maturity Date (May 1)	Principal Amount	Interest Rate	Yield	CUSIP [†]	Maturity Date (May 1)	Principal Amount	Interest Rate	Yield	CUSIP [†]
2009	\$225,000	3.50%	2.00%	AA6	2015	\$270,000	3.40%	3.57%	AG3
2010	230,000	3.50%	2.44%	AB4	2016	280,000	3 ⁵ / ₈ %	3.72%	AH1
2011	240,000	3.50%	2.84%	AC2	2017	290,000	3.75%	3.87%	AJ7
2012	245,000	3.50%	3.09%	AD0	2018	300,000	4.00%	4.02%	AK4
2013	255,000	3.50%	3.24%	AE8	2019	315,000	4.00%	4.14%	AL2
2014	265,000	3.30%	3.42%	AF5					

\$1,390,000 4.40% Term Bonds due May 1, 2023 - Priced to Yield 4.57% CUSIP AQ1[†]

\$2,130,000 4.60% Term Bonds due May 1, 2028 - Priced to Yield 4.82% CUSIP AV0[†]

\$2,675,000 4.75% Term Bonds due May 1, 2033 - Priced to Yield 4.92% CUSIP BA5[†]

\$2,640,000 4.75% Term Bonds due May 1, 2037 - Priced to Yield 4.95% CUSIP BE7[†]

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GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the Authority, the City or the Underwriter to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein has been provided by the Authority and the City and other sources that are believed by the Authority and the City to be reliable. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities law as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expression of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the City since the date hereof. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with one or more repositories.

FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Official Statement constitute forward-looking statements. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the forecasts of the Authority or the City in any way, regardless of the level of optimism communicated in the information. Neither the Authority nor the City is obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur. Such forward-looking statements include, but are not limited to, certain statements contained in the information in Appendix A attached hereto.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE AUTHORITY AND THE CITY DO NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ANY OF ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR, OTHER THAN AS DESCRIBED UNDER "CONTINUING DISCLOSURE" HEREIN

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EL CERRITO PUBLIC FINANCING AUTHORITY

Governing Board

William C. Jones, III, Chair
Sandi Potter, Vice Chair
Janet Abelson, Authority Member
Jan Bridges, Authority Member
Letitia D. Moore, Authority Member

CITY OF EL CERRITO

City Council

William C. Jones, III, Mayor
Sandi Potter, Mayor Pro Tem
Janet Abelson, Council Member
Jan Bridges, Council Member
Letitia D. Moore, Council Member

Authority Staff/City Officials

Scott Hanin, Executive Director/City Manager
Sky Woodruff, City Attorney
Cheryl Morse, Secretary/City Clerk
Mary Dodge, Finance Director/City Treasurer

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Oakland, California

Trustee
Union Bank of California, N.A.
San Francisco, California

CITY OF EL CERRITO
LOCATION MAP

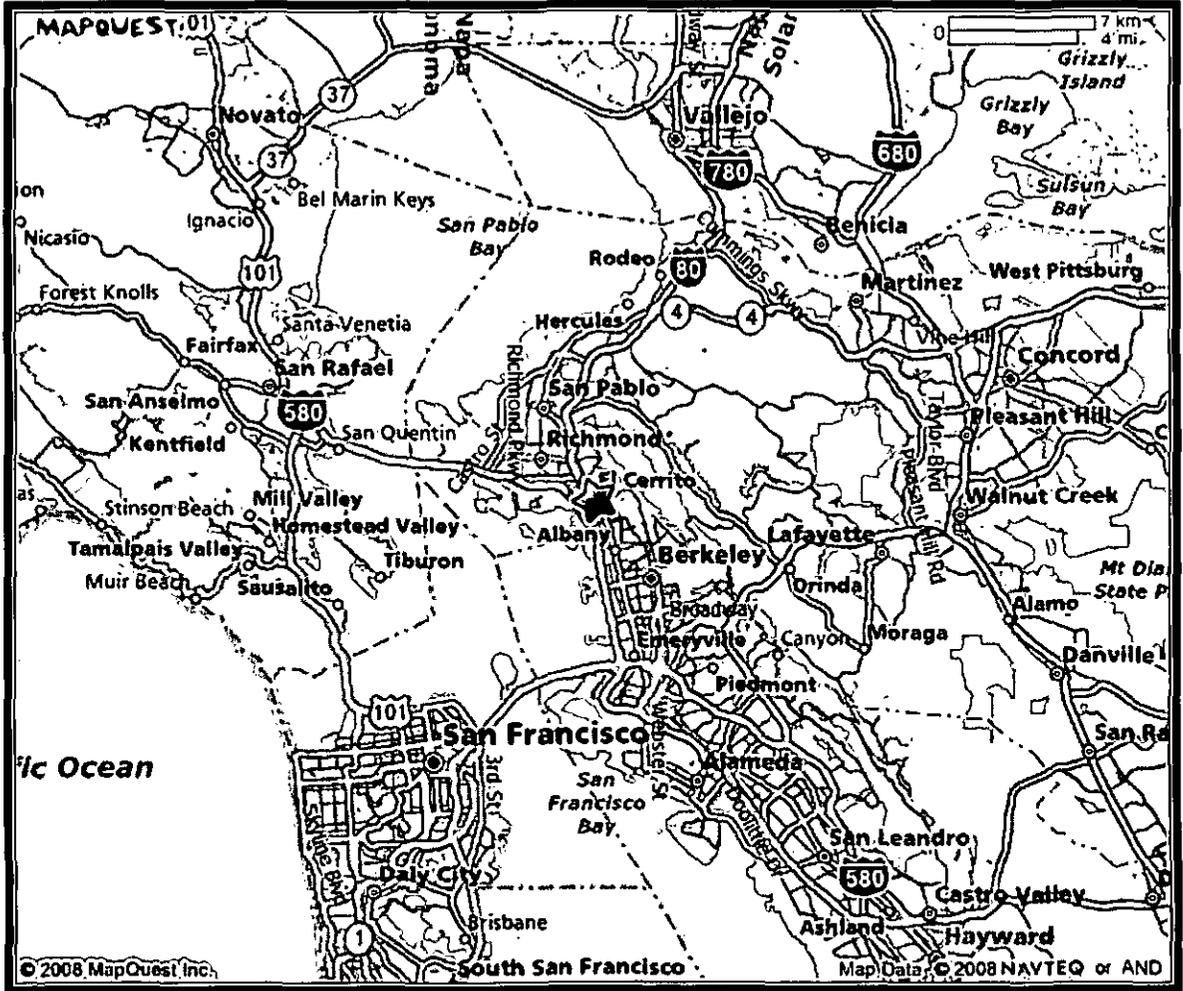


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\$11,750,000
EL CERRITO PUBLIC FINANCING AUTHORITY
SALES TAX REVENUE BONDS
SERIES 2008

INTRODUCTION

The purpose of this Official Statement (which includes the cover page and the appendices attached hereto) is to provide information concerning the issuance, sale and delivery by the El Cerrito Public Financing Authority (the "Authority") of its Sales Tax Revenue Bonds, Series 2008 (the "Bonds"), in the aggregate principal amount of \$11,750,000. The Authority is a joint exercise of powers authority organized under the laws of the State of California and composed of the City of El Cerrito, California (the "City") and the El Cerrito Redevelopment Agency (the "Redevelopment Agency"). The Authority was formed as of October 1, 1990 to assist in the financing of various public capital improvements, including improvements to the sidewalks, streets and roadways of the City.

On February 5, 2008, the voters of the City approved Measure A (the "Street Improvement Sales Tax Measure"), with 71% of those voting on the measure voting in favor of the Street Improvement Sales Tax Measure, authorizing (1) the amendment of the El Cerrito Municipal Code to add Chapter 4.60, which authorizes the City to levy and impose a new 1/2 cent transactions and use taxes on certain retailers and other commercial enterprises within the City (the "Street Improvement Sales Tax"), and (2) the incurrence of indebtedness by the City for the purpose of street and sidewalk maintenance and improvement (the "Street Improvement Project" or the "2008 Project") secured by and repayable exclusively from the proceeds of the Street Improvement Sales Tax.

The Bonds are being issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"), the Street Improvement Sales Tax Measure, and a Trust Agreement, dated as of June 1, 2008 (the "Trust Agreement"), between the Authority and Union Bank of California, N.A., as trustee (the "Trustee"). The proceeds of the sale of the Bonds will be used to (i) finance various capital improvements to the 2008 Project, (ii) pay capitalized interest on the Bonds through November 1, 2008, (iii) fund a deposit to a debt service reserve fund for the Bonds and (iv) pay costs of issuance incurred in connection with the issuance, sale and delivery of the Bonds. See "THE PLAN OF FINANCE - The 2008 Projects" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The Bonds are payable from, and secured by a lien on, (1) certain payments (collectively, the "2008 Payments") received by the Authority from the City under a Master Installment Sale Agreement, dated as of June 1, 2008 (the "Master Installment Sale Agreement"), as supplemented by a First Supplemental Installment Sale Agreement, dated as of June 1, 2008 (the "First Supplemental Installment Sale Agreement"), and, together with the Master Installment Sale Agreement, the "Installment Sale Agreement") and (2) from certain interest and other income derived from certain funds and accounts held under the Trust Agreement (collectively, the "Revenues", as more fully described herein).

The obligation of the City to make such payments is a special obligation of the City payable solely from proceeds of the Street Improvement Sales Tax. The pledge of Revenues under the Installment Sale Agreement secures only the obligations to pay installment payments and other obligations under the Installment Sale Agreement. See "SECURITY FOR THE BONDS - Revenues; Pledge of Revenues."

Concurrently with the issuance of the Bonds, the Trustee is to establish, maintain and hold in trust a separate fund designated as the Reserve Fund. Moneys available to the Reserve Fund will be used and withdrawn solely for the purpose of paying principal of and interest on the Bonds in the event 2008

Payments deposited with the Trustee are insufficient therefor. Amounts in the Reserve Fund will only be available for delinquencies in 2008 Payments. For more information concerning the Reserve Fund and the Reserve Funds, see "SECURITY FOR THE BONDS" herein.

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE OR LIEN UPON, ANY PROPERTY OF THE AUTHORITY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE REVENUES. THE FULL FAITH AND CREDIT OF NEITHER THE AUTHORITY, THE CITY NOR THE EL CERRITO REDEVELOPMENT AGENCY IS PLEDGED FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF THE BONDS AND NO TAX (EXCEPT TO THE EXTENT OF THE STREET IMPROVEMENT SALES TAX) OR OTHER SOURCE OF FUNDS, OTHER THAN THE REVENUES, IS PLEDGED TO PAY THE INTEREST ON OR PRINCIPAL OF THE BONDS. THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS DOES NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE AUTHORITY, THE CITY OR THE EL CERRITO REDEVELOPMENT AGENCY FOR WHICH ANY SUCH ENTITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION (EXCEPT TO THE EXTENT OF THE STREET IMPROVEMENT SALES TAX) OR FOR WHICH ANY SUCH ENTITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE AUTHORITY HAS NO TAXING POWER.

The summaries and references of documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each document, statute, report or instrument. The capitalization of any word not conventionally capitalized or otherwise defined herein, indicates that such word is defined in a particular agreement or other document and, as used herein, has the meaning given it in such agreement or document. See "APPENDIX A - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" for summaries of certain of such definitions. The proposed form of opinion of Bond Counsel is set forth in Appendix D.

THE BONDS

Description

The Bonds will be dated their date of issuance and will bear interest at the rates set forth on the cover page of this Official Statement, payable on November 1, 2008, and semiannually thereafter on May 1 and November 1 of each year. Subject to the redemption provisions set forth herein, the Bonds will mature on the dates and in the amounts set forth on the cover page hereof. The Bonds shall bear interest from the interest payment date next preceding the date of registration thereof, unless such date of registration is an interest payment date, in which event they shall bear interest from such date, or unless such date of registration is prior to the first interest payment date, in which event they shall bear interest from their date of delivery; provided, however, that if at the time of registration of any Bond interest is then in default on the outstanding Bonds, such Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment on the Outstanding Bonds. Payment of interest on the Bonds due on or before the maturity or prior redemption thereof shall be made to the person whose name appears in the Bonds registration books kept by the Trustee as the registered owner thereof as of the close of business on the fifteenth day of the month immediately preceding an interest payment date, whether or not such day is a Business Day, such interest to be paid by check mailed on such interest payment date to such registered owner at the address as it appears in such books or at such other address as may have been filed with the Trustee for that purpose. Payment of the principal of the Bonds shall be made by check upon the surrender thereof at maturity or on redemption prior to maturity at the principal office of the Trustee in San Francisco, California.

Registration, Transfers and Exchanges

The Bonds will be executed and delivered as fully registered bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to actual purchasers of the Bonds (the "Beneficial Owners") in the denominations set forth above, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants (as defined herein). Beneficial Owners will not be entitled to receive physical delivery of the Bonds. In the event that the book-entry-only system is no longer used with respect to the Bonds, the Bonds will be registered and transferred in accordance with the Trust Agreement. See "APPENDIX E - DTC AND THE BOOK-ENTRY SYSTEM".

Redemption

Optional Redemption. The Bonds maturing on or before May 1, 2018 are not subject to optional redemption. The Bonds maturing on or after May 1, 2019 are subject to optional redemption prior to their respective stated maturities, at the written direction of the City, from moneys deposited by the Authority or the City, as a whole or in part (in such maturities as are designated in writing by the City to the Trustee) on any date on or after May 1, 2018, at a price equal to the principal amount of the Bonds called for redemption, plus accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Bonds maturing on May 1, 2023 are also subject to redemption prior to their respective stated maturities, on any May 1 on or after May 1, 2020, in part by lot, from mandatory sinking account payments at a redemption price equal to the principal amount thereof and interest accrued thereon to the date fixed for redemption date, without premium, as set forth below.

Sinking Fund Redemption Date (May 1)	Principal Amount
2020	\$325,000
2021	340,000
2022	355,000
2023*	370,000

*Final Maturity

The Bonds maturing on May 1, 2028 are also subject to redemption prior to their respective stated maturities, on any May 1 on or after May 1, 2024, in part by lot, from mandatory sinking account payments at a redemption price equal to the principal amount thereof and interest accrued thereon to the date fixed for redemption date, without premium, as set forth in the following table.

Sinking Fund Redemption Date (May 1)	Principal Amount
2024	\$390,000
2025	405,000
2026	425,000
2027	445,000
2028*	465,000

*Final Maturity

The Bonds maturing on May 1, 2033 are also subject to redemption prior to their respective stated maturities, on any May 1 on or after May 1, 2029, in part by lot, from mandatory sinking account payments at a redemption price equal to the principal amount thereof and interest accrued thereon to the date fixed for redemption date, without premium, as set forth below.

Sinking Fund Redemption Date (May 1)	Principal Amount
2029	\$485,000
2030	510,000
2031	535,000
2032	560,000
2033*	585,000

*Final Maturity

The Bonds maturing on May 1, 2037 are also subject to redemption prior to their respective stated maturities, on any May 1 on or after May 1, 2034, in part by lot, from mandatory sinking account payments at a redemption price equal to the principal amount thereof and interest accrued thereon to the date fixed for redemption date, without premium, as set forth below.

Sinking Fund Redemption Date (May 1)	Principal Amount
2034	\$615,000
2035	645,000
2036	675,000
2037*	705,000

*Final Maturity

Mandatory Purchase in Lieu of Redemption. Each Holder, by purchase and acceptance of any Bond irrevocably grants to the Authority the option to purchase such Bond, on any date such Bond is subject to optional redemption at a purchase price equal to the redemption price then applicable to such Bond, plus accrued interest thereon to the date of purchase. In order to exercise such option, the Authority must deliver to the Trustee an opinion of counsel and direct the Trustee to provide notice of mandatory purchase in lieu of redemption. On the date fixed for purchase of any Bond pursuant to the Trust Agreement, the Authority will pay the purchase price of such Bond to the Trustee in immediately available funds and the Trustee will pay the same to the Holders of Bonds being purchased against delivery thereof. Following such purchase, the Trustee will register such Bonds in accordance with the

written instructions of the Authority. No purchase of any Bond pursuant to Trust Agreement shall operate to extinguish the indebtedness evidenced by such Bond. No Holder may elect to retain a Bond subject to mandatory purchase pursuant to the Trust Agreement.

In the event that the Authority lacks sufficient funds to pay the purchase price of any Bond subject to mandatory purchase in lieu of redemption pursuant to the Trust Agreement on the date fixed for such purchase, the Authority will cancel such mandatory purchase in lieu of redemption and will return each such Bond to the Holder who shall have tendered such Bond for mandatory purchase in lieu of redemption pursuant to the Trust Agreement. The Trustee will give notice that such mandatory purchase was not effected promptly following the date fixed for such purchase. Any failure to pay the purchase price of any Bond subject to mandatory purchase pursuant to the Trust Agreement will not constitute an Event of Default under the Trust Agreement.

Notice of Redemption. In the event of redemption of Bonds, the Trustee shall mail a notice of redemption upon receipt of a Written Request of the Authority but only after the Authority shall file a Certificate of the Authority with the Trustee that on or before the date set for redemption, the Authority shall have deposited with or otherwise made available to the Trustee for deposit in the Principal Account the money required for payment of the redemption price of all Bonds then to be called for redemption (or the Trustee determines that money will be deposited with or otherwise made available to it in sufficient time for such purpose), together with the estimated expense of giving such notice.

Notice of redemption of any Bond will be mailed by the Trustee, not less than 30 nor more than 60 days prior to the redemption date, to (i) the respective registered owners of the Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, (ii) the Securities Depositories and (iii) one or more Information Services selected by the Trustee. Notice of redemption to the Securities Depositories and the Information Services shall be given by registered mail or by other approved means. Each notice of redemption shall state the date of such notice, the redemption price, if any, (including the name and appropriate address of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the Bonds of such maturity, to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the redemption price, if any, thereof and in the case of a Bond to be redeemed in part only, the specified portion of the principal amount thereof to be redeemed, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Failure to receive such notice shall not invalidate any of the proceedings taken in connection with such redemption.

Rescission of Notice of Redemption. The Authority will have the right to rescind any optional redemption by written notice of rescission. Any notice of optional redemption will be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation will not constitute an event of default under the Trust Agreement. The Trustee is required to mail notice of rescission of such redemption in the same manner as the original notice of redemption was sent.

Effect of Notice of Redemption. If notice of redemption has been duly given as aforesaid and money for the payment of the redemption price of the Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice Bonds so called for redemption shall become due and payable, and from and after the date so designated interest on such Bonds shall cease to accrue, and

the Holders of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

Debt Service Requirements on the Bonds

The amounts required to be set aside each Bond Year ending May 1 for principal, sinking account payments and interest relating to the Bonds are as follows:

<u>Bond Year Ending May 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 225,000	\$ 471,023.94	\$ 696,023.94
2010	230,000	509,102.50	739,102.50
2011	240,000	501,052.50	741,052.50
2012	245,000	492,652.50	737,652.50
2013	255,000	484,077.50	739,077.50
2014	265,000	475,152.50	740,152.50
2015	270,000	466,407.50	736,407.50
2016	280,000	457,227.50	737,227.50
2017	290,000	447,077.50	737,077.50
2018	300,000	436,202.50	736,202.50
2019	315,000	424,202.50	739,202.50
2020	325,000	411,602.50	736,602.50
2021	340,000	397,302.50	737,302.50
2022	355,000	382,342.50	737,342.50
2023	370,000	366,722.50	736,722.50
2024	390,000	350,442.50	740,442.50
2025	405,000	332,502.50	737,502.50
2026	425,000	313,872.50	738,872.50
2027	445,000	294,322.50	739,322.50
2028	465,000	273,852.50	738,852.50
2029	485,000	252,462.50	737,462.50
2030	510,000	229,425.00	739,425.00
2031	535,000	205,200.00	740,200.00
2032	560,000	179,787.50	739,787.50
2033	585,000	153,187.50	738,187.50
2034	615,000	125,400.00	740,400.00
2035	645,000	96,187.50	741,187.50
2036	675,000	65,550.00	740,550.00
2037	<u>705,000</u>	<u>33,487.50</u>	<u>738,487.50</u>
Total	\$11,750,000	\$9,627,828.94	\$21,377,828.94

THE PLAN OF FINANCE

The 2008 Project

A portion of the proceeds of the Bonds will be used to finance capital improvements to the City's Street Improvement Project. The estimated cost of the 2008 Project is approximately \$17 million, approximately \$10 million of which is to be funded from Bond proceeds. The City continues efforts to

obtain all possible federal and State funding for street improvements, including utilizing proceeds of the Bonds as matching funds for federal and State grant funding.

The City's street system consists of approximately 68 miles of streets, the majority of which were constructed to the standards and conditions of the early to mid-20th century with many streets unable to meet current demands. Pursuant to the Street Improvement Sales Tax Measure, the City will prepare an annual "Maintenance and/or Improvement Program" identifying the planned improvements following the recommendations and priorities established annually by the City Council and Citizens' Oversight Committee. The Maintenance and Improvement Program for 2007-08 has been approved by the City Council. The City is currently in the process of establishing the Citizens' Oversight Committee.

The initial years of the 2008 Project will be devoted to rehabilitation of residential streets within the City as well as an effort to maintain the arterials in good condition. The four years of the City's Pavement Expenditure Plan include a significantly accelerated work plan. The work plan is broken into two categories: preparatory work and finish resurfacing. Preparatory work will consist of repair and other activities as aimed at preparing a street for the final resurfacing work. Finish resurfacing will consist of installing the final pavement surface and pavement marking. For the first phase of improvements, curb ramp improvements and patch paving, low bids have been received by the City of \$709,000 and \$1,2754,000, respectively, and in each case the low bids were below the City Engineer's estimates. The City awarded a contract for the first phase of improvements on May 19, 2008 and expects to award two additional contracts on June 2, 2008.

ESTIMATED SOURCES AND USES OF FUNDS

The following sets forth the estimated sources and uses of funds related to the issuance of the Bonds.

Sources of Funds	
Principal Amount of Bonds	\$11,750,000.00
Less: Net Original Issue Discount	<u>(225,592.15)</u>
Total Sources of Funds	\$11,524,407.85
Uses of Funds	
Deposit to 2008 Project Account	\$10,313,060.16
Deposit to Capitalized Interest Fund ⁽¹⁾	212,535.19
Deposit to Debt Service Reserve Fund	741,187.50
Costs of Issuance ⁽²⁾	<u>257,625.00</u>
Total Uses of Funds	\$11,524,407.85

⁽¹⁾ Represents capitalized interest on the Bonds through November 1, 2008.

⁽²⁾ Includes legal fees, underwriter's discount, financial advisory fees, printing costs, rating agency fees and other miscellaneous expenses.

SECURITY FOR THE BONDS

Revenues; Pledge of Revenues

The Bonds and the interest thereon are payable solely from, and are secured by a lien on Revenues, which are defined in the Trust Agreement as all payments received by the Authority from the

City under the Installment Sale Agreement (the "2008 Payments," as further described below) and certain interest, and other income derived from certain funds held under the Trust Agreement.

All Revenues and any other amount (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established under the Trust Agreement (other than amounts on deposit in the Rebate Fund created pursuant to the Trust Agreement) are irrevocably pledged under the Trust Agreement to the payment of the interest and premium, if any, on and principal of the Bonds as provided therein, and the Revenues may not be used for any other purpose while any of the Bonds remain Outstanding; *provided*, however, that out of the Revenues and other moneys there may be applied such sums for such purposes as are permitted under the Trust Agreement. This pledge constitutes a first pledge of and charge and lien upon the Revenues and all other moneys on deposit in the funds and accounts established under the Trust Agreement (other than amounts on deposit in the Rebate Fund) for the payment of the interest on and principal of the Bonds in accordance with the terms of the Bonds and the Trust Agreement. In the Trust Agreement, the Authority assigns to the Trustee all of the Authority's rights and remedies under the Installment Sale Agreement.

Subject to the Trust Agreement, all money in the Revenue Fund shall be set aside by the Trustee in the following respective special accounts within the Revenue Fund in the following order of priority:

- (a) Interest Account,
- (b) Principal Account,
- (c) Reserve Fund,
- (d) Surplus Account, and
- (e) Costs of Issuance Account.

All money in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes hereinafter authorized in the Trust Agreement.

Interest Account. On or before the fifteenth day preceding the last Business Day of each May 1 or November 1, the Trustee shall set aside from the Revenue Fund and deposit in the Interest Account that amount of money which is equal to the aggregate amount of interest becoming due and payable on all outstanding Bonds on the next succeeding May 1 or November 1 (each an "Interest Payment Date"), as the case may be.

No deposit need be made in the Interest Account if the amount contained therein is at least equal to the aggregate amount of interest becoming due and payable on all outstanding Bonds on such interest payment date.

All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity); provided that any earnings on deposit in the Interest Account after payment of interest on Bonds on an Interest Payment Date shall be transferred to the Revenue Fund.

Principal Account. On or before the fifteenth day preceding the last Business Day of each May 1, the Trustee shall set aside from the Revenue Fund and deposit in the Principal Account an amount of money equal to the aggregate amount of all sinking fund payments required to be made on the next

succeeding May 1 into the respective sinking fund accounts for all outstanding term Bonds and the aggregate principal amount of all outstanding serial Bonds maturing on the next succeeding May 1 (the "Principal Payment Date").

No deposit need be made in the Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal of all outstanding serial Bonds maturing by their terms on such May 1 plus the aggregate amount of all sinking fund payments required to be made on such May 1 for all outstanding term Bonds.

All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds as they shall become due and payable, whether at maturity or redemption, except that any money in any sinking fund account shall be used and withdrawn by the Trustee only to purchase or to redeem or to pay term Bonds for which such sinking fund account was created; provided that any earnings on deposit in the Principal Account after payment of principal of the Bonds on a Principal Payment Date shall be transferred to the Revenue Fund.

Reserve Fund. In the event of a withdrawal of amounts from the Reserve Fund to make payments to the Interest Account or the Principal Account, the Trustee shall deposit monies in the Revenue Fund necessary to restore the amount to the Reserve Fund Requirement but only from the 2008 Payments made for such purpose by the City when obligated under the Installment Sale Agreement to restore said amounts; provided, that if there has been a draw upon any Financial Guaranty (as defined in the Installment Sale Agreement) used to provide all or a portion of a Reserve Fund Requirement, said 2008 Payments shall be applied to reimburse the provider of such instrument for payments made under such draw plus its expenses in connection therewith. Under the Installment Sale Agreement, the City shall only be obligated to replenish draws on the Reserve Fund and other amounts incident thereto relating to the 2008 Project.

As provided in the Trust Agreement, there shall be established a Reserve Fund relating to obligations under the Installment Sale Agreement. All money in (or available to) any Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account or the Principal Account (in such order) in the event of any deficiency at any time in the 2008 Payments. Notwithstanding anything to the contrary in the Trust Agreement, the Reserve Fund shall be available only to cover a deficiency in the 2008 Payments under the Installment Sale Agreement.

Surplus Account. The Trustee, on or before July 1 of each year, beginning on July 1, 2009, shall deposit in the Surplus Account all money remaining in the Revenue Fund after the deposits required by the Trust Agreement as set forth above have been made. On June 30 of each year, beginning on June 30, 2009, the Trustee, if the Authority is not then in default under the Trust Agreement, shall disburse the money in the Surplus Account to the City unless the Trustee, in its discretion, shall determine that any money in the Surplus Account is or will be required for the payment of the principal of or interest on the Bonds on the next succeeding interest payment date (assuming for the purpose of such determination that the City shall pay when due all payments of 2008 Payments required by the Installment Sale Agreement) or any restoration of a Reserve Fund, in which event such money shall be held in the Surplus Account for such purpose.

Costs of Issuance Account. The Trustee shall establish, maintain and hold in trust a separate account within the Revenue Fund designated as the "Costs of Issuance Account." The moneys in the Costs of Issuance Account shall be used and withdrawn by the Trustee to pay the Costs of Issuance of the Bonds.

Installment Sale Agreement

2008 Payments. The City is obligated to make 2008 Payments, but solely from Revenues, which are defined in the Installment Sale Agreement as, for any Fiscal Year, (1) all income and revenue received or receivable by the City during such Fiscal Year from the proceeds of the Street Improvement Sales Tax, and (2) all Payment Agreement Receipts and income from the investment of amounts on deposit in the Revenue Fund and the Parity Obligation Payment Fund; but excluding in all cases any proceeds of taxes other than the Street Improvement Sales Tax and any refundable deposits made to establish credit, and excluding any income from the investment of amounts on deposit in the Improvement Fund.

The obligation of the City to pay the 2008 Payments is absolute and unconditional, and until such time as the 2008 Payments have been paid in full (or provision for the payment thereof shall have been made pursuant to the Trust Agreement), the City will not discontinue or suspend any 2008 Payments required to be paid by it under the Installment Sale Agreement when due, whether or not the 2008 Project or any part thereof is operating or operable, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part, and such payments will not be subject to reduction whether by offset or otherwise and will not be conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

The City covenants in the Installment Sale Agreement to deposit all Revenues received by it in the City of El Cerrito Pothole Repair and Street Improvement and Maintenance Services Revenue Fund (the "Revenue Fund"). Moneys in the Revenue Fund will be used:

(A) on or before the fifteenth day before each May 1 or November 1 (except, in the case of principal payments, only May 1), the City Manager shall, from the remaining money then on deposit in the Revenue Fund, deposit in the "City of El Cerrito Parity Obligation Payment Fund," which fund the City Manager agrees to hold and maintain so long as any Parity Payments due under the Installment Sale Agreement shall be Outstanding the following amounts in the following order of priority:

(1) a sum equal to (a) the interest and principal payments becoming due and payable under all Supplemental Installment Sale Agreements that are Parity Obligations, plus (b) the net payments becoming due and payable on all Parity Payment Agreements (except any Termination Payments), plus (c) any other amounts with respect to Parity Obligations (including any letter of credit and remarketing fees), in each case, during the next succeeding month; plus

(2) (unless otherwise covered by subparagraph (A)(1) above) a sum equal to (a) the amount of interest becoming due and payable under all Supplemental Installment Sale Agreements that are Parity Obligations on the next succeeding Interest Payment Date, plus (b) the amount of principal becoming due and payable under all Supplemental Installment Sale Agreements that are Parity Obligations on the next succeeding Principal Payment Date, except that no such deposit need be made if the City Manager then holds money in the Parity Obligation Payment Fund equal to the amount of interest becoming due and payable under all Supplemental Installment Sale Agreements that are Parity Obligations on the next succeeding Interest Payment Date plus the amount of principal becoming due and payable under all Supplemental Installment Sale Agreements that are Parity Obligations on the next succeeding Principal Payment Date plus the net payments due on all Parity Payment Agreements on such dates (except any Termination Payments) plus any other amounts becoming due and payable with respect to Parity Obligations (including any letter of credit and remarketing fees); plus

(3) all amounts due to make up any deficiency in the Reserve Funds and Reserve Funds for Parity Obligations in accordance with the provisions of the applicable Issuing Document, including all Reserve Fund Credit Facility Costs.

All money on deposit in the Parity Obligation Payment Fund shall be transferred by the City Manager to the Trustee or other third party payee thereof to make and satisfy the Parity Payments due on the next applicable Payment Dates.

(B) After the payments contemplated by subparagraph (A) above have been made, any amounts remaining in the Revenue Fund may from time to time be used for the payment of the interest and principal payments becoming due and payable under all Supplemental Installment Sale Agreements that are Subordinate Obligations; so long as certain conditions are met.

(C) After the required deposits have been made, any amounts thereafter remaining in the Revenue Fund may be used for any lawful purpose, including, but not limited to the payment of any Termination Payments on all Subordinate Payment Agreements.

Issuance of Parity Obligations. Under the terms of the Installment Sale Agreement, the City may at any time execute any obligations payable on a parity with the 2008 Payments ("Parity Obligations"), provided certain conditions are met, including that the City has demonstrated that, during the last audited Fiscal Year, the Annual Revenues were at least equal to the Coverage Requirement for all Outstanding Supplemental Installment Sale Agreements plus the Parity Obligations proposed to be executed.

"Coverage Requirement" means, for any Fiscal Year, an amount of Annual Revenues equal in each case to at least one hundred fifty percent (150%) of the Maximum Annual Debt Service. "Annual Revenues" means, for any Fiscal Year, the Revenues during such Fiscal Year. With respect to calculation of the Coverage Requirement, for purposes of calculating the Annual Debt Service the City excludes the amount of Annual Debt Service paid from the proceeds of Parity Obligations or from any interest earnings from amounts on deposit in all Reserve Funds and Reserve Accounts established in connection with Parity Obligations, as set forth in a Certificate of the City.

Notwithstanding the foregoing, there are no limitations on the ability of the City to execute any Parity Obligation at any time to refund any outstanding Obligation.

Issuance of Subordinate Obligations. The City may at any time execute any Subordinate Obligations payable as provided in the Installment Sale Agreement; provided that no Event of Default (as defined in the Installment Sale Agreement) has occurred and is continuing.

Nothing contained in the Installment Sale Agreement shall limit the ability of the City to execute obligations payable from a lien on Revenues that is subordinate to the lien of Revenues that secures the 2008 Payments and any Parity Obligations and the lien of Revenues that secures any Subordinate Obligations.

THE STREET IMPROVEMENT SALES TAX

General

The terms of the Street Improvement Measure authorize the imposition of the Street Improvement Sales Tax upon the approval of the electorate of the City. Voter approval of the Street Improvement Sales Tax was obtained by special election on February 5, 2008 with 71% of those voting on the measure

voting in favor. Since the Street Improvement Measure does not provide for automatic expiration of the Street Improvement Sales Tax, there is no statutory termination provision for the Street Improvement Sales Tax.

The Street Improvement Sales Tax is a retail transactions and use tax of one half of one percent (0.5%) of the gross receipts of retailers from the sale of all tangible personal property sold at retail in the City and a use tax at the same rate upon the storage, use or other consumption in the City of such property purchased from any retailer for storage, use or other consumption in the City, subject to certain limited exceptions. The most important exemptions from the Street Improvement Sales Tax are the sales of food products for home consumption, prescription medicine, edible livestock and their feed, seed and fertilizer used in raising food for human consumption, and gas, electricity and water, when delivered to consumers through mains, lines and pipes. Additionally, occasional sales, i.e., sales of property not held or used by a seller in the course of activities for which he or she is required to hold a seller's permit, are generally exempt from the Street Improvement Sales Tax. However, the "occasional sales" exemption does not apply to the sale of an entire business and other sales of machinery and equipment used in a business. Sales of property to be used outside the City which are shipped to a point outside the City pursuant to the contract of sale are exempt from the Street Improvement Sales Tax (including, for example, the sales of automobiles and water craft to individuals who do not reside in the City).

Street Improvement Sales Tax Revenues are net of an administrative fee paid to the Board of Equalization for the collection and disbursement of the Street Improvement Sales Tax, which by statute cannot exceed 1.5% of collections. For a summary of the actual ordinary sales tax revenues (not including the City's new 1/2 cent sales tax under the Street Improvement Measure) reported by the City for the five Fiscal Years ended June 30, 2007, and an estimate of the potential Street Improvement Sales Tax revenues that would have been collected during the 2006-07 fiscal year had the Street Improvement Measure been in effect at that time, see "THE STREET IMPROVEMENT SALES TAX - Historical Sales Tax Revenues" below.

Collection

Collection of the Street Improvement Sales Tax is administered by the California State Board of Equalization (the "Board of Equalization") pursuant to an Agreement for State Administration, approved by the City Council on April 21, 2008 (the "BOE Agreement"), between the City and the Board of Equalization. Pursuant to the BOE Agreement and its procedures, the Board of Equalization projects receipts of the Street Improvement Sales Tax on a quarterly basis and remits an advance of such receipts to the City at least twice per quarter based on such projection. During the last month of each quarter, the Board of Equalization adjusts the amount remitted to reflect the actual receipts of the Street Improvement Sales Tax for the quarter.

The Board of Equalization will begin collecting the Street Improvement Sales Tax in July 2008, and will begin distributing the proceeds to the City in October 2008. Proceeds of the Street Improvement Sales Tax received by the City will be deposited and held in a special fund established by the City, and paid to the Trustee on the fifteenth day prior to May 1 and November 1 in each year in an amount sufficient to pay interest on and principal of the Bonds. See "SECURITY FOR THE BONDS" above.

Historical Sales Tax Revenues

The following Table 1 shows actual sales tax revenues (not including the Street Improvement Sales Tax) reported by the City disaggregated by category for the five Fiscal Years ended June 30, 2007, and an estimate of the potential Street Improvement Sales Tax revenues that would have been collected during the 2006-07 fiscal year had the Street Improvement Measure been in effect at that time.

TABLE 1
City of El Cerrito
Actual Bradley-Burns Sales Tax Received for the Past Five Years
and Estimate of Potential Street Improvement Sales Tax for 2006-07

	Actual Bradley-Burns Sales Tax Revenues					Capture	Street
	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>Rate¹</u>	<u>Improvement</u> <u>Sales Tax</u> <u>Estimate</u>
General Retail	\$1,103,528	\$1,216,032	\$1,190,964	\$1,194,078	\$1,212,014	97%	\$585,350
Food Products	512,951	563,294	563,100	558,231	586,371	100	292,790
Transportation	877,831	941,019	905,080	924,351	869,059	60	260,796
Construction	253,487	270,863	261,644	260,025	334,274	74	123,720
Business To Business	95,757	116,774	109,770	109,305	116,496	49	28,306
Miscellaneous	<u>16,231</u>	<u>15,808</u>	<u>4,153</u>	<u>4,230</u>	<u>5,123</u>	96	<u>2,457</u>
TOTAL	\$2,859,785	\$3,123,790	\$3,034,711	\$3,050,220	\$3,123,337	83%	\$1,293,419

¹ The Street Improvement Sales Tax is a destination tax and therefore the City will not receive 100% of some categories such as new auto sales, leasing, construction and other business to business segments. It is also important to note that the projections are based solely on purchases with a point of sale in the City. The Capture Rate is an estimate from the City's sales tax consultant of the percentage of the standard one percent (1%) Bradley-Burns Sales Tax revenues received that will also generate Street Improvement Sales Tax revenues (at the 1/2 cent rate). Total capture rate represents the weighted average of all categories.

Source: City of El Cerrito.

Based on the estimated amount of Street Improvement Tax Revenues, \$1,293,419, that would have been collected during the 2006-07 fiscal year had the Street Improvement Measure been in effect at that time, the City estimates that the ratio of Street Improvement Sales Tax Revenues to debt service on the Bonds will be a minimum of 1.75x debt service coverage, in each year the Bonds will be outstanding (assuming no growth in Street Improvement Sales Tax Revenues over the Fiscal Year 2006-07 estimate) based upon the maximum \$741,187.50 debt service payment on the Bonds. The Street Improvement Sales Tax will be imposed at the beginning of the next Fiscal Year, July 1, 2008. The City expects to begin receiving payments of Street Improvement Sales Tax Revenues on or about October 1, 2008. Interest on the Bonds is capitalized through November 1, 2008 from a portion of the proceeds of the Bonds.

For additional information regarding the City's Fiscal Year 2006-07 sales tax revenues, see APPENDIX F: "AUDITED FINANCIAL REPORT OF THE CITY AS OF JUNE 30, 2007".

The following Table 2 shows actual sales tax revenues (not including the City's share of certain County and State sales tax pools) in aggregate amounts for the past twenty calendar years.

TABLE 2
City of El Cerrito
20 Fiscal Years Historical
Sales Tax Revenues¹

<u>Calendar Year</u>	<u>Total Sales Tax Revenues</u>
2007	\$3,409,401
2006	3,388,193
2005	3,003,139
2004	2,953,925
2003	2,867,177
2002	2,620,482
2001	2,403,934
2000	2,265,883
1999	2,048,566
1998	1,823,558
1997	1,738,508
1996	1,717,019
1995	1,817,671
1994	1,756,710
1993	1,753,896
1992	1,668,841
1991	1,583,957
1990	1,737,902
1989	1,705,128
1988	1,323,577

¹ Note, fiscal year data in Table 1 (above) and calendar year data in this Table 2 vary due to the different timeframes for which each set of data applies.

Source: Hinderliter, de Llamas and Associates

The following Table 3 shows sales tax revenues generated from the ten highest sales tax revenue generating businesses during the past five years. In Fiscal Year 2006-07, approximately 42% of the City's sales tax revenues were derived from the top ten businesses. Over the past five years, the proportion of revenues generated by these taxpayers compared to the total sales tax revenues in the City has declined by approximately 15% (from 57% in 2002-03 to 42% in the most recent fiscal year).

TABLE 3
City of El Cerrito
Top Ten Sales Tax Generators as Percent of Total
Fiscal Years 2002-03 through 2006-07

Fiscal Year	Top Ten Generators Sales Tax Revenues	All Sales Tax Revenues	Revenues as a % of Total
2006-07	\$1,314,613	\$3,123,337	42.09%
2005-06	1,403,711	3,050,220	46.02
2004-05	1,548,613	3,034,711	51.03
2003-04	1,647,799	3,123,790	52.75
2002-03	1,630,077	2,859,785	57.00

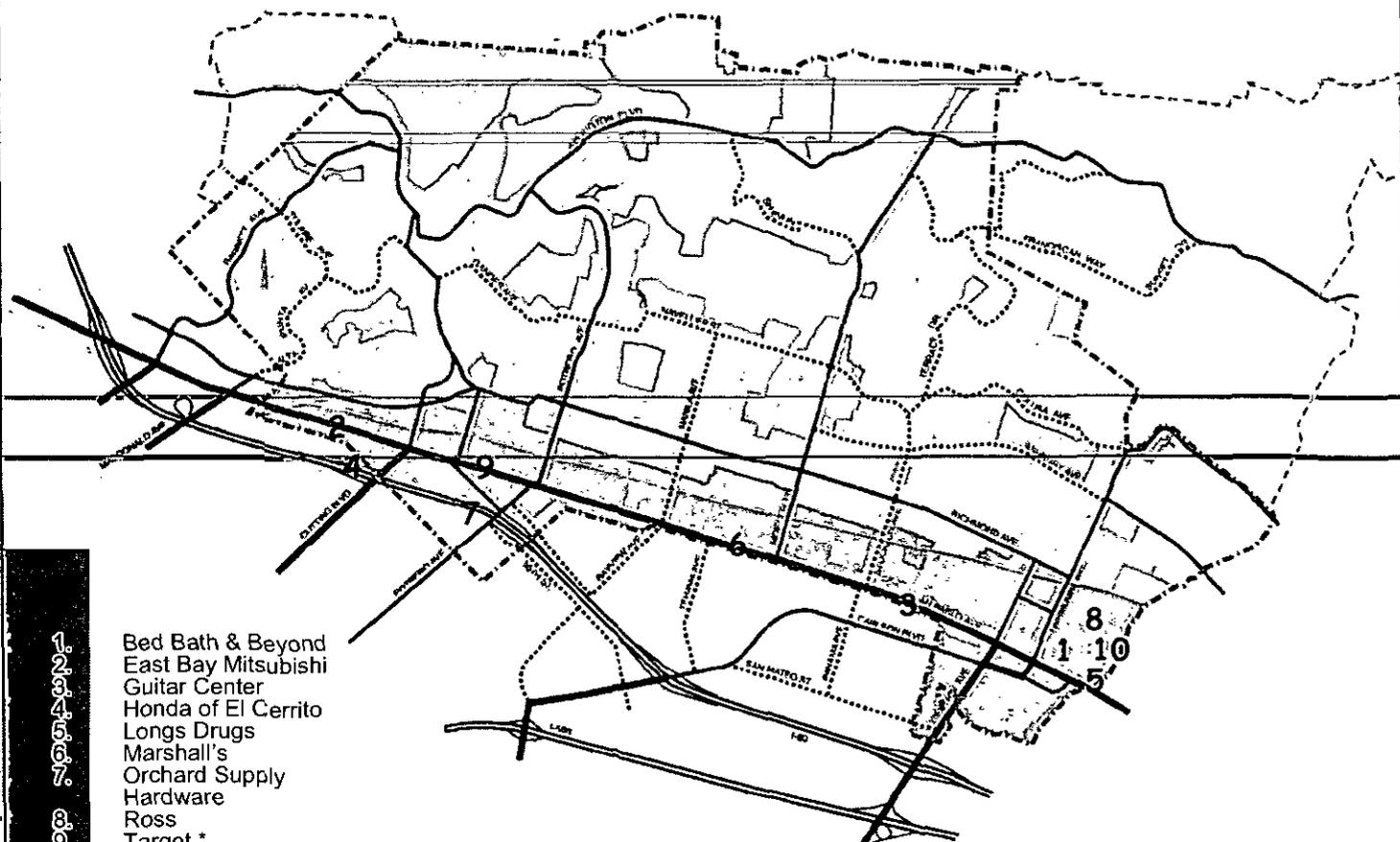
Source: City of El Cerrito

The following Diagram 1 includes a map of the City showing the locations and trade names of these ten highest sales tax generating businesses in Fiscal Year 2006-07, all of which are located along the City's main commercial corridor, San Pablo Avenue. The businesses are listed in alphabetical order, and not in order of sales tax revenue generation, in Diagram 1.

City of El Cerrito, California Top Ten Sales Tax Generators

As of June 30, 2007

16



- Bed Bath & Beyond
 - East Bay Mitsubishi
 - Guitar Center
 - Honda of El Cerrito
 - Longs Drugs
 - Marshall's
 - Orchard Supply
 - Hardware
 - Ross
 - Target *
 - Trader Joe's
- (in alphabetical order)

10
 9
 8
 7
 6
 5
 4
 3
 2
 1

This map was developed from data in the general circulation program. The City of El Cerrito does not assume liability for any errors or omissions on this map and its contents.

*Target executives have recently informed the City that they intend to close the existing store in late July of 2008. They have also indicated that their plan is to rebuild a new store on the existing site, but the plans for the new store have not yet been determined. The City does not believe that the closure will have a material impact on the City's ability to pay debt service on the Bonds.

EL CERRITO GENERAL PLAN

LAND USE & CIRCULATION

Residential Land Use

- Very Low Density (up to 6 units per net acre)
- Low Density (up to 9 units per acre)
- Medium Density (up to 20 units per acre)
- High Density (up to 33 units per acre)

Other Land Use

- Commercial/Mixed Use
- Parks & Open Space
- Institutional & Utility

Circulation

- Collector Street
- Minor Arterial
- Major Arterial
- Interstate Highway
- BART



Prepared for:
City of El Cerrito

Prepared by:
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DIAGRAM 1

The City's principal commercial activity is centered around San Pablo Avenue, the main thoroughfare extending from the east end of the City to the west end of the City. In the past five years, the City has invested approximately \$15 million in infrastructure improvements and redevelopment projects to improve the San Pablo Avenue business district. As shown in Diagram 1, above, the distribution of the City's top ten taxpayers extends from the south end of San Pablo Avenue, the location of the El Cerrito Plaza, to the north end, where the City's automobile retailers are located adjacent to the Interstate 80 freeway.

In addition, in June 2007, the City, in cooperation with its neighboring city to the south of San Pablo Avenue, the City of Richmond, formed the San Pablo Avenue Specific Plan Advisory Committee (SPAAC) to create a long-range economic development and improvements plan (the "Specific Plan") for all future land use and design along San Pablo Avenue. The SPAAC is comprised of council members, planning commissioners, design review board members and representatives of the business community and other local public agencies. The goal of the SPAAC is to create, within 18 months, a Specific Plan that will unify design themes, emphasize public transit opportunities and use smart-growth standards to attract new businesses and residents to the San Pablo Avenue business district.

Additional Sales Taxes Collected in the City

In addition to the Street Improvement Sales Tax, the State of California (the "State") imposes a 7.25% sales tax (the "State Sales Tax"), the Contra Costa Transportation Authority ("CCTA") imposes a 0.50% sales tax (the "CCTA Sales Tax"), and the Bay Area Rapid Transit District ("BART") imposes a 0.50% sales tax (the "BART Sales Tax"). Combined with the State Sales Tax, the CCTA Sales Tax and the BART Sales Tax, the Street Improvement Sales Tax results in transactions in the City being taxed at an effective rate of 8.75%.

The breakdown of the State's basic 7.25% rate imposed on a statewide basis effective July 1, 2007 is as set forth below.

- 5.00% represents the State general fund tax rate.
- 1.00% is imposed under the State's uniform local sales and use tax law (the "Bradley Burns Local Sales Tax"), with 0.75% dedicated to cities' and counties' general operations and 0.25% dedicated to county transit systems.
- 0.50% is dedicated to the Local Revenue Fund pursuant to the Welfare and Institutions Code for mental health, social services and health services.
- 0.50% is dedicated to local governments for public safety employees.
- 0.25% is deposited into the State Fiscal Recovery Fund to repay the State's Economic Recovery Bonds (as described below).

Pursuant to State law, 0.25% of the State general fund tax rate may be suspended upon certification by the State's Director of Finance by November 1 in any year that: (i) the balance in the budget reserve (excluding revenues derived from the 0.25% sales and use tax rate) is expected to exceed 3% of general fund revenues in that fiscal year; and (ii) actual revenues for the period May 1 through September 30 equal or exceed the State's May revision to its January proposed budget for that year. The 0.25% rate can be reinstated if the Director of Finance subsequently determines that the reserve will not exceed 4% of general fund revenues. Pursuant to this law, a 0.25% cut in the State sales tax occurred on January 1, 2001 but was reinstated as of January 1, 2002.

The California Economic Recovery Bond Act ("Proposition 57") was approved by voters at a statewide primary election on March 2, 2004. Proposition 57 authorizes the issuance of up to \$15 billion in economic recovery bonds ("Economic Recovery Bonds") to finance the negative General Fund reserve balance as of June 30, 2004, and other General Fund obligations undertaken prior to June 30, 2004. Repayment of the economic recovery bonds is secured by a pledge of revenues from a one-quarter cent increase in the State's sales and use tax (through a one-quarter cent reduction in sales and use tax dedicated to cities and counties) that commenced on July 1, 2004. The State issued approximately \$10.9 billion aggregate principal amount of such bonds in 1994 and approximately \$3.2 billion aggregate principal amount of such bonds in February 2008.

The CCTA Sales Tax is levied throughout the County of Contra Costa to fund the construction and improvement of state highways, the construction, maintenance, improvement and operation of local streets, road and highways and the construction, improvement and operation of public transit systems.

The BART Sales Tax is levied throughout the San Francisco Bay Area counties of Alameda, Contra Costa and San Francisco to fund construction and improvements to the BART public transportation system.

Trade Area Information

Trade Area data presented below reflects an assessment conducted by the City identifying the geographic area from which businesses in the City can reasonably draw customers. Three trade areas were used for the assessment: North El Cerrito (the "North Trade Area"), the City of El Cerrito (city proper), and South El Cerrito (the "South Trade Area"). The North Trade Area and South Trade Area extend beyond the City's boundaries and include portions of the Cities of Richmond and San Pablo (to the north) and Berkeley, Albany and Kensington (to the south).

Population and Household Growth. Table 4 shows demographic trend data for the State, the City and the two regional trade areas (North and South). In general, the population of the City and its adjacent trade areas has remained relatively constant in comparison to the State's overall population growth rate. Growth in population and households from 2000 to 2005 increased only slightly in the North Trade Area and was essentially unchanged for the City during that period while the South Trade Area declined slightly.

**TABLE 4
HISTORIC POPULATION AND HOUSEHOLDS
EL CERRITO LOCAL TRADE AREAS COMPARED TO
THE STATE OF CALIFORNIA: 1990-2005**

	California		City of El Cerrito		North Trade Area		South Trade Area	
	Number	Change	Number	Change	Number	Change	Number	Change
Population								
1990	29,760,022		22,955		97,965		68,751	
2000	33,871,648	1.3%	23,171	0.1%	111,540	1.3%	71,938	0.5%
2005	36,810,358	1.7	23,328	0.1	114,449	0.5	70,576	-0.4
Households								
1990	10,381,206		10,100		36,914		30,056	
2000	11,502,871	1.0%	10,208	0.1%	38,344	0.4%	31,344	0.4%
2005	12,185,290	1.2	10,295	0.2	38,819	0.2	30,702	-0.4

Source: City of El Cerrito Market Assessment prepared by Chabin Concepts, February 2006; Claritas Inc., ClaritasConnect, 2005; California Department of Finance, 2005.

Per Capita Income. Table 5 shows the historic and projected income levels for the three trade areas. The City and the South Trade Area experienced strong growth in per capita income from 1990 to 2000 reflecting generally higher socio-economic factors than the North Trade Area and the smaller household size in these two areas. Average household incomes grew more rapidly in the City and the other two trade areas than in the state overall. The fastest growth occurred in the South Trade Area which showed a 91% increase in average household income since 1990 for an estimated \$101,100 in 2005. Residents of this trade area were more likely employed in higher paying knowledge jobs in Berkeley, Emeryville and San Francisco. The current average household income in the City was estimated at \$85,243, which was about 14% higher than the state average. While the North Trade Area grew at an almost comparable rate to the City, it has lower average incomes (\$61,348) than the City (\$85,243) or the State as a whole (\$74,749).

**TABLE 5
HISTORIC INCOME LEVELS
EL CERRITO LOCAL TRADE AREAS COMPARED TO
THE STATE OF CALIFORNIA: 1990-2005**

	California		City of El Cerrito		North Trade Area		South Trade Area	
	Number	Change	Number	Change	Number	Change	Number	Change
Per Capita Income (Current Year \$)								
1990	\$16,375		\$20,357		\$13,771		\$23,181	
2000	22,711	3.3%	32,604	4.8%	18,864	3.2%	37,491	4.9%
2005	25,566	2.4	38,068	3.1	21,003	2.2	44,136	3.3
Average Household Income (Current Year \$)								
1990	\$46,330		\$48,520		\$36,330		\$52,990	
2000	64,628	3.5%	73,419	4.2%	53,829	4.0%	85,613	4.9%
2005	74,749	2.6	85,243	3.0	61,348	2.6	101,061	3.4
Aggregate Income (Millions of CY \$)								
1990	\$486,772		\$490		\$1,349		\$1,594	
2000	775,507	4.5%	749	4.3%	2,069	4.4%	2,681	5.3%
2005	991,947	3.8	878	3.2	2,381	2.8	3,103	3.0
Retail Buying Power (Thousands of CY \$)								
1990	\$238,008		\$220		\$711		\$648	
2000	369,406	4.5%	336	4.3%	1,090	4.4%	1,090	5.3%
2005	445,897	3.8	393	3.2	1,255	2.8	1,261	3.0

Source: City of El Cerrito Market Assessment prepared by Chabin Concepts, February 2006; Claritas Inc., ClaritasConnect, 2005; California Department of Finance, 2005.

Retail buying power. Retail buying power is estimated as the portion of total income that residents typically spend on retail items and varies by income level. Currently the North and South Trade Areas each have approximately \$1.3 billion in buying power while the City has buying power of approximately \$390 million.

Total Retail Demand. Total retail demand or spending in the three trade areas is estimated based on resident, business and visitor spending. As noted in Table 6, the total 2005 retail demand in the City was approximately \$464 million; \$1.4 billion for the South Trade Area; and \$1.5 billion for the North Trade Area. Residents accounted for the largest portion of retail demand (82% to 88%) followed by visitors and then businesses.

TABLE 6
SUMMARY OF RETAIL DEMAND BY COMPONENT
(in thousands of 2005 dollars)

	North Trade Area	South Trade Area	City of El Cerrito
Residents	\$1,254,854	\$1,261,475	\$393,096
Businesses	122,437	75,234	22,633
Visitors	145,368	100,765	48,235
TOTAL	\$1,522,660	\$1,437,474	\$463,964

Source: City of El Cerrito Market Assessment prepared by Chabin Concepts, February 2006; Applied Economics, 2005

Table 7 shows the estimated 2005 retail demand or spending in the three trade areas by types of goods. Approximately 25% of the total retail demand appeared in the automotive group which primarily represents auto sales. This was followed by approximately 16% of expenditures for general merchandise, and approximately 10% to 15% for food stores, specialty stores and eating and drinking places.

TABLE 7
ESTIMATED 2005 RETAIL DEMAND IN
THE REGIONAL TRADE AREAS
BASED ON TRADE AREA SPENDING PATTERNS
(in thousands of 2005 dollars)

	City of El Cerrito	North Trade Area	South Trade Area
Apparel Stores	\$ 19,613	\$ 70,235	\$ 61,712
General Merchandise	77,548	247,684	238,427
Specialty Stores	56,554	198,614	201,997
Food Stores	54,426	223,005	161,556
Eating & Drinking Places	56,162	183,391	165,806
Home Furnishings	21,597	63,636	66,020
Building Materials	48,516	138,970	145,956
Automotive Group	117,402	357,431	359,851
All Other Retail	12,146	39,695	36,150
Retail Stores Total	\$463,946	\$1,522,660	\$1,437,474

Source: City of El Cerrito Market Assessment prepared by Chabin Concepts, February 2006; Applied Economics, 2005

Tax Revenue Interruption Insurance

The City currently maintains insurance coverage (the "Tax Revenue Interruption Insurance") to provide the City with up to 97.5% of its ordinary sales tax revenues lost as a result of damage to or destruction of real or personal property which wholly or partially prevents the generation of sales tax revenues. The Tax Revenue Interruption Insurance pertains only to certain of City's highest sales tax revenue generating taxpayers and/or properties, as identified in the policy. Commencing in fiscal year

2008-09, the Tax Revenue Interruption Insurance will be expanded to cover the Street Improvement Sales Tax.

The Tax Revenue Interruption Insurance coverage does not extend to publicly owned real or personal property, and only provides coverage for the length of time as would be required with exercise of due diligence and dispatch to rebuild, replace or repair the contributing property commencing from the date of damage to the contributing property. None of the provisions of the Street Improvement Sales Tax Measure, the Trust Agreement or the Installment Sale Agreement require the City to maintain the Tax Revenue Interruption Insurance. The City currently expects to continue to maintain the Tax Revenue Interruption Insurance coverage so long as it is economically feasible, however no assurance can be given that such insurance coverage will be maintained or available while the Bonds are outstanding.

THE AUTHORITY

Pursuant to the Bond Law, the City and the Redevelopment Agency entered into a Joint Exercise of Powers Agreement, dated as of October 1, 1990 (the "Joint Powers Agreement"), which Joint Powers Agreement created and established the Authority. Under the Joint Powers Agreement, the Authority is authorized to issue bonds for financing public capital improvements whenever there are significant public benefits. By a resolution adopted on April 21, 2008, the City requested that the Authority issue the Bonds to finance the 2008 Project.

RISK FACTORS

The following section describes certain risk factors affecting the payment of and security for the Bonds. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the Bonds and does not necessarily reflect the relative importance of the various issues. Potential investors are advised to consider the following factors, along with all other information in this Official Statement, in evaluating the Bonds. There can be no assurance that other risk factors will not become material in the future.

Investment of Funds

All funds and accounts held under the Trust Agreement are required to be invested in Permitted Investments as provided under the Trust Agreement. See APPENDIX A attached hereto for a summary of the definition of Permitted Investments. All investments, including the Permitted Investments and those authorized by law from time to time for investments by public agencies, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected, loss of market value and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Trust Agreement or by the City could have a material adverse effect on the security of the Bonds.

Limitations on Remedies and Bankruptcy

The rights and remedies provided in the Trust Agreement and the Installment Sale Agreement may be limited by and are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California. The various opinions of counsel to be delivered with respect to such documents, including the opinion of Bond Counsel (the form of which is attached as APPENDIX D), will be similarly qualified.

The enforcement of the remedies provided in the Trust Agreement and the Installment Sale Agreement could prove both expensive and time consuming. In addition, the rights and remedies provided in the Trust Agreement and the Installment Sale Agreement may be limited by and are subject to provisions of the federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect creditors' rights. If the City were to file a petition under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), the Bondholders and the Trustee could be prohibited or severely restricted from taking any steps to enforce their rights under the Installment Sale Agreement.

Limited Obligations

The 2008 Payments are limited obligations of the City and are not secured by a legal or equitable pledge or charge or lien upon any property of the City or any of its income or receipts, except the Revenues. The obligation of the City to make the 2008 Payments does not constitute an obligation of the City to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

The City is obligated under the Installment Sale Agreement to pay the 2008 Payments solely from Revenues.

Limitations on Remedies and Limited Recourse on Default

The ability of the City to comply with its covenants under the Installment Sale Agreement and to generate Revenues sufficient to make the 2008 Payments may be adversely affected by actions and events outside of the control of the City and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or persons obligated to pay assessments, fees and charges. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, RATES AND CHARGES – Articles XIIC and XIID of the California Constitution" below. Failure by the City to pay the 2008 Payments required to be made under the Installment Sale Agreement constitutes an event of default under the Installment Sale Agreement and the Trustee is permitted to pursue remedies at law or in equity to enforce the City's obligation to make such 2008 Payments.

The remedies available to the owners of the Bonds upon the occurrence of an event of default under the Installment Sale Agreement are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on remedies contained in the Installment Sale Agreement and the Trust Agreement, the rights and obligations under the Installment Sale Agreement and the Trust Agreement may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public entities in the State of California. The opinion to be delivered by Bond Counsel concurrently with the issuance of the Bonds will be subject to such limitations and the various other legal opinions to be delivered concurrently with the issuance of the Bonds will be similarly qualified. See "APPENDIX D – PROPOSED FORM OF OPINION OF BOND COUNSEL".

If the City fails to comply with its covenants under the Installment Sale Agreement or fails to make the 2008 Payments, there can be no assurance of the availability of remedies adequate to protect the interest of the holders of the Bonds.

Economy of the County and the State

The Bonds are secured by a pledge of Street Improvement Sales Tax Revenues, which consist of the Street Improvement Sales Tax less an administrative fee paid to the Board of Equalization. The level of Street Improvement Sales Tax Revenues collected at any time is dependent upon the level of retail sales within the City, which level of retail sales is, in turn, dependent upon the level of economic activity in the City's Trade Area, and in the State generally. As a result, any substantial deterioration in the level of economic activity within the City, the City's Trade Area, or in the State could have a material adverse impact upon the level of Street Improvement Sales Tax Revenues and therefore upon the ability of the City to pay principal of and interest on the Bonds. For information relating to current economic conditions within the City, City's Trade Area, and the State see APPENDIX C - "CITY AND TRADE AREA GENERAL, DEMOGRAPHIC AND ECONOMIC INFORMATION."

The Street Improvement Sales Tax

With limited exceptions, the Street Improvement Sales Tax is imposed upon the same transactions and items subject to the sales tax levied statewide by the State. The State Legislature or the voters within the State, through the initiative process, could change or limit the transactions and items upon which the statewide sales tax and the Street Improvement Sales Tax are imposed. In particular, future legislation could limit the type of internet-based transactions subject to the Street Improvement Sales Tax. Any such change or limitation could have an adverse impact on the revenues collected pursuant to the Street Improvement Sales Tax. For a further description of the Street Improvement Sales Tax, see "THE STREET IMPROVEMENT SALES TAX."

Proposition 218

On November 5, 1996, voters in the State approved an initiative known as the Right to Vote on Taxes Act ("Proposition 218"). Proposition 218 added Articles XIIC and XIID to the California Constitution. Article XIIC requires majority voter approval for the imposition, extension or increase of general taxes and two-thirds voter approval for the imposition, extension or increase of special taxes by a local government, which is defined to include local or regional governmental agencies such as the Authority. Article XIIC also removes limitations that may have applied to the voter initiative power with regard to reducing or repealing previously authorized local taxes, even previously voter-approved taxes like the Street Improvement Sales Tax. However, an attempt by voters to use the initiative provisions under Proposition 218 to rescind or reduce the levy and collection of the Street Improvement Sales Tax in a manner which would prevent the payment of installment payments under the Installment Sale Agreement (and correspondingly the Authority's ability to pay debt service on the Bonds) may violate the Impairment Clause of the United States Constitution and, accordingly, could be precluded. Any specific interpretation and application of Proposition 218 to such an action would ultimately be determined by the courts. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, RATES AND CHARGES" below.

Further Initiatives

Article XIII A, discussed below under "Challenges to Sales Taxes," and Proposition 218 and Proposition 42 were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, which may affect the City's ability to levy and collect the Street Improvement Sales Tax, or to change the type of transactions that are exempt from the Street Improvement Sales Tax. See also, "INVESTMENT CONSIDERATIONS - Challenges to Sales Taxes."

Loss of Tax Exemption

As discussed under "TAX MATTERS," interest on the Bonds could become includable in federal gross income, possibly from the date of issuance of the Bonds, as a result of acts or omissions of the City subsequent to the issuance of the Bonds. Should interest become includable in federal gross income, the Bonds are not subject to redemption by reason thereof and will remain outstanding until maturity or earlier redemption.

Challenges to Sales Taxes

The Street Improvement Sales Tax is not involved in any of the litigation described below.

On December 19, 1991, the California Supreme Court rendered its opinion in *Rider v. County of San Diego*. The *Rider* decision invalidated a one-half percent retail transactions and use tax imposed by a special purpose entity controlled by the County of San Diego for justice facility purposes. The Court held that taxes levied by "special districts" require two-thirds voter approval; "special districts" are government entities created to circumvent the limitations on taxation embodied in Article XIII A of the California Constitution; and an entity may be deemed a "special district" if it was created after the adoption of XIII A and it is "essentially controlled" by an entity with the power to levy property taxes.

On June 4, 2001, the California Supreme Court rendered its opinion in *Howard Jarvis Taxpayers Association v. City of La Habra, et al.*, 25 Cal. 4th 809 ("*La Habra*") holding that an action brought in 1996 challenging the imposition of a 1992 utility users tax imposed for general purposes, without voter approval, was not barred by a three-year statute of limitations period because the continued imposition and collection of the tax was an ongoing violation upon which the statute of limitations period began anew with each collection.

On December 17, 2001, the California Supreme Court rendered its opinion in *Utility Cost Management v. Indian Wells Valley Water District ("Indian Wells")*. The *Indian Wells* decision held that the statute of limitations applicable to an ordinance, adopted by the Water District imposing certain capital facilities fees, ran from the date of enactment of the ordinance imposing such capital fees and not from the date such fees were actually charged to the customer. In *Indian Wells*, the California Supreme Court relied upon the express language in the applicable statute of limitations, which stated that the statute of limitations runs from the "effective date" of the fee legislation and distinguished such language from the language set forth in the statute applicable in *La Habra*.

State law requires that during the pendency of any lawsuit challenging the validity of a tax the City place the proceeds of the tax in an interest bearing escrow account until the legality of the tax is finally resolved by a final and nonappealable decision. While the *Rider*, *La Habra* and *Indian Wells* lawsuits will not directly affect the ability of the City to levy and collect the Street Improvement Sales Tax, there can be no guarantee (no matter how unlikely) that future lawsuits challenging the legality of the Street Improvement Sales Tax will not be filed.

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

CONSTITUTIONAL LIMITATIONS ON TAXES, RATES AND CHARGES

Articles XIII C and XIII D of the California Constitution

Proposition 218, a State ballot initiative known as the "Right to Vote on Taxes Act," was approved by the voters on November 5, 1996. The initiative added Articles XIII C and XIII D to the California Constitution, creating additional requirements for the imposition by most local governments of "general taxes," "special taxes," "assessments," "fees," and "charges." The Authority and the City may be local governments within the meaning of Articles XIII C and XIII D. Articles XIII C and XIII D became effective, pursuant to its terms, as of November 6, 1996, although compliance with some of its provisions were deferred until July 1, 1997, and certain of its provisions purport to apply to any tax imposed for general governmental purposes (i.e., "general taxes") imposed, extended or increased on or after January 1, 1995 and prior to November 6, 1996.

Article XIII D imposes substantive and procedural requirements on the imposition, extension or increase of "fee" or "charge" subject to its provisions. A "fee" or "charge" subject to Article XIII D includes any levy, other than an ad valorem tax, special tax or assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership. Article XIII D prohibits, among other things, the imposition of any proposed fee or charge, and, possibly, the increase of any existing fee or charge, in the event written protests against the proposed fee or charge are presented at a required public hearing on the fee or charge by a majority of owners of the parcels upon which the fee or charge is to be imposed. Generally, voters residing within the district who do not own property within the district are not entitled to vote for any assessment, however, if a court so determines, under certain circumstances, an assessment may not be imposed unless approved by a two-thirds vote of the electorate residing in the affected area, in addition to being approved by the property owners through the required public hearing. The City has complied with the procedural requirements related to public hearings in connection with its fees and charges subject to Article XIII D.

Article XIII D also provides that "standby charges" are considered "assessments" and must follow the procedures required for "assessments" under Article XIII D and imposes several procedural requirements for the imposition of any assessment, which may include (1) various notice requirements, including the requirement to mail a ballot to owners of the affected property; (2) the substitution of a property owner ballot procedure for the traditional written protest procedure, and providing that "majority protest" exists when ballots (weighted according to proportional financial obligation) submitted in opposition exceed ballots in favor of the assessments; and (3) the requirement that the levying entity "separate the general benefits from the special benefits conferred on a parcel" of land. Any change to the City's current standby charge could require notice to property owners and approval by a majority of such owners returning mail-in ballots approving or rejecting any imposition or increase of such standby charge. Article XIII D also precludes standby charges for services that are not immediately available to the parcel being charged. This could adversely impact the ability of the City to collect standby charges on undeveloped land.

Article XIII D provides that all existing, new or increased assessments are to comply with its provisions beginning July 1, 1997. Existing assessments imposed on or before November 5, 1996, and "imposed exclusively to finance the capital costs or maintenance and operations expenses for among other things water" are exempted from some of the provisions of Article XIII D applicable to assessments.

Article XIII C extends the people's initiative power to reduce or repeal previously authorized local taxes, assessments, fees and charges. This extension of the initiative power is not limited by the terms of Article XIII C to fees, taxes, assessment fees and charges imposed after November 6, 1996 and absent

other authority could result in retroactive reduction in any existing taxes, assessments, fees or charges. It is not clear what scope the courts will give the initiative provisions of Article XIII C.

No assurance may be given that Articles XIII C and XIII D will not have a material adverse impact on the City's Street Improvement Sales Tax revenues.

Other Initiative Measures

Articles XIII C and XIII D were adopted pursuant to California's constitutional initiative process. From time to time other initiative measures could be adopted by California voters, placing additional limitations on the ability of the City to increase revenues.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX D hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Authority and the City have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of or the tax status of interest on the Bonds.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition, or the accrual or receipt of interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. As one example of the judicial process relating to the tax treatment of bonds issued by states and local governments, on May 19, 2008, the United States Supreme Court, in overturning a Kentucky state court, held that the United States Constitution does not prohibit a state from providing a tax exemption for interest on bonds issued by the state and its political subdivisions but taxing interest on obligations issued by other states and their political subdivisions. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions (including the matters described below) may affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority and the City, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the City have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result such audit, or an audit of bonds presenting similar tax issues, may

affect the market price for, or the marketability of, the Bonds and may cause the Authority or the Beneficial Owners to incur significant expense.

CERTAIN LEGAL MATTERS

Upon the delivery of the Bonds, Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the Authority, will issue its opinion approving the validity of the Bonds, the proposed form of which opinion is set forth in APPENDIX D hereto. Certain legal matters will be passed upon for the City by Orrick, Herrington & Sutcliffe LLP as Disclosure Counsel and for the Authority and the City by the City Attorney. Orrick, Herrington & Sutcliffe LLP expresses no opinion regarding the accuracy, completeness or fairness of information contained in this Official Statement.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the City by not later than nine months after the end of the City's fiscal year (which is currently June 30) in each year commencing with the report for the 2007-08 fiscal year (the "Annual Report"), which is due on March 31, 2009, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed with each Nationally Recognized Municipal Securities Information Repository. The notices of material events will be filed by the City with the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be contained in the Annual Report or the notices of material events by the City is set forth in Appendix B - "Form of Continuing Disclosure Certificate." The City has not previously defaulted on any obligation to provide an annual report in accordance with the Rule with respect to any bond issue of the City.

The City has never failed to comply in all material respects with its previous continuing disclosure undertakings under SEC Rule 15c2-12(b)(5).

ABSENCE OF LITIGATION

To the best knowledge of the Authority and the City, there is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or threatened against the Authority to restrain or enjoin the authorization, execution or delivery of the Bonds, the pledge of the Revenues or the collection of the payments to be made pursuant to the Trust Agreement, the obligation of the City to pay 2008 Payments from the Revenues made pursuant to the Installment Sale Agreement, or in any way contesting or affecting validity of the Bonds, the Trust Agreement, the Installment Sale Agreement or the agreement for the sale of the Bonds.

In addition, there is no litigation pending or threatened against the Authority, the City or the Redevelopment Agency which, in the opinion of the City Attorney of the City, would materially adversely affect the 2008 Project or the sources of payment for the Bonds.

RATING

Standard & Poor's ("S&P") will assign its municipal bond rating of "AA-" to the Bonds. Such rating reflects only the view of S&P and any desired explanation of the significance of such ratings should be obtained from S&P at the following address: 25 Broadway, New York, NY 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period

of time or that such rating will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant. The Authority and the Underwriter have undertaken no responsibility either to bring to the attention of the owners of the Bonds any proposed change in or withdrawal of the rating or to oppose any such proposed revision or withdrawal. Any such downward change in or withdrawal of the rating might have an adverse effect on the market price or marketability of the Bonds.

PROFESSIONALS INVOLVED IN THE OFFERING

Orrick, Herrington & Sutcliffe LLP, San Francisco, California is acting as Bond Counsel and as Disclosure Counsel to the City with respect to the Bonds, and will receive compensation from the City contingent upon the sale and delivery of the Bonds. KNN Public Finance, a division of Zions First National Bank, Oakland, California is acting as Financial Advisor to the City with respect to the Bonds, and will receive compensation from the City contingent upon the sale and delivery of the Bonds. The Financial Advisor is not responsible for, and undertakes no responsibility for the accuracy, completeness or fairness of, the Official Statement.

UNDERWRITING

The Bonds are being purchased by RBC Capital Markets Corporation (the "Underwriter"). The Underwriter has agreed to purchase the Bonds, subject to certain conditions, at a price equal to \$11,412,782.85 (representing the principal amount of the Bonds, less Underwriter's discount of \$111,625.00, less net original issue discount of \$225,592.15). The Underwriter is committed to purchase all of the Bonds if any are purchased.

The Bonds are offered for sale at the initial prices stated on the cover page of this Official Statement, which may be changed from time to time by the Underwriter. The Bonds may be offered and sold to certain dealers at prices lower than the public offering prices.

APPENDIX A

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following are brief summaries of certain provisions of the Trust Agreement and the Installment Sale Agreements, each dated as of June 1, 2008, pertaining to the issuance of the 2008 Bonds. These summaries do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the full terms of the respective documents listed below. Capitalized terms not otherwise defined herein have the meaning specified in the respective document.

CERTAIN PROVISIONS OF THE TRUST AGREEMENT

Definitions Applicable to the Trust Agreement

The following are definitions of certain terms used in this Summary of Certain Provisions of the Trust Agreement or elsewhere in this Official Statement.

“Act” means the Joint Exercise of Powers Act (being Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended) and all laws amendatory thereof or supplemental thereto.

“Annual Debt Service” means, for each Fiscal Year, either, (i) the sum of (1) the interest falling due on all Outstanding Bonds in such Fiscal Year, assuming that all payments of principal are paid as scheduled, and (2) the scheduled payments of principal of the Outstanding Bonds, payable in such Fiscal Year, or (ii) for purposes of the applicable Reserve Fund Requirement, the scheduled payments of installment payments under the applicable Installment Sale Agreement, payable in such Fiscal Year.

“Authority” means the El Cerrito Public Financing Authority created pursuant to the Act and its successors and assigns in accordance with the Trust Agreement.

“Average Annual Debt Service” means the average Fiscal Year Annual Debt Service over all Fiscal Years during which the Bonds are scheduled to remain Outstanding.

“Bond Year” means the twelve-month period beginning May 2 and terminating on May 1 of the following year.

“Bonds” means the Series 2008 Bonds. The term “Series 2008 Bonds” means all bonds of the Authority authorized by and at any time Outstanding pursuant to the Trust Agreement and executed, issued and delivered in accordance with the Trust Agreement. The term “Serial Bonds” means Bonds for which no sinking fund payments are provided. The term “Term Bonds” means Bonds which are payable on or before their specified maturing dates from sinking fund payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

“Business Day” means any day (other than a Saturday or a Sunday) on which banks in New York, New York, are open for business and on which the Trustee is open for business at its principal corporate trust office.

“Certificate of the Authority” means an instrument in writing signed by the Chairperson, Secretary or Treasurer of the Authority, or by any other officer of the Authority duly authorized by the Authority for that purpose.

“Certificate of the City” means an instrument in writing signed by the Mayor of the City, City Manager of the City, or by either of such officers duly appointed designee, or by any other officer of the City duly authorized by the City Council of the City for that purpose.

“City” means the City of El Cerrito, a municipal corporation organized and existing under the Constitution of the State of California.

“Code” means the Internal Revenue Code of 1986, as amended.

“Defeasance Securities” mean the following:

1. Cash
2. U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series — “SLGs”)
3. Direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities
4. Resolution Funding Corp. (REFCORP) Only the interest component of REFCORP strips which have been stripped by request of the Federal Reserve Bank of New York in book entry form are acceptable.
5. Pre-refunded municipal bonds rated “AAA” by S&P. If, however, the issue is only rated by S&P (i.e., there is no Moody’s rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition.
6. Obligation issued by the following agencies which are backed by the full faith and credit of the U.S.
 - a. U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership
 - b. Farmers Home Administration (FmHA)
Certificates of beneficial ownership
 - c. Federal Financing Bank
 - d. General Services Administration
Participation certificates
 - e. U.S. Maritime Administration
Guaranteed Title XI financing
 - f. U.S. Department of Housing and Urban Development (HUD)
Project Notes
Local Authority Bonds
New Communities Debentures – U.S. government guaranteed debentures
U.S. Public Housing Notes and Bonds – U.S. government guaranteed public housing notes and bonds

“Fiscal Year” means the twelve-month period terminating on June 30 of each year, or any other annual accounting period selected and designated by the Authority as its Fiscal Year in accordance with applicable law.

“Holder” means any person who shall be the registered owner of any Outstanding Bond.

“Independent Certified Public Accountant” means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State or a comparable successor, appointed and paid by the Authority, and who, or each of whom —

(a) is in fact independent according to the Statement of Auditing Standards No. 1 and not under the domination of the Authority or any of its members;

(b) does not have a substantial financial interest, direct or indirect, in the operations of the Authority or any of its members; and

(c) is not connected with the Authority as a member, officer or employee of the Authority or any of its members, but who may be regularly retained to audit the accounting records of and make reports thereon to the Authority or any of its members.

“Installment Payments” means the installment payments due under the Installment Sale Agreement.

“Installment Sale Agreement” means the Master Installment Sale Agreement, as supplemented by the First Supplemental Installment Sale Agreement, each as originally executed and as they may from time to time be amended or supplemented pursuant to the provisions thereof.

“Master Installment Sale Agreement” means the Master Installment Sale Agreement for the City of El Cerrito Street Improvement Project dated as of June 1, 2008, by and between the City and the Authority.

“Maximum Annual Debt Service” shall mean the largest Annual Debt Service during the period from the date of such determination through the final maturity date of any Outstanding Bonds.

“Net Proceeds” shall have the meaning ascribed to such term in the Installment Sale Agreement.

“Opinion of Counsel” means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the Authority and satisfactory to and approved by the Trustee (who shall be under no liability by reason of such approval).

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions concerning disqualified Bonds) all Bonds except

(a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds paid or deemed to have been paid within the meaning of the section of the Trust Agreement concerning defeasance; and

(c) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered by the Authority pursuant to the Trust Agreement.

“Payments” shall have the meaning ascribed to such term in the Installment Sale Agreement.

“Permitted Investments” mean any of the following obligations if and to the extent that they are permissible investments of funds of the City as stated in its current investment policy (copies of which the City shall provide on a current basis to the Trustee) and to the extent then permitted by law:

A. Direct obligations of the United States (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States.

B. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States (stripped securities are only permitted if they have been stripped by the agency itself):

1. United States Export-Import Bank
Direct obligations or fully guaranteed certificates of beneficial ownership
2. Farmers Home Administration
Certificates of beneficial ownership
3. Federal Financing Bank
4. Federal Housing Administration Debentures
5. General Services Administration
Participation certificates
6. Government National Mortgage Association ("GNMA")
GNMA – guaranteed mortgage-backed bonds
GNMA – guaranteed pass-through obligations
7. United States Maritime Administration Guaranteed Title XI financing
8. United States Department of Housing and Urban Development
Project Notes
Local Authority Bonds
New Communities Debentures - United States government guaranteed debentures
United States Public Housing Notes and Bonds - United States government guaranteed public housing notes and bonds

C. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit United States government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

- a. Federal Home Loan Bank System Senior debt obligations
- b. Federal Home Loan Mortgage Corporation ("FHLMC") Participation
Certificates Senior debt obligations
- c. Federal National Mortgage Association ("FNMA") Mortgage-backed securities
and senior debt obligations
- d. Resolution Funding Corporation ("REFCORP") obligations
- e. Farm Credit System Consolidated systemwide bonds and notes

D. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of "AAAm-G," "AAA-m," or "AA-m", including funds for which the Trustee or any of its affiliates (including any holding company, subsidiaries, or other affiliates) provides investment advisory or other management services.

E. Certificates of deposit secured at all times by collateral described in (A) and/or (B) above. Such certificates must be issued by commercial banks (including affiliates of the Trustee), savings and loan associations or mutual savings banks. The collateral must be held by a third party and the Trustee must have a perfected first security interest in the collateral.

F. Certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by FDIC, including BIF and SAIF.

G. Investment Agreements, including Guaranteed Investment Contracts, Forward Purchase Agreements and Reserve Fund Put Agreements.

H. Commercial paper rated, at the time of purchase, "A-1" by S&P and which matures not more than 270 calendar days after the date of purchase.

I. Bonds or notes issued by any state or municipality which are rated by S&P in one of the two highest rating categories assigned by such agencies.

J. Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "A-1+" or "A" or better by S&P.

K. Repurchase agreements that provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee (buyer/lender), and the transfer of cash from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date.

Repurchase Agreements must satisfy the following criteria:

a. Repos must be between the municipal entity and a dealer bank or securities firm

(1) Primary dealers on the Federal Reserve reporting dealer list which are rated A or better by Standard & Poor's Ratings Group, or

(2) Banks rated "A" or above by Standard & Poor's Ratings Group.

b. The written repo contract must include the following:

(1) Securities which are acceptable for transfer are:

(a) Direct U.S. governments

(b) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC)

(2) The term of the repo may be up to 30 days or shall be due on demand

(3) The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).

(4) The trustee has a perfected first priority security interest in the collateral.

(5) Valuation of Collateral

(a) The securities must be valued weekly, marked-to-market at current market price plus accrued interest

(b) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

c. Legal opinion which must be delivered to the municipal entity:

Repo meets guidelines under state law for legal investment of public funds.

L. Any state administered pool investment fund in which the City is statutorily permitted or required to invest.

“Project” means the improvements to the sidewalks, streets and roadways within the City purchased by the City from the Authority pursuant to the First Supplemental Installment Sale Agreement.

“Rating Agencies” shall have the meaning ascribed to such term in the Installment Sale Agreement.

“Rebate Fund” means the fund by that name established and maintained pursuant to the Trust Agreement.

“Resolution” means the Resolution of the Authority adopted on April 21, 2008 authorizing the issuance of the Bonds.

“Reserve Fund” means the fund by that name in the Revenue Fund established and maintained pursuant to the Trust Agreement.

“Reserve Fund Requirement” means, as of any date of calculation, with respect to the Reserve Fund, an amount equal to the lesser of (i) Maximum Annual Debt Service on related 2008 Payments under the Installment Sale Agreement, (ii) 125% of Average Annual Debt Service on related 2008 Payments under the Installment Sale Agreement, or (iii) 10% of the amount (within the meaning of Section 148 of the Code) of the related 2008 Payments under the Installment Sale Agreement.

“Revenue Fund” means the Series 2008 Bond Revenue Fund established and maintained pursuant to the Trust Agreement.

“Revenues” means all Payments and other payments paid by the City and received by the Authority pursuant to the Installment Sale Agreement and all interest or other income from any investment of any money in any fund or account (other than the Rebate Fund) pursuant to the Trust Agreement.

“Surplus Account” means the account by that name in the Revenue Fund established and maintained pursuant to the Trust Agreement.

“Trust Agreement” means the Trust Agreement, dated as of June 1, 2008, between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Trust Agreements executed pursuant to the provisions the Trust Agreement.

“Trustee” means Union Bank of California, N.A., or any successor thereto action pursuant to the Trust Agreement.

“2008 Payments” shall have the meaning ascribed to such term in the Installment Sale Agreement.

“2008 Tax Certificate” means the 2008 Tax Certificate dated the date of initial delivery of the Authority’s Series 2008 Sales Tax Revenue Bonds and executed and delivered by the Authority and the City.

“Written Request of the Authority” means an instrument in writing signed by the Chairperson, Secretary or Treasurer of the Authority, or by any other officer of the Authority duly authorized by the Authority for that purpose.

“Written Request of the City” means an instrument in writing signed by the Mayor of the City, City Manager, City Finance Director, or by any other officers duly appointment designee, or by any other officer of the City duly authorized by the City Council of the City to the Trustee for that purpose.

Pledge and Assignment of Revenues

(a) All Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established under the Trust Agreement (other than amounts on deposit in the Rebate Fund) are irrevocably pledged to the payment of the interest and premium, if any, on and principal of the Bonds as provided in the Trust Agreement, and the Revenues shall not be used for any other purpose while any of the Bonds remain *Outstanding*; provided, however, that out of the Revenues and other moneys there may be applied such sums for such purposes as are permitted under the Trust Agreement. This pledge shall constitute a first pledge of and charge and lien upon the Revenues and all other moneys on deposit in the funds and accounts established under the Trust Agreement (other than amounts on deposit in the Rebate Fund) for the payment of the interest on and principal of the Bonds in accordance with the terms of the Trust Agreement and thereof. The Authority assigns to the Trustee all of the Authority's rights and remedies under the *Installment Sale Agreement*.

(b) In order to secure the Authority's obligation to repay any amounts due and payable in connection with a bond insurance policy, the Authority grants to the issuer of such insurance policy a subordinate security interest in the Revenues and all other moneys pledged under subsection (a) hereof, which security interest is junior and subordinate in all respects to the pledge, charge and lien set forth in subsection (a) above.

Receipt and Deposit of Revenues in the Revenue Fund

In order to carry out and effectuate the pledge, charge and lien contained in the Trust Agreement, the Authority agrees and covenants that all Revenues when and as received shall be received by the Authority in trust under the Trust Agreement for the benefit of the Holders and shall be deposited when and as received by the Authority in a revenue account and sinking account in the Revenue Fund which fund is created and which fund the Authority agrees and covenants to maintain with the Trustee so long as any Bonds shall be *Outstanding* under the Trust Agreement. All Revenues shall be accounted for through and held in trust in the Revenue Fund, and the Authority shall have no beneficial right or interest in any of the Revenues except only as provided in the Trust Agreement. All Revenues, whether received by the Authority in trust or deposited with the Trustee as provided for in the Trust Agreement, shall nevertheless be allocated, applied and disbursed solely to the purposes and uses described in the Trust Agreement, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the Authority. Any money deposited in the Revenue Fund from the Capitalized Interest Fund pursuant to the Trust Agreement may only be applied for the purpose of paying the interest on the Bonds.

Investment of Certain Funds

Subject to certain provisions of the Trust Agreement described below under "Certain Covenants of the Authority – Tax Covenants", all money held by the Trustee in any of the accounts or funds established pursuant to the Trust Agreement shall be invested and reinvested in Permitted Investments at the Written Request of the Authority received not less than two (2) Business Days prior to the date of making such investment. In the absence of any such Written Request, the Trustee shall invest all such funds and accounts for which such instruction have not been received in investments described in clause D of the definition of Permitted Investments. All money held in the Reserve Fund shall be invested and reinvested in Permitted Investments with a term to maturity not exceeding five years, provided, that an investment which is subject to redemption at par at any time prior to maturity shall be deemed to have a maturity equal to the redemption date for purposes of this paragraph, and all such Permitted Investments shall be valued by the Trustee not less frequently than semi-annually on or before each May 1 and November 1, beginning November 1, 2008 at the lower of the cost or market value thereof. Subject to certain provisions of the Trust Agreement, all interest or profits received on any money so invested shall be deposited in the Revenue Fund. The Trustee may act as a principal or agent in making or disposing of any investment. For investment purposes, the Trustee may commingle the funds and accounts established under the Trust Agreement, but shall account for each separately.

Certain Covenants of the Authority

Punctual Payment and Performance. The Authority will punctually pay out of the Revenues the interest on and the principal of and redemption premiums, if any, to become due on every Bond issued under the Trust Agreement in strict conformity with the terms of the Trust Agreement and of the Bonds, and will faithfully observe

and perform all the agreements and covenants to be observed or performed by the Authority contained in the Trust Agreement and in the Bonds.

Against Encumbrances. The Authority will not make any pledge of or place any charge or lien upon the Revenues except as provided in the Trust Agreement, and will not issue any bonds, notes or obligations payable from the Revenues or secured by a pledge of or charge or lien upon the Revenues except the Bonds.

Tax Covenants; Rebate Fund. In addition to the other accounts created pursuant to the Trust Agreement, the Trustee shall establish and maintain a fund separate from any other fund or account established and maintained under the Trust Agreement designated as the Rebate Fund. There shall be deposited in the Rebate Fund such amounts as the Authority shall direct the Trustee are required to be deposited therein pursuant to the 2008 Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the 2008 Tax Certificate), for payment to the United States of America. Notwithstanding the provisions of certain sections of the Trust Agreement relating to the pledge of Revenues, the allocation of money in the Revenue Fund, the investments of money in any fund or account, the application of funds upon acceleration and the defeasance of Outstanding Bonds, all amounts required to be deposited into or on deposit in the Rebate Fund shall be governed exclusively by this paragraph and by the 2008 Tax Certificate (which is incorporated in the Trust Agreement by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the written directions of the Authority, and shall have no liability or responsibility to enforce compliance by the Authority with the terms of the 2008 Tax Certificate.

Any funds remaining in the Rebate Fund after redemption and payment with respect to all of the Series 2008 Bonds or provision made therefor satisfactory to the Trustee, including accrued interest and payment of any applicable fees to the Trustee and satisfaction of the Rebate Requirement (as defined in the 2008 Tax Certificate), shall be withdrawn by the Trustee and remitted to or upon the written direction of the Authority.

The Authority has covenanted to comply with all requirements of Sections 148 and 149(b) of the Code to the extent applicable to the Series 2008 Bonds, and to not use or permit the use of any proceeds of the Series 2008 Bonds or any funds of the Authority, directly or indirectly, in any manner, or to take or omit to take any action, that would cause any of the Series 2008 Bonds to be treated as an obligation not described in Section 103(a) of the Code. In the event that at any time the Authority is of the opinion that it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee under the Trust Agreement, the Authority shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

The Authority and the Trustee (as directed by the Authority) specifically covenant to comply with the provisions and procedures of the 2008 Tax Certificate; provided that the Trustee shall not be bound by this covenant if an Event of Default has occurred and is continuing.

Accounting Records and Reports. The Authority will keep or cause to be kept proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of the Revenues, and such books shall be available for inspection by the Trustee at reasonable hours and under reasonable conditions. Not more than two hundred ten (210) days after the close of each Fiscal Year, the Authority shall furnish or cause to be furnished to the Trustee a complete financial statement, audit or annual report covering receipts, disbursements, allocation and application of Revenues for such Fiscal Year; provided, however, that in no event shall the Trustee be responsible for reviewing any such financial statements or any of the information contained therein or taking notice of any fact contained therein. The Authority shall also keep or cause to be kept such other information as required under the Rebate Certificate.

Prosecution and Defense of Suits. In addition to the indemnity provided in the Trust Agreement, the Authority agrees that it shall defend against every suit, action or proceeding at any time brought against the Trustee upon any claim to the extent arising out of the receipt, application or disbursement of any of the Revenues or to the extent involving the failure of the Authority to fulfill its obligations under the Trust Agreement; provided that the Trustee or any affected Holder at its election may appear in and defend any such suit, action or proceeding. The Authority will indemnify and hold harmless the Trustee against any and all liability claimed or asserted by any person to the extent arising out of such failure by the Authority, and will indemnify and hold harmless the Trustee against any attorney's fees or other expenses which it may incur in connection with any litigation to which it may

become a party by reason of its actions under the Trust Agreement, except for any loss, cost, damage or expense resulting from the active or passive negligence, willful misconduct or breach of duty by the Trustee. Notwithstanding any contrary provision of the Trust Agreement, this covenant shall remain in full force and effect even though all Bonds secured may have been fully paid and satisfied.

Further Assurances. Whenever and so often as reasonably requested to do so by the Trustee or any Holder, the Authority will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Holders all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them under the Trust Agreement.

The Trustee

Appointment, Removal and Resignation. Union Bank of California, N.A. shall serve as the Trustee for the Bonds for the purpose of receiving all money which the Authority is required to deposit with the Trustee under the Trust Agreement and for the purpose of allocating, applying and using such money as provided in the Trust Agreement and for the purpose of paying the interest on and principal of and redemption premiums, if any, on the Bonds presented for payment in San Francisco, California, with the rights and obligations provided in the Trust Agreement. The Authority agrees that it will at all times maintain a Trustee having a principal office in San Francisco or Los Angeles, California.

The Authority may at any time, unless there exists any event of default as defined in the Trust Agreement, remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided that any such successor shall be a bank or trust company in good standing doing business and having a principal office in San Francisco or Los Angeles, California, duly authorized to exercise trust powers, having a combined capital (exclusive of borrowed capital) and surplus of at least seventy-five million dollars (\$75,000,000) and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may at any time resign by giving written notice of such resignation to the Authority and by mailing to the Holders and, so long as any Series 2008 Bonds are Outstanding. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing and, so long as any Series 2008 Bonds are Outstanding. The Trustee may be removed at any time for any breach of the trust set forth in the Trust Agreement. Any removal or resignation of a Trustee and appointment of a successor Trustee shall become effective only upon the acceptance of appointment by the successor Trustee. If, within thirty (30) days after notice of the removal or resignation of the Trustee no successor Trustee shall have been appointed and shall have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required under the Trust Agreement. Notwithstanding any other provision of the Trust Agreement, no removal, resignation or termination of the Trustee shall take effect until a successor shall be appointed.

The Trustee is authorized to redeem the Bonds when duly presented for payment at maturity or on redemption prior to maturity. The Trustee shall cancel all Bonds upon payment thereof or upon the surrender thereof by the Authority and shall destroy such Bonds and a certificate of destruction shall be delivered to the Authority. The Trustee shall keep accurate records of all Bonds paid and discharged and canceled by it.

The Authority shall from time to time, subject to any agreement between the Authority and the Trustee then in force, pay to the Trustee compensation for its services, reimburse the Trustee for all its advances and expenditures including but not limited to advances to and fees and expenses of independent accountants and in-house and other counsel or other experts employed by it and reasonably required in the exercise and performance of its rights and obligations under the Trust Agreement, and, to the extent permitted by law, indemnify and hold the Trustee and its officers, directors, employees and agents harmless against any claim, loss, liability, damages, expenses (including legal fees and expenses) or advances not arising from the Trustee's own active or passive negligence, willful

misconduct or breach of fiduciary duty, which the Trustee may incur in the exercise and performance of its rights and obligations under the Trust Agreement. The obligations of the Authority under this paragraph to compensate, indemnify, reimburse and hold the Trustee harmless shall constitute additional indebtedness under the Trust Agreement, and such indebtedness shall have priority over the Bonds in respect of all property and funds held or collected by the Trustee as such, except funds held in trust by the Trustee for the benefit of the holders of particular Bonds, including, without limitation, funds held by the Trustee in trust to redeem all or a portion of Outstanding Bonds prior to their respective maturities for which a notice of redemption has been sent as provided in the Trust Agreement.

Liability of Trustee. The recitals of facts, agreements and covenants in the Trust Agreement and in the Bonds shall be taken as recitals of facts, agreements and covenants of the Authority, and the Trustee assumes no responsibility for the use of any proceeds of the Bonds, the correctness of the same, the collection of the Revenues or makes any representation as to the sufficiency or validity of the Trust Agreement, of the Bonds or any security therefor or any offering material distributed in connection with the Bonds and shall not incur any responsibility in respect thereof other than in connection with the rights or obligations assigned to or imposed upon it in the Trust Agreement, in the Bonds or in law or equity. The Trustee shall not be liable in connection with the performance of its duties under the Trust Agreement except for its own negligence, willful misconduct or breach of fiduciary duty.

The Trustee shall not be bound to recognize any person as the Holder of a Bond unless and until such Bond is submitted for inspection, if required, and such Bond is registered in such person's name.

Whenever the Trustee shall deem it necessary or desirable that a factual or legal matter be established or proved prior to taking or suffering any action under the Trust Agreement, such matter (unless other evidence in respect thereof be in the Trust Agreement specifically prescribed) may, in the absence of bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a certificate conforming to the requirements in the Trust Agreement or an opinion of counsel, which certificate or opinion shall be full warrant to the Trustee for any action taken or suffered under the provisions of the Trust Agreement upon the faith thereof, but in its discretion the Trustee may in lieu thereof accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

In accepting the trust created, the Trustee acts solely as Trustee for the Holders and not in its individual capacity and all persons, including without limitation the Holders, the Authority and the City, having any claim against the Trustee arising from the Trust Agreement not attributable to the Trustee's negligence or willful misconduct shall look only to the funds and accounts held by the Trustee under the Trust Agreement for payment except as otherwise provided in the Trust Agreement. The duties and obligations of the Trustee shall be determined solely by the express provisions of the Trust Agreement, the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in the Trust Agreement, and no implied covenants or obligations (fiduciary or otherwise) shall be read into the Trust Agreement against the Trustee. The Trustee shall not be liable with respect to any action taken or not taken under the Trust Agreement in good faith in accordance with the direction of the holders of not less than a majority in aggregate principal amount of the Bonds at the time outstanding. The Trustee shall, during the existence of any event of default (which has not been cured), exercise such of the rights and powers vested in it by the Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent person would exercise of use under the circumstances in the conduct of its own affairs. The permissive right of the Trustee to do things enumerated in the Trust Agreement shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct. The immunities and exceptions from liability of the Trustee shall extend to its officers, directors, employees and agents and such immunities and exceptions and its right to payment of its fees and expenses shall survive its resignation or removal and the final payment and defeasance of the Bonds. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Bonds. The Trustee, in its individual or any other capacity, may become the owner of any Bonds or other obligations of any party to the Trust Agreement with the same rights which it would have if not the Trustee. At any and all reasonable times, the Trustee, and its agents shall have the right to fully inspect the Project, including all books, papers and records of the Authority of the City pertaining to the Project and the Bonds, and to take such memoranda therefrom and with regard thereto and make photocopies thereof as may be desired. The Trustee shall not be required to give any bond or surety in respect of the execution of said trusts and powers or otherwise in respect of the premises. Before taking or refraining from any action under the Trust

Agreement at the request or direction of the Holders, the Trustee may require that an indemnity bond satisfactory to the Trustee be furnished to it and be in full force and effect.

None of the provisions contained in the Trust Agreement or in the Installment Sale Agreement shall require the Trustee to expend for risk its own funds or continue to do so or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers if it shall reasonably believe that repayment of such funds or adequate indemnity against such risk or liability is not assured to it. The Trustee may rely and shall be protected in acting or failing to act upon any certificate, request, requisition, facsimile transmission, electronic mail, paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default under the Trust Agreement except failure by the Authority to make any payment or principal or interest under the Trust Agreement when due, unless the Trustee shall be specifically notified in writing at its principal corporate trust office of such default by the Authority, the City or the Holders of not less than twenty-five percent (25%) of the aggregate principal amount of Bonds then outstanding. Notwithstanding any other provision of the Trust Agreement, the Trustee shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or official action or evidence thereof, in addition so that by the terms of the Trust Agreement required as a condition of such action, by the Trustee deemed desirable for the purpose of establishing the rights of the Trustee with respect to the authentication of any Bonds, the withdrawal of any cash, the release of any property or the taking of any other action by the Trustee.

The Trustee shall not be considered in breach of or in default in its obligations under the Trust Agreement or progress in respect thereto in the event of enforced delay ("unavoidable delay") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

The Trustee agrees to accept and act upon facsimile transmission of written instructions and/or directions pursuant to the Trust Agreement provided, however, that: (a) subsequent to such facsimile transmission of written instructions and/or directions the Trustee shall forthwith receive the originally executed instructions and/or directions, (b) such originally executed instructions and/or directions shall be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions, and (c) the Trustee shall have received a current incumbency certificate containing the specimen signature of such designated person.

Amendments Permitted

The Trust Agreement and the rights and obligations of the Authority, the Trustee and the Holders may be amended at any time by a Supplemental Trust Agreement which shall become binding when the written consents of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Trust Agreement, are filed with the Trustee; provided, however, that, so long as any Series 2008 Bonds are Outstanding, no such amendment shall (1) extend the maturity of or reduce the interest rate on or amount of interest on or principal of or redemption premium, if any, on any Bond without the express written consent of the Holder of such Bond, or (2) permit the creation by the Authority of any pledge of or charge or lien upon the Revenues as provided in the Trust Agreement superior to or on a parity with the pledge, charge and lien created for the benefit of the Bonds, or (3) reduce the percentage of Bonds required for the written consent to any such amendment, or (4) modify any rights or obligations of the Trustee, the Authority or the City without their prior written assent thereto, respectively.

The Trust Agreement and the rights and obligations of the Authority and of the Holders may also be amended at any time by a Supplemental Trust Agreement which shall become binding upon adoption without the consent of any Holders, but only to the extent permitted by law and after receipt of an approving Opinion of Counsel and, so long as any Series 2008 Bonds are Outstanding, for any purpose that will not in the judgment of the Trustee

materially adversely affect the interests of the Holders, including (without limitation) for any one or more of the following purposes

(A) to add to the agreements and covenants required in the Trust Agreement to be performed by the Authority other agreements and covenants thereafter to be performed by the Authority, or to surrender any right or power reserved in the Trust Agreement to or conferred in the Trust Agreement on the Authority;

(B) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement or in regard to questions arising under the Trust Agreement which the Authority may deem desirable or necessary and not inconsistent with the Trust Agreement; or

(C) to add to the agreements and covenants required in the Trust Agreement, such agreements and covenants as may be necessary to qualify the Trust Agreement under the Trust Indenture Act of 1939.

Events of Default

If one or more of the following events shall happen, that is to say:

(A) if default shall be made by the Authority in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable;

(B) if default shall be made by the Authority in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption;

(C) if default shall be made by the Authority in the performance of any of the other agreements or covenants required in the Trust Agreement to be performed by the Authority, and such default shall have continued for a period of thirty (30) days after the Authority shall have been given notice in writing of such default by the Trustee; or

(D) if the Authority shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Authority seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property;

then and in each and every such case during the continuance of such event of default the Trustee, may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, so long as any Series 2008 Bonds are Outstanding, by notice in writing to the Authority, declare the principal of all Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall become due and payable, anything contained in the Trust Agreement or in the Bonds to the contrary notwithstanding. The Trustee shall promptly notify all Holders of any such event of default which is continuing. Such notice shall include a reference to or a summary of the rights and remedies available to the Holders as set forth in the Trust Agreement.

This provision, however, is subject to the condition that if at any time after the principal of the Bonds then Outstanding shall have been so declared due and payable and before any judgment or decree for the payment of the money due shall have been obtained or entered the Authority shall deposit with the Trustee a sum sufficient to pay all matured interest on all the Bonds and all principal of the Bonds matured prior to such declaration, with interest at the rate borne by such Bonds on such overdue interest and principal, and the reasonable expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of interest on and principal of the Bonds

due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then and in every such case the Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding, by written notice to the Authority and to the Trustee, may on behalf of the Holders of all the Bonds then Outstanding rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Enforcement Proceedings

If one or more of the events of default shall happen and be continuing, the Trustee may, and upon the written request of the Holders of a majority in principal amount of the Bonds then Outstanding or, so long as any Series 2008 Bonds are Outstanding, and, in each case, so long as the Trustee is indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Holders of Bonds under the Trust Agreement and under the Installment Sale Agreement by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Trust Agreement, or in aid of the execution of any power in the Trust Agreement granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights and duties under the Trust Agreement.

Application of Funds Upon Acceleration

All moneys in the accounts and funds described below under “ – Receipt and Deposit of Revenues in the Revenue Fund”, “- Priority of Moneys in Revenue Fund; Flow of Funds”, and “ – Investment of Certain Funds” upon the date of the declaration of acceleration by the Trustee as provided in the Trust Agreement and all Revenues (other than Revenues on deposit in the Rebate Fund) thereafter received by the Authority under the Trust Agreement shall be transmitted to the Trustee and shall be applied by the Trustee in the following order.

First, to the payment of the costs and expenses of the Holders in providing for the declaration of such event of default, including reasonable compensation to their accountants and counsel, and to the payment of the fees, costs and expenses of the Trustee (including any predecessor trustee), if any, in carrying out the provisions of the Trust Agreement, including reasonable compensation to its accountants and counsel (in each case with interest thereon at the highest rate of interest then applicable to the Bonds); and

Second, upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid or upon the surrender thereof if fully paid, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with (to the extent permitted by law) interest on the overdue interest and principal at the rate borne by such Bonds, and in case such money shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and (to the extent permitted by law) interest on overdue interest and principal without preference or priority among such interest, principal and interest on overdue interest and principal ratably to the aggregate of such interest, principal and interest on overdue interest and principal.

Remedies not Exclusive

No remedy in the Trust Agreement conferred upon or reserved to the Holders is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the Trust Agreement or existing at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law. If any remedial action under the Trust Agreement is discontinued or abandoned, the Trustee, Bondholders shall be restored to their former positions.

Limitation on Bondholders' Right to Sue

No Holder of any Bond issued under the Trust Agreement shall have the right to institute any suit, action or proceeding at law or equity, for any remedy under or upon the Trust Agreement, unless (a) such Holder shall have

previously given to the Trustee written notice of the occurrence of an event of default as defined under the Trust Agreement; (b) the Holders of at least a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers thereinbefore granted or to institute such suit, action or proceeding in its own name; (c) said Holders shall have tendered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such request and consent shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, consent, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any owner of Bonds of any remedy under the Trust Agreement; it being understood and intended that no one or more owners of Bonds shall have any right in any manner whatever by his or their action to enforce any right under the Trust Agreement, except in the manner provided for in the Trust Agreement, and that all proceedings at law or in equity to enforce any provision of the Trust Agreement shall be instituted, had and maintained in the manner provided for in the Trust Agreement and for the equal benefit of all Holders of the Outstanding Bonds.

Defeasance

(a) If the Authority shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Outstanding Bonds the interest thereon and the principal thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated in the Trust Agreement and therein, then the Holders of such Bonds shall cease to be entitled to the pledge of and charge and lien upon the Revenues as provided in the Trust Agreement, and all agreements, covenants and other obligations of the Authority to the Holders of such Bonds under the Trust Agreement shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, the Trustee shall pay over or deliver to the Authority all money or securities held by it pursuant to the Trust Agreement which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds.

(b) Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) above if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide notice in accordance with the Trust Agreement, (2) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient or (B) Defeasance Securities, in each case the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient, in the opinion of an Independent Certified Public Accountant, to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds, and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Holders of such Bonds that the deposit required by clause (2) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this section and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and redemption premiums, if any, on such Bonds.

(c) Notwithstanding anything to the contrary set forth in this section, the obligations of the Authority under the Trust Agreement shall not be discharged or terminated until all Policy Costs owing to the insurance company in accordance with the Trust Agreement shall have been paid in full.

Liability of Authority Limited to Revenues

Notwithstanding anything contained in the Trust Agreement, the Authority shall not be required to advance any money derived from any source other than the Revenues as provided in the Trust Agreement for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds or for the performance of any agreements or covenants in the Trust Agreement contained. The Authority may, however, advance funds for any

such purpose so long as such funds are derived from a source legally available for such purpose without incurring an indebtedness.

The Bonds are limited obligations of the Authority and are payable, as to interest thereon, principal thereof and any premiums upon the redemption of any thereof, solely from the Revenues as provided in the Trust Agreement, and the Authority is not obligated to pay them except from the Revenues. All the Bonds are equally secured by a pledge of and charge and lien upon the Revenues, and the Revenues constitute a trust fund for the security and payment of the interest on and principal of and redemption premiums, if any, on the Bonds as provided in the Trust Agreement. The Bonds are not a debt of the Authority, the State of California or any of its political subdivisions, and neither the Authority, said State nor any of its political subdivisions is liable thereon, nor in any event shall the Bonds be payable out of any funds or properties other than those of the Authority as provided in the Trust Agreement. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction.

Acquisition of Bonds by Authority

All Bonds acquired by the Authority, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

CERTAIN PROVISIONS OF THE MASTER INSTALLMENT SALE AGREEMENT

Definitions Applicable to the Installment Sale Agreement

“Accountant’s Report” means a report signed by an Independent Certified Public Accountant.

“Annual Revenues” means, for any Fiscal Year, the Revenues during such Fiscal Year.

“Annual Debt Service” means, for any Fiscal Year, the Parity Payments required to be made under all Supplemental Installment Sale Agreement in such Fiscal Year.

“Balloon Contract” means any Supplemental Installment Sale Agreement relating to Balloon Indebtedness and described as such in such Supplemental Installment Sale Agreement.

“Certificate of the City” means an instrument in writing signed by the Mayor, City Finance Director, or by any other officer of the City duly authorized by the City for that purpose.

“Code” means the Internal Revenue Code of 1986, as amended, and regulations issued thereunder.

“Contracts” means all installment sale contracts, capital leases or similar obligations of the City authorized and executed by the City under and pursuant to applicable law, the interest and principal and prepayment premium, if any, payments under and pursuant to which are payable from Revenues on a parity with the payment of the Parity Payments.

“Coverage Requirement” means, for any Fiscal Year, an amount of Annual Revenues equal in each case to at least one hundred fifty percent (150%) of the Maximum Annual Debt Service; provided, that for purposes of determining compliance with the Coverage Requirement, the following provisions shall apply:

(A) Generally. Except as otherwise provided by subparagraph (B) of this proviso with respect to *Variable Interest Rate Contracts* and by subparagraph (C) of this proviso with respect to *Obligations* with respect to which a Payment Agreement is in force, interest on any Obligation shall be calculated based on the actual amount of interest that is payable under such Obligation;

(B) Interest on Variable Interest Rate Contracts. Interest deemed to be payable on any *Variable Interest Rate Contract* for periods when the actual interest rate can be determined shall be the actual Variable Interest Rates and for periods when the actual interest rate cannot yet be determined shall be calculated on

the assumption that the interest rate on such Variable Interest Rate Contract would be equal to the rate (the “assumed RBI-based rate”) that is ninety percent (90%) of the average RBI during the twelve (12) calendar month period immediately preceding the date in which such calculation is made;

(C) Interest on Obligations with respect to which a Payment Agreement is in force. Interest deemed to be payable on any Obligation with respect to which a Payment Agreement is in force shall be based on the net economic effect on the City expected to be produced by the terms of such Obligation and such Payment Agreement, including but not limited to the effects that (i) such Obligation would, but for such Payment Agreement, be treated as an obligation bearing interest at a Variable Interest Rate instead shall be treated as an obligation bearing interest at a fixed interest rate, and (ii) such Obligation would, but for such Payment Agreement, be treated as an obligation bearing interest at a fixed interest rate instead shall be treated as an obligation bearing interest at a Variable Interest Rate; and accordingly, the amount of interest deemed to be payable on any Obligation with respect to which a Payment Agreement is in force shall be an amount equal to the amount of interest that would be payable at the rate or rates stated in such Obligation plus the Payment Agreement Payments minus the Payment Agreement Receipts, and for the purpose of calculating as nearly as practicable the Payment Agreement Receipts and the Payment Agreement Payments under such Obligation, the following assumptions shall be made:

(1) City Obligated to Pay Net Variable Payments. If a Payment Agreement has been entered into by the City with respect to an Obligation resulting in the payment of a net variable interest rate with respect to such Obligation and Payment Agreement by the City, the interest rate on such Obligation for future periods when the actual interest rate cannot yet be determined shall be assumed (but only during the period the Payment Agreement is in effect) to be equal to the sum of (i) the fixed rate or rates stated in such Obligation, minus (ii) the fixed rate paid by the Qualified Counterparty to the City, plus (iii) the lesser of (A) the interest rate cap, if any, provided by a Qualified Counterparty with respect to such Payment Agreement (but only during the period that such interest rate cap is in effect) and (B) the assumed RBI-based rate; and

(2) City Obligated to Pay Net Fixed Payments. If a Payment Agreement has been entered into by the City with respect to an Obligation resulting in the payment of a net fixed interest rate with respect to such Obligation and Payment Agreement by the City, the interest on such Obligation shall be included in the calculation of the Coverage Requirement (but only during the period the Payment Agreement is in effect) by including for each Fiscal Year an amount equal to the amount of interest payable at the fixed interest rate pursuant to such Payment Agreement;

(D) For purposes of calculating the Annual Debt Service on any Balloon Contract, it shall be assumed that the principal of such Balloon Contract, together with interest thereon at a rate equal to the assumed RBI-based rate, will be amortized in equal annual installments of principal and interest over a term of thirty (30) years;

(E) For purposes of calculating the Annual Debt Service there shall be excluded the amount of such Annual Debt Service paid from the proceeds of Parity Obligations or from any interest earnings from amounts on deposit in all Reserve Funds and Reserve Accounts established in connection with Parity Obligations, as set forth in a Certificate of the City.

“Event of Default” means an event described under “Events of Default” below.

“Financial Guaranty” means a policy of municipal bond insurance or surety bonds issued by a municipal bond insurer or a letter of credit issued by a bank or other institution if the obligations insured by such insurer or issued by such bank or other institution, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit in the highest rating category by S&P and Moody’s and, if rated by A.M. Best & Company, also in the highest rating category by A.M. Best & Company.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other annual accounting period hereafter selected and designated by the City Council as the Fiscal Year of the City.

“Improvement Fund” means the City of El Cerrito Improvement Fund established under Master Installment Sale Agreement.

“Independent Certified Public Accountant” means any firm of certified public accountants duly licensed and entitled to practice and practicing as such under the laws of the State, appointed and paid by the City, and each of whom –

(1) is in fact independent and not under the domination of the City;

(2) does not have a substantial financial interest, direct or indirect, in the operations of the City; and

(3) is not connected with the City as a director, officer or employee of the City, but may be regularly retained to audit the accounting records of and make reports thereon to the City.

“Interest Payment Date” means a date on which any interest installment of the Payments is due and payable.

“Issuing Document” means the Trust Agreement and any other indenture, trust agreement or other document the obligations issued or delivered pursuant to which are secured by Payments under Contracts; provided, that the trustee under each Issuing Document shall be the Trustee.

“Master Installment Sale Agreement” means the Master Installment Sale Agreement executed and entered into as of June 1, 2008, by and between the City and the Authority, as originally executed and entered into and as it may from time to time be amended or supplemented in accordance herewith.

“Maximum Annual Debt Service” means the largest Annual Debt Service during the period from the date of such determination through the final maturity date of any Outstanding Parity Debt.

“Obligations” means all Parity Obligations and all Subordinate Obligations.

“Outstanding” means, with respect to the Payments, all Payments which have not been paid or otherwise satisfied as provided in the Master Installment Sale Agreement, and with respect to the Supplemental Installment Sale Agreements, all Supplemental Installment Sale Agreements the Payments under which have not been paid or otherwise satisfied as provided in the Master Installment Sale Agreement.

“Parity Obligation Payment Fund” means the City of El Cerrito Parity Obligation Payment Fund established under the Master Installment Sale Agreement.

“Parity Obligations” means all Supplemental Installment Sale Agreements, Payment Agreements or other loan agreements entered into by the City, the Parity Payments under which (other than Termination Payments) are secured by a senior lien on Revenues created hereby and are payable on a parity therefrom.

“Parity Payment Agreement” means a Payment Agreement which is a Parity Obligation.

“Parity Payments” means all installment payments scheduled to be paid by the City under all Parity Obligations.

“Payment Agreement” means a written agreement for the purpose of managing or reducing the City’s exposure to fluctuations in interest rates or for any other interest rate, investment, asset or liability managing purposes, entered into either on a current or forward basis by the City and a Qualified Counterparty as authorized under any applicable laws of the State in connection with, or incidental to (but not necessarily concurrent with), the entering into of any Supplemental Installment Sale Agreement, that provides for an exchange of payments based on interest rates, ceilings or floors on such payments, options on such payments or any combination thereof, or any similar device.

“Payment Agreement Payments” means the amounts periodically required to be paid by the City to all Qualified Counterparties under all Payment Agreements.

“Payment Agreement Receipts” means the amounts periodically required to be paid by all Qualified Counterparties to the City under all Payment Agreements.

“Payment Date” means any date on which Payments are scheduled to be paid by the City.

“Payments” means the Parity Payments and the Subordinate Payments.

“Principal Payment Date” means a date on which any principal installment of the Payments is due and payable.

“Project” means any additions, betterments, extensions or improvements to the Project designated by the City Council of the City as a designated Project, the design, acquisition or construction of which (together with the incidental costs and expenses related thereto) is to be financed by the proceeds of any Bonds, Contracts, or Supplemental Installment Sale Agreements.

“Project Accounts” means collectively all the accounts established in the Improvement Fund pursuant to any Supplemental Installment Sale Agreements or other agreements incidental thereto to finance the acquisition and construction of all the Projects.

“Qualified Counterparty” means a party (other than the City or a party related to the City) who is the other party to a Payment Agreement and (1) (a) who is rated at least equal to the ratings assigned by each of the Rating Agencies to the obligations secured by Parity Payments (without regard to any gradations within a rating category), (b) whose senior debt obligations are rated at least equal to the ratings assigned by each of the Rating Agencies to the obligations secured by Parity Payments (without regard to any gradations within a rating category), or guaranteed by an entity so rated, (c) whose obligations under the Payment Agreement are guaranteed for the entire term of the Payment Agreement by a bond insurer or other institution which has been assigned a credit rating at least equal to the ratings assigned by each of the Rating Agencies to the obligations secured by Parity Payments, or (d) whose obligations under the Payment Agreement are collateralized in such a manner as to obtain a rating at least equal to the ratings assigned by each of the Rating Agencies to the obligations secured by Parity Payments, and (2) who is otherwise qualified to act as the other party to a Payment Agreement under all applicable laws of the State.

“Rating Agencies” means Moody’s and S&P, as the case may be, together with any other nationally recognized municipal securities rating agency or agencies selected by the Authority that is then rating any obligations secured by Parity Payments at the request of the Authority.

“RBI” means the Bond Buyer Revenue Bond Index or comparable index, or, if no comparable index can be obtained, eighty percent (80%) of the interest rate on actively traded thirty (30) year United States Treasury Bonds, except that if no such United States Treasury Bonds are actively traded, it means eighty percent (80%) of the interest rate on actively traded United States Treasury obligations or other obligations generally recognized to constitute “benchmark securities” in the municipal bond industry.

“Request of the City” means an instrument in writing signed by the City Manager, City Finance Director or by any officer of the City duly authorized by the City Council for that purpose.

“Reserve Fund” and “Reserve Account” shall have the meanings given to such terms in any Issuing Document or Supplemental Installment Sale Agreement.

“Reserve Fund Credit Facility Costs” means the repayment of draws, expenses and accrued interest or other similar costs payable in connection with a Financial Guaranty deposited with the Trustee for the credit of a Reserve Fund or Reserve Account.

“Revenue Fund” means the City of El Cerrito Revenue Fund established under the Master Installment Sale Agreement.

“Revenues” means, for any Fiscal Year, (1) all income and revenue received or receivable by the City during such Fiscal Year from the proceeds of the Street Improvement Sales Tax, and (2) all Payment Agreement Receipts and income from the investment of amounts on deposit in the Revenue Fund and the Parity Obligation Payment Fund; but excluding in all cases any proceeds of taxes other than the Street Improvement Sales Tax and any refundable deposits made to establish credit, and excluding any income from the investment of amounts on deposit in the Improvement Fund.

“Street Improvement Sales Tax” means all of the special transactions and use taxes levied and imposed by the City pursuant to Chapter 4.60 of the El Cerrito Municipal Code, as approved by voters of the City on February 5, 2008, and as the same may be amended from time to time.

“Subordinate Annual Debt Service” means, for any Fiscal Year, the Subordinate Payments required to be made under all Supplemental Installment Sale Agreement in such Fiscal Year.

“Subordinate Obligations” means all Supplemental Installment Sale Agreements or Payment Agreements the Subordinate Payments under which (other than Termination Payments related to Subordinate Payment Agreements) are secured by the subordinate lien on Revenues created hereby and are payable on a parity therefrom.

“Subordinate Payment Agreements” means a Payment Agreement which is a Subordinate Obligation.

“Subordinate Payments” means all installment payments scheduled to be paid by the City under all Subordinate Obligations.

“Supplemental Installment Sale Agreements” means all installment sale agreements supplemental to the Master Installment Sale Agreement executed and entered into by the City and the Authority under and pursuant to the Master Installment Sale Agreement and applicable law, as originally executed and entered into and as they may from time to time be amended or supplemented in accordance herewith and therewith.

“Tax Certificate” means any certificate or agreement delivered with respect to the maintenance of the tax-exempt status of Payments the interest component of which is intended to be excluded from gross income pursuant to Section 103 of the Code.

“Termination Payments” means any payments due and payable to a Qualified Counterparty in connection with the termination of a Payment Agreement.

“Variable Interest Rate” means any variable interest rate or rates to be paid under any Supplemental Installment Sale Agreements, the method of computing which variable interest rate shall be as specified in the applicable Supplemental Installment Sale Agreement, which Supplemental Installment Sale Agreement shall also specify either (i) the payment period or periods or time or manner of determining such period or periods or time for which each value of such variable interest rate shall remain in effect, and (ii) the time or times based upon which any change in such variable interest rate shall become effective, and which variable interest rate may, without limitation, be based on the interest rate on certain bonds or may be based on interest rate, currency, commodity or other indices.

“Variable Interest Rate Contracts” means, for any period of time, any Supplemental Installment Sale Agreements that bear a Variable Interest Rate during such period, except that no Supplemental Installment Sale Agreement shall be treated as a Variable Interest Rate Contract if the net economic effect of interest rates on any particular Payments or such Supplemental Installment Sale Agreement and interest rates on any other Payments of the same Supplemental Installment Sale Agreement, as set forth in such Supplemental Installment Sale Agreement, or the net economic effect of a Payment Agreement with respect to any particular Payments, in either case is to produce obligations that bear interest at a fixed interest rate, and any Supplemental Installment Sale Agreement with

respect to which a Payment Agreement is in force shall be treated as a Variable Interest Rate Contract if the net economic effect of the Payment Agreement is to produce obligations that bear interest at a Variable Interest Rate.

Acquisition and Construction of Projects

The Authority agrees to finance and refinance the costs of the design, acquisition and construction of the Projects for, and to sell the Projects to, the City, and the City agrees to buy the Projects from the Authority; and in order to implement this provision, the Authority appoints the City as its agent for the purpose of such acquisition and construction, and the City agrees to enter into such construction contracts and purchase orders as may be necessary, as agent for the Authority, to provide for the complete acquisition and construction of the Projects, and the City agrees that as such agent it will cause the acquisition and construction of the Projects to be diligently completed after the deposit of funds in the Improvement Fund for such purpose under the Installment Sale Agreement, and that it will use its best efforts to cause the acquisition and construction of the Projects to be completed in a timely fashion, unforeseeable delays beyond the reasonable control of the City only excepted. Notwithstanding the foregoing, it is expressly understood and agreed that the Authority shall be under no liability of any kind or character whatsoever for the payment of any costs or expenses incurred by the City for the acquisition and construction of the Projects and that all such costs and expenses shall be paid by the City, regardless of whether the funds deposited in the corresponding Project Accounts are sufficient to cover all such costs and expenses.

Improvement Fund

There is established the "City of El Cerrito Improvement Fund," which fund the City Manager agrees to hold and maintain until the completion of the acquisition and construction of all Projects to be financed from the Project Accounts established in such fund as provided in all Supplemental Installment Sale Agreement; and all money in the Improvement Fund (and interest earnings thereon) shall be used and withdrawn by the City Manager to pay the costs of the acquisition and construction of the Projects (or to reimburse the City for such costs paid by it), including the payment of interest on the Obligations upon receipt of a Request of the City filed with the City Manager, each of which shall be sequentially numbered and shall state the person or entity to whom payment is to be made, the amount of money to be paid, the purpose for which the obligation to be paid was incurred and that such payment is a proper charge against the related Project Account in the Improvement Fund and has not been the subject of a previous Request of the City. After the completion of the acquisition and construction of each Project to be financed from the related Project Account in the Improvement Fund, any remaining balance of money in such Project Account shall be transferred to the City for any lawful purpose of the City subject to the provisions of any Tax Certificate.

Parity Obligations

The City may at any time execute any Parity Obligations (other than the Parity Obligations issued pursuant to the First Supplemental Installment Sale Agreement) payable as provided in the Installment Sale Agreement; provided:

- (a) There shall be on file with the City:
 - (1) A Certificate of the City demonstrating that, during the last audited Fiscal Year, the Annual Revenues were at least equal to the Coverage Requirement for all Outstanding Supplemental Installment Sale Agreements plus the Parity Obligations proposed to be executed.
- (b) A Certificate of the City that the Project to be acquired and constructed with the proceeds of such Parity Obligation is technically feasible and the estimated cost of the acquisition and construction thereof is reasonable.
- (c) At the time of such execution of Parity Obligations, no Event of Default shall have occurred and be continuing.

(d) If required by the terms of such Parity Obligations, a separate reserve has been or will be established therefor and that provisions have been made to fund such reserve.

Notwithstanding the foregoing provisions, there shall be no limitations on the ability of the City to execute any Parity Obligation at any time to refund any outstanding Obligation.

Subordinate Obligations

The City may at any time execute any Subordinate Obligations payable as described above under "Revenue Fund; Pledge of Revenues"; provided that no Event of Default has occurred and is continuing.

Nothing contained in the Installment Sale Agreement shall limit the ability of the City to execute obligations payable from a lien on Revenues that is subordinate to the lien of Revenues for both Parity Obligations and Subordinate Obligations contained in the Installment Sale Agreement.

Certain Covenants of the City

Compliance with Contracts. The City will punctually pay the Payments in strict conformity with the terms of the Installment Sale Agreement, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Installment Sale Agreement required to be observed and performed by it, and will not terminate the Contracts for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Projects, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either of them or any failure of the Authority to observe or perform any agreement, condition, covenant or term contained in the Installment Sale Agreement required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected herewith or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority, the Trustee or any force majeure, including Acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lockouts, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

Use of Proceeds. The Authority and the City agree that the proceeds of the Supplemental Installment Sale Agreement will be used by the City, as agent for the Authority, to pay the costs of financing or refinancing the acquisition, construction, expansion, reconstruction and rehabilitation of the Projects and to pay the incidental costs and expenses related thereto as provided in the Installment Sale Agreement.

Against Encumbrances. The City will pay or cause to be paid when due all sums of money that may become due for any labor, services, materials, supplies or equipment furnished, or alleged to have been furnished, to or for the City in, upon, about or relating to the Project and will keep the Project free of any and all liens against any portion of the Project. In the event any such lien attaches to or is filed against any portion of the Project, the City will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the City desires to contest any such lien it may do so; provided, that if any such lien shall be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the City will forthwith pay or cause to be paid and discharged such judgment. The City will, to the maximum extent permitted by law, indemnify and hold the Authority harmless from, and defend it against, any claim, demand, loss, damage, liability or expense (including attorneys' fees) as a result of any such lien or claim of lien against any portion of the Project.

Prompt Acquisition and Construction of the Projects. The City will take all necessary and appropriate steps to acquire and construct the Projects, as agent of the Authority, with all practicable dispatch and in an expeditious manner and in conformity with law so as to complete the same as soon as possible.

Compliance with Contracts for Use of the Project. The City will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all

contracts for the use of the Project and all other contracts affecting or involving the Project to the extent that the City is a party thereto.

Payment of Claims. The City will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Revenues or any part thereof or which might impair the security of the Payments.

Accounting Records; Financial Statements and Other Reports. The City will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Project and the Revenues, which records shall be available for inspection by the Authority and the Trustee at reasonable hours and under reasonable conditions.

The City will prepare and file with the Authority and the Trustee annually within nine months after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2008) financial statements of the City for the preceding Fiscal Year prepared in accordance with Generally Accepted Accounting Principles, together with an Accountant's Report thereon and a special report prepared by the Independent Certified Public Accountant who examined such financial statements stating that nothing came to his attention in connection with such examination that caused him to believe that the City was not in compliance with any of the financial agreements or covenants contained in the Installment Sale Agreement.

Repeal or Amendment of Street Improvement Sales Tax. The City will take no action to repeal or withdraw the Street Improvement Sales Tax, nor take any action to amend the Street Improvement Sales Tax, Chapter 4.60 of the El Cerrito Municipal Code, or any other law governing the Street Improvement Sales Tax, that would result in a decrease in the amount of Revenues derived by the City from the Street Improvement Sales Tax, including, but not limited to, amendments to limit the categories of transactions subject to the Street Improvement Sales Tax.

Protection of Security and Rights of the Authority. The City will preserve and protect the security of the Installment Sale Agreement and the rights of the Authority to the Payments under the Installment Sale Agreement and will warrant and defend such rights against all claims and demands of all persons.

Additional Covenants. The City may provide additional covenants pursuant to any Supplemental Installment Sale Agreement, including covenants relating to any credit support and/or liquidity support obtained for Obligations; provided, however, that such additional covenants do not materially and adversely affect the right of Owners of outstanding Obligations issued prior to any such Supplemental Installment Sale Agreement.

Further Assurances. The City will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Installment Sale Agreement and for the better assuring and confirming unto the Authority of the rights and benefits provided to it in the Installment Sale Agreement.

Events of Default

If one or more of the following Events of Default shall happen, that is to say –

(1) if default shall be made in the due and punctual payment of any Payment under any Supplemental Installment Sale Agreement or any Parity Obligation when and as the same shall become due and payable;

(2) if default shall be made by the City in the performance of any other of the agreements or covenants contained in the Installment Sale Agreement or in any Supplemental Installment Sale Agreement required to be performed by it, and such default shall have continued for a period of sixty (60) days after the City shall have been given notice in writing of such default by the Authority or the Trustee; or

(3) if the City shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of

competent jurisdiction shall approve a petition filed with or without the consent of the City seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property;

then and in each and every such case during the continuance of such Event of Default specified in clause (1) or (3) above, the Authority shall, and for any other such Event of Default the Authority may, by notice in writing to the City given not later than three (3) Business Days after it receives notice of an Event of Default or direction to proceed under an Event of Default, declare the entire amount of the unpaid principal amount of the Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained in the Installment Sale Agreement to the contrary notwithstanding; provided, that if at any time after the entire amount of the unpaid principal amount of the Payments and the accrued interest thereon shall have been so declared due and payable and before any judgment or decree for the payment of the money due shall have been obtained or entered the City shall deposit with the Authority a sum sufficient to pay the unpaid principal amount of the Payments due and payable prior to such declaration and the accrued interest thereon, with interest on such overdue installments at the rate or rates applicable to such unpaid principal amounts of the Payments if paid in accordance with their terms, and the reasonable expenses of the Authority, and any and all other defaults known to the Authority (other than in the payment of the entire amount of the unpaid Payments due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Authority or provision deemed by the Authority to be adequate shall have been made therefor, then and in every such case the Authority, by written notice to the City, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Application of Revenues Upon Event of Default.

All Revenues upon the date of the declaration of acceleration by the Authority and all Revenues thereafter received shall be applied in the following order (subject on a pro rata basis to the acceleration provisions of parity obligations) –

First, to the payment of the costs and expenses of the Authority, if any, in carrying out the provisions of the Installment Sale Agreement, including reasonable compensation to its agents, accountants and counsel and including any indemnification expenses;

Second, to the payment of the interest then due and payable on the principal amount of the unpaid Parity Payments (except any Termination Payments), and, if the amount available shall not be sufficient to pay in full all such interest then due and payable, then to the payment thereof ratably, according to the amounts due thereon without any discrimination or preference;

Third, to the payment of the unpaid principal amount of the Parity Payments (except any Termination Payments) then due and payable with interest on the overdue principal and interest amounts of the unpaid Parity Payments at the rate or rates of interest then applicable to such Parity Payments if paid in accordance with their terms, and, if the amount available shall not be sufficient to pay in full all the amounts due with respect to the Parity Payments on any date, together with such interest, then to the payment thereof ratably, according to the principal amount due on such date, without any discrimination or preference;

Fourth, to the payment of any other amounts becoming due and payable with respect to Parity Obligations (including any letter of credit and remarketing fees);

Fifth, to the payment of the Subordinate Payments (except any Termination Payments) then due and payable and any other amounts becoming due and payable with respect to Subordinate Obligations (including any letter of credit and remarketing fees) and any Termination Payments on all Parity Payment Agreements; and

Sixth, to the payment of all other amounts due and payable by the City, including, but not limited to the payment of any Termination Payments on all Subordinate Payment Agreements.

Other Remedies

The Authority shall have the right –

- (a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the City or any director, officer or employee thereof, and to compel the City or any such director, officer or employee to perform and carry out its or his duties under the agreements and covenants required to be performed by it or him contained in the Installment Sale Agreement;
- (b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Authority; or
- (c) by suit in equity upon the happening of an Event of Default to require the City and its directors, officers and employees to account as the trustee of an express trust.

Non-Waiver

Nothing in the Installment Sale Agreement or in any other provision of the Installment Sale Agreement shall affect or impair the obligation of the City, which is absolute and unconditional, to pay from Revenues, first the Parity Payments and second, the Subordinate Payments to the Authority at the respective due dates or upon prepayment, or shall affect or impair the right of the Authority, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in the Installment Sale Agreement.

A waiver of any default or breach of duty or contract by the Authority shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Authority to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Authority by or any applicable law or by the Installment Sale Agreement may be enforced and exercised from time to time and as often as shall be deemed expedient by the Authority.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to the Authority, the City and the Authority shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive

No remedy in the Installment Sale Agreement conferred upon or reserved to the Authority is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the Installment Sale Agreement or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any applicable law.

Discharge of Obligations

(a) If the City shall pay or cause to be paid all the Payments at the times and in the manner provided in the Installment Sale Agreement, the right, title and interest of the Authority in the Installment Sale Agreement and the obligations of the City under the Installment Sale Agreement and under all Supplemental Installment Sale Agreements shall cease, terminate, become void and be completely discharged and satisfied.

(b) All or any portion of the Payments shall, prior to their payment dates or dates of prepayment, be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) above if the City makes payment of such Payment and the prepayment premium, if applicable, in the manner provided in the applicable Issuing Document, or if not so provided therein, in the manner described in paragraph (c) below.

(c) All or any portion of the Payments shall, prior to their payment dates or dates of prepayment, be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) above if (i) notice is provided by the City to the Authority, (ii) there shall have been deposited with the Authority either money in an amount which shall be sufficient, or Defeasance Securities, the interest on and principal of which when paid will provide money which, together with money, if any, deposited with the Authority, shall be sufficient (as evidenced by a report of an Independent Certified Public Accountant or other party satisfactory to the Trustee regarding such sufficiency) to pay when due the principal installments of such Payments or such portions thereof on and prior to their payment dates or their dates of prepayment, as the case may be, and the prepayment premiums, if any, applicable thereto and (iii) all fees and expenses with respect to the Obligations shall have been paid.

(d) After the payment of all Payments and prepayment premiums, if any, as provided in this section, and the payment in full of all fees and expenses of the Authority, the Authority, upon receipt of a Request of the City, shall cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the City and the Authority and shall execute and deliver to the City and the Authority all such instruments as may be necessary or desirable to evidence such total discharge and satisfaction of the Installment Sale Agreement, and the Authority shall pay over and deliver to the City, as an overpayment of Payments, all such money or investments held by it pursuant to the Master Installment Sale Agreement other than such money and such investments as are required for the payment or prepayment of the Payments, which money and investments shall continue to be held in trust for the payment of the Payments.

Amendments to Master Installment Sale Agreement

The City and the Authority shall not supplement, amend, modify or terminate any of the terms of the Master Installment Sale Agreement, or consent to any such supplement, amendment, modification or termination, without the prior written consent of the Trustee, which such consent shall be given only if (a) such supplement, amendment, modification or termination will not materially adversely affect the interests of the holders of Obligations or result in any material impairment of the security given for the payment of the Obligations, or (b) the Trustee first obtains the written consent of a majority in aggregate principal amount of Owners of the Parity Obligations then Outstanding acting unanimously to such supplement, amendment, modification or termination, and, if the supplement, amendment, modification or termination affects the definition of the term "Coverage Requirement" or any of the other defined terms used in such definition or the sections of the Master Installment Sale Agreement related to the Improvement Fund, or conditions for the execution of Parity Obligations, the Trustee shall also first obtain the written consent of a majority in aggregate principal amount of Subordinate Obligations then Outstanding acting unanimously; provided, that any supplement that complies with the provisions of the Master Installment Sale Agreement related to execution of supplemental installment sale agreements shall not be deemed to materially adversely affect the interests of the holders of Obligations or result in any material impairment of the security given for the payment of the Obligations; and provided further, that no such supplement, amendment, modification or termination shall reduce the amount of Payments to be made to the Authority or the Trustee by the City pursuant to the Master Installment Sale Agreement, or extend the time for making such Payments, or permit the creation of any lien prior to or on a parity with the lien created by the Master Installment Sale Agreement on the Payments without the written consent of all of the holders of all Obligations then Outstanding acting unanimously.

Liability of City Limited to Revenues

Notwithstanding anything contained in the Installment Sale Agreement, the City shall not be required to advance any money derived from any source of income other than the Revenues for the payment of first, the Parity Payments and second, the Subordinate Payments or for the performance of any agreements or covenants required to be performed by it contained in the Installment Sale Agreement; provided, that the City may advance money for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the City for such purpose.

The obligation of the City to make first, the Parity Payments and second, the Subordinate Payments is a special obligation of the City payable solely from the Revenues as provided in the Installment Sale Agreement.

CERTAIN PROVISIONS OF THE SUPPLEMENTAL INSTALLMENT SALE AGREEMENT

Certain Definitions of the Supplemental Installment Sale Agreement

“Purchase Price” means the principal amount plus the interest thereon owed by the City to the Authority under the conditions and terms of the respective Supplemental Installment Sale Agreement.

“Reserve Fund” means the Reserve Fund held under the Trust Agreement relating to the respective Supplemental Installment Sale Agreement.

“Reserve Fund Requirement” has the meaning assigned in the Trust Agreement.

“2008 Project Account” means the account by that name within the Improvement Fund established under the Master Installment Sale Agreement.

Payment of 2008 Payments

The City shall, subject to any rights of prepayment, pay the Authority the Purchase Price, without offset or deduction of any kind, by paying the principal installments of the 2008 Payments annually in the amounts and on May 1 in each of the years and in accordance with the Installment Sale Agreement, together with the interest installments of the 2008 Payments (which interest installments shall be paid semi-annually on each May 1 and November 1 and shall constitute interest paid on the principal amount of the City’s obligation to make the 2008 Payments to the Authority under the Supplemental Installment Sale Agreement) and any amounts due to make up any deficiency in the Reserve Fund as provided in the Installment Sale Agreement.

The obligation of the City under the Supplemental Installment Sale Agreement shall constitute a “Parity Obligation” under the Master Installment Sale Agreement.

The obligation of the City to make the 2008 Payments to the Authority under the Supplemental Installment Sale Agreement is, subject to the Master Installment Sale Agreement, absolute and unconditional, and until such time as the 2008 Payments shall have been paid in full (or provision for the payment thereof shall have been made pursuant to of the Master Installment Sale Agreement), the City shall not discontinue or suspend any 2008 Payment required to be paid by it under this section when due, whether or not the Project or any part thereof is operating or operable, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part, and such 2008 Payments shall not be subject to reduction whether by offset, abatement or otherwise and shall not be conditional upon the performance or non-performance by any party to any agreement for any cause whatsoever.

Certain Covenants of the City

Tax Covenants. The City agrees and covenants that it will at all times do and perform all acts and things permitted by law and the First Supplemental Installment Sale Agreement and the Trust Agreement which are necessary in order to assure that interest paid on the Series 2008 Bonds (or any of them) will be excluded from gross income for federal income tax purposes, and that it will take no action that would result in such interest not being excluded from gross income for federal income tax purposes. Without limiting the generality of the foregoing, the City agrees and covenants to comply with the provisions of the Tax Certificate related to the Series 2008 Bonds which are incorporated in the Supplemental Installment Sale Agreement. This covenant shall survive payment in full or defeasance of the Series 2008 Bonds.

Continuing Disclosure. The City agrees and covenants that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the First Supplemental Installment Sale Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default under the Master Installment Sale Agreement or the Trust Agreement; provided that the Trustee may (and, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Certificate) or the Holders of at least twenty-five percent (25%) in aggregate principal amount of Outstanding Series 2008 Bonds and upon being provided with indemnification reasonably acceptable to it, shall) or any Holder or

Beneficial Owner (as defined in the Continuing Disclosure Certificate) may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this section.

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APPENDIX B

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the CITY OF EL CERRITO, California (the "City"), and MUNIFINANCIAL, as dissemination agent (the "Dissemination Agent") in connection with the issuance by the El Cerrito Public Financing Authority (the "Authority") of Sales Tax Revenue Bonds, Series 2008 (the "Bonds"). The Bonds are being issued pursuant to a Trust Agreement dated as of June 1, 2008, between the Authority and Union Bank of California, N.A., as trustee, (the "Trustee") (the "Trust Agreement"). The City and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning the ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Disclosure Representative" shall mean the City Manager of the City or his or her designee, or such other officer or employee as the City shall designate in writing to the Trustee from time to time.

"Dissemination Agent" shall mean the MuniFinancial, or any successor Dissemination Agent which may be designated in writing by the City and which has filed with the Trustee a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth at <http://www.sec.gov/info/municipal/nrmsir.htm>.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and the State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

“State Repository” shall mean any public or private repository or entity designated by the State of California as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission, as listed at <http://www.sec.gov/info/municipal/nrmsir.htm>.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the City’s Fiscal Year (presently June 30), commencing with the report for the 2007-08 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to Repositories, the City shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent); provided, however, that the City may distribute the Annual Report itself after providing written notice to the Trustee and the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the City of such failure to receive the Annual Report. The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Trustee to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent and the Trustee may conclusively rely upon such certification of the City and shall have no duty or obligation to review such Annual Report.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to Repositories by the date required in subsection (a), the Dissemination Agent shall send a notice to each Repository, the Municipal Securities Rulemaking Board and the State Repository, if any, in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) to the extent the City has provided the Annual Report to the Dissemination Agent, file a report with the City and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The City’s Annual Report shall contain or include by reference the following:

1. The City’s Comprehensive Annual Financial Report, including the audited financial statements for the prior Fiscal Year, which audited financial statements shall be prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City’s audited financial statements are

not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

Any or all of the items listed above may be included by specific reference to other documents, including the City's Comprehensive Annual Financial Report and official statements of debt issues of the City or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. modifications to rights of Bondholders;
4. optional, contingent or unscheduled bond calls;
5. defeasances;
6. rating changes;
7. adverse tax opinions or events adversely affecting the tax-exempt status of the Bonds;
8. unscheduled draws on the debt service reserves reflecting financial difficulties;
9. unscheduled draws on credit enhancements reflecting financial difficulties;
10. substitution of credit or liquidity providers or their failure to perform;
11. release, substitution or sale of property securing repayment of the Bonds.

(b) The Trustee shall, promptly upon obtaining actual knowledge of the occurrence of any of the Listed Events (with no obligation to determine the materiality thereof), contact the Disclosure Representative, inform such person of the event, and request that the City promptly notify the Trustee in writing whether or not to report the event pursuant to subsection (f); provided that, failure by the Trustee to so notify the Disclosure Representative and make such request shall not relieve the City of its duty to report Listed Events as required by this Section 5. For the purpose of this Disclosure Certificate "actual knowledge" means actual knowledge at the corporate trust office of the Trustee by an officer of the Trustee with responsibility for matters related to the administration of the Trust Agreement. Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Trustee pursuant to subsection (b) or otherwise, the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the City has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the City shall promptly notify the Trustee in writing. Such notice shall instruct the Trustee to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the City determines that the Listed Event would not be material under applicable federal securities laws, the City shall so notify the Trustee in writing and instruct the Trustee not to report the occurrence.

(f) If the Trustee has been instructed by the City to report the occurrence of a Listed Event, the Trustee shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and the State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Trust Agreement.

(g) The Trustee may conclusively rely on an opinion of counsel that the City's instructions to the Trustee under this Section 5 comply with the requirements of the Rule.

SECTION 6. Termination of Reporting Obligation. Each party's obligations under this Disclosure Certificate shall terminate (a) upon the legal defeasance, prior redemption or payment in full of all of the Bonds or (b) if, in the opinion of nationally recognized bond counsel, the City ceases to be an "obligated person" (within the meaning of the Rule) with respect to the Bonds or the Bonds otherwise cease to be subject to the requirements of the Rule. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty days written notice to the City. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Certificate. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be MuniFinancial.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City, the Trustee and the Dissemination Agent may amend this Disclosure Certificate (and the Trustee and the Dissemination Agent shall agree to any amendment so requested by the City provided such amendment does not impose any greater duties, nor risk of liability, on the Trustee or the Dissemination Agent, as the case may be), and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Electronic Filing. Notwithstanding any other provision of this Disclosure Certificate, the Annual Report and notices of Listed Events may be filed, at the option of the City, with the National Repositories and the State Repository through DisclosureUSA.org <<http://www.disclosureusa.org>> or any similar electronic filing service approved for such purpose by the Securities and Exchange Commission. If filed by the City or the Dissemination Agent with DisclosureUSA.org, Annual Reports and notices of Listed Events will be forwarded automatically to the Repositories, and no separate filing with the Repositories will be made by the City or the Dissemination Agent.

SECTION 11. Default. In the event of a failure of the City, the Trustee or the Dissemination Agent to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City, the Trustee or the Dissemination Agent to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City, the Trustee or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VI of the Trust Agreement is hereby made applicable to this Disclosure Certificate as if this Disclosure Certificate were (solely for this purpose) contained in the Trust Agreement. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. The Dissemination Agent and the Trustee shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City, to the extent permitted by law, agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or

performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or the Trustee's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Certificate may be given as follows:

To the City: City of El Cerrito
 10890 San Pablo Avenue
 El Cerrito, CA 94530-2392
 Attention: City Manager

To the MuniFinancial
Dissemination 27368 Via Industria, Suite 110
Agent: Tcmecula, CA 92590-3661
 Attention: Anne Pelej

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _____, 2008

CITY OF EL CERRITO

By _____
City Manager

MUNIFINANCIAL, as Dissemination Agent

By _____
Authorized Officer

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APPENDIX C

CITY OF EL CERRITO AND TRADE AREA GENERAL, DEMOGRAPHIC AND ECONOMIC INFORMATION

The following information is presented as general background data about the City and the primary geographical area from which a business in the City would expect to draw the majority of its customer base (the "Trade Area"). The Bonds are payable solely from revenues collected pursuant to the Street Improvement Sales Tax levied in the City of El Cerrito and other sources as described herein. The Trade Area, for purposes of this Official Statement, is an arbitrary boundary, not associated with any City or County or other governmental district boundary lines, that has been determined based on an average driving time of seven minutes from certain points within the City. The Trade Area data presented herein are therefore approximations, and individuals within the Trade Area may not patronize businesses in the City, and individuals outside the Trade Area may patronize businesses within the City.

CITY INFORMATION

General

The City of El Cerrito is a general law City that was incorporated in 1917. Located in Western Contra Costa County, it has a geographical area of approximately 3.9 square miles and forms part of the highly urbanized area along the eastern shore of San Francisco Bay. Interstate Highway 80 passes near the west boundary of the community; the crest of the Berkeley Hills and Wildcat Canyon Regional Park define the eastern boundary. The community is served by the Bay Area Rapid Transit system with stations near both the north and south boundaries of the City. The City's population is approximately 23,200.

The City is organized as a council-manager form of local municipal government. The City Council consists of five members elected at large for four-year, overlapping terms. The Council from among its members selects the Mayor for a one-year term. The Mayor and City Council provide community leadership, develop policies to guide the City in delivering services and achieving community goals, and encourage citizen understanding and involvement. The Council Members also serve as the governing body of the El Cerrito Redevelopment Agency.

The City Manager is appointed by the City Council and is responsible for administration of municipal affairs. All municipal departments operate under the supervision of the City Manager. Through the City Manager, City staff, using the resources appropriated by the Council in the budget to achieve desired service results in the community, carries out the policies of the Council.

Scott Hanin, City Manager, has been the City Manager of the City of El Cerrito since March 2001. He came to the City after serving for approximately two years as the Executive Director of the West Contra Costa Integrated Waste Management Authority. The Authority is responsible for regional solid waste planning, rate setting and facility issues. Prior to joining the Authority he was employed as a management consultant focusing on solid waste and environmental issues with an exclusive focus on public agencies. Before moving to California in 1992, Mr. Hanin served as a Senior Analyst in the Office of Operations, Office of the Mayor - City of New York. He began his career as a community coordinator and later a project manager with the NYC Department of Sanitation. He has a Masters in Public Administration from New York University and a Bachelor of Arts in Political Science from the University of Delaware.

Mary Dodge has been the Finance Director/City Treasurer for the City of El Cerrito since August of 2004, prior to that she was the Financial Operations Manager for the City of Concord, California for seven years and the Chief Accountant for the City of Antioch, California for five years. Ms. Dodge is a Certified Public Accountant and worked in that capacity for seven years during her career. Early on she worked two years at Touche Ross in Sacramento and later at Maze and Associates in Walnut Creek with her client base being primarily cities. She has a Bachelor of Science degree in Business Administration with an emphasis in Accounting.

Demographic Information

Table A sets forth population data for the City for the last five years.

**TABLE A
CITY OF EL CERRITO
Population
Last Five Fiscal Years**

Year (January 1)	City Population
2003	23,518
2004	23,468
2005	23,328
2006	23,289
2007	23,194

Source: California Department of Finance.

Figure 1 presents the 2000 Census figures for age.

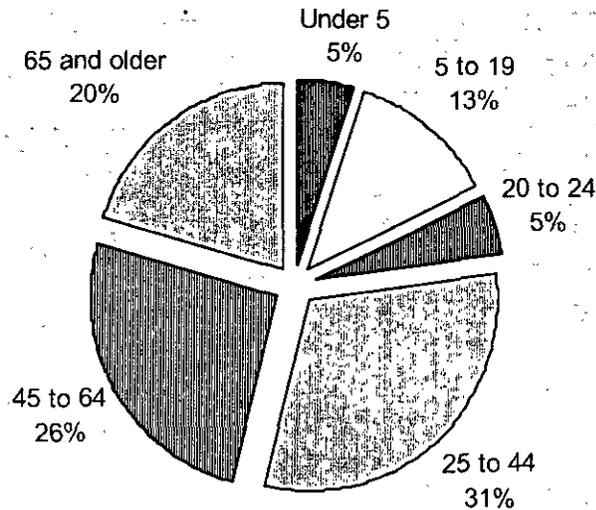


TABLE B
CITY OF EL CERRITO
Demographic Statistics, 2000
Age Distribution

Age	Population
Under 5	1,079
5 to 19	2,965
20 to 24	1,203
25 to 44	7,226
45 to 64	5,965
65 and older	4,733
Total	23,171

Source: U. S. Census Bureau, 2000.

Employment

Annual employment statistics in Contra Costa County are set forth in Table C.

TABLE C
COUNTY OF CONTRA COSTA
Labor Force, 2003-2007

	Civilian Labor Force	Employed Labor Force	Unemployed Labor Force	Unemployment Rate
2003	512,700	481,400	31,300	6.1
2004	512,500	484,600	27,900	5.4
2005	516,100	491,000	25,100	4.9
2006	518,500	496,300	22,200	4.3
2007	529,800	501,200	26,900	5.1

Source: State of California, Employment Development Department.

An unemployment rate history, including the City of El Cerrito, is set forth in Table D.

TABLE D
CITY OF EL CERRITO
Comparative Unemployment Statistics
Unemployment Rate (%)
Annual Averages

<u>Year</u>	<u>City of El Cerrito</u>	<u>Contra Costa County</u>	<u>State of California</u>	<u>United States⁽²⁾</u>
2003	5.4	6.1	6.8	5.7
2004	4.8	5.4	6.2	5.4
2005	4.3	4.9	5.4	4.8
2006	3.8	4.3	4.9	4.4
2007 ⁽¹⁾	4.5	5.1	5.9	5.0

⁽¹⁾ Preliminary.

⁽²⁾ Seasonally adjusted unemployment rate.

Source: California Employment Development Department, Labor Market Information Bureau of Labor Statistics and U.S. Department of Labor, Bureau of Labor Statistics.

Table E describes household income data for the City.

TABLE E
CITY OF EL CERRITO
Demographic Statistics
Income Levels

<u>Income Level</u>	<u>Amount</u>
Median Household Income	\$57,253
Mean Earnings	\$68,769
Per Capita Income	\$32,593

Source: U. S. Census Bureau, 2000

Building Activity

Table F summarizes the building activity for the years 2002-03 through 2006-07 in the City of El Cerrito.

TABLE F
CITY OF EL CERRITO
Property Value and Construction
Last Five Fiscal Years

Fiscal Year	Construction Activity Fiscal Year Valuation			Number of Permits
	Commercial	Residential	Total	
2002-03	12,844,591	9,017,947	21,862,538	1,453
2003-04	3,256,280	11,635,744	14,892,024	1,279
2004-05	3,773,031	24,621,366	28,392,397	1,369
2005-06	8,159,769	12,863,940	21,023,709	1,357
2006-07	11,290,177	10,900,829	22,191,006	1,377

Source: City of El Cerrito Building Services Division.

Education

The City contains four public elementary schools, one public middle school, one public high school operated by the West Contra Costa Unified School District and five independent schools.

Community Facilities

Parks and open space facilities in El Cerrito include approximately 45 acres of City-owned parks, 80 acres of City-owned open space, 38 acres of other City-maintained recreational facilities, and 18 acres of school district owned and maintained recreational areas for a total of approximately 181 acres of publicly owned recreation and open space facilities. The Recreation Department provides and operates a wide range of recreational programs that serve the broader needs of the entire community as well as facilities that serve local neighborhoods, including the El Cerrito Community Center and Swim Center Complex, the Open House Senior Center, eleven local parks (six with clubhouses), and picnic facilities.

Public Services and Infrastructure

In addition to providing public safety services, police, fire protection, emergency medical services, and emergency preparedness, the City also provides a storm drainage system, a recycling center and curbside collection of recyclable materials, and manages and maintains facilities located in the public rights-of-way. Other community services are provided by regional agencies, including East Bay Municipal Utility District (EBMUD), which provides the City's water supply and wastewater treatment; Stege Sanitary District, which provides wastewater collection; and the East Bay Sanitary Company, which provides solid waste collection and disposal.

Transportation

The City comprises approximately 3.9 square miles. Highly developed transportation facilities of the San Francisco-Oakland Metropolitan area are readily available to the residents of the City. The City is traversed by Interstate 80 (Eastshore Freeway). Five miles north, California Highway 4 runs east from I-80 to Concord, where freeway connections can be made to San Jose (I-680), the Central Valley (I-580), and Los Angeles (I-5). The community is also served by the Bay Area Rapid Transit (BART) system with stations near both the north and south boundaries of the City, the East Bay Paratransit Service and the AC Transit bus system.

APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Dated Date]

El Cerrito Public Financing Authority
El Cerrito, California

El Cerrito Public Financing Authority
Sales Tax Revenue Bonds, Series 2008
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the El Cerrito Public Financing Authority (the "Authority") in connection with its issuance of \$11,750,000 aggregate principal amount of El Cerrito Public Financing Authority Sales Tax Revenue Bonds, Series 2008 (the "Bonds"), issued pursuant to a trust agreement, dated as of June 1, 2008 (the "Trust Agreement"), between the Authority and Union Bank of California, N.A., as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement or in the Installment Sale Agreement (as defined below).

In such connection, we have reviewed the Master Installment Sale Agreement, as supplemented by the First Supplemental Installment Sale Agreement (together, the "Installment Sale Agreement"), between the City of El Cerrito, California (the "City"), as purchaser and the Authority, as seller; the Trust Agreement; the Tax Certificate, dated the date hereof (the "Tax Certificate"); opinions of counsel to the Authority, the City and the Trustee; certificates of the Authority, the City, the Trustee and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority and the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement, the Installment Sale Agreement and the Tax Certificate, including (without limitation)

covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Trust Agreement, the Installment Sale Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against joint powers authorities and cities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Trust Agreement or the Installment Sale Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Authority.

2. The Trust Agreement has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Trust Agreement creates a valid pledge, to secure the payment of the interest and premium, if any, on and principal of the Bonds, of the Revenues and any other amounts held by the Trustee in any fund or account established pursuant to the Trust Agreement, except the Rebate Fund, subject to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement.

3. The Installment Sale Agreement has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority and the City.

4. The Bonds are not a lien or charge upon the funds or property of the Authority except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing powers of the City, the State of California or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds except to the extent of the Street Improvement Sales Tax. The Authority has no taxing power.

6. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX E

DTC AND THE BOOK-ENTRY SYSTEM

The information in this Appendix F concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry system has been obtained from DTC and the City takes no responsibility for the completeness or accuracy thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the herein captioned (the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the

Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that the use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or an Agent of the Issuer, on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, an Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or an Agent of the Issuer, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to a Tender or Remarketing Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to such Tender or Remarketing Agent. The requirement for physical delivery of the Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to such Tender or Remarketing Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or an Agent of the Issuer. Under such circumstances, in the event that a successor depository is not obtained, replacement Bonds are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, replacement Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, THE CITY WILL SEND NOTICES TO HOLDERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO ANY OTHER ACTION PREMISED ON SUCH NOTICE.

THE CITY HAS NO RESPONSIBILITY OR LIABILITY FOR ANY ASPECT OF THE RECORDS RELATING TO OR PAYMENTS MADE ON ACCOUNT OF BENEFICIAL OWNERSHIP, OR FOR MAINTAINING, SUPERVISING OR REVIEWING ANY RECORDS RELATING TO BENEFICIAL OWNERSHIP OF INTERESTS IN THE BONDS.

THE CITY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE PAYMENTS WITH RESPECT TO THE BONDS RECEIVED BY DTC TO DTC PARTICIPANTS OR THAT THE PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS WITH RESPECT TO THE BONDS RECEIVED TO THE BENEFICIAL OWNERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CITY IS NOT RESPONSIBLE OR LIABLE FOR THE FAILURE OF DTC OR ANY PARTICIPANT TO MAKE ANY PAYMENT WITH RESPECT TO THE BONDS OR AN ERROR OR DELAY RELATING THERETO.

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APPENDIX F

AUDITED FINANCIAL REPORT OF THE CITY AS OF JUNE 30, 2007

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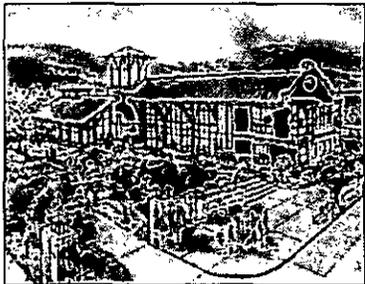
City Hall (circa 1926)

City of El Cerrito, California



Construction of new City Hall (2007)

Fiscal Year Ended June 30, 2007 Comprehensive Annual Financial Report



City Hall and Plaza (est. 2008)



10940 San Pablo Avenue,
El Cerrito, CA 94530-2392

(510) 215-4300

www.el-cerrito.org

CITY OF EL CERRITO
CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2007

Prepared by
FINANCE DEPARTMENT

CITY OF EL CERRITO
Comprehensive Annual Financial Report
For the Year Ended June 30, 2007

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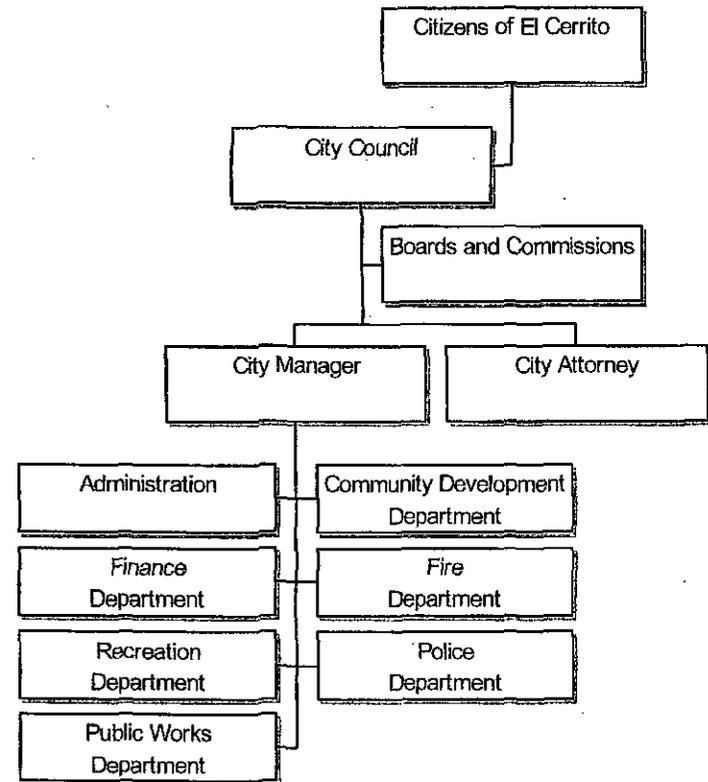
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City of El Cerrito
Organization Chart
June 30, 2007

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CITY OF EL CERRITO

PRINCIPAL OFFICERS

JUNE 30, 2007

Elected Officials

Letitia Moore
Mayor

Sandi Potter
Council Member

Bill Jones
Council Member

Janet Ableson
Council Member

Jan Bridges
Council Member

EXECUTIVE TEAM

Scott Hanin
City Manager

Janet Coleson
City Attorney

Cheryl Morse
City Clerk

Scott C. Kirkland
Police Chief

Lance Maples
Fire Chief

Jerry Bradshaw
Director of Public Works

Monica R. Kortz
Director of Recreation

Mitch Oshinsky
Director of Community Development

Mary Dodge
Director of Finance

Karen Pinkos
Assistant City Manager



December 15, 2007

To the Citizens of the City of El Cerrito
and the Honorable Mayor and Members of
the City Council:

I hereby submit this Comprehensive Annual Financial Report (CAFR) of the City of El Cerrito for the fiscal year ended June 30, 2007. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. We have included all disclosures necessary to enable the reader to gain an understanding of the City's financial activities. This transmittal letter is intended to be read in conjunction with the Management's Discussion and Analysis and the Financial Statements.

REPORTING ENTITY

The City of El Cerrito provides a full range of services, including police protection, fire protection, planning, building inspections, parks and recreation facilities and services, and construction and maintenance of streets, public buildings, and other infrastructure. The City Council is financially accountable for the Redevelopment Agency of El Cerrito (Agency), the Pension Trust of the City of El Cerrito, and the El Cerrito Public Finance Authority. All of these entities' activities are included in the City's financial statements as part of the reporting entity.

The City of El Cerrito is located across the Bay from the City of San Francisco in an area locally referred to as the East Bay. The City consists of about 3.9 square miles, has approximately 24,000 residents, five public elementary schools, one public middle school, one public high school, and seven independent schools. The City has 32 acres of developed park grounds and a 100-acre hillside natural area with 4 miles of trails, five banks and nineteen churches. It also has a regional office of the California Department of Motor Vehicles, two Bay Area Rapid Transit Stations, a major regional shopping center located within the City and some of the most spectacular views of four of the Bay Area Bridges as well as San Francisco and the surrounding area.

ECONOMIC CONDITION AND FUTURE OUTLOOK

While the national, state and local economy are in a state of fluctuation due to the sub-prime mortgage problem and the related housing market decline, the City of El Cerrito remains in a stable financial position with a general fund balance of \$4.0 million at June 30, 2007.

In FY 2006-07, revenues in the General Fund from property taxes grew at 9.4%, a pace higher than the county average, and property tax increment in the Redevelopment Agency grew almost 11% percent from the prior year. The City's housing stock continues to reflect stable to increased property values and the sales market appears to have not experienced the slowdowns seen in the newer housing markets farther away from San Francisco and Oakland. The continued turnover of properties that had been held since before Proposition 13 has helped continue the solid property tax revenue base.

The El Cerrito Plaza was completed in FY 2001-02 and has continued to prosper since then providing El Cerrito with a stable sales tax base. While sales taxes are forecasted with little growth until new businesses are developed, the continued full tenancy of the El Cerrito Plaza has helped to maintain a healthy economic condition. As revenues have increased and now stabilized, commitments have been made for needed personnel and projects that had been postponed for years. New positions, primarily in Public Safety and Community Development that were approved in the prior year are now being filled and planned construction projects are underway.

The Ten-Year Budget plan reflects these changes in our economy, and our operation and capital program is in place. We are still challenged with how to repair our streets which have become one of the lower rated in the County due to little maintenance being performed in the last couple of decades. To be able to deal with this significant backlog of deferred maintenance on City streets, a one-half cent sales tax increase measure has been placed on the ballot for February 2008. If it passes the construction will begin in late FY 2007-08.

MAJOR CITY ACTIVITIES FOR THE YEAR

In addition to providing customary municipal services to the community, during FY 2006-07 the City made significant progress towards accomplishing certain goals and projects. Some of the more significant accomplishments included:

- ❖ Construction of the New City Hall started in December 2006 and will be completed in April 2008. Bonds were issued for the final funding component in November 2006.
- ❖ The Grand Opening of the restored Cerrito Theatre occurred in October of 2006.
- ❖ Further plans were made to develop a new Library and Senior Center and plans are underway on the San Pablo Avenue Streetscape project
- ❖ A new Fire Truck was received in FY2006-07 and an additional one was commissioned and is due to be received in FY2007-08. Both were financed utilizing capital leases.

FINANCIAL INFORMATION

ACCOUNTING SYSTEM

The City's accounting and budgeting records for general government operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable, and expenditures being recorded when the service or goods are received and the liabilities are incurred. Accounting and budgeting for the City's proprietary funds are maintained on the accrual basis. Council has previously adopted a requirement for 10 percent of the general fund operating budget to be available as the General Fund Reserve and adequate funds are available to meet that requirement. Capital Assets are recorded in accordance within the requirements of GASB 34.

Non-exchange transactions in which the City gives or receives value without directly receiving or giving equal value in exchange include taxes, grants entitlements and donations. On an accrual basis revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been met.

The City maintains an internal control structure designed to provide reasonable assurance that the City's assets are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

BUDGETING CONTROLS

The City of El Cerrito maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the general fund, special revenue funds, capital projects funds, debt service funds, and proprietary funds are included in the annual appropriated budget. The level of budgetary control (that is the level at which expenditures cannot legally exceed the appropriated amount) is at the fund level.

Only the City Council has the authority to create or modify total appropriations of any fund, subject to only the appropriations limits established by State law. The City Council approved various supplemental appropriations during the year. The statements and schedules included in the financial section of this report indicate that the City continued to meet its responsibility for sound financial management.

OTHER INFORMATION

INDEPENDENT AUDIT

The City Council selects an independent certified public accounting firm to perform a required annual audit of the City's financial records and transactions. Such an audit is also required through covenants related to the City's bonded indebtedness. The City has contracted with Maze & Associates, an independent auditor, to perform the audit and prepare the financial section of this report.

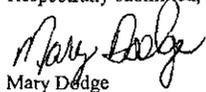
AWARDS

The City of El Cerrito received the award for its fiscal year 2005-06 Comprehensive Annual Financial Report from the Government Finance Officers Association for the third straight year. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of El Cerrito for its comprehensive annual financial report for the fiscal year ended June 30, 2006. 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 comprehensive annual financial report 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.

ACKNOWLEDGMENTS

The preparation of this Comprehensive Annual Financial Report was made possible by the dedicated efforts of staff Citywide, particularly in the City's Finance Department and Community Development Department. My special thanks to Geoffrey Thomas, Accounting Supervisor, for his hard work helping to complete this report timely and accurately. Staff in each department has our sincere appreciation for their contributions in the preparation of this report.

Respectfully submitted,



Mary Dodge
Finance Director/City Treasurer
City of El Cerrito

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of El Cerrito
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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.



President



Executive Director

MAZE & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT ON BASIC FINANCIAL STATEMENTS

ACCOUNTANCY CORPORATION
3478 Buskirk Ave. - Suite 215
Pleasant Hill, California 94523
(925) 936-0902 • FAX (925) 938-0135
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www.mazeassociates.com

To the Honorable Mayor and City Council
City of El Cerrito, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of El Cerrito as of and for the year ended June 30, 2007, 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 generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic 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 El Cerrito as of June 30, 2007 and the respective changes in the financial position and cash flows, where applicable, thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

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

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

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

Maze and Associates

November 9, 2007

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CITY OF EL CERRITO
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

This section of the City of El Cerrito's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2007 as prescribed by the Government Accounting Standards Board Statement 34 *"Basic Financial Statements--and Management's Discussion and Analysis-for State and Local Governments"*. Please read it in conjunction with the City's accompanying transmittal letter, the basic financial statements and the accompanying notes to the financial statements.

Financial Highlights

In FY2006 many projects were developed, staff was added and departments reorganized. Programs were started that did not come to fruition until FY2007. Along with the carryover of projects from the previous year, bonds were sold in November 2006 to pay for construction of a new City Hall which broke ground in December 2006 and is planned for completion in April 2008. The restoration of a historic art deco theater, "The Cerrito Theater" was completed this year and opened in October 2006. With so much activity beginning in FY 2006, for FY2007, and budgeted for FY2008, the City is working in a "Finish what you Start" mode. This philosophy is reflected in the major fluctuations discussed below:

- The City's total combined net assets were \$58.1 million at June 30, 2007, a difference of \$865 thousand greater than the previous year. The major fluctuations are related to the issuance of City Hall Lease Revenue Bonds for \$9.6 million and are offset by the capitalization of the Cerrito Theater and other projects. The positive change is a reduction from the previous year's increase of \$2.7 million reflecting our ability to increase programs responsibly and still maintain reasonable growth.
- General Revenues were \$24.4 million, an increase of \$1.7 million from the previous year with the largest increase being in Secured and Unsecured property taxes. In FY2007 property taxes continued to grow at a rate higher than budgeted while Sales Taxes declined slightly. In the current year property tax growth has slowed due to the nationwide problems with the housing market, but due to our built-out status with high-end housing and desirable location close to San Francisco and Oakland our property values are not impacted as much as the newer cities around us.
- The total cost of the City's programs increased by \$2.8 million with the growth being primarily in program expansion in Public Safety and Community Development and interest on long term debt relating to the beginning of payments on the Lease Revenue Bonds issued in November 2006 for construction of a new City Hall.
- The general fund reported a fund balance at June 30, 2007 of \$4.0 million, an increase of \$76 thousand illustrating the commitment to having a stable fund balance and maintaining adequate reserves after the program expansion.

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OVERVIEW OF THE FINANCIAL STATEMENTS

This Comprehensive Annual Financial Report (CAFR) consists of five parts—*introductory section* (transmittal letter), *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information* and *statistical information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government services* were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund statements* offer *short- and long-term* financial information about the activities the government operates *like businesses*. The City has two proprietary funds: the Integrated Waste Management Fund (enterprise fund) and the Vehicle Equipment Replacement Fund (internal services fund).
- *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2, following, summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1, Required Components of the City's Annual Financial Report

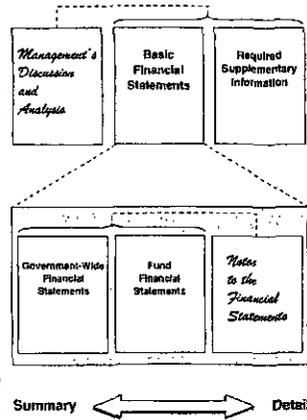


FIGURE A-2. MAJOR FEATURES OF THE CITY'S GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

	Fund Financial Statements			
	Government-wide Financial Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City's government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire, and recreation	Activities that the City operates similar to private businesses, such as recycling and internal services	Instances in which the City is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses, and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to statements of a private-sector business. There are two components of the *government-wide financial statements*: 1) *statement of net assets*, and 2) *statement of activities*, each of which is described below.

- The *statement of net assets* presents information on all the City's assets and liabilities, with the difference between the two reported as net assets. 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* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include public safety (police and

CITY OF EL CERRITO
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

fire), streets, recreation, parks, planning, community development, and general administrative support. The City also operates one business-type activity: recycling.

Component units are included in the basic financial statements and consist of legally separate entities for which the City is financially accountable and that have either the same governing board as the City or a governing board appointed by the City of El Cerrito City Council. The blended component units include the El Cerrito Redevelopment Agency, the El Cerrito Municipal Services Corporation, the El Cerrito Employees' Pension Plan, and the El Cerrito Public Finance Authority.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the City's most significant funds—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City uses the following kinds of funds:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out; and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the *additional long-term focus of the government-wide statements*, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The City's predominant proprietary fund is the Integrated Waste Management Fund, which accounts for the City's recycling programs. The City also uses an *internal service fund* to report activities related to the replacement of vehicles and major equipment items.
- *Fiduciary funds*—The City is the trustee, or *fiduciary*, for certain funds. The city is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

CITY OF EL CERRITO
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets. This year represents the fourth year that the City has presented its financial statements under the new reporting model required by GASB 34. This reporting model changes significantly both the recording and presentation of financial data. As noted earlier, net assets serves as an indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$58.1 million at June 30, 2007. Table A-1, below, presents a summary of the City's Statement of Net Assets.

TABLE A-1. NET ASSETS

	Governmental Activities		Business-type Activities		Total		Total Change
	FY 06-07	FY 05-06	FY 06-07	FY 05-06	FY 06-07	FY 05-06	
Assets							
Current and other assets	\$ 40,112,225	\$ 36,101,578	\$ 561,136	\$ 678,596	\$ 40,673,371	\$ 36,780,174	\$ 3,893,197
Capital assets	96,021,676	86,956,282	907,810	849,417	96,929,486	87,805,699	9,123,787
Accumulated depreciation	(22,076,721)	(29,274,783)	(811,993)	(721,153)	(32,888,676)	(40,249,926)	(7,361,249)
Total Assets	\$104,057,140	\$ 93,783,077	\$ 657,041	\$ 727,860	\$ 104,714,181	\$ 94,335,937	\$ 10,378,244
Liabilities							
Current and other liabilities	\$ 6,495,546	\$ 3,991,601	\$ 123,033	\$ 49,778	\$ 6,618,579	\$ 4,041,379	\$ 2,577,200
Long-term liabilities	40,009,565	32,273,160	—	—	40,009,565	32,273,160	7,736,405
Total Liabilities	\$46,505,111	\$ 36,264,761	\$ 123,033	\$ 49,778	\$ 46,628,144	\$ 36,314,539	\$ 9,813,605
Net Assets							
Invested in capital assets, net of related debt	\$43,404,472	\$42,902,737	\$95,905	\$ 74,264	\$ 43,500,377	\$ 42,977,001	\$ 523,376
Restricted	10,189,456	9,127,866	—	—	10,189,456	9,127,866	1,061,590
Unrestricted	3,258,101	3,487,213	638,102	628,818	4,396,204	3,116,531	(720,322)
Total Net Assets	\$ 57,552,029	\$ 56,518,316	\$ 524,008	\$ 703,092	\$ 58,086,037	\$ 52,221,398	\$ 5,864,639

As shown on Table A-1, the largest portion of the City's net assets, \$43.5 million, reflects its investment in capital assets less any related outstanding debt used to acquire those assets. The City uses these capital assets such as streets, sidewalks, parks, and buildings to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities.

An additional \$10.2 million of the City's net assets represent resources that are subject to external restrictions on how they may be used. The major restrictions on net assets are funding source restrictions and in the 2006-07 fiscal year the types of funding source restrictions were reviewed and significantly more assets are classified as restricted than were shown in the previous year. The remaining balance of total net assets of \$4.4 million is unrestricted and may be used to meet the City's obligations to citizens and creditors in accordance with the finance-related legal requirements reflected in the City's fund structure. At the end of the fiscal year ended June 30, 2007, the City reported positive balances in all three categories of net assets, for the City as a whole, as well as for its separate governmental and business-type activities.

CITY OF EL CERRITO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Changes in Net Assets. For the year ended June 30, 2007, the City's net assets increased by \$865 thousand, a decrease of \$1.4 million from the prior year increase of \$2.2 million. This is due primarily to the stabilization of the expanded programs and the relative flat activity in revenue other than property taxes. The decline in Net Assets in the Integrated Waste program for the four years running is indicative of the desire to spend down the accumulated funds from previous years as well as increased costs to run the program. No fee increases were made for many years as the net asset balance was determined to be too high for a program of this size so as the costs increased the balance was utilized. Now we are at the point where we need to raise fees to cover these costs. Fees increases were approved in July 2007 that are intended to allow the program to break even and provide for some capital expansion.

Table A-2, below, presents a summary of the City's activities that generated this increase.

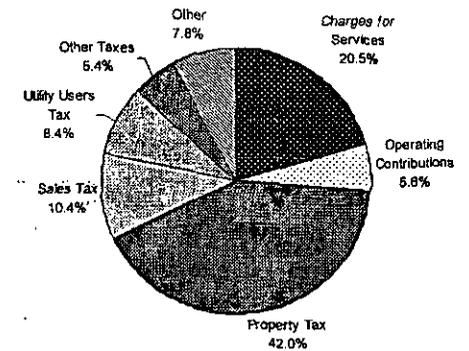
TABLE A-2. CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 06-07	FY 05-06	FY 06-07	FY 05-06	FY 06-07	FY 05-06
Program revenues:						
Charges for services	\$1,536,822	\$5,013,216	\$1,227,755	\$829,413	\$6,764,577	\$5,842,629
Operating contributions and grants	1,843,174	3,040,299			1,843,174	3,040,299
General revenues:						
Property tax	13,867,298	12,188,120			13,867,298	12,188,120
Sales tax	3,432,018	3,427,006			3,432,018	3,427,006
Utility users tax	2,775,195	2,778,452			2,775,195	2,778,452
Other taxes	1,771,915	1,733,674			1,771,915	1,733,674
Other general revenues	2,533,493	2,571,212	38,309	64,216	2,571,802	2,635,428
Total Revenues	31,759,915	30,671,979	1,266,064	893,629	33,025,979	31,565,608
Expenses						
General government	3,154,741	3,139,206			3,154,741	3,139,206
Public works	4,819,534	4,533,479			4,819,534	4,533,479
Recreation	3,813,705	3,607,772			3,813,705	3,607,772
Community development	3,227,723	2,613,447			3,227,723	2,613,447
Public safety	14,024,683	12,755,286			14,024,683	12,755,286
Interest on long term debt	1,944,024	1,595,009			1,944,024	1,595,009
Integrated waste management			1,176,930	1,106,726	1,176,930	1,106,726
Total expenses	30,984,410	28,244,199	1,176,930	1,106,726	32,161,340	29,350,925
Excess (deficiency) of revenues over expenses before capital contributions and transfers	775,505	2,427,780	89,134	(213,097)	864,639	2,214,683
Transfers	258,208	250,687	(258,208)	(250,687)		
Increase (decrease) in net assets	\$1,033,713	\$2,678,467	\$(169,074)	\$(463,784)	\$864,639	\$2,214,683

CITY OF EL CERRITO
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As shown in Table A-2, above, the City's total revenues were \$33.0 million for the year ended June 30, 2007. A significant portion, 66.2 percent, of the City's revenue comes from taxes (42.0 percent property taxes, 10.4 percent sales taxes, 8.4 percent utility users taxes, and 5.4 percent other taxes). Figure A-3, below, graphs the various revenues and the percentage that comprise the total amount. The City also receives 5.6 percent of its revenues from operating contributions and grants, 20.5 percent from charges for services, and only 7.8 percent comes from other sources.

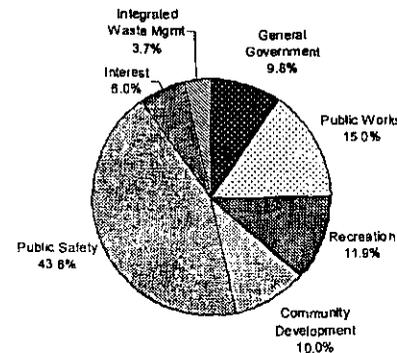
Figure A-3. Citywide Revenues



The total cost of all programs and services was \$32.2 million with 90.2 percent going towards direct services and only 9.8 percent going towards General Government, as shown by Figure A-4, below.

Governmental Activities. All of the City's growth in net assets is attributable to Governmental activities, which totaled \$775 thousand for the year. This increase has declined from the previous year as our programs expand and stabilize their budget usage and our expected growth in property tax increment revenues continue.

Figure A-4. Citywide Expenses



Business-type Activities. There was a \$169 thousand decrease in net assets in the City's Business-type activity: Integrated Waste Management. This reduction was a result of anticipated and budgeted increases in the cost of business. This activity retains net assets of \$534 thousand at the end of the fiscal year, a balance we feel is appropriate for an organization of this size, and the costs and rate structure have been evaluated and restructured in the coming year.

CITY OF EL CERRITO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

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

Governmental 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 financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of FY 2006-07, the City's governmental funds reported total fund balances of \$34.8 million, a \$2.8 million increase due primarily to the receipt and some spending of bond proceeds related to the construction of the new City Hall. Approximately \$15.2 million of the \$34.8 million (43.8 percent) total fund balances constitutes unreserved fund balance, which is available to meet the City's current and future needs. It should be noted that a significant amount of that \$15.2 million is earmarked for previously approved capital improvement projects. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has been committed to a variety of restricted purposes.

General Fund. The General Fund is the City's chief operating fund. At the end of the fiscal year, the unreserved (designated and undesignated) fund balance of the General Fund was \$4.0 million, with a small amount of reservations. Total General Fund Balance increased \$76 thousand (1.9 percent) over the prior year's decrease of \$348 thousand General Fund total fund balance due to the planned program expansion. As a measure of the General Fund's liquidity, it may be useful to recognize that virtually all of the fund balance is unreserved.

The City's management also designates unreserved fund balance to particular functions, projects, or activities. Fund balance may be designated for purposes beyond the current year. However, designated fund balance is available for appropriation at any time. Of the \$4.0 million General Fund unreserved fund balance, only \$150 thousand (3.5 percent) is designated. This designation is for a multi-purpose field. Unreserved and undesignated fund balance at year-end constitutes funds available for a catastrophic emergency or other major economic setback for the City.

City Hall Construction Fund. The construction of the City Hall is beginning this year and for the life of the fund all fund balance amounts will be reserved for Capital Facilities and maintenance. Lease Revenue Bonds were sold November 15, 2006 in the amount of \$9.6 million and construction started in December 2006. The negative unreserved fund balance represents the recording of the total encumbrance for construction without yet recognizing the \$3.2 million that will be received from the Redevelopment Agency for work on the Civic Plaza. Those funds will be contributed by the Redevelopment Agency as that portion of the work is completed.

Redevelopment Capital Projects Fund. The fund balance for the Redevelopment Capital Projects Fund decreased by \$3.8 million from the prior year due to the use of the bond funds received in FY 04-05 for various projects with the major one for this year being renovation of the Cerrito Theater.

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Redevelopment Low and Moderate Income Housing Fund. The fund balance for the Redevelopment Low and Moderate Income Housing Fund increased by \$515 thousand from the prior year. The increase is attributable to the receipt of the 20% tax increment setaside and the delay of planned projects.

Redevelopment Debt Service Fund. The fund balance for the Redevelopment Debt Service Fund increased by \$96 thousand from the prior year. This increase is attributable to the contributions (transfers) made to this fund in anticipation of making debt service payments.

GENERAL FUND BUDGETARY HIGHLIGHTS

Table A-3, below, presents a summary analysis of the General Fund budget and actual amounts for FY 2006-07.

TABLE A-3. SUMMARY ANALYSIS OF GENERAL FUND BUDGET

Category	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance Positive/ (Negative)
	Original	Final		
Revenues				
Property tax	\$ 6,711,800	\$ 6,711,800	\$ 7,198,376	\$ 486,576
Other taxes	8,712,600	8,712,600	8,126,024	(586,576)
Intergovernmental	2,737,490	2,827,490	2,681,306	(146,184)
Charges for services	2,717,520	2,895,520	2,752,648	(142,872)
Other general revenues	1,616,900	1,616,900	1,236,141	(380,759)
Total Revenues	22,486,310	22,764,310	21,994,491	(769,819)
Expenditures				
General government	3,142,706	3,250,902	3,063,462	187,440
Community services	4,447,625	4,527,625	4,420,752	106,873
Community development	1,586,865	1,586,865	1,450,040	136,825
Public safety	13,938,910	14,208,410	13,829,497	379,913
Capital Outlay			6,000	6,000
Total expenditures	23,111,106	23,380,802	22,762,751	617,051
Total excess (deficiency) of revenues over expenditures	(624,796)	(616,492)	(769,256)	47,236
Other Financing Sources (Uses)				
Transfers in	1,562,631	1,562,631	1,562,631	
Transfers out	(630,258)	(660,258)	(713,048)	(56,110)
Total other financing sources (uses)	932,373	902,373	849,583	(86,110)
Net Change in Fund Balance	\$ 306,827	\$ 85,201	\$ 75,327	\$ (8,874)

Over the course of the year, the City revises its expenditure budget to reflect the changes in the various programs and unanticipated activities, but does not change many budget assumptions in revenues other than for one time events. For example, when the City is awarded a grant, it appropriates the revenues and expenditures necessary to spend those funds, but does not necessarily adjust upward the property tax estimates when the amounts come in higher than expected or reduce other balances that report declines. The tax estimates are based on trend information where the base amount roll forward for cumulative increases in long term planning and the trends are reevaluated each year during the budget period. Major tax revenue estimates are kept at a conservative level to assure that any programs are not established that could not be funded in the future.

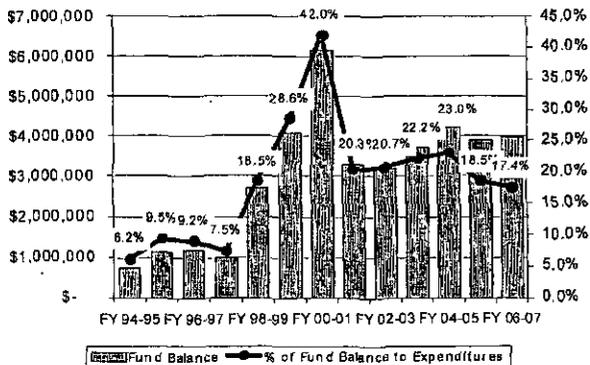
CITY OF EL CERRITO
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Overall, General Fund revenues had a deficiency of budgeted amounts by \$769 thousand. Higher than expected property tax revenues were offset by service level revenue declines, particularly in the area of Charges for Services and Fines and Forfeitures where activity was less than estimated. The decline in Other Taxes is primarily a decrease in Sales Tax revenues that does not represent an actual decline of that activity in the City. This decline is due to an error by the State Board of Equalization on the allocation of taxes from a major retailer and adjustments made during the year to try to correct that error. The estimated decline in Sales Taxes is approximately 5% or \$170,000.

At year-end, expenditures were \$817 thousand below budget from departmental savings due to delayed hiring or turnover of some approved positions in primarily the Public Safety and Community Development departments. A conservative approach to spending during the year was adopted within the new programs as the revenue amounts became volatile. On a net basis the General Fund experienced an \$8,874 decline over final budgeted amounts.

Changes in the General Fund balance from FY 1994-95 to FY 2006-2007 are shown in Figure A-5, below. The graph indicates that in FY 2001-02 the City spent down the surplus that it generated in prior years by deferring maintenance projects. The City decided to spend down the surplus to fund various capital projects, and increase general city services. Maintenance of a prudent General Fund balance is necessary to protect against major unanticipated financial impacts on the City, but keeping a balance that is too high does not fully utilize the resources entrusted to the City. To try and establish an appropriate balance, the Council has a reserve policy of 10% of Operating Expenditures while the unofficial policy has been to maintain a minimum General Fund reserve of 15%. As shown in the graph below, the City has increased the General Fund reserve since FY 2001-02 due to the many uncertainties in the economy, but is continuing to utilize its resources on public services and comply with the Council policy.

FIGURE A-5. GENERAL FUND BALANCE
AS A PERCENTAGE OF EXPENDITURES, FY 1994-95 TO FY 2006-07



CITY OF EL CERRITO
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of FY 2006-07, the City had invested \$64.0 million in a broad range of capital assets, including land, buildings, equipment, infrastructure and vehicles, as shown in Table A-4. This amount represents a net increase (including additions and deductions) of \$ 6.8 million, or 11.9 percent over last year. The City's Capital Assets are summarized in Table A-4, below, and a more detailed description is provided in Note 5 to the accompanying government-wide financial statements.

TABLE A-4. CAPITAL ASSETS

	Governmental Activities		Business-type Activities		Total		Total Percentage Change FY 07-FY 06
	FY 06-07	FY 05-06	FY 06-07	FY 05-06	FY 06-07	FY 05-06	
Land	\$ 4,457,792	\$ 4,457,792	\$ —	\$ —	\$ 4,457,792	\$ 4,457,792	0.0%
Construction in progress	8,176,672	6,844,842	—	—	8,176,672	6,844,842	18.9%
Buildings & Improvements	19,164,647	12,309,501	163,428	163,428	19,328,075	12,472,929	55.0%
Equipment & vehicles	4,367,377	3,533,488	744,382	685,989	5,111,759	4,219,477	21.1%
Infrastructure	59,825,188	59,810,658	—	—	59,825,188	59,810,658	0.1%
Total at historical cost	\$ 96,021,676	\$ 86,256,282	\$ 907,810	\$ 849,417	\$ 96,929,486	\$ 87,805,692	10.4%
Accumulated depreciation	(32,076,721)	(29,274,783)	(81,905)	(775,153)	(32,888,626)	(30,549,936)	7.7%
Net capital assets	\$ 63,944,955	\$ 57,181,499	\$ 825,905	\$ 74,264	\$ 64,040,860	\$ 57,255,756	11.9%

LONG TERM DEBT

At year-end the City had \$41.3 million in bonds, notes, and other long-term debt, an increase of 26.1 percent from FY 2005-06. The City's long-term debt is summarized in Table A-5, below, and a more detailed description is provided in Note 6 to the accompanying government-wide financial statements.

TABLE A-5. LONG-TERM DEBT

	Governmental Activities		Business-type Activities		Total		Total Percentage Change FY 07-FY 06
	FY 06-07	FY 05-06	FY 06-07	FY 05-06	FY 06-07	FY 05-06	
Revenue bonds and notes	39,595,000	31,175,000	—	—	39,595,000	31,175,000	27.0%
Notes payable/land purchase	566,204	595,785	—	—	566,204	595,785	(5.0%)
Capital leases	1,149,100	1,002,375	—	—	1,149,100	1,002,375	14.6%
Total long-term debt	\$ 41,310,304	\$ 32,773,160	\$ —	\$ —	\$ 41,310,304	\$ 32,773,160	26.1%

The major addition to governmental debt in the current year was the issuance of \$9.6 million in Lease Revenue Bonds for the construction of the new City Hall. The City also entered into a lease agreement in the amount of \$ 349,997 to finance the purchase of a new fire truck.

Bond Ratings
Standard & Poor's awarded the City's most recent bond issue an "AAA" rating.

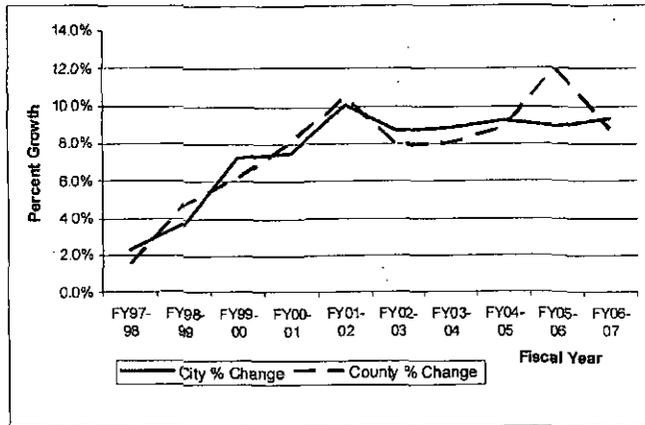
ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In the last decade, the City emerged from a period of economic stagnation, to one of economic growth, to our current leveling off period. The upcoming budget season will continue to work within the new levels of resources and anticipates some revenue stagnation, with a slowing in the growth of both property tax and sales tax. While most cities in California, and the State itself, have suffered through a serious economic downturn, El Cerrito's property tax base has shown consistent growth due to the location near San Francisco and Oakland and our build-out status of quality housing, some with remarkable views of San Francisco Bay.

Many cities in our County have had significant new housing developments built in the last few years that could be affected by the current sub-prime mortgage crisis. Due to the built out status of El Cerrito there have been no new developments. This has resulted in our tax base not increasing at the levels of the other Cities in the County in the last few years, and these same factors will have us *not decline in relation to the County*. Another element fueling growth and maintaining our stability is turnover of property that had previously been held prior to Prop 13. Under the provisions of California's Proposition 13, property is reassessed when it is sold or when significant construction has taken place. A significant portion of our property has been held by Pre-Proposition 13 homeowners, and this relationship is shifting as younger families are moving into the City. The increases in assessed value have benefited both the City and the Redevelopment Agency through property taxes and property tax increment revenue, but with the concerns in the housing market overall, the growth in the *Ten-Year Budget Plan projects an average of a 4% increase for the City and around 6% for the Redevelopment Agency*, both about one-half of what we received in the last few years.

The Figure A-6 shows the increase in property tax in the City as compared to the increase in the entire County. The graph shows that, until the recent couple of years, the City has followed the growth pattern of the County, and even was ahead of that rate for some of the time. In FY 2004-05 as property values increased in the County, presumably as a result of the new development, El Cerrito's growth leveled out at around 9% and the new development areas have quickly changed the pattern on the chart. With the burst of the housing "bubble" prices and significant inventory in the new development areas, El Cerrito benefits from a stable housing market that is well established and desirable to prospective home owners due to its beautiful landscape and close proximity to San Francisco and Oakland.

FIGURE A-6. PROPERTY TAX GROWTH
 CHANGE IN ASSESSED VALUE OF PROPERTY FROM PREVIOUS YEAR



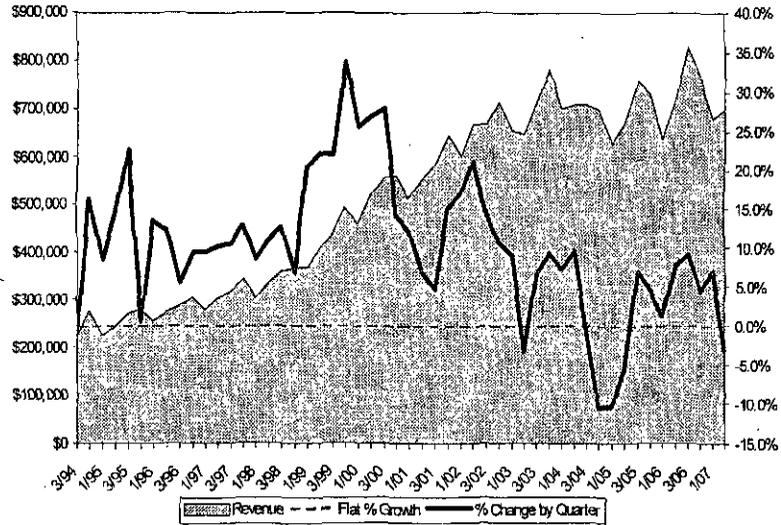
The City's focus on economic development, such as the resurgence of the El Cerrito Plaza regional shopping center, has provided stability for the City's sales tax revenue and a base on which to draw future commercial businesses. But equally important, it has allowed El Cerrito to become more of a destination with the Plaza area being of the continued interest from developers. The Plaza was completed in FY2001-02 and the local citizenry and its neighbors have benefited from its many shopping opportunities, and the City has benefited with higher tax receipts and a strong commercial base. Its presence has encouraged other local business to expand or relocate to El Cerrito.

Since Sales Tax revenues for the El Cerrito Plaza regional shopping center and have leveled off the only area of anticipated growth in sales tax for the City would be from new commercial developments. There are several areas of desirable commercial property where growth is anticipated to occur and developers have made inquiries. While retail sales nation-wide have stalled or even declined, it is auto sales that have proven to be the area where a larger than anticipated decline in sales have occurred in El Cerrito.

The other arena for Sales Tax Revenue growth is with the passing of the measure the City has put on the February 2008 ballot for a one-half cent sales tax increase. For many years El Cerrito has had a problem finding adequate funding to repair the streets. During the period of revenue and program stagnation in the 1990's little was done to maintain the streets. Today the efforts at maintenance are not adequate to repair the base deterioration and a significant number of our residential streets require complete rebuilding and development of an ongoing maintenance plan with a dedicated revenue source. To address this problem the City has placed on the February 2008 ballot a Sales Tax Measure to increase the tax rate in the City of El Cerrito by one-half cent for a total of 8.75%. Many neighboring cities have already passed an increase of this type and currently are at that same rate. This is a specific use tax and two-thirds voter approval is required for it to pass. If the measure does pass, a bond will be issued to provide the large amount of up-front funds required to reconstruct streets and a reserve on the anticipated revenue to be received will be set aside for ongoing maintenance.

In Figure A-7, the gray area depicts the actual dollar revenue generated from sales taxes, by quarter, over the last 13 years. The dashed line indicates a zero percentage quarterly increase, and the dark line shows the quarter-to-quarter percentage changes. The percentage changes compare one year's quarter to the same quarter of the prior year, for example, second quarter 2007 to second quarter 2006. By making these quarter-to-quarter comparisons, one accounts for seasonal activity. The results show a spiked, but constant increase in Sales Tax during this period with a leveling off of growth in the first part of the new millennium.

FIGURE A-7. SALES TAX GROWTH



In regards to City expenditures, for FY 2006-07 as discussed earlier in this report, the City has budgeted increases in its operational budget primarily in the area of Public Safety and Community Development staffing and has carried forward some of capital projects from the prior year. The main focus in capital projects continues to be the construction of the new City Hall. After 18 years of being located in "temporary trailers" the City will move into their new building in April of 2008. We are looking forward to presenting a more professional impression to potential developers and other business partners, and presenting our citizens with a building they can be proud of. Also in the works is a new Library and Senior Center to be funded out of Redevelopment Agency Tax Allocation Bonds, and hopefully State Library Bond Funds.

The significant unknowns of the last few years have been weathered and now new ones arise. Property values increased, and now the sub-prime mortgage crunch and resulting foreclosures are changing assessed valuations of many properties. The State of California's budget crisis came to somewhat of a resolution with the passage of Prop 1A and now it is feared that solutions to their new problems may fall on the backs of local government. The State's "Triple Flip" program continues to provide us with cash flow changes, budgeting difficulties and uncertainties in actual amounts received, but like with many things cities have had to do before with the State, we are accommodating. We are hopeful that the concerns we face will be more of how to interpret and act within the local and national economy, and not force us to alter our programs to supplement the State's budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Department at 10940 San Pablo Avenue, El Cerrito, CA 94530-2392, phone (510) 215-4310, fax (510) 215-4319, website www.el-cerrito.org.

CITY OF EL CERRITO

STATEMENT OF NET ASSETS AND
STATEMENT OF ACTIVITIES

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 summarizes the financial position of all the City's Governmental Activities in a single column, and the financial position of all the City's Business-Type Activities in a single column; these are followed by a Total column which 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. 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 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 program. 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, the El Cerrito Redevelopment Agency, the El Cerrito Public Financing Authority and the El Cerrito Municipal Services Corporation which are legally separate but are component units of the City because they are controlled by the City, which is financially accountable for their activities.

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CITY OF EL CERRITO
STATEMENT OF NET ASSETS
JUNE 30, 2007

CITY OF EL CERRITO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 3)	\$14,573,097	\$294,491	\$14,867,588
Cash and investments with fiscal agents (Note 3)	20,462,796		20,462,796
Accounts receivable	1,763,008	266,645	2,029,653
Due from other governments	1,574,340		1,574,340
Interest receivable	56,549		56,549
Deposits	11,000		11,000
Inventory	19,412		19,412
Prepaid items	5,970		5,970
Deferred charges - net of accumulated amortization	267,310		267,310
Land held for redevelopment (Note 1G)	1,378,753		1,378,753
Land and construction in progress (Note 5)	12,594,464		12,594,464
Capital assets, net of depreciation (Note 5)	51,350,441	95,905	51,446,346
Total assets	104,057,140	657,041	104,714,181
LIABILITIES			
Accounts payable	2,011,733	51,563	2,063,296
Accrued liabilities	937,417		937,417
Accrued interest payable	710,930		710,930
Deposits payable	190,427		190,427
Unearned revenue	180,549	50,000	230,549
Compensated absences (Note 11):			
Due within one year	775,261	21,408	796,669
Due in more than one year	276,269	62	276,331
Claims payable (Note 9)	112,221		112,221
Noncurrent liabilities (Note 6):			
Due within one year	1,577,008		1,577,008
Due in more than one year	39,733,296		39,733,296
Total liabilities	46,505,111	123,033	46,628,144
NET ASSETS (Note 7):			
Invested in capital assets, net of related debt	43,404,472	95,905	43,500,377
Restricted for:			
Capital projects	7,905,361		7,905,361
Debt service	120,819		120,819
Community development projects	2,163,276		2,163,276
Total restricted net assets	10,189,456		10,189,456
Unrestricted	3,958,101	438,103	4,396,204
Total net assets	\$57,552,029	\$534,008	\$58,086,037

See accompanying notes to financial statements

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Net Governmental Activities	Net Business-type Activities	Total
Governmental Activities:						
General government	\$3,154,741	\$134,060	\$692,129	(\$2,328,552)		(\$2,328,552)
Public works	4,819,534	145,948	511,733	(4,141,853)		(4,141,853)
Recreation	3,813,705	1,958,281	126,232	(1,699,192)		(1,699,192)
Community development	3,227,723	841,393	60,000	(2,326,330)		(2,326,330)
Public safety	14,024,683	2,427,140	433,080	(11,164,463)		(11,164,463)
Interest on long term debt	1,944,024			(1,944,024)		(1,944,024)
Total Governmental Activities	30,984,410	5,536,822	1,843,174	(23,604,414)		(23,604,414)
Business-type Activities:						
Integrated waste management	1,176,930	1,227,755			\$50,825	50,825
Total Business-type Activities	1,176,930	1,227,755			50,825	50,825
Total	\$32,161,340	\$6,764,577	\$1,843,174	(23,604,414)	50,825	(23,553,589)
General revenues:						
Taxes						
Secured and unsecured property taxes				13,867,298		13,867,298
Sales and use taxes				3,432,018		3,432,018
Transient lodging taxes				85,090		85,090
Franchise taxes				806,038		806,038
Business license taxes				627,129		627,129
Utility user taxes				2,775,195		2,775,195
Other taxes				253,658		253,658
Use of money and property				1,750,758	12,173	1,762,931
Other				782,735	26,136	808,871
Transfers (Note 4)				258,208	(258,208)	
Total general revenues and transfers				24,638,127	(219,899)	24,418,228
Change in Net Assets				1,033,713	(169,074)	864,639
Net assets at beginning of year				56,518,316	703,082	57,221,398
Net assets at end of year				\$57,552,029	\$534,008	\$58,086,037

See accompanying notes to financial statements

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Major funds are defined generally as having significant activities or balances in the current year. The funds described below were determined to be Major Governmental Funds by the City for fiscal 2007. Individual non-major funds may be found in the Supplemental section.

GENERAL FUND

The General Fund is used for all the general revenues of the City not specifically levied or collected for other City funds, and the related expenditures. The major revenue sources for this Fund are property taxes, sales taxes, utility users tax, franchise fees, business licenses, unrestricted revenues from the State, fines and forfeitures and interest income. Expenditures are made for public safety, recreation, and the other services describe above.

CITY HALL CONSTRUCTION CAPITAL PROJECTS FUND

This fund accounts for the expenditures related to the construction of a new City Hall.

REDEVELOPMENT AGENCY CAPITAL PROJECTS FUND

This fund is used to account for major capital improvement projects under the management of the City's Redevelopment Agency.

REDEVELOPMENT AGENCY LOW AND MODERATE INCOME HOUSING FUND

This fund accounts for the twenty percent housing set aside from the tax increment proceeds from the Redevelopment Project Area.

REDEVELOPMENT DEBT SERVICE FUND

This fund is used to account for the payment of interest and principal on the debt of the Redevelopment Agency.

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CITY OF EL CERRITO
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2007

General Fund	City Hall Construction Fund	Redevelopment Capital Projects Fund	Redevelopment Low and Moderate Income Housing Fund	Redevelopment Debt Service Fund	Other Governmental Funds	Totals
ASSETS						
Cash and investments (Note 3)	\$3,240,374	\$86,585	\$4,218,404	\$1,417,665	\$35,476	\$4,262,626
Cash with fiscal agents (Note 3)	5,707,480		6,367,672	4,399,457	1,283,005	20,119,722
Accounts receivable	1,346,285	21,120	43,189	1,029	351,385	1,763,008
Due from other governments	1,175,639		218,892	71,915	106,894	1,574,140
Interest receivable	54,193					54,193
Deposits	1,000		10,000			11,000
Inventory	19,412					19,412
Prepaid items	5,970					5,970
Advance to other funds (Note 4B)				518,408		518,408
Land held for redevelopment (Note 1G)			1,378,753			1,378,753
Total Assets	\$5,843,873	\$5,815,185	\$12,236,860	\$6,408,474	\$1,318,481	\$38,705,936
LIABILITIES						
Accounts payable	\$503,610	\$1,108,672	\$139,372	\$1,075	\$299,004	\$2,011,733
Accrued liabilities	920,422				16,995	937,417
Deposits payable	156,254				34,173	190,427
Deferred revenue	180,549					180,549
Claims payable (Note 9)	112,221					112,221
Advance from other funds (Note 4B)			518,408			518,408
Total Liabilities	1,873,056	1,108,672	657,780	1,075	320,172	3,959,755
FUND BALANCES (Note 7)						
Reserved:						
Debt service				\$1,318,481	2,268,686	3,587,167
Encumbrances	93,035	6,523,776	299,690		1,275,516	8,132,017
Land held for redevelopment			1,378,753			1,378,753
Inventory	19,412					19,412
Prepaid items	5,970					5,970
Advance to other funds				518,408		518,408
Low and moderate income housing				5,888,991		5,888,991
Unreserved, designated:						
Multi-purpose fund	150,000					150,000
Capital facilities and maintenance						
Reported in:						
Special Revenue Funds					686,743	686,743
Capital Projects Funds			8,724,437		1,718,664	10,443,101
Unreserved, undesignated						
Reported in:						
General Fund	3,702,400					3,702,400
Special Revenue Funds					823,282	823,282
Capital Projects Funds		(1,817,263)	1,236,200			(581,063)
Total Fund Balances	3,970,817	4,706,513	11,579,080	6,407,399	1,318,481	34,755,181
Total Liabilities and Fund Balances	\$5,843,873	\$5,815,185	\$12,236,860	\$6,408,474	\$1,318,481	\$38,705,936

See accompanying notes to financial statements

CITY OF EL CERRITO
Reconciliation of the
GOVERNMENTAL FUNDS - BALANCE SHEET
with the
STATEMENT OF NET ASSETS
JUNE 30, 2007

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$34,755,181

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

CAPITAL ASSETS

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

63,944,905

ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS

Internal service funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance and central services and maintenance, to individual governmental funds.

The net current assets and liabilities of the Internal Service Funds are therefore included in Governmental Activities following line items in the Statement of Net Assets.

Cash and investments

1,655,041

Interest receivable

2,356

LONG TERM ASSETS AND LIABILITIES

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

Long-term debt

(41,310,304)

Interest payable

(710,930)

Deferred charges - amortization of bond discount

267,310

Non-current portion of accrued liabilities

(1,051,530)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$57,552,029

See accompanying notes to financial statements

CITY OF EL CERRITO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$6,711,800	\$6,711,800	\$7,198,376	\$486,576
Taxes other than property	8,712,600	8,712,600	8,126,024	(586,576)
Licenses and permits	511,000	511,000	450,205	(60,795)
Fines and forfeitures	529,000	529,000	393,054	(135,946)
Use of money and property	428,000	428,000	261,830	(166,170)
Intergovernmental	2,727,490	2,827,490	2,681,306	(146,184)
Charges for services	2,717,520	2,895,520	2,752,648	(142,872)
Other revenues	148,900	148,900	131,052	(17,848)
Total Revenues	22,486,310	22,764,310	21,994,495	(769,815)
Expenditures:				
General government				
City council	128,229	189,229	180,371	8,858
City manager	551,533	702,729	585,634	117,095
City attorney	380,000	380,000	357,834	22,166
Financial services	891,554	898,554	898,073	481
City Clerk	180,485	199,485	199,325	160
Information systems	221,887	238,887	238,431	456
Employee services	789,018	642,018	603,794	38,224
Public works	1,065,603	1,025,603	930,432	95,171
Recreation	3,377,022	3,502,022	3,490,320	11,702
Community development	1,586,865	1,586,865	1,450,040	136,825
Public safety				
Police	7,632,374	7,719,874	7,390,356	329,518
Fire	6,306,536	6,489,536	6,439,141	50,395
Capital outlay		6,000		6,000
Total Expenditures	23,111,106	23,580,802	22,763,751	817,051
Excess of revenues over (under) expenditures	(624,796)	(816,492)	(769,256)	47,236
Other Financing Sources (Uses):				
Transfers in	1,562,631	1,562,631	1,562,631	
Transfers out	(630,938)	(660,938)	(717,048)	(56,110)
Total other financing sources (uses)	931,693	901,693	845,583	(56,110)
Net change in fund balance	306,897	85,201	76,327	(8,874)
Fund balance - July 1, 2006	3,894,490	3,894,490	3,894,490	
Fund balance - June 30, 2007	\$4,201,387	\$3,979,691	\$3,970,817	(\$8,874)

See accompanying notes to financial statements

CITY OF EL CERRITO
REDEVELOPMENT LOW AND MODERATE INCOME HOUSING FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$1,003,200	\$1,003,200	\$970,640	(\$32,560)
Use of money and property	273,000	273,000	243,105	(29,895)
Total Revenues	1,276,200	1,276,200	1,213,745	(62,455)
Expenditures:				
Community development	288,427	288,427	53,470	234,957
Debt service				
Interest and fiscal agent fees			1,682	(1,682)
Total Expenditures	288,427	288,427	55,152	233,275
Excess of revenues over expenditures	987,773	987,773	1,158,593	170,820
Other Financing Sources (Uses):				
Transfers out	(637,031)	(637,031)	(643,908)	(6,877)
Total other financing sources (uses)	(637,031)	(637,031)	(643,908)	(6,877)
Net change in fund balance	350,742	350,742	514,685	163,943
Fund balance - July 1, 2006	5,892,714	5,892,714	5,892,714	
Fund balance - June 30, 2007	\$6,243,456	\$6,243,456	\$6,407,399	\$163,943

See accompanying notes to financial statements

MAJOR PROPRIETARY FUND

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

The City has only one enterprise fund, the Integrated Waste Management Fund, which is presented as a major fund and is described below.

INTEGRATED WASTE MANAGEMENT FUND

The Integrated Waste Management Fund accounts for the City's recycling collection services operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

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CITY OF EL CERRITO
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2007

	Business-type Activities - Integrated Waste Management Enterprise Fund	Governmental Activities - Vehicles and Equipment Replacement Internal Service Fund
ASSETS		
Current Assets:		
Cash and investments (Note 3)	\$294,491	\$1,311,967
Cash and investments with fiscal agent (Note 3)		343,074
Accounts receivable	266,645	
Interest receivable		2,356
Total current assets	561,136	1,657,397
Capital Assets (Note 5):		
Buildings, equipment and vehicles	907,810	4,070,475
Less accumulated depreciation	(811,905)	(2,980,173)
Net capital assets	95,905	1,090,302
Total assets	657,041	2,747,699
LIABILITIES		
Current Liabilities:		
Accounts payable	51,563	
Lease payable (Note 6)		39,765
Unearned revenue	50,000	
Compensated absences (Note 1H)	21,408	
Total current liabilities	122,971	39,765
Long-Term Liabilities:		
Compensated absences (Note 1H)	62	
Lease payable (Note 6)		729,335
Total long-term liabilities	62	729,335
Total liabilities	123,033	769,100
NET ASSETS		
Investment in capital assets, net of related debt	95,905	704,041
Unrestricted	438,103	1,274,558
Total net assets	\$534,008	\$1,978,599

See accompanying notes to financial statements

CITY OF EL CERRITO
 PROPRIETARY FUNDS
 STATEMENT OF REVENUE, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2007

	Business-type Activities - Integrated Waste Management Enterprise Fund	Governmental Activities - Vehicles and Equipment Replacement Internal Service Fund
Operating Revenues:		
Charges for current services	\$806,217	\$300,916
Recycling sales	421,538	
Total operating revenues	1,227,755	300,916
Operating Expenses:		
Personnel costs	814,907	
Services	209,133	4,200
Supplies	116,138	(208)
Depreciation	36,752	279,168
Total operating expenses	1,176,930	283,160
Operating (loss)	50,825	17,756
Non-Operating Revenues (Expense):		
Use of money and property	12,173	54,702
Other revenue	26,136	
Interest expense		(17,838)
Total non-operating revenues	38,309	36,864
Income (loss) before transfers	89,134	54,620
Transfers in (Note 4A)		
Transfers (out) (Note 4A)	(258,208)	56,110
Change in net assets	(169,074)	110,730
Net assets - July 1, 2006	703,082	1,867,869
Net assets - June 30, 2007	\$534,008	\$1,978,599

See accompanying notes to financial statements

CITY OF EL CERRILTO
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2007

	Business-type Activities - Integrated Waste Management Enterprise Fund	Governmental Activities - Vehicles and Equipment Replacement Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$1,056,110	\$300,916
Receipts from other sources	26,136	
Payments to suppliers	(305,535)	(5,992)
Payments to employees	(811,368)	
Net cash provided by operating activities	<u>(34,677)</u>	<u>296,924</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in		56,110
Transfers out	(258,208)	
Cash Flows from Noncapital Financing Activities	<u>(258,208)</u>	<u>56,110</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(58,393)	(521,510)
Issuance of capital lease		149,997
Principal paid		(38,274)
Interest paid		(17,838)
Cash Flows Used for Capital and Related Financing Activities	<u>(58,393)</u>	<u>(227,623)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	16,382	62,931
Cash Flows from Investing Activities	<u>16,382</u>	<u>62,931</u>
Net increase (decrease) in cash and cash equivalents	(34,896)	188,342
Cash and investments at beginning of period	629,387	1,466,699
Cash and investments at end of period	<u>\$294,491</u>	<u>\$1,655,041</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$50,825	\$17,756
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	36,752	279,168
Other revenue	26,136	
Change in assets and liabilities:		
Receivables, net	(221,645)	
Accounts payable	19,716	
Unearned revenue	50,000	
Compensated absences	3,539	
Net cash provided (used by) operating activities	<u>(\$34,677)</u>	<u>\$296,924</u>

See accompanying notes to financial statements

FIDUCIARY FUNDS

FIDUCIARY FUNDS

These funds account for assets held by the City as an agent for various community groups and functions. The financial activities of these funds are excluded from the Government-wide financial statements, but are presented in the separate Fiduciary Fund financial statements.

PENSION TRUST FUND

The fund is used to account for the pension system for the former employees of the City who elected not to be covered by the California Public Employees' Retirement System.

CITY OF EL CERRITO
PENSION TRUST FUND
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2007

ASSETS:

Cash and investments	\$0
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NET ASSETS:

Employees' retirement system	\$0
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See accompanying notes to the financial statements

CITY OF EL CERRITO
PENSION TRUST FUND
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

ADDITIONS

Employer contributions	\$181,873
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Total additions	181,873
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DEDUCTIONS

Retirement and other benefits	181,873
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Total deductions	181,873
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NET CHANGE IN NET ASSETS

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS

Beginning of year	_____
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End of year	_____
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See accompanying notes to the financial statements

CITY OF EL CERRITO
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of El Cerrito was incorporated August 1, 1917. The City provides the following services: public safety (police and fire), recreation, streets and highways, recycling, public improvements, planning and zoning, and general administration services. The City's population has remained relatively stable for some years; population at June 30, 2007 was 23,407.

The City operates under the Council-Manager form of government, with five elected Council members served by a full-time City Manager and staff. At June 30, 2007 the City's staff comprised 150 full time and 7 part time employees. In addition, the City employs recreation and other personnel as needed on a seasonal basis.

A. Reporting Entity

The accompanying basic financial statements present the financial activity of the City along with the financial activities of its blended component units, which are entities for which the City is financially accountable. Together these entities comprise the primary government for reporting purposes. Although they are separate legal entities, *blended* component units are in substance part of the City's operations and are reported as an integral part of the City's financial statements. The City's *component units*, which are described below, are all blended.

The **El Cerrito Redevelopment Agency** is a separate government entity whose purpose is to eliminate blight within the defined project areas by encouraging and assisting planned development of low income housing and commercial projects. The Agency is controlled by the City and has the same governing board as the City, which also performs all accounting and administrative functions for the Agency. The financial activities of the Agency have been included in these financial statements in the Redevelopment Capital Projects Fund, Low and Moderate Income Housing Special Revenue Fund, and the Redevelopment Debt Service Fund.

The **El Cerrito Public Financing Authority** is a nonprofit corporation organized by the City and the Redevelopment Agency under the laws of the State of California. The Authority was organized to provide financial assistance to the City by financing the City's Swim Center. Administrative and related normal business expenses incurred in the day-to-day operations of the Authority are provided by the City. Such expenses are insignificant to the Authority's operations. The Authority obtains financing for City and Agency sponsored projects using leases signed by the City or Agency as collateral. The amounts of the leases are calculated to provide sufficient resources to repay the debt incurred to finance the projects. The financial activities of the Authority have been included in these financial statements in the Public Financing Authority Debt Service Fund.

The **El Cerrito Municipal Services Corporation** is a nonprofit corporation organized by the City under the laws of the State of California. The Corporation was organized to provide financial assistance to the City by financing real and personal property and improvements for the benefit of the residents of the City. Administrative and related normal business expenses incurred in the day-to-day operations of the Corporation are provided by the City. Such expenses are insignificant to the Corporation's operations. The Corporation obtains financing for City sponsored projects using leases signed by the City as collateral. The amounts of the leases are calculated to provide sufficient resources to repay the debt incurred to finance the projects. The financial activities of the Corporation have been included in these financial statements in the Municipal Services Corporation Special Revenue Fund.

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CITY OF EL CERRITO
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The **City of El Cerrito Employees' Pension Plan** is governed by the City's Retirement System Ordinance, Chapter 3 of the City of El Cerrito Municipal Code, and is used to account for contributions and investment income restricted to pay retirement and death benefits of employees who elected not to be covered by the California Public Employees' Retirement System as of February 6, 1959. Benefit and contribution provisions are established by the City Council. Eligibility, actuarial interest rates, administration and certain other tasks are the responsibility of the Council established by the above ordinance. The financial activities of the Pension Plan have been included in these financial statements in the Pension Trust Fund.

Audited financial statements for the Agency, Authority and Pension Plan may be obtained from the City of El Cerrito, 10890 San Pablo Avenue, El Cerrito, CA 94530. Separate financial statements are not issued for the Corporation.

B. Basis of Presentation

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

These Standards 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. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange 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 governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

CITY OF EL CERRITO
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary fund *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. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

C. Major Funds

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

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

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

City Hall Construction Capital Projects Fund - This fund accounts for the expenditures related to the construction of a new City Hall.

Redevelopment Agency Capital Projects - This fund is used to account for major capital improvement projects under the management of the City's Redevelopment Agency.

Redevelopment Agency Low and Moderate Income Housing - This fund accounts for the twenty percent housing set aside from the tax increment proceeds from the Redevelopment Project Area.

Redevelopment Debt Service Fund - This fund is used to account for the payment of interest and principal on the debt of the Redevelopment Agency.

The City has one enterprise fund, the **Integrated Waste Management Fund**, which is a major fund. This fund is used to account for the City's recycling collection services operations financed and operated in a manner similar to a private business enterprise.

The City also reports the following fund types:

Internal Service Fund - The Vehicles and Equipment Replacement Internal Service Fund is used to finance and account for providing vehicles and equipment to the line departments and avoiding financing costs associated with the acquisition of necessary capital assets.

Fiduciary funds. These funds account for assets held by the City as an agent for various community groups and functions. The City of El Cerrito Pension Trust Fund, the only Fiduciary Fund of the City, accounts for the accumulation of resources to be used for retirement payments at appropriate amounts and times in the future. The financial activities of these funds are excluded from the Government-wide financial statements, but are presented in the separate Fiduciary Fund financial statements.

CITY OF EL CERRITO
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

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 generally within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on governmental long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

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

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets 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, which do not conflict with Government Accounting Standards Board Pronouncements.

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 the 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.

E. Property Tax

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

CITY OF EL CERRITO
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

F. Inventory

Inventory held in the General Fund is valued at cost using the first-in-first-out (FIFO) inventory method. Inventory of the General Fund consist of expendable supplies held for consumption. The cost is recorded as an expenditure in the General Fund at the time individual items are consumed. Reported General Fund inventory is equally offset by a fund balance reserve which indicates that the inventory does not constitute available spendable resources even though the inventory is a component of net current assets.

G. Land Held for Redevelopment

At June 30, 2007 the Agency had five parcels held for redevelopment; all of which were acquired in prior years and are being held for future development projects. The parcels are accounted for at the lower of cost or net realizable value.

H. Compensated Absences

Compensated absences comprise unused sick leave and vacation, which are accrued as earned. The City's liability for compensated absences is recorded in various Governmental funds or Proprietary funds as appropriate. The liability for compensated absences is determined annually. The portion expected to be permanently liquidated is recorded in the governmental funds and are recorded as fund liabilities. The long-term portion for Governmental Activities is recorded in the Statement of Net Assets.

The changes in compensated absences were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$976,311	\$17,931	\$994,242
Additions	865,730	21,633	887,363
Payments	(790,511)	(18,094)	(808,605)
Ending Balance	<u>\$1,051,530</u>	<u>\$21,470</u>	<u>\$1,073,000</u>
Current Portion	<u>\$775,261</u>	<u>\$21,408</u>	<u>\$796,669</u>

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

CITY OF EL CERRITO
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Post Employment Health Care Benefits

The City does not provide health care benefits to its retired employees; however it does allow retirees to retain health care coverage through the City's plan. The City therefore does not recognize any retiree health care cost as the retirees pay the health care premiums.

J. Deferred Compensation

City employees may defer a portion of their compensation under 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.

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

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

A. Budgeting Procedures

Annually, the City Manager submits to the City Council a proposed operating budget in June for the following fiscal year, as required by the City's budget ordinance. This budget includes proposed expenditures and the revenues expected to finance them. As modified during public study sessions, the preliminary budget becomes the proposed budget. Public hearings are conducted to obtain taxpayer comments and the budget is legally enacted through passage of a resolution. The City Manager is authorized to transfer budgeted amounts within departments within funds. Budget modifications between funds or increases or decreases to a fund's overall budget must be approved by the City Council. The legal level of budgetary control is at the fund level.

Budgets are adopted on a basis consistent with generally accepted accounting principles. Unexpended appropriations lapse at year end and must be reappropriated in the following year.

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

CITY OF EL CERRITO
Notes to Basic Financial Statements

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING (Continued)

B. Excess of Expenditures over Appropriations

During fiscal 2007, the following funds had expenditures in excess of budget, as follows:

Fund	Excess of Expenditures Over Appropriations
Special Revenue Funds:	
Gas Tax	\$166,038
Land and Light Assessment District	232,464
Measure A Parcel Tax	5,501
National Pollution Discharge Elimination System	12,025
Federal, State, and Local Grants	53,803
Vehicle Abatement	7,385
Capital Projects Funds:	
Redevelopment	116,693
Debt Service Funds:	
Storm Drain	2,649
Public Financing Authority	525,642

The funds had sufficient resources to finance these expenditures.

NOTE 3 - CASH AND INVESTMENTS

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

A. Policies

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

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

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

CITY OF EL CERRITO
Notes to Basic Financial Statements

NOTE 3 - CASH AND INVESTMENTS (Continued)

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

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

The City's Investment Policy and the California Government Code allow the City to invest in the following:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment In One Issuer
State of California Local Agency Investment Fund (LAIF Pool)	On Demand	N/A	\$40,000,000 per account	\$40,000,000 per account
U. S. Treasury Bonds, Notes and Bills	5 Years	N/A	No Limit	No Limit
U.S. Federal Agency and U.S. Government Sponsored Enterprise Securities	5 Years	N/A	No Limit	No Limit
Banker's Acceptances	180 Days	N/A	30%	30%
Commercial Paper	270 Days	P-1, A-1, F-1	25%	10%
Certificates of Deposit	5 Years	N/A	30%	10%
Negotiable Certificates of Deposit	5 Years	A	30%	No Limit
Medium-Term Corporate Notes	5 Years	A	30%	No Limit
Money Market Mutual Funds	On Demand	Highest Rating Category	5%	No Limit

C. Investments Authorized by Debt Agreements

The City must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged as reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City ordinance, bond indentures or State statute. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

CITY OF EL CERRITO
Notes to Basic Financial Statements

NOTE 3 - CASH AND INVESTMENTS (Continued)

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
Obligations of any of the following federal agencies which obligations represent the full faith and credit of the U.S. including:		
U.S. Treasury Obligations		
All direct or fully guaranteed obligations		
Farmers Home Administration		
General Services Administration		
Guaranteed Title XI Financing		
Government National Mortgage Association (GNMA)		
State and Local Government Series		
Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the U.S.:		
Senior debt obligations of:		
Federal National Mortgage Association		
Federal Home Loan Mortgage Corporation		
Federal Home Loan Bank System		
Farm Credit System		
Resolution Funding Corporation		
Financing Corp. Debt Obligations		
U.S. Agency for International Development Guaranteed Notes		
<i>For all purposes other than defeasance:</i>		
Obligations of any of the following federal agencies which obligations represent the full faith and credit of the U.S. including:		
Export-Import Bank		
Rural Economic Community Development Administration		
U.S. Maritime Administration		
Small Business Administration		
U.S. Department of Housing & Urban Development (PHAs)		
Federal Housing Administration		
Federal Financing Bank		
Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the U.S.:		
Senior debt obligations of:		
Federal National Mortgage Association		
Federal Home Loan Mortgage Corporation		
Federal Home Loan Bank System		
Other Government Sponsored Agencies approved by the Bond Issuer		
Resolution Funding Corporation		
Bankers Acceptances		
Commercial Paper		
Pre-refunded Municipal Obligations		
Municipal Obligations		
General Obligations of States		
Investment Agreements (A)		
Other forms of investments (including repurchase agreements) (A)		

(A) Investment agreements and other forms of investments, including repurchase agreements, must be approved in writing by the Bond Issuer

CITY OF EL CERRITO
Notes to Basic Financial Statements

NOTE 3 - CASH AND INVESTMENTS (Continued)

D. Classification

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

Cash and investments as of June 30, 2007 consist of the following:

Cash and investments	\$14,867,588
Cash and investments with fiscal agents	<u>20,462,796</u>
Total Cash and Investments	<u>\$35,330,384</u>

E. Interest Rate Risk

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

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

	Cash and Investments	Restricted Cash and Investments	Total	Maturity Date
<i>Investments:</i>				
<i>Federal Agency Issues:</i>				
Federal Home Loan Bank	\$997,345		\$997,345	September 28, 2007
Federal Home Loan Bank	998,750		998,750	October 24, 2007
Federal Home Loan Bank	998,040		998,040	December 28, 2007
Federal Home Loan Bank	997,505		997,505	May 7, 2010
Federal Home Loan Mortgage Corporation	997,840		997,840	January 9, 2009
Federal Home Loan Mortgage Corporation	996,430		996,430	April 7, 2010
Federal Home Loan Mortgage Corporation	997,230		997,230	May 14, 2010
Federal National Mortgage Association	998,595		998,595	February 28, 2008
Federal National Mortgage Association	1,997,190		1,997,190	June 4, 2009
Federal National Mortgage Association	997,660		997,660	March 29, 2010
Local Agency Investment Fund	2,794,904		2,794,904	176 days average maturity
U.S. Treasury Bill		\$108,048	108,048	November 15, 2007
U.S. Treasury Note		234,215	234,215	September 30, 2008
First American Treasury Obligation Money Market Fund		547,331	547,331	1 day average maturity
U.S. Treasury Plus Money Market Fund		12,605,539	12,605,539	60 days average maturity
Blackrock Institutional Money Market Fund		6,966,852	6,966,852	7 days average maturity
Federated Treasury Obligation Money Market Fund		811	811	397 days average maturity
Cash with Banks and Petty Cash	1,096,099		1,096,099	
Total Investments	<u>\$14,867,588</u>	<u>\$20,462,796</u>	<u>\$35,330,384</u>	

CITY OF EL CERRITO
Notes to Basic Financial Statements

NOTE 3 - CASH AND INVESTMENTS (Continued)

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2007, these investments have an average maturity of 176 days.

Money market funds are available for withdrawal on demand and at June 30, 2007, have an average maturity of 1 day for the First American Treasury Obligation Money Market Fund, 60 days for the U.S. Treasury Plus Money Market Funds, 7 days for the Blackrock Institutional Money Market Fund and 397 days for the Federated Treasury Obligation Money Market Fund.

F. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2007 for each of the City's investment type as provided by Standard and Poor's:

Investments	AAA	AAAm	Total
<i>Federal Agency Issues:</i>			
Federal Home Loan Bank	\$997,345		\$997,345
Federal Home Loan Bank	998,750		998,750
Federal Home Loan Bank	998,040		998,040
Federal Home Loan Bank	997,505		997,505
Federal Home Loan Mortgage Corporation	997,840		997,840
Federal Home Loan Mortgage Corporation	996,430		996,430
Federal Home Loan Mortgage Corporation	997,230		997,230
Federal National Mortgage Association	998,595		998,595
Federal National Mortgage Association	1,997,190		1,997,190
Federal National Mortgage Association	997,660		997,660
First American Treasury Obligation Money Market Fund		\$547,331	547,331
U.S. Treasury Plus Money Market Fund		12,605,539	12,605,539
Blackrock Institutional Money Market Fund		6,966,852	6,966,852
Federated Treasury Obligation Money Market Fund		811	811
Total rated	<u>\$10,976,585</u>	<u>\$20,120,533</u>	31,097,118
<i>Not rated:</i>			
California Local Agency Investment Fund			2,794,904
<i>Exempt from credit rating:</i>			
U.S. Treasury Bill			108,048
U.S. Treasury Note			234,215
Total Investments			<u>34,234,285</u>
Cash with Banks and Petty Cash			1,096,099
Total Cash and Investments			<u>\$35,330,384</u>

CITY OF EL CERRITO
Notes to Basic Financial Statements

NOTE 4 – INTERFUND TRANSACTIONS

A. Transfers Between Funds

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

Transfers between funds during the fiscal year ended June 30, 2007 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
General Fund	Redevelopment Capital Projects Fund	\$942,522 (A)
	Redevelopment Low & Moderate Income Housing Special Revenue Fund	39,304 (A)
	Non-Major Governmental Funds	322,597 (A)
	Integrated Waste Management Enterprise Fund	258,208 (A)
City Hall Construction Fund	Redevelopment Capital Projects Fund	250,000 (B)
	Non-Major Governmental Funds	8,000,000 (B)
Redevelopment Debt Service Fund	Redevelopment Capital Projects Fund	1,205,732 (C)
	Redevelopment Low & Moderate Income Housing Special Revenue Fund	604,604 (C)
Non-Major Governmental Funds	General Fund	660,938 (D)
	Redevelopment Capital Projects Fund	1,990,000 (B)
	Non-Major Governmental Funds	1,379,731 (D)
Vehicles and Equipment Replacement Internal Service Fund	General Fund	56,110 (C)
Total Interfund Transfers		<u>\$15,709,746</u>

The reasons for these transfers are set forth below:

- (A) To return unspent capital project funds and pay for indirect costs
- (B) To fund capital projects
- (C) To fund debt service
- (D) To fund capital projects and debt service

B. Redevelopment Advances

During the fiscal years ending June 30, 2005 and June 30, 2006 the Agency approved interfund advances of \$305,088 and \$304,820 from the Low and Moderate Income Housing Fund to the Redevelopment Capital Projects Fund for the purpose of paying the Agency's share of the countywide Education Revenue Augmentation Fund (ERAF). These loans do not bear interest and are repayable in ten equal annual installments. The balance of the loans at June 30, 2007 was \$518,408.

CITY OF EL CERRITO
Notes to Basic Financial Statements

NOTE 5 – CAPITAL ASSETS

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

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

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

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The general capitalization threshold is \$10,000. The City has assigned the useful lives listed below to capital assets.

	Years
Buildings	20-50
Improvements	33-60
Equipment	2-15
Streets	20
Parks	20
Curb and gutters	20
Storm drains	65

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

CITY OF EL CERRITO
Notes to Basic Financial Statements

NOTE 5 – CAPITAL ASSETS (Continued)

A. Capital Asset Additions and Retirements

Capital assets at June 30 comprise:

	Balance at June 30, 2006	Additions	Retirements	Transfers	Balance at June 30, 2007
<i>Governmental activities</i>					
Capital assets not being depreciated:					
Land	\$4,457,792				\$4,457,792
Construction in progress	6,844,842	\$6,041,679	(\$237,270)	(\$4,512,579)	8,136,672
Total capital assets not being depreciated	11,302,634	6,041,679	(237,270)	(4,512,579)	12,594,464
Capital assets being depreciated:					
Buildings and improvements	12,309,501	2,543,135		4,312,011	19,164,647
Equipment and vehicles	3,533,488	653,889		180,000	4,367,377
Infrastructure	59,810,659	63,961		20,568	59,895,188
Total capital assets being depreciated	75,653,648	3,260,985		4,512,579	83,427,212
Less accumulated depreciation for:					
Buildings and improvements	(3,474,923)	(399,371)			(3,874,294)
Equipment and vehicles	(2,784,496)	(305,082)			(3,089,578)
Infrastructure	(23,515,364)	(1,597,535)			(25,112,899)
Total accumulated depreciation	(29,774,783)	(2,301,988)			(32,076,771)
Net capital assets being depreciated	45,878,865	958,997		4,512,579	51,350,441
Governmental activity capital assets, net	<u>\$57,181,499</u>	<u>\$7,000,676</u>	<u>(\$237,270)</u>		<u>\$63,944,905</u>
<i>Business-type Activities</i>					
Capital assets being depreciated:					
Buildings	\$163,428				\$163,428
Equipment and vehicles	685,989	\$58,393			744,382
Total capital assets being depreciated	849,417	58,393			907,810
Less accumulated depreciation for:					
Buildings	(145,517)	(4,490)			(150,007)
Equipment and vehicles	(629,636)	(32,262)			(661,898)
Total accumulated depreciation	(775,153)	(36,752)			(811,905)
Net capital assets being depreciated	74,264	21,641			95,905
Business-type activity capital assets, net	<u>\$74,264</u>	<u>\$21,641</u>			<u>\$95,905</u>

CITY OF EL CERRITO
Notes to Basic Financial Statements

NOTE 5 – CAPITAL ASSETS (Continued)

B. Capital Asset Contributions

Some capital assets may be acquired using federal and State grant funds, or they may be contributed by developers or other governments. These contributions be accounted for as revenues at the time the capital assets are contributed.

C. Depreciation Allocation

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

<i>Governmental Activities</i>	
General Government	\$62,127
Public Works	1,664,810
Recreation	169,635
Community Development	62,427
Public Safety	63,821
Internal Service Fund	279,168
Total Governmental Activities	<u>\$2,301,988</u>
<i>Business-type Activities</i>	
Integrated Waste Management	<u>\$36,752</u>

NOTE 6 – LONG-TERM DEBT

The City generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt.

Bond issuance costs are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

CITY OF EL CERRITO
Notes to Basic Financial Statements

NOTE 6 – LONG-TERM DEBT (Continued)

The City's debt issues and transactions are summarized below:

	Original Issue	Balance	Additions	Retirements	Balance	Current
	Amount	June 30, 2006			June 30, 2007	Portion
Governmental Activity Debt						
1993 Storm Drain Revenue Bonds	\$6,300,000	\$3,340,000		\$340,000	\$3,000,000	\$360,000
Lease Revenue Bonds:						
2002 Lease Revenue Bonds	4,615,000	4,040,000		210,000	3,830,000	215,000
2006 Lease Revenue Bonds	9,610,000		\$9,610,000		9,610,000	
Tax Allocation Bonds:						
1997 Refunding, Series A	7,450,000	5,475,000		295,000	5,180,000	310,000
1998 Refunding, Series B	2,630,000	1,705,000		135,000	1,570,000	140,000
2004, Series A	10,315,000	10,315,000			10,315,000	
2004, Series B	6,510,000	6,300,000		210,000	6,090,000	300,000
Fire Station Project Capital Lease	1,485,000	545,000		165,000	380,000	180,000
Fire Truck Capital Leases	857,372	457,375	349,997	38,272	769,100	39,765
Target Note Payable	750,000	595,785		29,581	566,204	32,243
Total Governmental Activity Debt		\$32,773,160	\$9,959,997	\$1,422,853	\$41,310,304	\$1,577,008

A. Storm Drain Revenue Bonds

On July 30, 1993, the City issued Revenue Bonds in the original principal amount of \$6,300,000 at 4.30% - 5.375% interest to provide funds to finance the costs of the reconstruction of the City's storm drain system. Principal payments are due annually on September 1, with interest payments payable semi-annually on February 1 and August 1 through August 1, 2013. Repayment of these bonds is from storm drain fees and charges received by the Storm Drain Special Revenue Fund.

B. 2002 Lease Revenue Bonds

On July 17, 2002, the El Cerrito Public Financing Authority issued \$4,615,000 original principal amount of 2002 Lease Revenue Bonds at 3.00%-4.70% interest. The proceeds from the sale of the Bonds were used for the rebuilding and renovation of the City Swim Center. Parcel tax revenues are pledged for the repayment of these Bonds. Principal and interest are payable semi-annually each March 1 and September 1 through 2020.

C. 2006 Lease Revenue Bonds

On November 1, 2006 the El Cerrito Public Financing Authority issued Series 2006 Lease Revenue Bonds in the amount of \$9,610,000 at 3.60%-5.00% interest. The proceeds from the sale of the Bonds were used for the construction of a new City Hall. Rental revenues from the City to the Authority are pledged for the repayment of these Bonds. Principal and interest payments are due semi-annually each June 1 and December 1 through 2036.

CITY OF EL CERRITO
Notes to Basic Financial Statements

NOTE 6 – LONG-TERM DEBT (Continued)

D. Tax Allocation Bonds

1997 Tax Allocation Refunding Bonds - On December 3, 1997, the El Cerrito Redevelopment Agency issued Series 1997 A Bonds in the amount of \$7,450,000 at 3.70%-4.90% interest. The proceeds from the Bonds were used to refund the Agency's \$7,185,000 El Cerrito Redevelopment Project Area Refunding Tax Allocation Bonds, Series 1991 A. The Series 1997 A Bonds are secured by a pledge of certain tax increment revenues from the Project Area. Interest is payable semiannually on January 1 and July 1 through 2019. Principal is payable annually on July 1.

1998 Tax Allocation Refunding Bonds - On April 2, 1998, the El Cerrito Redevelopment Agency issued Series 1998 B Tax Allocation Refunding Bonds in the amount of \$2,630,000 at 3.70%-5.25% interest. The proceeds from the Bonds were used to refund the Agency's El Cerrito Redevelopment Project Area Bonds, Series 1990 A in the amount of \$3,025,000. The Series 1998 B Bonds are secured by a pledge of certain tax increment revenues from the Project Area. Interest is payable semiannually on January 1 and July 1 through 2015. Principal is payable annually on July 1.

2004 Tax Allocation Bonds - On September 30, 2004, the El Cerrito Redevelopment Agency issued Series 2004 A and B Tax Allocation Bonds in the amounts of \$10,315,000 and \$6,510,000, respectively, for a total original principal amount of \$16,825,000 at 3.50%-5.50% interest. The proceeds are being used to finance activities such as public facilities and infrastructure improvements of various housing projects within the Project Area and the repayment of a note payable. The Bonds are payable from tax increment revenues from the Project Area. Interest is payable semi-annually on January 1 and July 1 through 2023. Principal is payable annually on July 1 commencing on July 1, 2013 for the 2004 A Tax Allocation Bonds and July 1, 2005 for the 2004 B Tax Allocation Bonds.

E. Capital Leases

On March 1, 1996, the City entered into a non-cancelable capital lease agreement in the amount of \$1,485,000 at 4.205%-6.050% interest with the El Cerrito Municipal Services Corporation to finance the replacement of a fire station. Principal payments are due annually each March 1 and interest payments are due semi-annually each March 1 and September 1 through March 1, 2009. Ownership of the station reverts to the City at the end of the lease. Since the lease is in essence a financing arrangement, the cost of the station and the amount of the lease have been included in the City's financial statements.

On August 12, 2005, the City entered into a lease agreement in the amount of \$507,375 at 3.9% interest with First Municipal Leasing Corporation to finance the purchase of a fire truck and apparatus. Annual principal and interest payments of \$56,110 are due through August 12, 2016.

On June 15, 2007, the City entered into a lease agreement in the amount of \$349,997 at 4.180% interest with First Municipal Leasing Corporation to finance the purchase of a fire truck and apparatus. Annual principal and interest payments of \$43,620 are due through July 1, 2017.

CITY OF EL CERRITO
Notes to Basic Financial Statements

NOTE 6 – LONG-TERM DEBT (Continued)

F. Target Note Payable

The City entered into a loan agreement, in October 1990, with Dayton Hudson (Target) in the amount of \$750,000. Principal and interest payments are due annually on June 1. Under the terms of the loan agreement, interest on the loan is 9% and the City will make annual payments \$76,355 until June 1, 2018.

G. Debt Service Requirements

Debt service requirements are shown below for all long-term debt:

Year ending June 30	Governmental Activities	
	Principal	Interest
2008	\$1,577,008	\$1,855,295
2009	1,684,774	1,795,637
2010	1,781,409	1,708,906
2011	1,902,790	1,623,072
2012	2,044,605	1,528,375
2013-2017	10,791,517	6,135,648
2018-2022	10,903,201	3,658,685
2023-2027	5,870,000	1,452,403
2028-2032	2,120,000	833,660
2033-2037	2,635,000	305,865
	<u>\$41,310,304</u>	<u>\$20,897,546</u>

NOTE 7 – NET ASSETS AND FUND BALANCES

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

A. Net Assets

Net Assets is the excess of all the City's assets over all its liabilities, regardless of fund. Net Assets are divided into three categories. These categories 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.

CITY OF EL CERRITO
Notes to Basic Financial Statements

NOTE 7 – 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 agency assets.

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 expenditures.

C. Reserves

Reserves result from prior actions or transactions or are placed by outside entities such as bondholders, other governments, etc., and restrict the expenditures of the reserved funds to the purpose intended by the entity which provided the funds. The City cannot modify or remove these reserves. At June 30, 2007, reserves included:

Reserve for **debt service** is the portion of fund balance legally restricted for the payment of principal and interest on long-term liabilities.

Reserve for **encumbrances** is the portion of fund balance legally restricted to reflect outstanding contractual obligations for which goods and services have not been received.

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

Reserves for **inventory, prepaid items and advances** are the portions of fund balance set aside to indicate these items do not represent available, spendable resources even though they are an asset of the Fund.

Reserve for **low and moderate income housing** is the portion of fund balance legally restricted for operating the City's Low Income Housing program.

D. Designations

Designations are imposed by City Council to reflect future spending plans or concerns about the *availability of future resources*. Designations may be modified, amended or removed by Council action. Such plans are subject to change and may or may not be legally authorized or result in expenditures. At June 30, 2007, designations included:

Designated for **multi-purpose field** is the portion of unreserved fund balance set aside for a multi-purpose field.

Designated for **capital facilities and maintenance** represents unexpended appropriations for capital outlay projects.

CITY OF EL CERRITO
Notes to Basic Financial Statements

NOTE 7 – NET ASSETS AND FUND BALANCES (Continued)

E. Fund Equity Deficits

The Landscape and Lighting Assessment and the National Pollution Discharge Elimination System Special Revenue Funds had deficits of \$63,804 and \$16,704, respectively, as of June 30, 2007. These deficits will be eliminated by future revenues.

NOTE 8 - PENSION PLANS

A. CALPERS Safety and Miscellaneous Employees Plans

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS), an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police and 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 CALPERS; the City must contribute these amounts. The City's labor contracts require it to pay the employees contributions as well as its own. The Plans' provisions and benefits in effect at June 30, 2007, are summarized as follows:

	Safety	Miscellaneous
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	3.00%	2.00-2.70%
Required employee contribution rates	9%	8%
Required employer contribution rates	23.886%	17.028%

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this Method is the level amount the 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. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarially accrued liability. The City uses actuarially determined percentages of payroll to calculate and pay contributions to CALPERS. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all contributions required by CALPERS, for the years ending June 30, 2007, 2006 and 2005 amounted to \$3,622,202, \$3,054,753 and \$1,738,779, respectively.

CITY OF EL CERRITO
Notes to Basic Financial Statements

NOTE 8 - PENSION PLANS (Continued)

CALPERS 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. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over 16 years for the Miscellaneous Plan and over 17 years for the Safety Plan. Investment gains and losses are accumulated as they are realized and amortized over a rolling thirty year period.

As required by new State law, effective July 1, 2005, the City's Miscellaneous and Safety Plans were terminated, and the employees in those plans were required by CALPERS to join new State-wide pools. One of the conditions of entry to these pools was that the City true-up any unfunded liabilities in the former Plans, either by paying cash or by increasing its future contribution rates through a Side Fund offered by CALPERS. The City satisfied its Miscellaneous and Safety Plans unfunded liabilities by agreeing to contribute to the Side Fund through an addition to its normal contribution rates. The balance of the Miscellaneous Plan's Side Fund was \$3,897,923 at June 30, 2007, which will be repaid over the next 23 years. The balance of the Safety Plan's Side Fund was \$7,447,900 at June 30, 2007, which will be repaid over the next 27 years.

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

B. City of El Cerrito Employees' Pension Trust Fund

The City of El Cerrito Employees' Pension Trust Fund is not part of the CALPERS. The Plan is a closed plan and is a single-employer defined benefit pension plan. The Plan covers only employees who elected not to be covered by CALPERS as of February 6, 1959. As of July 1, 2007, the latest actuarial valuation date, the pension plan had four members, all of whom are retired. The Plan provides retirement benefits generally equal to 50% of the annual salary of the Plan member at the time of retirement plus 50% of any change in salary after that date. The Plan also provides certain disability and death benefits. The Plan is closed to new entrants.

No contributions are made by Plan members, since all Plan members are retired. The actuarial accrued liability was determined as part of an actuarial valuation at July 1, 2007. Significant actuarial assumptions used in determining the actuarial accrued liability include: (a) a rate of return on the investment of present and future assets of 6.0% per year compounded annually, if the Plan were to be funded, (b) annual post-retirement benefit increases at 3.5% per year. Required contributions are determined using the unit credit method. The plan is amortized using the 1983 Group Annuity Mortality for Males.

The Plan's assets were exhausted as of June 30, 2005 and future payments will be made on a "pay as you go" basis from the General Fund.

CITY OF EL CERRITO
Notes to Basic Financial Statements

NOTE 8 - PENSION PLANS (Continued)

The actuarial present value of the projected benefits of plan members has been estimated to be \$1,282,150 at July 1, 2007. The Plan's schedule of funding status is as follows:

Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Total Unfunded Actuarial Accrued Liability (UUAL)	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
7/1/2001	\$148,000	\$2,053,000	(\$1,905,000)	7.2%	N/A	N/A
7/1/2004	6,036	1,502,924	(1,496,888)	0.4%	N/A	N/A
7/1/2007	0	1,282,150	(1,282,150)	0.0%	N/A	N/A

The Plan's annual pension cost for the three most recent fiscal years is as follows:

Fiscal Year Ended	Annual Pension Cost	Percentage Contributed
2005	\$230,376	100%
2006	215,841	100%
2007	181,873	100%

NOTE 9 - RISK MANAGEMENT

A. Municipal Pooling Authority (MPA)

The City is a member of the Municipal Pooling Authority of Northern California (formerly called Contra Costa County Municipal Risk Management Insurance Authority). The Authority provides coverage against the following types of loss risks under the terms of a joint-powers agreement with the City and several other cities and governmental agencies as follows:

Type of Coverage (Deductible)	Coverage Limits
Liability (\$5,000)	\$20,000,000
Vehicle - Physical Damage (\$3,000 for police vehicles, \$2,000 for all others)	250,000
Worker's Compensation (no deductible)	200,000,000
All Risk Fire, Property, Earthquake & Flood (\$5,000)	350,000,000
Boiler & Machinery (\$5,000)	100,000,000

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

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

CITY OF EL CERRITO
Notes to Basic Financial Statements

NOTE 9 - RISK MANAGEMENT (Continued)

The Authority's all risk fire, property, earthquake and flood coverage was reduced from \$1 billion for the fiscal year ended June 30, 2006 to \$350 million for the year ended June 30, 2007.

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

B. Liability for Uninsured Claims

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

Prior to June 30, 1998, the City's deductible for workers' compensation claims was \$350,000 per claim. Claims were handled by a third-party administrator, and actuarial estimates were developed for the probable amounts ultimately to be paid by the City for such claims.

The City's liability for uninsured claims at June 30 was estimated by management based on claims experience reported by MPA and the pre-1998 workers' compensation claims discussed above, and was computed as follows:

	June 30, 2007	June 30, 2006
Beginning balance	\$118,409	\$155,518
Change in provision for prior fiscal year claims	11,026	5,979
Claims paid	(17,214)	(43,088)
Ending balance	\$112,221	\$118,409

NOTE 10 - CERRITO THEATER LEASE

In May 2003 the Agency entered into a long-term lease with Downey Street Productions (tenant) for the Cerrito Theater. The lease has a twenty-five year term and an option for an additional twenty-five year period. The tenant is obligated to remit monthly base rent of \$10 thousand for the initial five year term, increased every five years thereafter as specified in the lease. In addition, the tenant is to pay the Agency's operating expenses of the Theater as defined in the agreement, along with 10% of calendar year gross receipts from the Theater and restaurant in excess of \$1.5 million, as adjusted for increases in the Consumer Price Index.

Ownership of the Theater and property remains with the Agency at the end of the lease term as it is a historical site. Therefore, the Agency has recorded the lease transaction as an operating lease and has included the cost of Theater renovations in its capital assets which were completed in fiscal year 2007.

CITY OF EL CERRITO
Notes to Basic Financial Statements

NOTE 10 – CERRITO THEATER LEASE (Continued)

The following schedule summarizes the future minimum base lease payments to be received by the Agency from the lease agreement:

Fiscal Year	Amount
2008	\$120,000
2009	120,000
2010	120,000
2011	120,000
2012	122,000
2013-2017	617,048
2018-2022	632,464
2023-2027	648,292
2028-2032	573,976
	<u>\$3,073,780</u>

NOTE 11 – COMMITMENTS AND CONTINGENCIES

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

The City participates in several federal and State grant programs. These programs have been audited by the City's independent accountants in accordance with the provisions of the federal Single Audit Act amendments of 1996 and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

The City has construction commitments of \$6,930,474 for contracts awarded but not completed at June 30, 2007. The major contracts outstanding are for buildings, streets, and storm drain projects.

NOTE 12 – PASS-THROUGH PAYMENTS

As part of the Redevelopment Agency Plan adoption, the Agency entered into agreements with various taxing entities which require the Agency to pass through portions of Project Area incremental property taxes to each taxing entity. Payments under these pass through agreements amounted to \$841,700 for the year ended June 30, 2007.

**MAJOR GOVERNMENTAL FUNDS, OTHER THAN
GENERAL FUND AND SPECIAL REVENUE FUNDS**

CITY HALL CONSTRUCTION CAPITAL PROJECTS FUND

This fund accounts for the expenditures related to the construction of a new City Hall.

REDEVELOPMENT AGENCY CAPITAL PROJECTS FUND

This fund is used to account for major capital improvement projects under the management of the City's Redevelopment Agency.

REDEVELOPMENT DEBT SERVICE FUND

This fund is used to account for the payment of interest and principal on the debt of the Redevelopment Agency.

CITY OF EL CERRITO
 BUDGETED MAJOR FUNDS, OTHER THAN THE GENERAL FUND OR SPECIAL REVENUE FUNDS
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	City Hall Construction Fund			Redevelopment Capital Projects Fund			Redevelopment Debt Service Fund		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
Revenues:									
Taxes and assessments				\$4,012,820	\$3,836,751	(\$176,069)			
Use of money and property	\$25,000	\$224,049	\$199,049	580,000	684,494	104,494			
Other revenues		9,190	9,190	60,000	60,563	563	\$3,000	\$5,667	\$2,667
Total Revenues	25,000	233,239	208,239	4,652,820	4,581,808	(70,992)	3,000	5,667	2,667
Expenditures:									
Current:									
General government				12,293	437	11,856			
Public works	500,000	3,199	496,801	836,689	609,995	226,694			
Community development				1,995,608	2,492,241	(496,633)			
Capital Outlay	7,868,470	4,955,889	2,912,581	964,000	841,700	122,300			
Pass through agreements									
Debt service				49,580	39,541	19,999	640,000	640,000	
Principal payments				57,621	58,510	(889)	1,080,116	1,080,116	
Interest and fiscal fees									
Total Expenditures	8,368,470	4,959,088	3,409,382	3,915,791	4,032,484	(116,693)	1,720,116	1,720,116	
Excess of revenues over (under) expenditures	(8,343,470)	(4,725,849)	3,617,621	737,009	549,324	(187,685)	(1,717,115)	(1,714,449)	2,667
Other Financing Sources (uses):									
Transfers in	11,369,139	8,250,000	(3,119,139)	4,470,070		(4,470,070)			
Transfers (out)				(8,711,595)	(4,388,254)	4,323,341	1,720,117	1,810,336	90,219
Total other financing sources (uses)	11,369,139	8,250,000	(3,119,139)	(4,241,529)	(4,388,254)	(146,725)	1,720,117	1,810,336	90,219
Net Change in Fund Balances	\$3,025,669	3,524,151	\$498,482	(\$3,504,520)	(3,838,910)	(\$334,410)	\$3,001	95,867	\$92,886
Fund Balances, July 1, 2006		1,182,362			15,418,010			1,222,594	
Fund Balances, June 30, 2007		\$4,706,513			\$11,579,080			1,318,481	

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

GAS TAX

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

LIGHTING AND LANDSCAPE ASSESSMENT

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

MUNICIPAL SERVICES CORPORATION

This fund accounts for debt service on the City's fire station capital lease.

MEASURE A PARCEL TAX

This fund is used to account for the use of the voter-approved special tax to be used for the swim center and park capital project.

NATIONAL POLLUTION DISCHARGE ELIMINATION SYSTEM

This fund accounts for storm water utility fees assessed to property owners city-wide on their property tax bills. The funds are used to pay for the "National Pollution Discharge Elimination System" mandated by the Federal government to prevent further polluting of our streams and bays.

FEDERAL, STATE AND LOCAL GRANTS

This fund accounts for revenues and expenditures related to grants from other governmental agencies.

ASSET SEIZURE

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

VEHICLE ABATEMENT

This fund accounts for revenues received from Vehicle Code Section 9250.7 to administer and operate the local vehicle abatement program.

PARK IN LIEU

This fund accounts for funds received through negotiations with developers to be used for park improvements.

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NON-MAJOR GOVERNMENTAL FUNDS (Continued)

CAPITAL PROJECTS FUNDS

CAPITAL IMPROVEMENT FUND

This fund is used to account for the funds expended on various City capital projects.

STORM DRAIN

This fund accounts for assessments collected and funds expended for the maintenance and upgrade of the storm drains.

MEASURE C

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

DEBT SERVICE FUNDS

STORM DRAIN

This fund accounts for principal and interest payments on the Storm Drain Revenue Bonds.

PUBLIC FINANCING AUTHORITY

This fund accounts for principal and interest payments on the Lease Revenue Bonds.

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CITY OF EL CERRITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2007

	SPECIAL REVENUE FUNDS				
	Gas Tax Fund	Landscape and Lighting Assessment Fund	Municipal Services Corporation Fund	Measure A Parcel Tax Fund	National Pollution Discharge Elimination System Fund
Assets					
Cash and investments	\$42,780	\$849		\$506,291	\$617
Cash and investments with fiscal agent				178,815	
Accounts receivable	1,503	3,006			554
Due from other governments	76,992				
Total Assets	\$121,275	\$3,855		\$685,106	\$1,171
Liabilities					
Accounts payable	\$16,406	\$67,659		\$12,695	\$17,875
Accrued liabilities	16,995				
Deposits payable					
Total Liabilities	33,401	67,659		12,695	17,875
Fund Balances					
Reserved:					
Encumbrances	73,542				
Debt service					
Unreserved:					
Designated for capital improvements	14,332		672,411		
Undesignated		(63,804)		(16,704)	
Total fund balances (deficit)	87,874	(63,804)		672,411	(16,704)
Total liabilities and fund balances	\$121,275	\$3,855		\$685,106	\$1,171

	SPECIAL REVENUE FUNDS			Capital Projects Funds		
	Federal, State, and Local Grants Fund	Asset Seizure Fund	Vehicle Abatement Fund	Park In Lieu Fund	Capital Improvement Fund	Storm Drain Fund
	\$145,522	\$167,171	\$117,769	\$475,186	\$2,012,361	\$467,298
	704		3,041		527	
	26,500		3,402			
	\$172,726	\$167,171	\$124,212	\$475,186	\$2,012,888	\$467,298
	\$688		\$644		\$111,548	\$39,496
		\$34,173				
	688	34,173	644		111,548	39,496
					699,974	
					1,201,366	437,802
	172,038	133,998	123,568	\$475,186		
	172,038	133,998	123,568	475,186	1,901,340	437,802
	\$172,726	\$167,171	\$124,212	\$475,186	\$2,012,888	\$467,298

(Continued)

CITY OF EL CERRITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2007

	Capital Projects Fund	Debt Service Funds		Totals
	Measure C Fund	Storm Drain Fund	Public Financing Authority Fund	
Assets				
Cash and investments	\$239,804	\$30,215	\$56,763	\$4,262,626
Cash and investments with fiscal agent		\$47,331	1,636,012	2,162,158
Accounts receivable	342,050			351,385
Due from other governments				106,894
Total Assets	\$581,854	\$577,546	\$1,692,775	\$7,083,063
Liabilities				
Accounts payable	\$358		\$1,635	\$259,004
Accrued liabilities				16,995
Deposits payable				34,123
Total Liabilities	\$358		1,635	310,172
Fund Balances				
Reserved:				
Encumbrances	502,000			1,275,516
Debt service		\$577,546	1,691,140	2,268,686
Unreserved:				
Designated for capital improvements	79,496			2,405,407
Undesignated				823,282
Total fund balances (deficit)	\$81,496	\$77,546	1,691,140	6,772,891
Total liabilities and fund balances	\$581,854	\$577,546	\$1,692,775	\$7,083,063

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CITY OF EL CERRITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	SPECIAL REVENUE FUNDS				
	Gas Tax Fund	Landscape and Lighting Assessment Fund	Municipal Services Corporation Fund	Measure A Parcel Tax Fund	National Pollution Discharge Elimination System Fund
Revenues:					
Taxes and assessments		\$758,513		\$430,828	
Use of money and property	\$9,460			23,801	
Intergovernmental revenues	531,733				\$310,780
Charges for services					223
Other revenues					
Total revenues	<u>541,193</u>	<u>758,513</u>		<u>454,629</u>	<u>311,003</u>
Expenditures:					
Current:					
General Government	1,879			9,177	
Public works	510,487	1,232,134			242,830
Recreation		60,842			
Community development					
Public safety					
Capital outlay	169,550			46,324	
Debt service:					
Principal			\$165,000		
Interest and fiscal agent fees			32,545		
Total expenditures	<u>682,316</u>	<u>1,292,976</u>	<u>197,545</u>	<u>55,501</u>	<u>242,830</u>
Excess of revenues over (under) expenditures	<u>(141,123)</u>	<u>(534,463)</u>	<u>(197,545)</u>	<u>399,128</u>	<u>68,173</u>
Other Financing Sources (uses):					
Issuance of debt					
Bond premium					
Transfers in	288,000	546,393	197,545		63,000
Transfers (out)	(299,192)	(77,881)		(366,306)	(118,780)
Total other financing sources (uses)	<u>(11,192)</u>	<u>468,512</u>	<u>197,545</u>	<u>(366,306)</u>	<u>(55,780)</u>
Net changes in fund balances	(152,315)	(65,951)		32,823	12,393
Fund balances (deficit) - July 1, 2006	240,189	2,147		630,589	(29,097)
Fund balances (deficit) - June 30, 2007	<u>\$87,874</u>	<u>(\$63,804)</u>		<u>\$672,411</u>	<u>(\$16,704)</u>

	SPECIAL REVENUE FUNDS				Capital Projects Funds	
	Federal, State, and Local Grants Fund	Asset Seizure Fund	Vehicle Abatement Fund	Park In Lieu Fund	Capital Improvement Fund	Storm Drain Fund
	\$8,801	\$6,973	\$4,750	\$19,087	\$90,938	\$672,190
	132,440		16,778		90,475	9,264
						360
					729	
	<u>141,241</u>	<u>6,973</u>	<u>21,528</u>	<u>19,087</u>	<u>182,142</u>	<u>681,814</u>
	17,074				8,112	9,094
	98,455		7,385		43,017	
	50,274				1,030,375	51,309
	<u>165,803</u>		<u>7,385</u>		<u>1,081,504</u>	<u>60,403</u>
	<u>(24,562)</u>	<u>6,973</u>	<u>14,143</u>	<u>19,087</u>	<u>(899,362)</u>	<u>621,411</u>
					2,070,445	(498,980)
	<u>(445)</u>				<u>2,070,445</u>	<u>(498,980)</u>
	(25,007)	6,973	14,143	19,087	1,171,083	122,431
	<u>197,045</u>	<u>126,025</u>	<u>109,425</u>	<u>456,099</u>	<u>730,257</u>	<u>315,371</u>
	<u>\$172,038</u>	<u>\$132,998</u>	<u>\$123,568</u>	<u>\$475,186</u>	<u>\$1,901,340</u>	<u>\$437,802</u>

(Continued)

CITY OF EL CERRITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	Capital Projects	Debt Service Funds		Totals
	Fund	Measure C Fund	Storm Drain Fund	
Revenues:				
Taxes and assessments	\$422,364			\$2,283,895
Use of money and property	21,230	\$26,140	\$56,467	276,911
Intergovernmental revenues				1,082,206
Charges for services	31,935			32,518
Other revenues				729
Total revenues	<u>475,529</u>	<u>26,140</u>	<u>56,467</u>	<u>3,676,259</u>
Expenditures:				
Current:				
General Government		2,649	3,884	17,589
Public works	43,479			2,063,210
Recreation	84,946			145,788
Community development				43,017
Public safety				105,840
Capital outlay	59,609			1,407,841
Debt service:				
Principal		340,000	210,000	715,000
Interest and fiscal agent fees		171,965	683,273	887,783
Total expenditures	<u>188,034</u>	<u>514,614</u>	<u>897,157</u>	<u>5,386,068</u>
Excess of revenues over (under) expenditures	<u>287,495</u>	<u>(488,474)</u>	<u>(840,690)</u>	<u>(1,709,809)</u>
Other Financing Sources (uses):				
Issuance of debt			9,610,000	9,610,000
Bond premium			165,836	165,836
Transfers in		498,980	366,306	4,030,669
Transfers (out)	(340,744)		(8,000,000)	(9,702,328)
Total other financing sources (uses)	<u>(340,744)</u>	<u>498,980</u>	<u>2,142,142</u>	<u>4,104,177</u>
Net changes in fund balances	<u>(53,249)</u>	<u>10,506</u>	<u>1,301,452</u>	<u>2,394,368</u>
Fund balances (deficit) - July 1, 2006	<u>634,745</u>	<u>567,040</u>	<u>389,688</u>	<u>4,378,523</u>
Fund balances (deficit) - June 30, 2007	<u>\$581,496</u>	<u>\$577,546</u>	<u>\$1,691,140</u>	<u>\$6,772,891</u>

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CITY OF EL CERRITO
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Measure C Fund			Storm Drain - Debt Service Fund			Public Financing Authority - Debt Service Fund		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
Revenues:									
Taxes and assessments	\$410,000	\$422,364	\$12,364						
Use of money and property	6,000	21,230	15,230	5,000	\$26,140	\$21,140	\$4,500	\$56,467	\$51,967
Intergovernmental									
Charges for services	30,000	31,933	\$1,933						
Other revenues									
Total Revenues	446,000	475,527	29,527	5,000	26,140	21,140	4,500	56,467	51,967
Expenditures:									
Current:									
General government					2,649	(2,649)			
Public works	55,200	43,479	11,721				2,000	3,884	(1,884)
Recreation	81,064	84,946	(3,882)						
Community development									
Public safety									
Capital outlay	60,000	59,609	391						
Debt service:									
Principal payments				340,000	340,000		210,000	210,000	
Interest and fiscal fees				171,965	171,965		159,515	683,273	(523,758)
Total Expenditures	196,264	188,034	8,230	511,965	514,614	(2,649)	371,515	897,157	(525,642)
Excess of revenues over (under) expenditures	249,736	287,493	37,757	(506,965)	(488,474)	18,491	(367,015)	(840,690)	(473,675)
Other Financing Sources (uses):									
Issuance of debt							8,000,000	9,610,000	1,610,000
Bond premium								165,836	165,836
Transfers in				506,965	498,980	(7,985)	367,015	366,306	(709)
Transfers (out)	(177,744)	(340,744)	(163,000)				(8,000,000)	(8,000,000)	
Total other financing sources (uses)	(177,744)	(340,744)	(163,000)	506,965	498,980	(7,985)	367,015	2,142,142	1,775,127
Net Change in Fund Balances	\$71,992	(53,249)	(\$125,241)		10,506	\$10,506		1,301,452	\$1,301,452
Fund balances (deficit) July 1, 2006		634,745			567,040			389,688	
Fund balances (deficit) June 30, 2007		<u>\$581,496</u>			<u>\$377,546</u>			<u>\$1,691,140</u>	

STATISTICAL SECTION

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

Financial Trends

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

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

Revenue Capacity

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

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

Debt Capacity

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

1. Ratio of Outstanding Debt by Type
2. Computation of Direct and Overlapping Governmental Debt
3. Computation of Legal Bonded Debt Margin
4. Revenue Bond Coverage – Storm Drain Revenue Bonds
5. Revenue Bond Coverage – 2002 Lease Revenue Bonds
6. Bonded Debt Pledged Revenue Coverage: Tax Allocation Bonds

Demographic and Economic Information

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

1. Demographic and Economic Statistics
2. Principal Employers

Operating Information

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

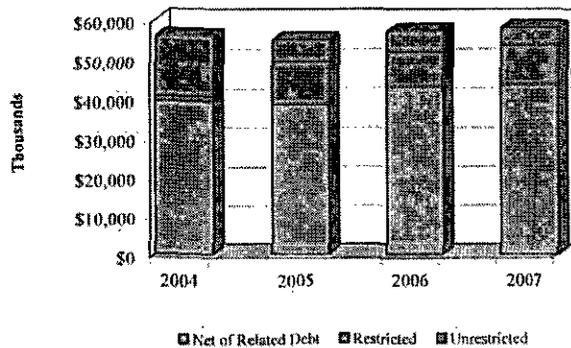
1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in 2004; schedules presenting government-wide information include information beginning in that year.

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CITY OF EL CERRITO
Net Assets by Component
Last Four Fiscal Years
(accrual basis of accounting)



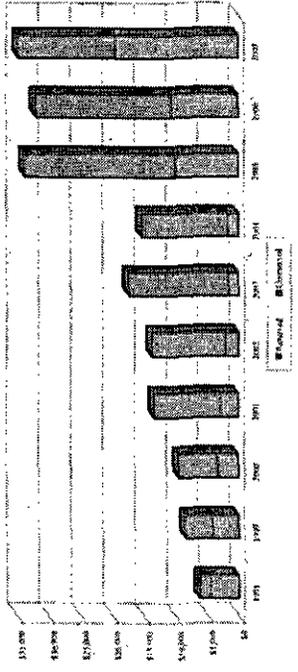
	2004	2005	2006	2007
Governmental activities				
Invested in capital assets, net of related debt	\$39,277.962	\$38,446.756	\$42,902.737	\$43,404.472
Restricted	1,280.314	10,947.755	9,127.866	10,189.456
Unrestricted	14,010.525	4,445.338	4,487.713	3,958.101
Total governmental activities net assets	\$54,568,801	\$53,839,849	\$56,518,316	\$57,552,029
Business-type activities				
Invested in capital assets, net of related debt	\$166,944	\$114,162	\$74,264	\$95,905
Unrestricted	1,226,483	1,052,704	628,818	438,103
Total business-type activities net assets	\$1,393,427	\$1,166,866	\$703,082	\$534,008
Primary government				
Invested in capital assets, net of related debt	\$39,444.906	\$38,560.918	\$42,977.001	\$43,500.377
Restricted	1,280.314	10,947.755	9,127.866	10,189.456
Unrestricted	15,237.008	5,498.042	5,116.531	4,396.204
Total primary government net assets	\$55,962,228	\$55,006,715	\$57,221,398	\$58,086,037

Note: The City implemented GASB 34 in fiscal 2004

CITY OF EL CERRITO
Changes in Net Assets
Last Four Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ended June 30,			
	2004	2005	2006	2007
Expenses				
Governmental Activities:				
General Government	\$4,587,166	\$2,718,790	\$3,139,206	\$3,134,741
Public Works	4,513,079	3,909,178	4,513,479	4,619,534
Recreation	2,497,301	3,074,275	3,007,772	3,813,705
Community Development	1,475,004	2,381,711	2,613,447	3,227,721
Public Safety	10,744,658	11,998,250	12,755,286	14,024,683
Interest on Long Term Debt	885,708	2,095,192	1,595,009	1,944,024
Total Governmental Activities Expenses	24,733,114	26,199,695	28,243,199	30,984,410
Business-Type Activities:				
Integrated waste management	1,109,118	1,134,584	1,105,726	1,176,930
Total Business-Type Activities Expenses	1,109,118	1,134,584	1,105,726	1,176,930
Total Primary Government Expenses	\$25,842,232	\$27,334,189	\$29,350,925	\$32,161,340
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government	\$1,390	\$19,273	\$87,334	\$134,060
Public Works	92,127	282,569	169,735	145,948
Recreation	376,496	1,448,211	1,666,755	1,988,281
Community Development	1,483,306	815,771	821,449	841,393
Public Safety	603,994	2,301,007	2,267,943	2,427,140
Operating Grants and Contributions	5,533,673	3,005,141	3,040,299	1,843,174
Total Government Activities Program Revenues	8,083,386	7,871,972	8,053,515	7,379,906
Business-Type Activities:				
Charges for Services:				
Integrated waste management	789,819	874,576	829,413	1,227,755
Total Business-Type Activities Program Revenue	789,819	874,576	829,413	1,227,755
Total Primary Government Program Revenues	\$8,873,205	\$8,746,548	\$8,882,928	\$8,607,661
Net (Expense)/Revenue				
Governmental Activities	(\$16,649,728)	(\$18,327,631)	(\$20,190,684)	(\$23,604,414)
Business-Type Activities	(319,299)	(260,008)	(277,313)	50,825
Total Primary Government Net Expense	(\$16,969,027)	(\$18,587,639)	(\$20,468,012)	(\$23,553,589)
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Taxes:				
Property Taxes	\$9,722,631	\$11,121,328	\$12,108,120	\$11,867,298
Sales Taxes	3,407,523	1,412,795	3,427,006	1,432,018
Transient Lodging Taxes	69,512	72,423	83,049	85,060
Franchise Taxes	553,815	748,663	705,087	806,038
Business License Taxes	635,069	593,979	644,531	627,129
Utility User Taxes	2,472,533	2,525,963	2,778,452	2,775,195
Other Taxes	792,410	610,049	301,097	253,658
Use of money and property	524,455	686,565	1,373,414	1,750,758
Other	2,083,520	479,495	1,197,798	782,735
Transfers	20,000	250,687	250,687	258,208
Total Government Activities	20,281,489	20,249,264	23,869,151	24,618,127
Business-Type Activities:				
Use of money and property	19,717	26,163	34,785	12,173
Transfers	(20,000)	7,284	(250,687)	(258,208)
Other			29,431	26,136
Total Business-Type Activities	(283)	33,447	(215,902)	(219,899)
Total Primary Government	\$20,281,206	\$20,282,711	\$23,653,249	\$24,398,228
Change in Net Assets				
Governmental Activities	\$1,631,261	\$1,921,611	\$2,678,467	\$1,013,713
Business-Type Activities	(319,522)	(276,561)	(463,784)	(169,074)
Total Primary Government	\$1,311,739	\$1,645,050	\$2,214,683	\$844,639

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



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	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		
General Fund	\$1,100,000	\$1,200,000	\$1,300,000	\$1,400,000	\$1,500,000	\$1,600,000	\$1,700,000	\$1,800,000	\$1,900,000	\$2,000,000	\$2,100,000	\$2,200,000	\$2,300,000	\$2,400,000	\$2,500,000	\$2,600,000	\$2,700,000	\$2,800,000	\$2,900,000	\$3,000,000	\$3,100,000	\$3,200,000	\$3,300,000	\$3,400,000	\$3,500,000	\$3,600,000	\$3,700,000	\$3,800,000	\$3,900,000	\$4,000,000	
Special Fund	\$500,000	\$550,000	\$600,000	\$650,000	\$700,000	\$750,000	\$800,000	\$850,000	\$900,000	\$950,000	\$1,000,000	\$1,050,000	\$1,100,000	\$1,150,000	\$1,200,000	\$1,250,000	\$1,300,000	\$1,350,000	\$1,400,000	\$1,450,000	\$1,500,000	\$1,550,000	\$1,600,000	\$1,650,000	\$1,700,000	\$1,750,000	\$1,800,000	\$1,850,000	\$1,900,000	\$1,950,000	\$2,000,000
Capital Asset Fund	\$200,000	\$220,000	\$240,000	\$260,000	\$280,000	\$300,000	\$320,000	\$340,000	\$360,000	\$380,000	\$400,000	\$420,000	\$440,000	\$460,000	\$480,000	\$500,000	\$520,000	\$540,000	\$560,000	\$580,000	\$600,000	\$620,000	\$640,000	\$660,000	\$680,000	\$700,000	\$720,000	\$740,000	\$760,000	\$780,000	\$800,000
Other Governmental Funds	\$100,000	\$110,000	\$120,000	\$130,000	\$140,000	\$150,000	\$160,000	\$170,000	\$180,000	\$190,000	\$200,000	\$210,000	\$220,000	\$230,000	\$240,000	\$250,000	\$260,000	\$270,000	\$280,000	\$290,000	\$300,000	\$310,000	\$320,000	\$330,000	\$340,000	\$350,000	\$360,000	\$370,000	\$380,000	\$390,000	\$400,000
Total	\$1,900,000	\$2,080,000	\$2,260,000	\$2,440,000	\$2,620,000	\$2,800,000	\$2,980,000	\$3,160,000	\$3,340,000	\$3,520,000	\$3,700,000	\$3,880,000	\$4,060,000	\$4,240,000	\$4,420,000	\$4,600,000	\$4,780,000	\$4,960,000	\$5,140,000	\$5,320,000	\$5,500,000	\$5,680,000	\$5,860,000	\$6,040,000	\$6,220,000	\$6,400,000	\$6,580,000	\$6,760,000	\$6,940,000	\$7,120,000	\$7,300,000

\$0 The change in fund balances is the result of the difference between the amount of revenue and the amount of expenditures for each fund.

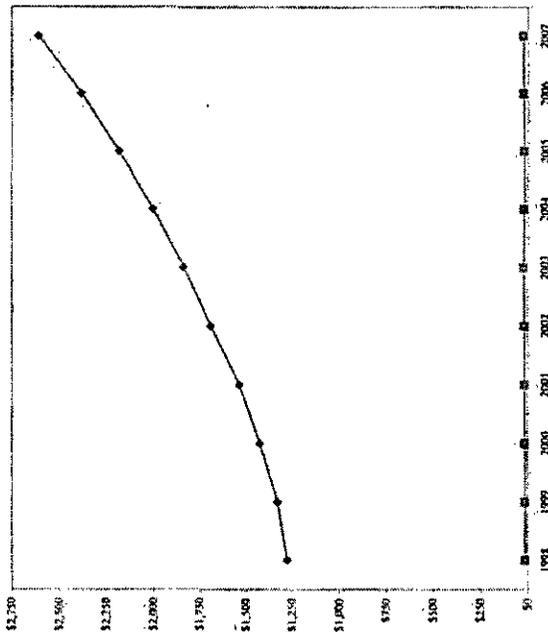
CITY OF EL CERRITO
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended June 30,					Fiscal Year Ended June 30,				
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues										
Taxes and assessments	\$12,244,801	\$11,009,517	\$11,542,764	\$15,389,260	\$16,103,713	\$17,472,007	\$17,653,544	\$19,798,494	\$21,165,256	\$22,415,684
Less Educational Revenue								(616,921)	(616,623)	
Amortization Fund										
Intergovernmental revenues	2,761,298	3,068,097	3,243,492	3,813,022	3,583,458	3,945,331	5,333,873	4,835,343	4,654,912	3,763,512
Use of money and property	512,223	872,241	687,086	848,947	538,834	395,591	524,150	664,856	1,122,204	1,676,036
Licenses and permits	160,948	300,098	209,349	158,393	428,433	411,173	787,101	483,899	412,729	336,209
Charges for services	1,273,440	2,313,694	1,337,270	1,817,743	1,690,432	1,781,331	1,683,643	2,760,423	2,499,338	2,281,166
Fines and Penalties	105,248	175,327	155,127	268,101	347,923	386,261	483,266	481,951	349,223	343,854
Other revenues	(18,008)	109,238	211,938	236,738	410,208	395,043	3,063,320	169,218	631,186	201,511
Total Revenues	16,978,579	18,491,312	19,185,638	22,546,666	23,190,500	24,649,100	28,746,965	28,099,527	30,680,269	31,707,213
Expenditures										
Current										
General Government	5,533,846	5,713,251	5,933,904	5,609,430	5,676,542	2,557,867	4,316,171	2,789,305	3,870,928	3,981,508
Public Works	1,792,516	3,095,264	3,936,357	3,979,673	2,271,631	3,531,311	2,154,870	2,525,347	2,941,922	2,996,843
Public Safety	2,402,628	2,722,699	2,810,907	8,351,376	9,247,264	9,805,822	10,493,851	12,072,622	12,608,494	13,911,337
Highways and Streets		80,182								
Community Development	2,811,582	2,493,436	2,755,432	3,170,124	3,989,626	2,805,097	4,473,091	4,732,963	1,831,896	2,136,322
Waste/Recycling								2,925,818	3,361,874	3,636,108
Other Programs	133,232							639,423	727,734	841,700
Capital outlay	2,083,940	819,392	1,447,003	1,928,693	2,342,323	3,398,671	2,215,166	3,831,647	3,661,742	8,854,971
Debt service:										
Principal repayment	2,305,760	1,257,005	1,162,442	4,672,463	1,021,429	873,506	1,318,942	1,202,570	1,327,138	1,384,581
Interest and fiscal charges	1,281,870	1,109,031	1,020,631	638,807	972,629	921,061	933,208	1,613,189	1,563,950	2,028,091
Total Expenditures	18,591,326	17,847,431	18,113,656	18,759,630	21,723,342	25,718,035	30,373,919	28,453,196	32,561,731	38,016,650
Excess (deficiency) of revenues over (under) expenditures	(2,713,279)	(1,357,641)	(1,073,803)	(5,389,636)	(371,138)	(1,069,233)	(2,078,674)	(353,869)	(1,940,961)	(17,311,441)
Other Financing Sources (Uses)										
Transfers in	4,289,829	2,213,263	2,444,056	3,479,833	9,780,790	6,092,338	4,379,071	9,149,958	3,651,473	13,633,636
Transfers out	(4,216,809)	(2,236,263)	(2,419,042)	(3,446,877)	(9,746,201)	(6,430,254)	(4,373,071)	(9,149,958)	(3,651,786)	(13,491,138)
Refunding bonds	10,000,000					(172,279)				
Cost of issuance						4,615,000		16,622,000		9,619,000
Proceeds from long-term debt		270,981		11,375						365,836
Bond premium										
Bond balance copy tax miscellaneous funds	(515,828)									
Payment of refund bond coupon	(9,528,191)									
Sale of capital assets	1,365,426									
Total other financing sources (uses)	2,291,307	257,541	(15,000)	6,375	(155,600)	4,645,706	20,600	16,822,000	200,487	9,977,934
Net Change in Fund Balance	(519,722)	(1,099,222)	(1,089,000)	(33,796,411)	922,158	(1,576,171)	(2,098,674)	(116,471,311)	(11,110,277)	(52,666,481)
Debt service as a percentage of municipal expenditures	(6)	(6)	(6)	(2)	(4)	(6)	8%	11.0%	9.7%	9.6%

NOTE:

(a) The City implemented GASB Statement 34 in fiscal year 2004. Therefore this calculation is included only for fiscal years subsequent to that date.

CITY OF EL CERRILLO
ASSESSED AND ESTIMATED VALUE OF ALL PROPERTY
LAST TEN FISCAL YEARS



Real Property Assessed Value
Personal Property Assessed Value
Total Assessed Value (1)

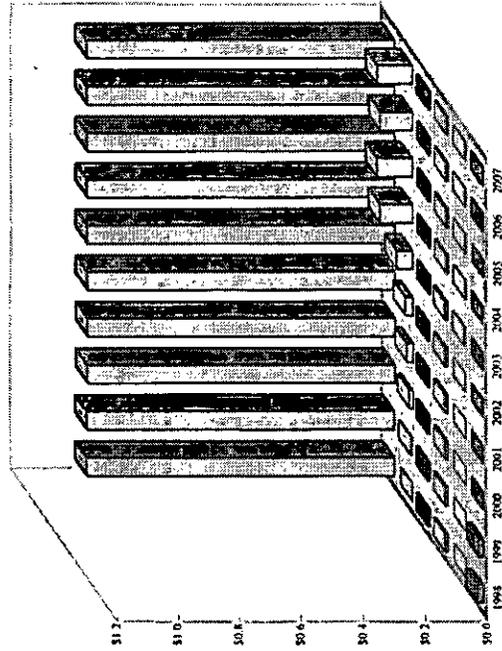
Fiscal Year	Real Property Assessed Value	Personal Property Assessed Value	Total Assessed Value (1)	% Change From Prior Year	Total Direct Rate (2)
1998	\$1,278,848,336	\$1,068,896	\$1,279,917,232	2.3%	1.0%
1999	1,279,152,214	13,769,973	1,292,922,187	2.9%	1.0%
2000	1,424,914,283	14,379,167	1,439,293,450	7.2%	1.0%
2001	1,534,881,215	15,986,262	1,550,867,477	7.7%	1.0%
2002	1,650,078,928	17,703,782	1,667,782,710	10.1%	1.0%
2003	1,831,814,185	19,179,950	1,850,994,135	8.6%	1.0%
2004	1,999,679,793	16,381,312	2,016,061,105	8.7%	1.0%
2005	2,181,413,400	18,263,408	2,199,676,808	9.2%	1.0%
2006	2,313,452,662	26,836,862	2,340,289,524	9.2%	1.0%
2007	2,408,772,126	21,929,383	2,430,701,509	9.4%	1.0%

Source: Contra Costa County Auditor-Controller's Office.

Note: (1) Amounts are net of exemptions.

(2) Assessed Value is determined based on California Proposition 13, as of January 1. The State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of no more than two percent annually, plus any local over-rides. These values are considered to be the full market value. California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area.

CITY OF EL CERRILLO
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS



Ray Area Rapid Transit District
East Bay Municipal Utilities District
West Contra Costa Unified School Districts
Contra Costa Community College District
East Bay Regional Park District
Contra Costa County

Fiscal Year	Contra Costa County	Ray Area Rapid Transit District	East Bay Municipal Utilities District	West Contra Costa Unified School Districts	Contra Costa Community College District	East Bay Regional Park District	Contra Costa County	West Contra Costa Unified School Districts	Total (1)
1998	1.00000	0.02200	0.01670	0.00000	0.00000	0.00960	0.00000	0.00000	1.03970
1999	1.00000	0.01670	0.00000	0.00000	0.00000	0.00920	0.00010	0.00010	1.04200
2000	1.00000	0.00000	0.00000	0.00000	0.00000	0.00880	0.01250	0.01250	1.03010
2001	1.00000	0.00000	0.00000	0.00000	0.00000	0.00860	0.02040	0.02040	1.03550
2002	1.00000	0.00000	0.00000	0.00000	0.00000	0.00835	0.02190	0.02190	1.04050
2003	1.00000	0.00000	0.00000	0.00000	0.00000	0.00845	0.02600	0.02600	1.07150
2004	1.00000	0.00000	0.00000	0.00000	0.00000	0.00760	0.02600	0.02600	1.12390
2005	1.00000	0.00000	0.00000	0.00000	0.00000	0.00810	0.02570	0.02570	1.13310
2006	1.00000	0.00000	0.00000	0.00000	0.00000	0.00726	0.02570	0.02570	1.12590
2007	1.00000	0.00000	0.00000	0.00000	0.00000	0.00689	0.02500	0.02500	1.11990

Source: Contra Costa County Auditor/Controller's Office.

Note: (1) Rates are per \$100 of assessed value.

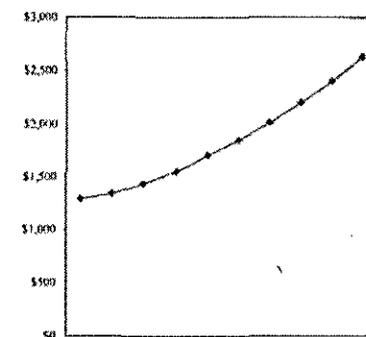
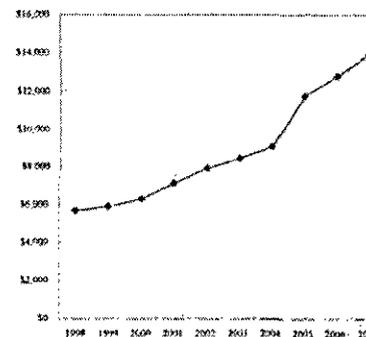
CITY OF EL CERRITO
Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2006-07		1997-98		Rank	Percentage of Total City Taxable Assessed Value
	Taxable Assessed Value	Rank	Taxable Assessed Value	Rank		
MCD RC California El Cerrito LLC	\$79,936,435	1				0.0%
Fairfield Del Norte LLC	21,037,106	2				0.0%
ECD Associates	16,413,913	3				0.0%
10944 San Pablo Investors	14,019,504	4				0.0%
Lucky Nocal Investor LLC	13,043,496	5				0.0%
Pepper Lane SE Square Loop	13,008,748	6				0.0%
Dayton Hudson Corporation	11,290,938	7	\$9,423,750	5		0.7%
Triple Net Investment LLC	8,683,687	8				0.0%
Elbot & Alana Megdal Trust	6,693,475	9				0.0%
Longs Drug Stores California Inc.	5,966,768	10				0.0%
Norman M. & Sarah Christensen			10,900,000	1		0.8%
El Cerrito Redevelopment Agency			14,079,206	2		1.1%
Zelman & PCF El Cerrito LLC			9,724,822	3		0.8%
El Cerrito Plaza Company LLC			9,506,908	4		0.7%
Northern Trust of California			4,954,390	6		0.4%
India Basin Investment Inc.			3,377,575	7		0.3%
Philip M. & Judy L. Lee			2,866,811	8		0.2%
Roman Catholic Bishop Oakland			5,741,832	9		0.4%
Dale J. & Danielle D. Fower			2,368,583	10		0.2%
Subtotal	\$190,116,072		\$72,993,877			2.8%

Total Net Assessed Valuation:
Fiscal Year 2006-07 & 1997-98 \$2,630,692,519 \$1,292,856,632

Source: Contra Costa County Assessor Fiscal Year 2006/07 Combined Tax Rolls.

CITY OF EL CERRITO
PROPERTY TAX LEVIES AND COLLECTIONS BY FUND TYPE
LAST TEN FISCAL YEARS



Fiscal Year	City Property Tax Levy	RDA Property Tax Increment	Special Assessments	Property Tax Bill Total Collected (1)	% Change From Prior Year	Value of City Property Subject to Local Tax Rate
1998	\$2,538,482	\$1,736,373	\$1,392,868	\$5,667,623	1.0%	\$1,292,856,632
1999	2,709,952	1,791,793	1,408,490	5,902,235	4.1%	1,342,911,188
2000	2,508,741	1,821,202	1,404,946	5,734,889	0.7%	1,439,714,430
2001	3,179,155	1,808,157	2,017,307	7,004,619	11.1%	1,550,869,507
2002	3,510,013	2,370,938	2,041,881	7,922,832	11.2%	1,707,732,710
2003	3,510,799	3,022,610	1,919,025	8,452,434	6.6%	1,855,041,315
2004	4,079,953	3,049,803	1,942,366	9,072,122	7.4%	2,016,414,005
2005	5,248,672	4,140,921	1,848,630	11,238,223	24.4%	2,202,076,308
2006	6,435,190	4,422,616	1,846,917	12,704,723	8.4%	2,404,288,624
2007	7,198,376	4,897,391	1,861,531	13,857,298	18.3%	2,630,692,519

Source: Contra Costa County Auditor/Controller's Office. Amount are net of collection fees.

Notes: (1) The City receives property tax revenues, and the City's Redevelopment Agency receives incremental property taxes pursuant to an arrangement with the County known as the "Letter Plan" whereby the County assumes responsibility for the collection of delinquent taxes and pays the full allocation to the City.

CITY OF EL CERRITO
 Statement of Outstanding Debt by Type
 Last Two Fiscal Years

Fiscal Year	Governmental Activities							Percentage of Personal Income (%)	Per Capita (\$)
	Tax Allocation Bonds	Lease Revenue Bonds	Storm Drain Revenue Bonds	Capital Lease	Redevelopment Note Payable to the City	Arbitrage Derivative Notes	Refinancing Agreement		
1998	\$8,750,000	-	\$5,499,000	\$1,413,000	\$212,680	\$2,052,324	\$18,951,204	2%	\$826
1999	8,750,000	-	5,265,000	1,345,000	-	2,019,323	18,661,843	2%	808
2000	8,422,000	-	5,030,500	1,266,000	-	1,878,944	17,891,168	2%	771
2001	9,685,000	-	4,785,000	1,105,000	-	1,396,370	16,731,368	1%	722
2002	8,335,000	-	4,525,000	1,665,000	-	1,272,941	15,597,941	1%	663
2003	8,370,000	\$4,615,000	4,250,000	955,000	-	1,147,415	19,139,415	1%	821
2004	7,993,000	4,449,000	3,065,000	830,000	-	790,491	18,028,491	1%	769
2005	24,428,000	4,215,000	3,660,000	895,000	-	652,923	33,642,923	3%	1,438
2006	23,793,000	4,085,000	3,340,000	1,002,335	-	925,785	32,771,160	2%	1,386
2007	23,155,000	3,440,000	3,000,000	1,189,100	-	568,204	41,110,304	2%	1,794

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

Sources: City of El Cerrito
 State of California, Department of Finance (evaluations)
 U.S. Department of Commerce, Bureau of Economic Analysis
 (a) See Schedule Demographic Statistics for personal income and population data.

CITY OF EL CERRITO
 Statement of Direct and Overlapping Debt
 June 30, 2007

2006-07 Assessed Valuation	\$2,610,672,519
Less Redevelopment Incremental Valuation	(541,252,290)
Adjusted Assessed Valuation	\$2,069,420,229

	Percentage Applicable to City	Amount Applicable to City of El Cerrito
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:		
OVERLAPPING TAX AND ASSESSMENT DEBT:		
Hay Area Rapid Transit 2003 Bonds	1.820%	\$373,891
East Bay Regional Park District	1.651	1,750,295
East Bay Municipal Utility District Wastewater	62.528	1,283,430
West Contra Costa Unified School District 1998	10.773	3,472,843
West Contra Costa Unified School District 2000	10.773	3,385,749
West Contra Costa Unified School District 2002	10.773	31,819,630
West Contra Costa Unified School District 2005	10.773	7,541,310
Contra Costa Community College	1.824	2,039,030
City of El Cerrito Parcel Tax Obligations	100	3,838,000
TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT		46,766,298
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:		
City of El Cerrito City Hall Lease Revenue Bonds	100.000%	\$9,610,000
TOTAL OVERLAPPING LEASE OBLIGATION DEBT		9,610,000
GROSS COMBINED TOTAL DEBT		\$76,376,298 (1)

Ratio to 2006-07 Assessed Valuation	
Direct Debt	0.46%
Total Gross Overlapping Tax and Assessment Debt	3.01%
Total Overlapping Tax and Assessment Debt	3.47%

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

**CITY OF EL CERRITO
COMPUTATION OF LEGAL BONDED DEBT MARGIN
JUNE 30, 2007**

ASSESSFD VALUATION:

Secured property assessed value, net of
exempt real property \$2,630,692,519

BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a) \$394,603,878

AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt \$41,319,304

Less Tax Allocation Bonds and Revenue Bonds,
Capital Leases and Notes Payable not subject to limit 41,319,304

Amount of debt subject to limit 0

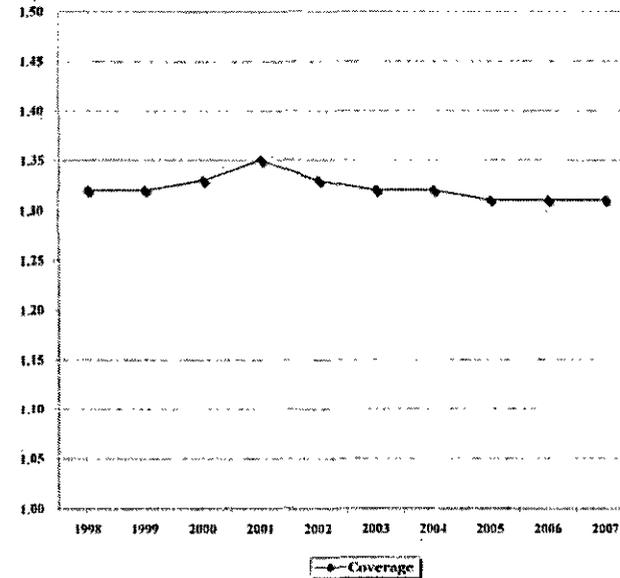
LEGAL BONDED DEBT MARGIN \$394,603,878

Fiscal Year (b)	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
2000	\$215,961,668	0	\$215,961,668	0.00%
2001	260,165,691	0	260,165,691	0.00%
2002	260,165,691	0	260,165,691	0.00%
2003	282,870,686	0	282,870,686	0.00%
2004	307,960,689	0	307,960,689	0.00%
2005	330,401,521	0	330,401,521	0.00%
2006	360,643,294	0	360,643,294	0.00%
2007	394,603,878	0	394,603,878	0.00%

NOTE:

- (a) California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth the limit to account for the adjustment of showing assessed valuations at full cash value.
- (b) City of El Cerrito began preparing a Comprehensive Annual Financial Report in fiscal 2000.

**CITY OF EL CERRITO
REVENUE BOND COVERAGE
STORM DRAIN REVENUE BONDS
LAST TEN FISCAL YEARS**



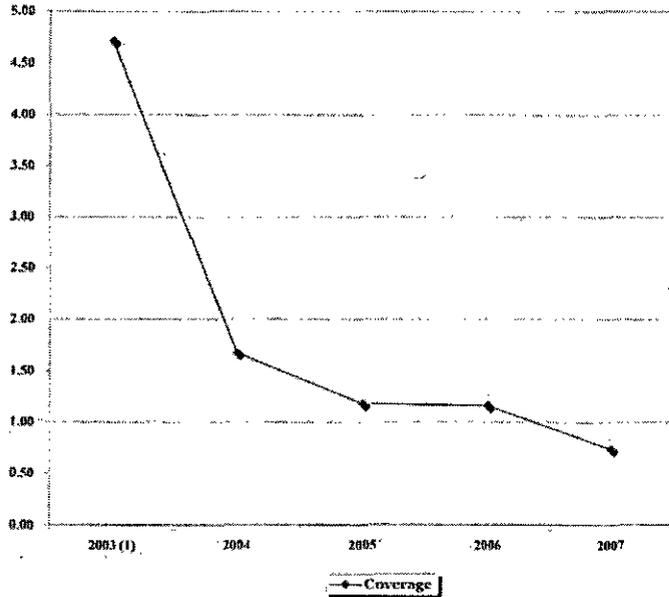
Fiscal Year	Debt Service Requirements			Total	Coverage
	Taxes and Assessments (I)	Principal	Interest		
1998	\$658,726	\$215,000	\$285,393	\$500,393	1.32
1999	663,108	225,000	275,933	500,933	1.32
2000	666,694	235,000	266,043	501,043	1.33
2001	674,040	245,000	255,773	500,773	1.35
2002	670,870	260,000	244,655	504,655	1.33
2003	671,008	275,000	232,293	507,293	1.32
2004	667,250	285,000	218,990	503,990	1.32
2005	668,088	305,000	204,678	509,678	1.31
2006	668,210	320,000	189,005	509,005	1.31
2007	672,190	340,000	171,965	511,965	1.31

Notes:

(I) Includes all taxes and assessments from the Storm Drain Capital Projects Fund.

Source: City of El Cerrito Annual Financial Statements

**CITY OF EL CERRITO
REVENUE BOND COVERAGE
2002 LEASE REVENUE BONDS
LAST FIVE FISCAL YEARS**



Debt Service Requirements

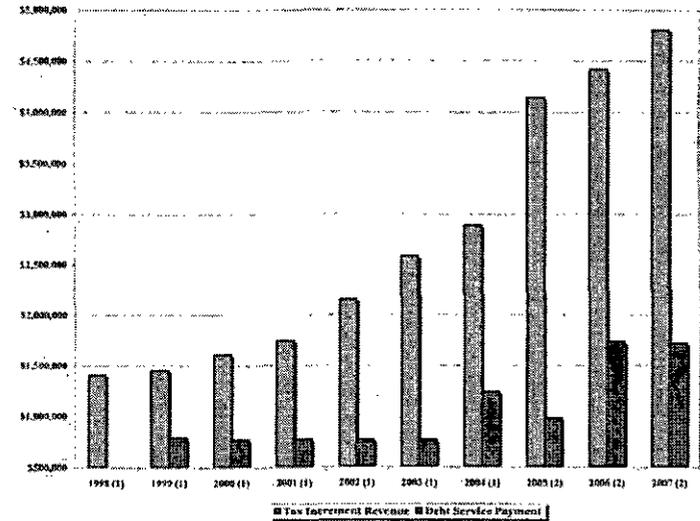
Fiscal Year	Taxes and Assessments (2)	Principal	Interest	Total	Coverage
2003 (1)	\$487,507	\$0	\$103,604	\$103,604	4.71 (1)
2004	585,046	175,000	174,390	349,390	1.67
2005	428,429	195,000	168,590	363,590	1.18
2006	426,509	205,000	162,590	367,590	1.16
2007	430,828	210,000	380,626	590,626	0.73

Notes:

- (1) City of El Cerrito did not issue bonds until fiscal 2003 and no principal payments were due in that fiscal year, which increased the coverage ratio.
- (2) Includes all taxes and assessments from the Measure A Parcel Tax Fund.

Source: City of El Cerrito Annual Financial Statements

**CITY OF EL CERRITO
BONDED DEBT PLEDGED REVENUE COVERAGE
TAX ALLOCATION BONDS
LAST TEN FISCAL YEARS**



Fiscal Year	Tax Incremental Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
1998 (1)	\$1,406,551	\$0	\$0	\$0 (2)	0.00
1999 (1)	1,551,217	330,000	460,170	790,170	1.84
2000 (1)	1,608,444	325,000	446,814	771,814	2.09
2001 (1)	1,744,371	340,000	432,089	772,089	2.16
2002 (1)	2,150,074	550,000	475,114	797,114	2.89
2003 (1)	2,980,155	365,000	401,066	766,066	3.17
2004 (1)	2,884,395	575,000	865,206	1,240,206	2.31
2005 (2)	4,140,921	460,000	579,180	979,180	4.23
2006 (2)	4,422,646	625,000	1,107,879	1,732,879	2.55
2007 (2)	4,807,391	640,000	1,650,117	1,720,117	2.79

Source: City of El Cerrito Annual Financial Statements

- Notes: (1) Includes the 1997 and 1998 Tax Allocation Bonds
- (2) Includes the 1991, 1993 and 2001 Tax Allocation Bonds
- (3) Bonds were not issued until December 1997. No debt service was due in fiscal year 1998

**CITY OF EL CERRITO
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year	City Population (1)	Total Personal Income (2)	Median Population Age (3)	Median Household Income (3)	Unemployment Rate (4)	Public School Enrollment (5)	Contra Costa County Population (1)	City Population % of County
1998	22,950	\$907,397,100	40.9	\$39,538 (3)	2.6%	4,456	900,688	2.55%
1999	23,100	913,327,800	40.9	39,538 (3)	2.2%	4,463	915,793	2.52%
2000	23,150	915,304,700	40.9	39,538 (3)	2.0%	4,506	930,025	2.49%
2001	23,171	1,326,609,263	42.7	57,253 (3)	2.4%	3,780	972,103	2.38%
2002	23,514	1,346,075,283	42.7	57,253 (3)	3.6%	3,964	981,600	2.40%
2003	23,550	1,348,308,130	42.7	57,253 (3)	3.5%	3,939	994,900	2.37%
2004	23,440	1,342,010,320	42.7	57,253 (3)	3.8%	3,989	1,003,900	2.33%
2005	23,398	1,339,605,694	42.7	57,253 (3)	4.4%	3,989	1,020,898	2.29%
2006	23,471	1,343,785,163	42.7	57,253 (3)	3.0%	3,989	1,029,377	2.28%
2007	23,407	1,754,916,418	42.7	74,974 (6)	3.2%	3,989	1,042,341	2.25%

Sources: (1) California Department of Finance.
 (2) Data not available, therefore it has been calculated by multiplying the City population by the Median Household Income.
 (3) United States Census Bureau.
 (4) State of California Employment Development Dept.
 (5) West Contra Costa County Unified School District.
 (6) ESRI online, www.arcsws.com

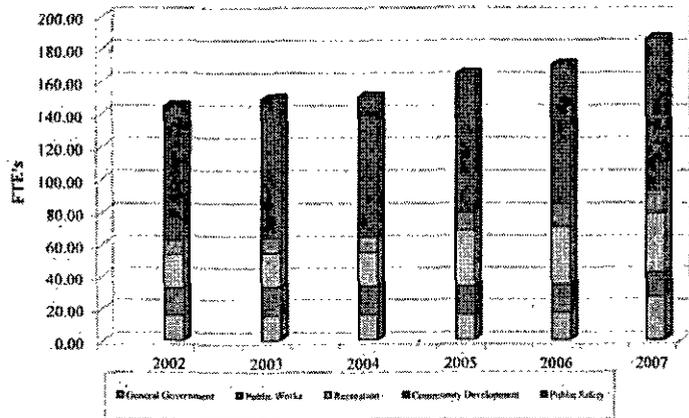
**CITY OF EL CERRITO
Principal Employers
Fiscal 2006-2007**

Employer
Albertsons
Autometrics
Barnes and Noble
Bed Bath and Beyond
Dollar Tree
City of El Cerrito
El Cerrito Mitsubishi
Guitar Center
Honda of El Cerrito
Longs Drug Stores
Marshall's
McDonalds Restaurant
Nation's Restaurants
Orchard Supply Hardware
Pastime Hardware
Petco Animal Supplies
Romano's Macaroni Grill
Ross Stores
Safeway Stores
Staples
Target
Trader Joe's
Walgreen's Drug Store
West Contra Costa Unified School District

Source: MBIA ManiServices Company

Note: Data not available for ranking or total employees for each employer.
 Information about Principal Employers is not available for the fiscal year 1997/1998.

CITY OF EL CERRITO
Full-Time Equivalent City Government Employees by Function
Last Six Fiscal Years



Function	Fiscal Year Ended June 30,					
	2002	2003	2004	2005	2006	2007
General Government	15.55	15.55	15.47	15.55	16.95	26.70
Public Works	16.98	17.75	17.75	17.75	17.75	15.00
Recreation	20.50	21.00	21.00	34.76	35.76	36.75
Community Development	9.27	10.00	10.00	11.00	14.40	14.60
Public Safety	82.23	84.73	85.73	85.09	85.09	92.55
Total	144.53	149.03	149.95	164.15	169.95	183.60

Source: City of El Cerrito
Note: The City has elected to include only six years of data.

CITY OF EL CERRITO
Operating Indicators by Function/ Program
Information as available Last Six Fiscal Years

Function/ Program	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Community Development:						
Planning:						
Number of permits	66	148	230	259	299	215
Review time (days)	16.0	15.5	14.0	15.0	11.0	1.0
Building:						
Permits issued	1,201	1,453	1,279	1,369	1,357	1,077
Annual inspections	6,023	7,045	7,359	8,394	11,250	8,906
Public safety:						
Fire:						
Numbers of responses	3,280	3,073	2,799	2,929	3,059	2,929
Police:						
Numbers of responses						
Priority 1	180	183	292	217	228	207
Priority 2	6,702	9,675	5,806	3,662	4,114	4,330
Priority 3	3,231	3,737	3,130	2,580	2,439	2,972
Priority 4	4,693	5,516	3,808	2,718	2,918	3,075
Priority 5	1,754	2,589	806	1,232	1,206	2,057
Recreation:						
Number of participants						
Adult classes	N/A	N/A	N/A	715	803	905
aquatics	N/A	N/A	N/A	1,732	1,287	5,203
Child care	N/A	N/A	N/A	16,424	17,824	19,457
Senior programs	N/A	N/A	N/A	1570	1,337	3,107
Youth sports	N/A	N/A	N/A	390	202	304

Note: The City has elected to include only six years of data.

CITY OF EL CERRITO
Capital Asset Statistics by Function/ Program
Information as available-Last Six Fiscal Years

Function/ Program	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Public Safety:						
Fire Stations	2		2	2	2	2
Police stations	1	1	1	1	1	1
Public Works:						
Miles of streets	68	68	68	68	68	68
Street Lights	1606	1606	1606	1606	1606	1606
Traffic Signals	11	11	11	11	11	11
Culture and Recreation:						
City Parks	11	11	11	11	11	11
City park acreage	31.6	31.6	31.6	31.6	31.6	31.6
Playgrounds	7	7	7	7	7	7
City trails	3	3	3	3	3	3
City trails-miles	3.5	3.5	3.5	3.5	3.5	3.5
Community center	1	1	1	1	1	1
Senior center	1	1	1	1	1	1
Performing arts center	1	1	1	1	1	1
Swimming pools	1	1	1	1	1	1
Tennis court sites	6	6	6	6	6	6
Baseball/softball diamonds	4	4	4	4	4	4
Library	1	1	1	1	1	1
Administration:						
City Hall	1	1	1	1	1	1
Recycling Center	1	1	1	1	1	1

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Note: The City has elected to include only six years of data.

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