

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing law, the portion of lease payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.

\$11,585,000

**2011 Refunding Certificates of Participation
Evidencing Direct, Undivided Fractional Interests of the Owners Thereof
in Lease Payments Made by the City of San Ramon, California
to the City of San Ramon Public Financing Authority**

Dated: Date of Delivery

Due: June 1, as shown below

The 2011 Refunding Certificates of Participation (the "Certificates") evidence and represent direct, undivided fractional interests of the Owners thereof in the Lease Payments (which include principal and interest components) to be made by the City of San Ramon, a chartered city and municipal corporation (the "City"), for the right to the use of certain real property and improvements constituting the City's existing Central Park (the "Leased Property") pursuant to that certain Lease Agreement, dated as of July 1, 2011 (the "Lease Agreement"), by and between the City, as lessee, and the City of San Ramon Public Financing Authority (the "Authority"), as lessor. The Certificates are being executed and delivered to provide funds to (i) provide for the refunding of the City's 2001 Refunding Certificates of Participation (the "2001 Certificates") currently outstanding in the aggregate principal amount of \$8,415,000, (ii) provide for the refunding of the City's 1996 Refunding Certificates of Participation (the "1996 Certificates") currently outstanding in the aggregate principal amount of \$4,915,000, and (iii) pay certain costs incurred in connection with the execution and delivery of the Certificates. Interest represented by the Certificates is payable on each June 1 and December 1, commencing December 1, 2011.

The City has covenanted in the Lease Agreement to make the Lease Payments for the Leased Property as provided for therein, to include all such Lease Payments in each of its budgets and to make the necessary annual appropriations for all such Lease Payments. In the Lease Agreement, the City has pledged to make such Lease Payments from any source of legally available funds of the City. *The City's obligation to make Lease Payments is subject to abatement during any period in which by reason of damage or destruction there is substantial interference with the use and occupancy by the City of the Leased Property or any portion thereof.* See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES—Lease Payments" and "—Abatement."

The Certificates will be initially delivered only in book-entry form, registered to Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository of the Certificates. Interest and principal represented by the Certificates are payable by The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, as Trustee, to DTC, which remits such payments to its Participants for subsequent distribution to the beneficial owners of the Certificates. See "THE CERTIFICATES—Book-Entry Only System" and "—General."

The Certificates are subject to optional prepayment, and mandatory prepayment prior to maturity as described herein. See "THE CERTIFICATES—Prepayment."

The obligation of the City to make the Lease Payments does not constitute a debt of the City or the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the City or the State of California is obligated to levy or pledge any form of taxation or for which the City or the State of California has levied or pledged any form of taxation.

MATURITY SCHEDULE

| <i>Maturity Date (June 1)</i> | <i>Principal Amount</i> | <i>Interest Rate</i> | <i>Yield</i> | <i>CUSIP[†]</i> |
|-----------------------------------|-----------------------------|--------------------------|-------------------|--------------------------|
| 2014 | \$1,070,000 | 3.50% | 1.20% | 799369 FP3 |
| 2015 | 1,180,000 | 4.00 | 1.55 | 799369 FQ1 |
| 2016 | 1,230,000 | 2.50 | 1.77 | 799369 FR9 |
| 2017 | 1,260,000 | 2.50 | 2.21 | 799369 FS7 |
| 2018 | 1,295,000 | 4.00 | 2.60 | 799369 FT5 |
| 2019 | 1,340,000 | 5.00 | 2.91 | 799369 FU2 |
| 2020 | 1,405,000 | 3.50 | 3.15 | 799369 FV0 |
| 2021 | 1,455,000 | 3.50 | 3.33 | 799369 FW8 |
| 2022 | 430,000 | 5.00 | 3.51 ^C | 799369 FX6 |
| 2023 | 450,000 | 5.00 | 3.67 ^C | 799369 FY4 |
| 2024 | 470,000 | 4.50 | 3.87 ^C | 799369 FZ1 |

[†] Copyright 2011, American Bankers Association. CUSIP® data herein in provided by Standard & Poor's, CUSIP® Service Bureau, a division of The McGraw-Hill Companies, Inc. Neither the City nor the Underwriter takes any responsibility for the accuracy of such data.

^C Yield calculated assuming a redemption at par on June 1, 2021.

This cover page contains information for reference only. Investors must read the entire Official Statement to obtain information essential in making an informed investment decision. See "RISK FACTORS" for a discussion of factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Certificates.

The Certificates will be offered when, as and if executed and delivered and received by the Underwriter, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. In addition, certain legal matters will be passed upon for the City and the Authority by the City Attorney. It is anticipated that the Certificates in definitive form will be available through the facilities of DTC in New York, New York on or about July 12, 2011.



No dealer, broker, salesperson or other person has been authorized by the City or the Authority to give any information or to make any representations with respect to the Certificates other than those contained in this Official Statement 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 any offer to buy nor shall there be any sale of the Certificates by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement shall not be construed as a contract with the purchasers of the Certificates. 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 facts.

The information contained in this Official Statement has been furnished by the City, the Authority and other sources, which are believed to be reliable. Summaries and references to statutes and documents in this Official Statement do not purport to be comprehensive or definitive and are qualified in their entireties by reference to each such statute or document. The information and expressions of opinions herein are subject to change without notice and neither 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 City, the Authority or any other parties described herein since the date hereof.

When used in this Official Statement and in any continuing disclosure by the City, in any press release and in any oral statement made with the approval of an authorized officer of the City, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions 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, give rise to any implication that there has been no change in the affairs of the City since the date hereof.

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 a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE CERTIFICATES TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE CERTIFICATES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE CERTIFICATES HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

The City maintains a website. However, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Certificates.

CITY OF SAN RAMON

CITY COUNCIL MEMBERS

H. Abram Wilson, *Mayor*
Scott Perkins, *Vice Mayor*
David E. Hudson, *Council Member*
Jim Livingstone, *Council Member*
Carol J. Rowley, *Council Member*

CITY STAFF

Greg Rogers, *City Manager*
Eva Phelps, *Interim Administrative Services Director*
Sheryl Schaffner, Esq., *City Attorney*
Karen McNamara, *Public Services Director*
Patricia Edwards, *City Clerk*

BOND COUNSEL

Jones Hall,
A Professional Law Corporation
San Francisco, California

TRUSTEE AND ESCROW AGENT

The Bank of New York Mellon Trust Company, N.A.
San Francisco, California

FINANCIAL ADVISOR

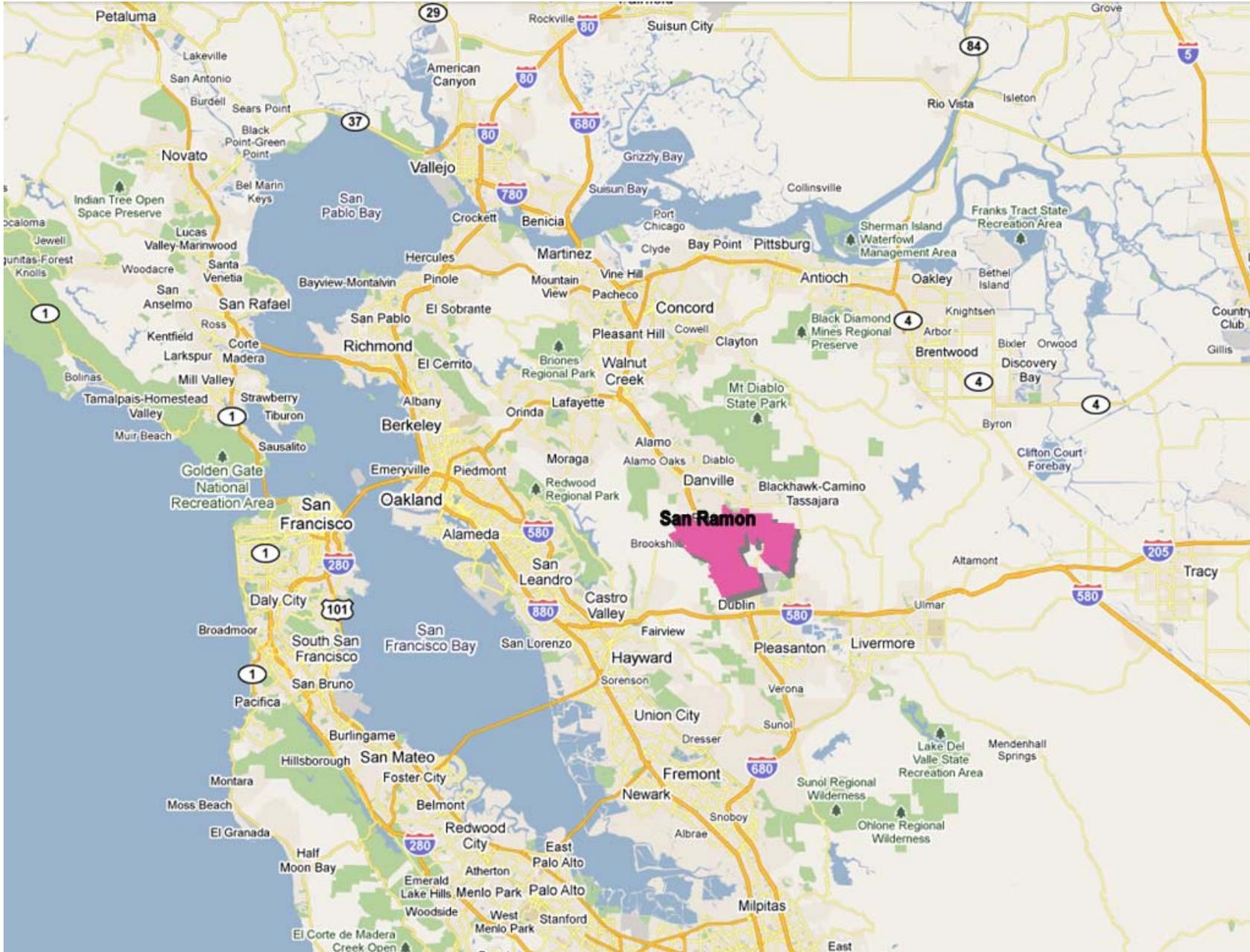
Urban Futures, Inc.
Orange, California

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OFFICIAL STATEMENT

\$11,585,000

**2011 Refunding Certificates of Participation
Evidencing Direct, Undivided Fractional Interests of the Owners Thereof
in Lease Payments Made by the City of San Ramon, California
to the City of San Ramon Public Financing Authority**

INTRODUCTION

This Official Statement (which includes the cover page and Appendices hereto) (the “Official Statement”) provides certain information concerning the execution, sale and delivery of the 2011 Refunding Certificates of Participation (the “Certificates”) of the City of San Ramon, a chartered city and municipal corporation organized and existing under the Constitution and laws of the State of California (the “City”).

The Certificates are being executed and delivered in denominations of \$5,000 or any integral multiple thereof. Interest will accrue on the principal components of each Certificate at the applicable interest rate (as set forth on the cover hereof) from its date of delivery until its date of maturity or prior prepayment, with interest becoming payable on each June 1 and December 1, commencing December 1, 2011. The Certificates are subject to prepayment as described herein. See “THE CERTIFICATES—Prepayment.”

The net proceeds of the sale of the Certificates will be used to (i) provide for the current refunding of the City’s 2001 Refunding Certificates of Participation (the “2001 Certificates”) currently outstanding in the aggregate principal amount of \$8,415,000, (ii) provide for the current refunding of the City’s 1996 Refunding Certificates of Participation (the “1996 Certificates”) currently outstanding in the aggregate principal amount of \$4,915,000, and (iii) pay certain costs incurred in connection with the execution and delivery of the Certificates. See “FINANCING PLAN” herein.

The Certificates evidence and represent the direct, undivided fractional interests of the registered owners (the “Owners”) thereof in Lease Payments (as defined herein) to be made by the City for the right to the use of certain real property and improvements constituting the City’s Central Park (the “Leased Property”). See “THE LEASED PROPERTY” herein. The Leased Property is currently owned by the City and will be leased by it to the City of San Ramon Financing Authority (the “Authority”) under a Site Lease dated as of July 1, 2011 (the “Site Lease”). The Authority will concurrently lease the Leased Property back to the City pursuant to a Lease Agreement, dated as of July 1, 2011 (the “Lease Agreement”), between the City, as lessee, and the Authority, as lessor.

The Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of July 1, 2011 (the “Trust Agreement”), by and among The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), the City and the Authority.

The Trustee and the Authority have entered into an Assignment Agreement, dated as of July 1, 2011 (the “Assignment Agreement”), pursuant to which the Authority has assigned to the Trustee for the benefit of the Owners of the Certificates substantially all of the Authority’s right, title and interest in and to the Lease Agreement, including its right to receive the Lease Payments scheduled to be paid by the City due under the Lease Agreement.

The City covenants under the Lease Agreement to take such action as may be necessary to include all Lease Payments due under the Lease Agreement in the operating budget for each Fiscal Year and to make the necessary annual appropriations therefor, subject to abatement as described herein. The City has covenanted in the Lease Agreement to make such Lease Payments in full from any source of legally available funds of the

City, subject to abatement of the Lease Payments under certain circumstances as described herein. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES—Lease Payments.”

Lease Payments are subject to complete or partial abatement in the event and to the extent that there is substantial interference with the City’s right to use and occupy the Leased Property or any portion thereof due to damage or destruction of the Leased Property, or the taking of the Leased Property in eminent domain proceedings. Abatement of Lease Payments under the Lease Agreement, to the extent payment is not made from alternative sources, would result in all Certificate Owners receiving less than the full amount of principal and interest represented by the Certificates. To the extent proceeds of hazard insurance or rental interruption insurance are available with respect to the Certificates (as described below), Lease Payments (or a portion thereof) may be made during periods of abatement.

THE OBLIGATION OF THE CITY TO MAKE THE LEASE PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE CITY OR THE STATE OF CALIFORNIA (THE “STATE”) OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY OR THE STATE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY OR THE STATE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

The summaries or references to the Trust Agreement, the Site Lease, the Lease Agreement, the Assignment Agreement and other documents, agreements and statutes referred to herein, and the description of the Certificates included in this Official Statement, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entirety by reference to each such document or statute. All capitalized terms used in this Official Statement (unless otherwise defined herein) which are defined in the Trust Agreement or the Lease Agreement shall have the meanings set forth therein, some of which are summarized in APPENDIX C—“SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the holders and beneficial owners of the Certificates to provide certain financial information and operating data relating to the City by no later than 270 days following the end of the City’s fiscal year (which fiscal year currently ends on June 30) (the “Fiscal Year”), commencing with the report for the Fiscal Year ending June 30, 2011 (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events, if material. The City will file, or cause to be filed, the Annual Report with the Municipal Securities Rulemaking Board. The City will file, or cause to be filed, the notices of material events with the Municipal Securities Rulemaking Board (and with the appropriate State information depository, if any). The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth below in APPENDIX E—“FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission. The City has never failed to comply, in all material respects, with an undertaking pursuant to said Rule.

SOURCES AND USES OF FUNDS

Estimated Sources and Uses of Funds

The Trustee will receive the proceeds from the sale of the Certificates, upon delivery of the Certificates to the purchasers thereof, and will use such proceeds, as set forth in the following table.

| <u>Sources of Funds</u> | |
|--------------------------------------|-------------------------|
| Par Amount of Certificates | \$ 11,585,000.00 |
| 1996 Reserve Fund | 542,318.27 |
| 2001 Reserve Fund | 1,075,656.28 |
| Original Issue Premium | <u>734,612.45</u> |
| Total Sources | <u>\$ 13,937,587.00</u> |
| | |
| <u>Uses of Funds</u> | |
| 1996 Escrow Fund | \$ 5,037,875.00 |
| 2001 Escrow Fund | 8,656,337.50 |
| Cost of Issuance Fund ⁽¹⁾ | 133,317.00 |
| Underwriter's Discount | <u>110,057.50</u> |
| Total Uses | <u>\$ 13,937,587.00</u> |

⁽¹⁾ Includes legal, financial advisory services, rating agency, printing costs, title insurance premium and other miscellaneous costs of issuance.

FINANCING PLAN

The net proceeds of the sale of the Certificates will be used to provide for the current refunding and defeasance of the City's 2001 Refunding Certificates of Participation (the "2001 Certificates") currently outstanding in the aggregate principal amount of \$8,415,000, and the City's 1996 Refunding Certificates of Participation (the "1996 Certificates") currently outstanding in the aggregate principal amount of \$4,915,000.

Pursuant to Irrevocable Refunding Instructions provided by the City to The Bank of New York Mellon Trust Company, N.A., acting as Escrow Agent, the net proceeds from the Certificates, together with certain funds on hand, will be used to pay on September 1, 2011 the principal and interest due on the 2001 Certificates on September 1, 2011, and the prepayment price (equal to 100.5% of the aggregate principal amount of the 2001 Certificates to be prepaid plus accrued interest to the prepayment date) of all outstanding 2001 Certificates maturing after September 1, 2011. Under such Irrevocable Refunding Instructions, the City irrevocably directs the Escrow Agent to call all of the outstanding 2001 Certificates for prepayment on September 1, 2011. Money on deposit with the Escrow Agent will be held uninvested.

Pursuant to Irrevocable Refunding Instructions provided by the City to The Bank of New York Mellon Trust Company, N.A., acting as Escrow Agent, the net proceeds from the Certificates, together with certain funds on hand, will be used to pay on August 1, 2011 the principal and interest due on the 1996 Certificates on August 1, 2011, and the prepayment price (equal to the aggregate principal amount of the 1996 Certificates to be prepaid plus accrued interest to the prepayment date) of all outstanding 1996 Certificates maturing after August 1, 2011. Under such Irrevocable Refunding Instructions, the City irrevocably directs the Escrow Agent to call all of the outstanding 2001 Certificates for prepayment on August 1, 2011. Money on deposit with the Escrow Agent will be held uninvested.

THE LEASED PROPERTY

At the time of the delivery of the Certificates, the Leased Property will consist of the City's Central Park.

The Central Park

The 35-acre Central Park is currently the largest city park within the City of San Ramon. The park provides a venue for a wide variety of community activities. These include active amenities, such as five baseball fields (three of which are lighted), five soccer fields (one of which is lighted), a skateboard area, three lighted tennis courts, two and a half basketball courts (two of which are lighted), two sand volleyball courts, a gravel walking track, and restrooms. The park also provides passive amenities such as a participatory fountain, a multi-age playground, an amphitheater, a meadow, group and individual picnic areas, a concession stand, paved walking paths, and trail connections to Iron Horse Trail.

Release/Substitution of Leased Property

The Leased Property is subject to change in whole or in part from time to time under the circumstances permitted in the Lease Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES—Substitution of Leased Property” and “—Release of Leased Property” herein.

THE CERTIFICATES

General

The Certificates evidence and represent the direct, undivided fractional interest of the Owners thereof in the principal and interest components of Lease Payments to be made by the City pursuant to the Lease Agreement.

The Certificates will be executed and delivered in principal amounts of \$5,000 or integral multiples thereof. Interest represented by each Certificate will accrue on the principal components represented by such Certificate at the applicable interest rate from its date of execution until its date of maturity or prior prepayment, with interest becoming payable on each June 1 and December 1 (each, an “Interest Payment Date”), commencing December 1, 2011.

Interest evidenced by each Certificate will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Book-Entry Only System

The Certificates will be executed and delivered as fully registered Certificates, 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 Certificates (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) as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Certificates. In the event that the book-entry-only system is no longer used with respect to the Certificates, the Certificates will be registered and transferred in accordance with the Trust Agreement. See APPENDIX F—“BOOK-ENTRY ONLY SYSTEM.”

Prepayment

Prepayment From Net Proceeds of Insurance or Condemnation. The Certificates are subject to mandatory prepayment, in whole, or in part on any date among maturities on a pro rata basis and by lot within a maturity, from the Net Proceeds of insurance or eminent domain proceedings credited towards the prepayment of the Lease Payments pursuant to the Lease and the Trust Agreement, at a prepayment price equal to one hundred percent (100%) of the principal amount to be prepaid, together with accrued interest represented thereby to the date fixed for prepayment, without premium.

Optional Prepayment. The Certificates maturing on or before June 1, 2021, are not subject to optional prepayment before their respective stated maturities. The Certificates maturing on or after June 1, 2022, are subject to prepayment prior to their respective stated maturities, at the option of the City, in whole, or in part among maturities on such basis as designated by the City and by lot within any one maturity, on June 1, 2021, or on any date thereafter, upon payment of a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest to the date fixed for prepayment, without premium.

Selection of Certificates for Prepayment. Whenever provision is made in the Trust Agreement for the prepayment of Certificates and less than all Outstanding Certificates of any maturity are called for prepayment, the Trustee shall select Certificates of such maturity for prepayment by lot. For the purposes of such selection, Certificates shall be deemed to be composed of \$5,000 portions, and any such portion may be separately prepaid. The Trustee shall promptly notify the City and the Authority in writing of the Certificates or portions thereof so selected for prepayment.

Notice of Prepayment. When prepayment is authorized or required under the Trust Agreement, the Trustee shall give notice of the prepayment of the Certificates. Such notice shall state the prepayment date and prepayment price; state the numbers or maturities of the Certificates to be prepaid, if less than all of the Outstanding Certificates are to be called for prepayment; if a Certificate is to be prepaid only in part, identify the portions of the Certificate which is to be prepaid; and shall require that such Certificates be surrendered on the prepayment date at the corporate office of the Trustee in San Francisco, California for prepayment at said prepayment price, giving notice also that further interest represented by the Certificates will not accrue after the prepayment date. Such notice shall further state that on the prepayment date there shall become due and payable, the principal and premium, if any, represented by each Certificate together with accrued interest represented thereby to said date, and that from and after such date interest represented thereby shall cease to accrue and be payable.

Notice of such prepayment shall be mailed by first class mail with postage prepaid, to the Information Services and the Securities Depositories and to the Municipal Securities Rulemaking Board and to the Owners of Certificates designated for prepayment at their respective addresses appearing on the Registration Books, at least thirty (30) days but not more than sixty (60) days prior to the prepayment date. Neither the failure to receive any such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the prepayment of such Certificates or the cessation of accrual of interest represented thereby from and after the date fixed for prepayment.

Right to Rescind Notice of Prepayment. The City has the right to rescind any notice of the optional prepayment of the Certificates by written notice to the Trustee on or prior to the date fixed for prepayment. Any notice of optional prepayment shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for prepayment for the payment in full of the Certificates then called for prepayment, and such cancellation will not constitute an event of default under the Trust Agreement. The City, the Authority and the Trustee have no liability to the Owners or any other party related to or arising from such rescission of prepayment. The Trustee shall mail notice of such rescission of prepayment to the respective Owners of any Certificates designated for prepayment at their respective addresses appearing on the Registration Books.

Effect of Notice Prepayment. Moneys for the prepayment (including the interest to the applicable date of prepayment) of Certificates having been set aside in the Lease Payment Fund, the Certificates shall become due and payable on the date of such prepayment, and, upon presentation and surrender thereof at the corporate office of the Trustee, said Certificates shall be paid at the unpaid principal amount (or applicable portion thereof) represented thereby and interest accrued and unpaid to said date of prepayment.

If, on said date of prepayment, moneys for the prepayment of all the Certificates to be prepaid, together with interest represented thereby to said date of prepayment and premium (if any), shall be held by the Trustee so as to be available therefor on such date of prepayment, then, from and after said date of prepayment, interest represented by the Certificates shall cease to accrue and become payable.

All Certificates paid at maturity or prepaid prior to maturity pursuant to the provisions of the Trust Agreement shall be canceled upon surrender thereof.

LEASE PAYMENT SCHEDULE

Following is the annual schedule of Lease Payments due with respect to the Certificates. Lease Payments are due five Business Day prior to each Interest Payment Date.

| <i>Period Ending (June 1)</i> | <i>Principal Component</i> | <i>Interest Component</i> | <i>Annual Total</i> |
|-----------------------------------|--------------------------------|----------------------------|----------------------------|
| 2012 | \$ - | \$ 381,870 | \$ 381,870 |
| 2013 | - | 430,950 | 430,950 |
| 2014 | 1,070,000 | 430,950 | 1,500,950 |
| 2015 | 1,180,000 | 393,500 | 1,573,500 |
| 2016 | 1,230,000 | 346,300 | 1,576,300 |
| 2017 | 1,260,000 | 315,550 | 1,575,550 |
| 2018 | 1,295,000 | 284,050 | 1,579,050 |
| 2019 | 1,340,000 | 232,250 | 1,572,250 |
| 2020 | 1,405,000 | 165,250 | 1,570,250 |
| 2021 | 1,455,000 | 116,075 | 1,571,075 |
| 2022 | 430,000 | 65,150 | 495,150 |
| 2023 | 450,000 | 43,650 | 493,650 |
| 2024 | 470,000 | 21,150 | 491,150 |
| Total | <u>\$11,585,000</u> | <u>\$ 3,226,695</u> | <u>\$14,811,695</u> |

SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

Nature of the Certificates

Each Certificate evidences and represents a direct, undivided fractional interest in the principal component of the Lease Payments due under the Lease Agreement on the payment date or prepayment date of such Certificate, and the interest component of all Lease Payments (based on the stated interest rate with respect to such Certificate) to accrue from its date of delivery to its payment date or prepayment date, as the case may be.

The Authority, pursuant to the Assignment Agreement, has assigned to the Trustee for the benefit of the Owners of the Certificates, substantially all of the Authority’s right, title and interest in and to the Lease Agreement, including, without limitation, its right to receive Lease Payments to be paid by the City. The City will pay Lease Payments directly to the Trustee, as assignee of the Authority. See “—Lease Payments” below.

Covenant to Appropriate Funds for Lease Payments

The City has covenanted in the Lease Agreement to take such action as may be necessary to include all Lease Payments in each of its annual budgets and to make the necessary annual appropriations (including any supplemental appropriations) from any source of legally available funds of the City for all the actual amount of such Lease Payments and Additional Payments (as defined in the Lease Agreement). Lease Payments are expected to be derived from revenues of the General Fund. See “CITY FINANCES.”

Abatement

Lease Payments are to be paid by the City in each rental period for and in consideration of the right to use and occupy the Leased Property during each such period. The amount of Lease Payments will be abated during any period in which by reason of damage or destruction (other than by eminent domain which is addressed as a separate abatement event) there is substantial interference with the use and occupancy by the City of the Leased Property or any portion thereof. See “RISK FACTORS—Eminent Domain” herein. The amount of such abatement will be determined by the City, such that the resulting Lease Payments represent fair consideration for the use and occupancy of the portions of the Leased Property not damaged or destroyed. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Lease Agreement shall continue in full force and effect and the City waives any right to terminate the Lease Agreement by virtue of any such damage and destruction.

To the extent proceeds of an eminent domain or insurance award, including self-insurance, are available to pay Lease Payments, or to the extent that moneys are available in the Lease Payment Fund, Lease Payments (or a portion thereof) may be made during periods of abatement.

Action on Default

Should the City default under the Lease Agreement, the Trustee, as assignee of the Authority under the Lease Agreement, may exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; provided, however, that notwithstanding anything in the Lease Agreement or in the Trust Agreement to the contrary, there is no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. The Authority and the Trustee (as assignee of the Authority) have the right to re-enter or re-let the Leased Property and the right to terminate the Lease Agreement. See “RISK FACTORS—Limited Recourse on Default; No Acceleration” herein.

No Reserve Fund

The City has not funded a reserve fund to be held by the Trustee in connection with the execution and delivery of the Certificates.

Lease Payments

For the right to use and occupy the Leased Property, the Lease Agreement requires the City to make Lease Payments. Scheduled Lease Payments relating to the Certificates are set forth above under the heading “LEASE PAYMENT SCHEDULE.”

THE OBLIGATION OF THE CITY TO MAKE THE LEASE PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE CITY OR THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY OR THE STATE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY OR THE STATE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Additional Payments

The City is obligated under the Lease Agreement to pay when due, during the term of the Lease Agreement, in addition to the Lease Payments, Additional Payments, which consist of the following: (i) all Costs of Issuance (as defined in the Trust Agreement), to the extent not paid from amounts on deposit in the Costs of Issuance Fund, (ii) annual compensation due to the Trustee and all of its reasonable costs and

expenses (including amounts payable to the Trustee by virtue of indemnification) payable as a result of the performance of and compliance with its duties under the Trust Agreement, and (iii) all reasonable costs and expenses of attorneys, auditors, engineers and accountants engaged by the Authority or the Trustee in connection with the Leased Property or the performance of their duties under the Lease Agreement or under the Trust Agreement.

Insurance

The City is self-insured for its primary general liability and workers' compensation insurance coverages. These self-insured programs are administered by the City's Risk Management Division. The City agrees in the Lease Agreement that for the term of such Lease Agreement it will maintain insurance with respect to the Leased Property against the risks described in the following paragraphs. See APPENDIX A—"THE CITY OF SAN RAMON FINANCIAL AND DEMOGRAPHIC INFORMATION—Insurance Program" for a description of the City's current insurance coverage and practices.

Public Liability and Property Damage Insurance. The City is obligated under the Lease Agreement to maintain or cause to be maintained, throughout the term of the Lease Agreement, comprehensive general liability insurance in protection of the Authority, the City, and their respective members, officers, agents, employees and assigns. Such insurance shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property. Such insurance shall provide coverage in such liability limits and be subject to such deductibles as the City shall deem adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City. Such insurance may be maintained in whole or in part in the form of a program of self-insurance by the City, or in the form of the participation by the City in a program which provides pooled insurance. The City will apply the proceeds of such insurance toward extinguishment or satisfaction of the liability with respect to which the net proceeds are paid.

Casualty Insurance. The City is obligated under the Lease Agreement to maintain throughout the Term of the Lease casualty insurance against loss or damage to the insured buildings, facilities and other improvements constituting any part of the Leased Property, in an amount at least equal to the lesser of (a) the replacement value of such buildings, facilities and improvements or (b) the aggregate principal amount of the Outstanding Certificates. Such insurance shall, as nearly as practicable, cover loss or damage by fire, explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance, and shall include earthquake coverage if such coverage is available at reasonable cost from reputable insurers in the reasonable determination of the City, whose determination will be final and conclusive. Such insurance will be subject to such deductibles as the City deems prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers authority or other program which provides pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance. The City shall pay the Net Proceeds of such insurance to the Trustee for deposit into the Insurance and Condemnation Fund, as set forth in the Trust Agreement.

Rental Interruption Insurance. The City will maintain throughout the term of the Lease rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of the buildings, facilities and other improvements constituting any part of the Leased Property, as a result of any of the hazards covered by the insurance described in the previous paragraph, in an amount at least equal to the maximum Lease Payments coming due and payable during any two consecutive Fiscal Years during the remaining term of the Lease Agreement. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers authority or other program providing pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance. The Net Proceeds of such insurance, if any,

shall be paid to the Trustee and deposited in the Lease Payment Fund, and shall be credited towards the payment of the Lease Payments allocable to the insured improvements as the same become due and payable.

Title Insurance. The City will cause the Assignment Agreement, the Site Lease and the Lease Agreement to be recorded in the office of the Contra Costa County Recorder with respect to the Leased Property. Concurrent with the delivery of the Certificates, the City will obtain a CLTA title insurance policy, insuring the City's leasehold estate in the Leased Property under the Lease Agreement, in an amount at least equal to the aggregate principal amount of the Outstanding Certificates. All Net Proceeds received under such title insurance policy are required to be deposited with the Trustee in the Lease Payment Fund and will be credited towards the prepayment of the Lease Payments.

Net Proceeds; Form of Insurance. All proceeds of such insurance shall name the Authority and the Trustee as co-insureds, and shall name the Trustee as loss payee so as to provide that all proceeds thereunder are payable to the Trustee. All policies of insurance required by the Lease Agreement shall be provided by a commercial insurer and either be rated "A" or better by A.M. Best Co., or be rated in the highest two rating categories by S&P. All such policies must provide that the Trustee shall be given thirty days notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. The Trustee will not be responsible for the sufficiency of any required insurance or self-insurance and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Trustee. The City will cause to be delivered to the Trustee annually evidence that the insurance policies required by the Lease Agreement are in full force and effect. If any insurance is provided in the form of self-insurance, the City shall file with the Trustee annually, within 90 days following the close of each fiscal year, a statement of the risk manager of the City or an independent insurance advisor engaged by the City identifying the extent of such self-insurance and the amounts held for that purpose, and stating the determination that the City maintains sufficient reserves with respect thereto and that the self-insurance program is being maintained on an actuarially-sound basis. If any such insurance is provided in the form of self-insurance by the City, the City has no obligation to make any payment with respect to any insured event except from those reserves.

Substitution of Leased Property

Pursuant to the Site Lease and the Lease Agreement, the City has the option at any time to substitute other real property (the "Substitute Property") for the Leased Property, or any portion thereof (the "Former Property"), provided that the City shall satisfy certain requirements, including the following:

- (a) The City must certify to the Authority and the Trustee that no event of default has occurred and is continuing under and as defined in the Lease Agreement;
- (b) The City must file with the Authority and the Trustee, and cause to be recorded in the office of the Contra Costa County Recorder an amendment to the Lease Agreement which adds a description of the Substitute Property and deletes from the Lease Agreement the description of the Former Property;
- (c) The City must obtain a CLTA policy of title insurance insuring the City's leasehold estate under the Lease Agreement in the Substitute Property, subject only to Permitted Encumbrances, in an amount equal to the estimated value thereof;
- (d) The City must certify in writing to the Authority and the Trustee that such Substitute Property serves the municipal purposes of the City and constitutes property which the City is permitted to lease under the laws of the State of California, and has been determined to be essential to the proper, efficient and economic operation of the City and to serve an essential governmental function of the City;
- (e) The Substitute Property does not cause the City to violate any of its covenants, representations and warranties made in the Lease Agreement or in the Trust Agreement;

(f) The City must file with the Authority and the Trustee an appraisal or other written documentation which establishes that the estimated value and fair rental value of the Substitute Property are at least equal to the estimated value and the fair rental value, respectively, of the Former Property, and that the useful life of the Substitute Property at least equals the lesser of (i) the useful life of the Former Property, or (ii) the final Lease Payment Date of the Lease Payments allocable thereto; and

(g) The City must mail written notice of such substitution to each rating agency which then maintains a rating on the Certificates.

Upon the satisfaction of all such conditions precedent, the term of the Site Lease and the Lease Agreement will thereupon end as to the Former Property and commence as to the Substitute Property. The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of the substitution.

Release of Leased Property

Release of Other Property. The City may, at any time and from time to time, release any portion the Leased Property (the “Released Property”) from the Site Lease and the Lease Agreement upon satisfaction of all of the following requirements which are conditions precedent to such release:

(a) The City must certify to the Authority and the Trustee that no event of default has occurred and is continuing under and as defined in the Lease Agreement;

(b) The City must file with the Authority and the Trustee, and cause to be recorded in the office of the Contra Costa County Recorder an amendment to the Lease Agreement which removes the Released Property from the Site and the Lease Agreement;

(c) The City must file with the Authority and the Trustee an appraisal or other written documentation which establishes that the estimated value of the real property which will remain leased under the Lease Agreement following such release is at least equal to the aggregate original principal amount of the Certificates, and the fair rental value of the property which remains subject to the Lease Agreement following such release is at least equal to the Lease Payments thereafter coming due and payable under the Lease Agreement; and

(d) The City must mail written notice of such substitution to each rating agency which then maintains a rating on the Certificates.

Upon the satisfaction of all such conditions precedent, the term of the Site Lease and the Lease Agreement will thereupon end as to the Released Property. The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such release.

RISK FACTORS

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating a purchase of the Certificates. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Certificates. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

General Considerations – Security for the Certificates

The obligation of the City to make the Lease Payments does not constitute a debt of the City or the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or

restriction, and does not constitute an obligation for which the City or the State is obligated to levy or pledge any form of taxation or for which the City or the State has levied or pledged any form of taxation.

Although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the City, the City is obligated, subject to abatement, under the Lease Agreement to pay the Lease Payments from any source of legally available funds and the City has covenanted in the Lease Agreement that it will take such action as may be necessary to include all Lease Payments and Additional Payments due under the Lease Agreement in its annual budgets and to make necessary annual appropriations for all such rental payments. The City is currently liable and may become liable on other obligations payable from general revenues, some of which may have a priority over the Lease Payments.

The City has the capacity to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the City, the funds available to make Lease Payments may be decreased. In the event the City's revenue sources are less than its total obligations, the City could choose to fund other activities before making Lease Payments and other payments due under the Lease Agreement. See "CITY FINANCES—Outstanding General Fund Debt and Lease Obligations."

The City's ability to collect, budget and appropriate various revenues is subject to current and future State laws and constitutional provisions, and it is possible that the interpretation and application of these provisions could result in an inability of the City to pay the Lease Payments when due. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein.

Eminent Domain

If the Leased Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of the Lease Agreement will cease as of the day possession is taken. In such event, the City is required to apply the Net Proceeds of any eminent domain award to the prepayment of Certificates. If less than all of the Leased Property is taken permanently, or if the Leased Property or any part thereof are taken temporarily, under the power of eminent domain, (1) the Lease Agreement will continue in full force and effect and will not be terminated by virtue of such taking, and (2) there will be a partial abatement of Lease Payments in an amount to be determined by the City, such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Leased Property. Notwithstanding the foregoing, the Lease Payments will not be abated under the Lease Agreement to the extent that amounts in the Lease Payment Fund (if any) are available to pay Lease Payments which would otherwise be abated under the Lease Agreement, as such proceeds and amounts constitute a special fund for the payment of the Lease Payments.

Abatement

The Lease Agreement provides that the amount of Lease Payments will be subject to abatement during any period in which by reason of damage or destruction there is substantial interference with the use and occupancy by the City of the Leased Property. The amount of such abatement will be determined by the City, such that the resulting Lease Payments represent fair consideration for the use and occupancy of the portions of the Leased Property not damaged or destroyed. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Lease Agreement will continue in full force and effect and the City, in the Lease Agreement, waives any right to terminate the Lease Agreement by virtue of any such damage and destruction.

However, there will be no abatement of Lease Payments to the extent that the proceeds of hazard insurance or rental interruption insurance are available to pay Lease Payments, or to the extent that moneys are available in the Lease Payment Fund, it being declared in the Lease Agreement that such proceeds and

amounts constitute special funds for the payment of the Lease Payments. The City has not funded a reserve fund in connection with the execution and delivery of the Certificates.

Limited Recourse on Default; No Acceleration

If the City defaults on its obligation to make Lease Payments, there is no available remedy of acceleration of the total Lease Payments due over the term of the Lease Agreement. The City will only be liable for Lease Payments on an annual basis, and the Trustee would be required to seek a separate judgment in each fiscal year for that fiscal year's rental payments.

Limitation on Remedies; Bankruptcy

The rights of the Owners of the Certificates are subject to the limitations on legal remedies against cities in the State, including State constitutional limits on expenditures and limitations on the enforcement of judgments against funds needed to serve the public welfare and interest, by applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other laws affecting the enforcement of creditors' rights, by equitable principles, by the exercise of judicial powers in appropriate cases and by the exercise by the federal and State governments of their sovereign powers. The opinions of counsel, including Bond Counsel, delivered in connection with the Certificates will be so qualified. Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies such as the City, there are no involuntary petitions in bankruptcy. Bankruptcy proceedings, if initiated, or the exercise of powers by the federal or State government, could subject the owners of the Certificates to judicial discretion and interpretation of their rights in bankruptcy proceedings or otherwise and consequently may entail risk of delay, limitation or modification of their rights.

State Budget

The following information concerning the State's budgets has been obtained from publicly available information which the City believes to be reliable; however, the City does not guaranty the accuracy or completeness of this information and has not independently verified such information. Furthermore, it should not be inferred from the inclusion of this information in this Official Statement that the principal or interest represented by the Certificates is payable by or the responsibility of the State of California.

The State of California is experiencing significant financial and budgetary stress. State budgets are affected by national and state economic conditions and other factors over which the City has no control. The State's financial condition and budget policies affect communities and local public agencies throughout California. To the extent that the State budget process results in reduced revenues to the City, the City will be required to make adjustments to its budget. Each State budget contains a number of measures which impact the City's finances.

The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "Governor's Budget"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior years. Following the submission of the Governor's Budget, the California Legislature takes up the proposal.

Under the California State Constitution, money may be drawn from the Treasury only through an appropriation made by law. The primary sources of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. Prior to the November 2, 2010 California General Election, the Budget Act required approval by a two-thirds majority vote of each House of the Legislature. On November 2, 2010, California voters passed Proposition 25, which amended this legislative vote requirement to a simple majority. The Governor may reduce or eliminate specific line items in the Budget Act or any other

appropriations bill without vetoing the entire bill. Such individual line item vetoes are subject to override by a two-thirds majority vote of each House of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (except for K-14 education) must be approved by a two-thirds majority vote in each House of the Legislature and be signed by the Governor. Bills containing K-14 education appropriations only require a simply majority vote. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

The Legislature passed the \$87.5 billion 2010-11 state budget on the morning of October 8, 2010, and the Governor signed it that night, exercising his line-item veto authority to reduce spending by \$963 million in order to raise the state reserve level from \$375 million to \$1.3 billion. Total 2010-11 Budget expenditure reductions were \$8.4 billion. The 2010-11 Budget assumed federal funds of \$5.4 billion and other solutions of almost \$5.5 billion. This 2010-11 state budget was passed 100 days late and after declaration by Governor Schwarzenegger of a financial state of emergency, an order from the governor requiring that 150,000 State workers to take three furlough days per months, and the end of the 2010 legislative session on August 31, 2010.

In its initial report for fiscal year 2011-12, the State Legislative Analyst's Office ("LAO") forecasted that the State's general fund revenues and expenditures would show a budget deficit of \$25.4 billion, consisting of a \$6 billion projected deficit for fiscal year 2010-11 and a \$19 billion gap between projected revenues and spending for fiscal year 2011-12. The LAO projected that the State will continue to face annual budget problems of approximately \$20 billion each year through fiscal year 2015-16, and recommended that the Legislature initiate a multi-year approach to solving the State's recurring structural budget deficit, addressing permanent revenue and expenditure actions each year, together with temporary budget solutions, until the structural deficit is eliminated.

On December 6, 2010, Governor Schwarzenegger called an emergency session of the Legislature to address the \$6.1 billion projected deficit for fiscal year 2010-11. During budget briefings held in December 2010, then Governor elect Jerry Brown announced that the deficit between now and June 30, 2012 had likely grown from the \$25.1 billion reported in the Fiscal Outlook Report to approximately \$28 billion. On January 3, 2011, Jerry Brown was sworn in as Governor.

On January 10, 2011, the Governor released his proposed budget for fiscal year 2011-12 ("Proposed Budget"). The Proposed Budget was designed to address an estimated budget shortfall of \$25.4 billion in the fiscal year 2011-12 California State Budget, consisting of an \$8.2 billion projected deficit for fiscal year 2010-11 and a \$17.2 billion gap between projected revenues and spending in fiscal year 2011-12, with a proposed reserve of \$1 billion. The Proposed Budget relied on a plan to submit to the voters at a special election in June a 5-year extension of the temporary sales tax, income tax, and vehicle license fee increases and maintaining a lower dependent exemption credit that are set to expire on June 30, 2011. The 2011-12 Proposed Budget also included \$8.2 billion in one-time savings and borrowing. These include \$1.8 billion in borrowing from special funds, \$1.7 billion in property tax shifts, shifting \$1.0 billion in Proposition 10 reserves to fund children's programs, and \$0.9 million from Proposition 63 moneys to fund community and mental health services. The Governor proposed to restructure the state-local relationship by shifting funding and responsibility to local government for certain services, resulting in a shift of an aggregate amount of \$5.9 billion in State program costs to counties.

The Proposed Budget included expenditure reductions that touch nearly every area of the State budget. Proposed reductions included cuts of \$1.7 billion to Medi-Cal, \$1.5 billion to California's welfare-to-work program, \$1 billion to the University of California and California State University, \$750 million to the

Department of Developmental Services, and \$580 million to state operations and employee compensation. Although the Governor's revenue proposals resulted in a \$2 billion increase in the Proposition 98 minimum funding guarantee for schools above the current-law level, the Proposed Budget would have resulted in a small funding decline for K-12 and more significant reductions for community colleges and child care programs.

The Governor called the Legislature to refer the proposed re-instatement of temporary tax increases described above to a statewide special election in June 2011, in an attempt to gain voter approval for the Governor's proposed increases. However, March 31, the deadline for initiating such a special election, has passed without an agreement in the Legislature about whether to put such a re-instatement measure on the ballot. The measure may be presented to California voters at a later date. A 2011 budget proposition voted on after the July 1 expiration could still re-instate the approved extensions for an additional five years.

The Governor also proposed eliminating the current funding mechanism for redevelopment agencies (the "RDA Provisions"), although only limited details were provided for such a far-reaching proposal. The RDA Provisions, if adopted, would prohibit existing agencies from creating new contracts or obligations effective upon enactment of urgency legislation. Existing agencies would be disestablished and successor local agencies would be required to use the tax increment revenues that redevelopment agencies would otherwise have received to retire redevelopment agency debts and certain contractual obligations "in accordance with existing payment schedules." The RDA Provisions would divert an estimated \$1.7 billion in fiscal year 2011-12 to offset State General Fund costs for Medi-Cal and trial courts. An additional estimated \$210 million would be distributed on a one-time basis to cities, counties, and special districts proportionate to their current share of the countywide property tax.

The RDA Provisions propose that, after fiscal year 2011-12, the money available after payment of the redevelopment agency debt and contractual obligations would be distributed to schools, counties, cities, and non-enterprise special districts for general uses.

As to Low and Moderate Income Housing Fund balances, the Proposed Budget provides that amounts in the redevelopment agency's balances reserved for low-moderate income housing would be shifted to local housing authorities for low and moderate income housing.

An LAO report dated January 12, 2011 stated that the Proposed Budget estimates were reasonable, and the proposed multiyear and ongoing solutions show great promise of making substantial improvements to the State's overall budget health. However, the LAO report recognizes that the Governor's realignment and redevelopment proposals are extremely ambitious, implicating many legal, financial and policy issues, and that \$12 billion of the Governor's proposed solutions are dependent upon voter approval in June 2011.

In March 2011, the Governor's proposed June 2011 special election was not approved. However, the Legislature passed a package of bills resulting in \$11 billion in cuts and other solutions, including \$5.5 billion in cuts to health and human services, \$1.2 billion in cuts to the University of California and California State University systems, \$2.2 billion in transportation debt service and other reductions, \$531 million in revenue proposals and \$2.8 billion in loans and transfers and other solutions.

On May 16, 2011, the Governor released the May Revise to the Proposed Budget. Elements of the Proposed Budget that would directly affect the City are discussed below. In the May Revise, an assumed \$6.6 billion in new state tax revenues over the current and budget years (\$3.3 billion each year) have been taken into account, but certain expenditure increases are also recognized. After accounting for budget measures adopted by the Legislature, higher revenues and updates spending projections, the State's \$26.6 billion estimated budget deficit is reduced in the May Revise to \$9.6 billion. The remaining \$9.6 billion deficit is composed of a carry-in deficit of \$4.8 billion from Fiscal Year 2010-11 and an operating shortfall of \$4.8 billion in Fiscal Year 2011-12. The projected operating shortfall increased to \$10 billion and the Governor calls for the Legislature to adopt \$11 billion in new solutions to rebuild a modest reserve. The

Governor plans to use almost all of the \$6.6 billion in new revenues to reduce the need for some targeted tax extensions and to start paying down the State's \$35 billion in debt.

The May Revision proposes that the Legislature act by the end of June 2011 to approve and the voters ratify in November 2011 the extension of current sales tax and vehicle license fee rates and the dependent credit exemption level for five years. If these tax extensions are approved, the budget provides an additional \$3 billion to schools in 2011-12. This \$3 billion is over and above the 2011-12 \$49.4 billion Proposition 98 guarantee and funding level approved by the Legislature in March 2011. It is approximately \$1 billion above the \$51.3 billion funding level included in the Governor's January budget. However, the Governor proposes that \$2.85 billion of the \$3 billion go toward eliminating deferrals, not toward increased revenue limit funding. Additional revenues generated by the tax extensions would fund a major realignment of public safety programs.

The Governor proposes that the remaining savings from revenue increases and future revenue growth above current program funding be dedicated to paying off the State's \$35 billion in debt. Under the Governor's proposals, at least \$29 billion in deferrals and debt would be paid off by fiscal year 2014-15.

The Governor's May Revision removed the proposed income tax extension and his proposal to eliminate the enterprise tax credit. The Governor is continuing to push for the elimination of redevelopment agencies.

The LAO's May 19, 2011 report on the Governor's May Revision concludes that the Governor's budget estimates in the May Revision are based on reasonable assumptions. However, the LAO notes, school districts, counties and the State face uncertainty as to funding levels in the fiscal year because the Governor's revenue assumptions rely on the extension of temporary increases in personal income tax, sales and use tax and vehicle license fees to be approved by the voters. The LAO deems the Governor's proposals worthy of legislative consideration, noting that in past budgets the State was unable to make significant inroads into its underlying operating shortfall due to a reliance on one-time and short-term solutions; whereas, this year, an estimated \$6.6 billion improvement in state tax considerations, and \$13 billion in budgetary solutions already adopted by the Legislature, puts the State in the position to dramatically reduce its budget problem in coming years.

On June 15, 2011, both houses of the Legislature adopted a budget and related trailer bills which varied significantly from the May Revision. Provisions substantially similar to the RDA Provisions were adopted in a trailer bill in branch of the Legislature, except that the trailer bills included an alternative in which redevelopment agencies could individually elect to make significant payments to school districts and other taxing entities and remain in existence. On June 17, 2011 the Governor vetoed the approved budget, without acting on the trailer bills.

On June 28, 2011, the State Legislature passed, the State budget for Fiscal Year 2011-12. The Governor is expected to sign the budget prior to July 1, 2011. The adopted State budget assumes that revenues will be an additional \$4 billion higher than projected in the May Revision, and contains a "trigger" mechanism pursuant to which certain expenditure reductions will be made without further legislative action in the event that the newly projected revenues are not expected to be realized (as determined by the State Director of Finance). The adopted budget does not contain the tax extensions proposed in the May Revision. Additionally, on June 29, 2011, the Governor signed the trailer bills relating to redevelopment agencies discussed above.

The State's financial difficulties may affect the amount and timing of payments to or for the benefit of cities of funds provided by the State. From time to time, some of the State's budget solutions may increase the financial stress of cities and other local governments because they (1) decrease local revenues (particularly the property tax, road improvement funding, public safety or other categorical funded initiatives) or (2) directly or indirectly increase demand for local programs (such as public safety or indigent health programs). There can be no assurances that the State's financial difficulties will not materially adversely affect the financial condition of the City.

The financial condition of the State is subject to a number of other risks in the future, including particularly potential significant increases in required state contributions to the Public Employees' Retirement System, increased financial obligations related to other post-employment benefits, and increased debt service.

As noted above, the State is facing significant financial stress. There can be no assurances that, as a result of the current State financial stress, the State will not significantly reduce or delay revenues to local governments (including the City) or shift financial responsibility for programs to local governments as part of its efforts to address the State financial difficulties. Aside from the proposal to eliminate redevelopment described above no new proposals to reduce or delay material sources of revenues to cities were included in the Proposed Budget or the May Revision. However, in Fiscal Years 2008-09 and 2009-10 the State either deferred payments or issued IOU's which could not immediately be cashed. IOU's continue to be discussed as a near-term cash management solution for the State. No prediction can be made by the City as to what measures the State will adopt to respond to the current or potential future financial difficulties. The City cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on the City's finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the City has no control. There can be no assurances that State actions to respond to State financial difficulties will not adversely affect the financial condition of the City.

Two measures intended to address prior years' cumulative budget deficits and to attempt to implement structural reform were both approved at the March 2, 2004 statewide primary election. The California Economic Recovery Bond Act (Proposition 57) authorized the issuance of up to \$15 billion of economic recovery bonds to finance the State general fund deficit as of June 30, 2004 and other general fund obligations undertaken prior to June 30, 2004. The economic recovery bonds are general obligations of the State and are secured by a pledge of revenues from an increase in the State's share of the sales and use tax of one-quarter cent, starting July 1, 2004. Such tax proceeds will revert to their prior allocation when the bonds are repaid. The portion of sales and use tax that otherwise would have been allocated to local governments, including the City, are decreased by a commensurate amount. Commencing in Fiscal Year 2004/05, local government's share of local property tax revenues was restored by an amount equal to the one-quarter cent reduction in the local sales and use tax, creating a revenue neutral effect on local agencies. The Balanced Budget Amendment (Proposition 58) requires the State to adopt and maintain a balanced budget and establish a reserve, and restricts future long-term deficit-related borrowing.

It should be noted that certain features and consequences of the Proposition 57 redirection could impact the availability of the City's revenues to pay principal and interest represented by the Certificates. First, there may be a reoccurring timing issue associated with the "backfill" of redirected sales and use taxes with property tax revenue. This timing issue would not only impact the City's cash flow, but would cause the City to lose investment earnings on the sales and use taxes it otherwise would have received on a monthly basis. Second, the redirection of sales and use taxes by the State reflects the vulnerability of local government to the State budget process. If, in the future, the State elects to further reallocate sales and use taxes or property tax revenue, or any other source of revenue used by the City to make payments on the Certificates, there could be an adverse impact on the City's ability to make Lease Payments.

See "CONSTITUTION AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 1A" below for a discussion of actions the State took in the current fiscal year to shift certain property tax revenues from local governments (including the City).

The City does not believe that the State budget as enacted by the Legislature on June 28, 2011 will have a material adverse impact on the City's General Fund finances, however, the City cannot predict what actions will be taken in the future by the State Legislature and the Governor to address the State's current and future budget deficits. Future State budgets could be affected by national economic conditions and other factors over which the City will have no control. To the extent that the State's annual budget process results in

reduced revenues or increased expenses to the City, the City will be required to make adjustments to its budget.

Seismic Considerations

The City, like much of California, is subject to seismic activity that could result in interference with its right to use and possession of the Leased Property. The Hayward, Calaveras and San Andreas faults, among others, are in the vicinity of the City. **The City is not obligated by the Lease Agreement or otherwise to maintain earthquake insurance with respect to the Leased Property, unless such insurance is available at reasonable cost from reputable insurers in the judgment of the City.** Based on current market conditions, the City does not expect to maintain earthquake insurance on the Leased Property for the foreseeable future.

Substitution and Removal of Property

The Authority and the City may, under the terms of the Lease Agreement, substitute alternate real property for any portion of the Leased Property or release a portion of the Leased Property from the Lease Agreement, upon compliance with all of the conditions set forth in the Lease Agreement. After a substitution or release, the portion of the Leased Property for which the substitution or release has been effected shall be released from the leasehold encumbrance of the Site Lease and the Lease Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES—Substitution of Leased Property” and “—Release of Leased Property.”

Ability to Re-Let

If the City defaults on its obligations to make Lease Payments, the Trustee may have limited ability to re-let the Leased Property to provide a source of payments sufficient to meet the principal and interest represented by the Certificates and preserve the tax-exempt nature of the interest component of the Lease Payments. The re-letting or sale of the Leased Property is subject to market conditions and applicable City zoning requirements. Additionally, portions of the Leased Property were granted to the City specifically for the purpose of being a public park. Accordingly, it is unlikely that portions or all of the Leased Property could be re-let for any other purpose. See “THE LEASED PROPERTY.”

Investment of Funds

All the funds held under the Trust Agreement are required to be invested in Permitted Investments as provided under the Trust Agreement. See Appendix C 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 municipalities, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected, decline in market value and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Trust Agreement or the funds and accounts held by the City could have a material adverse affect on the security for the Certificates, and/or the financial condition of the City. See “CITY FINANCES—Investment of City Funds” herein, and the audited financial statements of the City for the year ended June 30, 2010 attached hereto as Appendix B for information concerning the City’s investment policy and portfolio of investments.

Secondary Market

There can be no assurance that there will be a secondary market for the Certificates or, if a secondary market exists, that such Certificates 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 the then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Loss of Tax Exemption

As discussed under the caption “TAX MATTERS” below, interest represented by the Certificates could become includable in gross income for purposes of federal income taxation retroactive to the date the Certificates were issued as a result of future acts or omissions of the Authority or the City in violation of their respective covenants in the Lease Agreement and the Trust Agreement. Should such an event of taxability occur, the Certificates are not subject to a special redemption and will remain outstanding until maturity or until prepaid under the prepayment provisions contained in the Trust Agreement.

The Internal Revenue Service (the “IRS”) has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Certificates will be selected for audit by the IRS. It is also possible that the market value of the Certificates might be affected as a result of such an audit of the Certificates (or by an audit of similar obligations).

No Liability of Authority to the Owners

Except as expressly provided in the Trust Agreement, the Authority will not have any obligation or liability to the Owners of the Certificates with respect to the payment when due of the Lease Payments by the City, or with respect to the performance by the City of other agreements and covenants required to be performed by it contained in the Lease Agreement or the Trust Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

State Initiative Measures Generally

Under the California Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. For more than 25 years, the voters have exercised this power to place limitations on the ability of local governments to levy taxes and make expenditures, including through the adoption of Proposition 13 (“Article XIII A”) and similar measures, the most recent of which was approved as Proposition 218 in the general election held on November 5, 1996.

Any such initiative may affect the collection of fees, taxes and other types of revenue by local agencies such as the City. Subject to overriding federal constitutional principles, such collection may be materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash-flow problems in the payment of outstanding obligations such as the Lease.

Article XIII A

Article XIII A of the California Constitution limits the taxing powers of California public agencies. Article XIII A provides that the maximum *ad valorem* tax on real property cannot exceed one percent of the “full cash value” of the property, and effectively prohibits the levying of any other *ad valorem* property tax except for taxes above that level required to pay debt service on voter-approved general obligation bonds. “Full cash value” is defined as “the County assessor’s valuation of real property as shown on the 1975/76 tax bill under ‘full cash value’ or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” The “full cash value” is subject to annual adjustment to reflect inflation at a rate not to exceed two percent or a reduction in the consumer price index or comparable local data. Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by substantial damage, destruction or other

factors, and to provide that there could be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster and in other special circumstances.

The foregoing limitation does not apply to *ad valorem* taxes or special assessments to pay the interest and redemption charges on any indebtedness approved by the voters before July 1, 1978 or any bonded indebtedness for the acquisition or improvement of real property approved by two-thirds of votes cast by the voters voting on the proposition.

In the general election held November 4, 1986, voters of the State of California approved two measures, Propositions 58 and 60, which further amend the terms “purchase” and “change of ownership”, for purposes of determining full cash value of property under Article XIII A, to not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first \$1,000,000 of other property between parents and children. Proposition 60 amends Article XIII A to permit the Legislature to allow persons over age 55 who sell their residence and buy or build another of equal or lesser value within two years in the same city, to transfer the old residence’s assessed value to the new residence. In the March 26, 1996 general election, voters approved Proposition 193, which extends the parents-children exception to the reappraisal of assessed value. Proposition 193 amended Article XIII A so that grandparents may transfer to their grandchildren whose parents are deceased, their principal residences, and the first \$1,000,000 of other property without a re-appraisal of assessed value. From time to time the electorate has made other minor exceptions to the reassessment provisions of Article XIII A.

Article XIII B

In addition to the limits Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and local governments are subject to an annual “appropriations limit” or “Gann Limit” imposed by Article XIII B of the State Constitution, which effectively limits the amount of such revenues that government entities are permitted to spend. Article XIII B, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to “proceeds of taxes,” which consist of tax revenues, state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed “the cost reasonably borne by such entity in providing the regulation, product or service.” No limit is imposed on the appropriation of funds which are not “proceeds of taxes,” such as reasonable user charges or fees, and certain other non-tax funds.

Article XIII B also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. The appropriations limit may also be exceeded in cases of emergency; however, the appropriations limit for the three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services. Each school district is required to establish an appropriations limit each year. In the event that a school district’s revenues exceed its spending limit, the district may increase its appropriations limit to equal its spending by taking appropriations limit from the State.

Proposition 111 requires that each agency’s actual appropriations be tested against its limit every two years. If the aggregate “proceeds of taxes” for the preceding two-year period exceed the aggregate limit, the

excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years. If the State's aggregate "proceeds of taxes" for the preceding two-year period exceed the aggregate limit, 50% of the excess is transferred to fund the State's contribution to school and college districts.

Proposition 62 and Proposition 218

A statutory initiative ("Proposition 62") was adopted by the voters of the State at the November 4, 1986 General Election which (a) requires that any tax for general governmental purposes imposed by local governmental entities be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency's legislative body and by a majority of the electorate of the governmental entity, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within the jurisdiction, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax is imposed, (d) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIII A, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985 be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1988. The requirements imposed by Proposition 62 were upheld by the California Supreme Court in *Santa Clara County Local Transportation Authority v. Gardino*, 11 Cal.4th 220; 45 Cal.Rptr.2d 207 (1995).

Proposition 62 applies to the imposition of any taxes or the effecting of any tax increases after its enactment in 1986, but the requirements of Proposition 62 are largely subsumed by the requirements of Proposition 218 for the imposition of any taxes or the effecting of any tax increases after November 5, 1996.

The City has not effected certain tax increases after the enactment of Proposition 62 in 1986 but prior to the effective date of Proposition 218 on November 5, 1996. The City has not otherwise effected tax increases, except in accordance with the voter approval requirement of Proposition 218.

The *Gardino* decision did not decide, and the California Supreme Court has not otherwise decided, whether Proposition 62 applies to charter cities. The City is a charter city. Cases decided by the California Court of Appeals have indicated that the voter approval requirements of Proposition 62 do not apply to certain taxes imposed by charter cities. See *Fielder v City of Los Angeles*, 14 Cal. App. 4th 137 (1993), *Fisher v County of Alameda*, 20 Cal. App. 4th 120 (1993), and *Trader Sports, Inc. v. City of San Leandro*, 93 Cal. App. 4th 37, 112 Cal. Rptr. 2d 677 (2001).

As of the date of the Official Statement, the City Attorney believes that the provisions of Proposition 62 do not apply to charter cities. However, the City Attorney cannot opine on whether this position may be the subject of future litigation and can give no assurance that this position will be upheld if properly challenged.

If ultimately found applicable to charter cities, however, Proposition 62 could affect the ability of the City to continue the imposition of certain taxes, such as business license taxes, and may further restrict the City's ability to raise revenue.

On November 5, 1996, California voters approved Proposition 218 - Voter Approval for Local Government Taxes - Limitation on Fees, Assessments, and Charges - Initiative Constitutional Amendment. Proposition 218 added Articles XIIC and XIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. Proposition 218 states that all taxes imposed by local governments shall be deemed to be either general taxes or special taxes. Special purpose districts, including school districts, have no power to levy general taxes. No local government may impose, extend or increase any general tax unless and until such tax is submitted to the electorate and approved by a majority vote. No local government may impose,

extend or increase any special tax unless and until such tax is submitted to the electorate and approved by a two-thirds vote.

Proposition 218 also provides that no tax, assessment, fee or charge shall be assessed by any agency upon any parcel of property or upon any person as an incident of property ownership except: (i) the *ad valorem* property tax imposed pursuant to Article XIII and Article XIII A of the California Constitution, (ii) any special tax receiving a two-thirds vote pursuant to the California Constitution, and (iii) assessments, fees, and charges for property related services as provided in Proposition 218. Proposition 218 then goes on to add voter requirements for assessments and fees and charges imposed as an incident of property ownership, other than fees and charges for sewer, water, and refuse collection services. In addition, all assessments and fees and charges imposed as an incident of property ownership, including sewer, water, and refuse collection services, are subjected to various additional procedures, such as hearings and stricter and more individualized benefit requirements and findings. The effect of such new provisions will presumably be to increase the difficulty a local agency will have in imposing, increasing or extending such assessments, fees and charges.

Proposition 218 also extended the initiative power to reducing or repealing any local taxes, assessments, fees and charges. This extension of the initiative power is not limited to taxes imposed on or after November 6, 1996, the effective date of Proposition 218, and could result in retroactive repeal or reduction in any existing taxes, assessments, fees and charges, subject to overriding federal constitutional principles relating to the impairments of contracts.

Although a portion of the City's general fund revenues are derived from general taxes purported to be governed by Proposition 218, all of such taxes (or increases thereof) were either adopted prior to the effective dates of such propositions or were approved (or ratified) by majority vote of the electorate.

Proposition 218 provides that, effective July 1, 1997, fees that are charged "as an incident of property ownership" may not "exceed the funds required to provide the property related services" and may only be charged for services that are "immediately available to the owner of the property."

The foregoing discussion of Proposition 62 and Proposition 218 should not be considered an exhaustive or authoritative treatment of the issues. The City does not expect to be in a position to control the consideration or disposition of these issues and cannot predict the timing or outcome of any judicial or legislative activity in this regard. Interim rulings, final decisions, legislative proposals and legislative enactments may all affect the impact of Proposition 218 on the Lease Payments as well as the market for the Certificates. Legislative and court calendar delays and other factors may prolong any uncertainty regarding the effects of Proposition 218.

Like its antecedents, Proposition 218 is likely to continue to undergo both judicial and legislative scrutiny before its ultimate impact on the City and its obligations can be determined. Certain provisions of Proposition 218 may be examined by the courts for their constitutionality under both State and federal constitutional law. The City is not able to predict the outcome of any such examination.

Proposition 1A

As part of Governor Schwarzenegger's agreement with local jurisdictions, Senate Constitutional Amendment No. 4 was enacted by the Legislature and subsequently approved by the voters as Proposition 1A ("Proposition 1A") at the November 2004 election. Proposition 1A amended the State Constitution to, among other things, reduce the Legislature's authority over local government revenue sources by placing restrictions on the State's access to local governments' property, sales, and vehicle license fee revenues as of November 3, 2004. Beginning with Fiscal Year 2008-09, the State may borrow up to 8 percent of local property tax revenues, but only if the Governor proclaims such action is necessary due to a severe State fiscal hardship and two-thirds of both houses of the Legislature approves the borrowing. The amount borrowed is required to be paid back within three years. The State also will not be able to borrow from local property tax revenues for

more than 2 fiscal years within a period of 10 fiscal years. In addition, the State cannot reduce the local sales tax rate or restrict the authority of local governments to impose or change the distribution of the statewide local sales tax.

The 2009-10 State budget included a Proposition 1A diversion of \$1.935 billion in local property tax revenues from cities, counties, and special districts to the State to offset State general fund spending. Such diverted revenues must be repaid, with interest, no later than June 30, 2013. The amount of the Proposition 1A diversion from the City was \$2,824,258. The City participated in a State-sponsored program financing the Proposition 1A diversion and, accordingly, received its full share of property tax revenues.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) A fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.

Unitary Property

Some amount of property tax revenue of the City is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions (“unitary property”). Under the State Constitution, such property is assessed by the State Board of Equalization (“SBE”) as part of a “going concern” rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the City) according to statutory formula generally based on the distribution of taxes in the prior year.

Future Initiatives

Article XIII A, Article XIII B, Proposition 62, Proposition 218, Proposition 1A and Proposition 26 were each adopted as measures that qualified for the ballot through California’s initiative process. From time to time other initiative measures could be adopted, further affecting the City’s revenues. The nature and impact of these measures cannot be anticipated by the City.

THE AUTHORITY

The Authority was created on July 28, 1987, by the City and the Redevelopment Agency of the City of San Ramon pursuant to a Joint Exercise of Powers Agreement (the "Joint Powers Agreement"), for the public purpose to assist the City and the Redevelopment Agency in financing capital improvement projects. The members of the City Council serve as the governing board of the Authority. The Joint Powers Agreement was entered into pursuant to the provisions of the Joint Powers Act. The Authority is a separate entity constituting a public instrumentality of the State of California.

THE CITY

Information with respect to the City, including financial information and certain economic and demographic information relating to the City is provided in APPENDIX A –“THE CITY OF SAN RAMON FINANCIAL AND DEMOGRAPHIC INFORMATION” attached hereto. A copy of the financial statements of the City for the fiscal year ended June 30, 2010 is attached hereto as Appendix B and should be read in its entirety.

FINANCIAL STATEMENTS

The most recent audited financial statements (the “Financial Statements”) of the City, for the year ended June 30, 2010, included in Appendix B to this Official Statement, have been examined by Mayer Hoffman McCann, Certified Public Accountants, San Jose, California, independent certified public accountants (the “Auditor”). Financial information with respect to the City has been derived in part by the City from the audited financial statements. Such audited financial statements have been included herein in reliance upon the report of the Auditor. The Auditor has not undertaken to update the audited financial statements of the City or its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to its report dated December 23, 2010.

Audited financial statements of the City for prior years are on file for public inspection with the City Clerk. The Auditor has not reviewed or expressed any opinion regarding any portion of this Official Statement other than the Financial Statements.

TAX MATTERS

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the portion of lease payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the “Tax Code”), that must be satisfied subsequent to the delivery of the Lease Agreement in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such

interest in gross income for federal income tax purposes to be retroactive to the date of delivery of the Lease Agreement.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public (excluding bond houses and brokers) at which a Certificate is sold is less than the amount payable at maturity thereof, then such difference constitutes “original issue discount” for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each Certificate is sold is greater than the amount payable at maturity thereof, then such difference constitutes “original issue premium” for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Certificate on the basis of a constant interest rate compounded on each interest or principal payment date (with straightline interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Certificates to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Certificate. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Certificates who purchase the Certificates after the initial offering of a substantial amount of such maturity. Owners of such Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Certificates with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Certificates under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Certificate (said term being the shorter of the Certificate’s maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Certificate for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Certificate is amortized each year over the term to maturity of the Certificate on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Certificate premium is not deductible for federal income tax purposes. Owners of premium Certificates, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Certificates.

California Tax Statutes. In the further opinion of Bond Counsel, interest payable with respect to the Certificates is exempt from California personal income taxes.

Other Tax Consideration. Owners of the Certificates should also be aware that the ownership or disposition of, or the accrual or receipt of interest with respect to, the Certificates may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Lease Agreement and the Certificates other than as expressly described above.

CERTAIN LEGAL MATTERS

The legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, substantially in the form of Appendix D hereto, will be made available to purchasers at the time of original delivery of the Certificates, and a copy thereof will accompany each Certificate. Certain legal matters will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation.

Certain legal matters will be passed upon for the Authority and the City by the City Attorney. Bond Counsel represents the Underwriter from time to time on matters unrelated to the Certificates.

Payment of the fees and expenses of Bond Counsel and Underwriter's Counsel is contingent upon the execution and delivery of the Certificates.

LITIGATION

There is no litigation pending or, to the City's knowledge, threatened in any way to restrain or enjoin the execution or delivery of the Certificates, the Lease Agreement or the Trust Agreement, to contest the validity of the Certificates, the Lease Agreement or the Trust Agreement, or any proceeding of the City with respect thereto. In the opinion of the City and its counsel, there are no lawsuits or claims pending against the City which will materially affect the City's finances so as to impair its ability to pay Lease Payments when due.

UNDERWRITING

The Certificates are being purchased by E. J. De La Rosa & Co., Inc. (the "Underwriter"), at a purchase price of \$12,209,554.95 (which represents the aggregate principal amount of the Certificates, plus an original issue premium of \$734,612.45 and less an underwriter's discount of \$110,057.50). The purchase agreement relating to the Certificates provides that the Underwriter will purchase all of the Certificates if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase agreement.

The Underwriter may offer and sell Certificates to certain dealers and others at prices lower than the offering price stated on the cover page hereof. The offering prices may be changed from time to time by the Underwriter.

RATINGS

Standard and Poor's Ratings Services ("S&P") has assigned its municipal bond rating of "AA+" to the Certificates. Such rating expresses only the views of S&P and is not a recommendation to buy, sell or hold the Certificates. Any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following address: Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041. 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 that such ratings will continue for any given period of time or that they will not be revised, either downward or upward, or withdrawn entirely by either rating agency, if in their judgment, circumstances so warrant. The Authority, the City and the Trustee undertake no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal may have an adverse effect on the market price of the Certificates.

MISCELLANEOUS

Insofar as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the owners of the Certificates.

During the initial offering period for the Certificates, copies of the Lease Agreement, the Trust Agreement, the Assignment Agreement and the Site Lease may be obtained, upon written request, from the City. After delivery of the Certificates copies of such documents may be obtained from the Trustee.

The execution and delivery of this Official Statement have been duly authorized by the City Council of the City.

CITY OF SAN RAMON

By: /s/ Greg Rogers
City Manager

APPENDIX A

THE CITY OF SAN RAMON FINANCIAL AND DEMOGRAPHIC INFORMATION

This appendix sets forth general information about the City of San Ramon (the “City”). The following information concerning the City, the County of Contra Costa (the “County”) and the State of California (the “State”) is included only for general background purposes. The Certificates are an obligation of the City but are not an obligation of the State, the County or any other governmental agency. It is not intended to suggest that the Certificates are payable from any source other than Lease Payments.

General

The City of San Ramon is located in Contra Costa County (the “County”) approximately 20 miles east of the City of San Francisco and across the San Francisco Bay. The estimated population of the City as of January 1, 2010 was 64,860 and the City occupies a land area of 17.98 square miles. The City was incorporated in 1983 under the general laws of the State of California and by election in 1997 converted to a chartered city. The City has a council-manager form of government. There are five Council Members who serve overlapping terms of four years, and the Council, in turn, selects one of the Council Members to serve as Mayor for one year. The legislative body selects a City Manager to administer the affairs of the City. The City Manager is responsible for implementing the policies, ordinances and directives of the City Council and for overseeing the daily operations of the City. The City provides police services, highway and street maintenance, building and safety inspection, parks/culture/recreation, public improvements, planning and zoning, and general administrative services.

Accounting Policies and Financial Reporting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which the spending activities are controlled.

The City Council employs, at the beginning of each fiscal year, an independent certified public accountant who, at such time or times as specified by the City Council, at least annually, and at such other times as he or she determines, examines the combined financial statements of the City in accordance with generally accepted auditing standards, including such tests of the accounting records and such other auditing procedures as such accountant considers necessary. As soon as practicable after the end of the fiscal year, a final audit and report is submitted by such accountant to the City Council and a copy of the financial statements as of the close of the fiscal year is published. The City’s Independent Auditor’s Report for fiscal year 2009-2010 was prepared by Mayer Hoffman McCann P.C., Certified Public Accountants, San Jose, California.

Budgetary Process

The fiscal year of the City begins on the first day of July of each year and ends on the thirtieth day of June of the following year (the “Fiscal Year”).

At such date as the City Manager determines, each department head must furnish to the City Manager an estimate of revenues and expenditures for such department for the ensuing fiscal year, detailed in such manner as may be prescribed by the City Manager. In preparing the proposed budget, the City Manager reviews the estimates, holds conferences thereon with the respective department heads as necessary, and may revise the estimates as he or she may deem advisable.

In May, the City Manager submits to the City Council the proposed budget. After reviewing and making such revisions, as it deems advisable, the City Council determines the time for the holding of a public hearing thereon and causes to be published a notice thereof not less than ten days prior to the hearing date. Copies of the proposed budget are available for inspection by the public in the office of the City Clerk at least ten days prior to the hearing.

At the conclusion of the public hearing, the City Council further considers the proposed budget and makes any revisions thereof that it deems advisable and on or before June 30 it adopts the budget with revisions, if any, by the affirmative vote of a least a majority of the total members of the Council.

From the effective date of the budget, the several amounts stated as proposed expenditures become appropriated to the several departments, offices and agencies for the objects and purposes named, provided that the City Manager may transfer funds from one object or purpose to another within the same fund, department, office, or agency. All appropriations lapse at the end of the budget period to the extent that they have not been expended or lawfully encumbered. At any public meeting after the adoption of the budget, the City Council may amend or supplement the budget by motion adopted by the affirmative vote of at least a majority of the total members of the Council.

Comparison of Budget to Actual Performance

The following table summarizes the City's adopted budgets for Fiscal Years 2010, 2011 and 2012, and sets forth actual revenues and expenditures for Fiscal Year 2010 for purposes of comparison.

TABLE 1
CITY OF SAN RAMON
General Fund
Comparison of Budgeted and Actual
Revenues, Expenditures and Fund Balances
For Fiscal Years 2009, 2010 and 2011

| | <i>2010</i> | | <i>2011</i> | |
|---|-----------------------|-----------------------------------|-------------------------------------|-----------------------|
| | <i>Budget</i> | <i>Actual</i> | <i>Revised Budget⁽¹⁾</i> | <i>Adopted Budget</i> |
| REVENUES: | | | | |
| Taxes | \$ 27,144,852 | \$ 25,871,241 | \$ 26,456,948 | \$ 26,814,359 |
| Licenses and permits | 1,007,960 | 966,832 | 1,130,960 | 1,137,160 |
| Intergovernmental sources | 470,467 | 815,358 | 469,663 | 479,963 |
| Developer Fees | 26,000 | 26,278 | 15,000 | 25,000 |
| Charges for services | 5,498,004 | 5,839,270 | 4,641,013 | 4,577,536 |
| Fines and forfeitures | 493,280 | 428,364 | 488,800 | 478,800 |
| Investment Income | 630,000 | 898,441 | 630,000 | 400,000 |
| Miscellaneous | <u>3,205,050</u> | <u>3,406,989</u> | <u>1,682,357</u> | <u>1,702,197</u> |
| Total revenues | \$ 38,475,613 | \$ 38,252,773 | \$ 35,514,741 | \$ 35,615,015 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | \$ 5,719,954 | \$ 5,541,732 | \$ 5,767,497 | \$ 4,865,255 |
| Community development | 2,951,440 | 3,094,721 | 3,078,135 | 3,022,466 |
| Redevelopment activities | 301,573 | 241,945 | 285,349 | 237,976 |
| Police services | 9,804,640 | 9,934,858 | 10,307,522 | 10,319,879 |
| Public works | 10,879,175 | 10,600,554 | 10,631,357 | 10,498,436 |
| Parks and community service | <u>8,165,538</u> | <u>7,615,877</u> | <u>7,853,946</u> | <u>7,561,762</u> |
| Total Expenditures | \$ 37,812,948 | \$ 37,029,687 | \$ 37,923,806 | \$ 36,505,774 |
| REVENUES OVER (UNDER) EXPENDITURES | \$ 662,665 | \$ 1,223,086 | \$ (2,409,065) | \$ (890,759) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | \$ 3,738,445 | \$ 3,658,570 | \$ 5,127,310 | \$ 5,311,753 |
| Transfers out | <u>(6,144,589)</u> | <u>(34,336,251)</u> | <u>(5,923,128)</u> | <u>(4,393,766)</u> |
| Total other financing sources (uses) | (2,406,144) | (30,677,681)⁽¹⁾ | (795,818) | 917,987 |
| Net change in fund balances | \$ (1,743,479) | \$(29,454,595) | \$ (3,204,883) | \$ 27,228 |
| FUND BALANCES | | | | |
| Beginning of year | <u>\$ 37,260,573</u> | <u>\$ 37,260,573</u> | <u>\$ 7,805,978</u> | <u>\$ 4,824,961</u> |
| End of year | <u>\$ 35,517,094</u> | <u>\$ 7,805,978</u> | <u>\$ 4,601,095</u> | <u>\$ 4,852,189</u> |

⁽¹⁾ Reflects transfer of \$26.3 million in General Fund reserves to designated special revenue, debt service and internal service fund reserves.

Source: City of San Ramon, Administrative Services Department, Finance Division

Management Discussion

In June 2010, the City Council adopted Resolution No. 2010-078, approving a modification of the General Fund Reserve Policy and reallocation of General Fund Reserves. The City Council approved a transfer totaling \$26.3 million from the General Fund, including a \$15,765,000 transfer to the Certificates of Participation Debt Funds to offset outstanding principal balances as of July 1, 2010, an \$8,000,000 transfer to the Dougherty Valley Fund to provide for future funding requirements needed until home sales recover and assessment revenue increases, a \$2,500,000 transfer to the Healthcare Fund to provide a reserve for additional unfunded retiree healthcare liability. Although transferred from the General Fund, these funds pursuant to future City Council action may be transferred back to the General Fund at any time. The City has no current plans to liquidate these reserves.

General Fund Financial Summary

The information contained in the following tables of audited revenues, expenditures and changes in fund balances, and assets, liabilities and fund equity is summarized from audited financial statements for fiscal years ending June 30, 2009 through June 30, 2010.

TABLE 2
CITY OF SAN RAMON
General Fund Revenue, Expenditures and Fund Balances
For Fiscal Years 2006 through 2010

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|----------------------|----------------------|----------------------|----------------------|-----------------------------------|
| REVENUES: | | | | | |
| Taxes | \$ 25,865,484 | \$ 29,048,580 | \$ 29,465,385 | \$ 34,818,027 | \$ 25,871,241 |
| Licenses and permits | 1,319,273 | 1,480,293 | 1,371,140 | 833,617 | 966,832 |
| Intergovernmental revenues | 696,419 | 906,978 | 592,922 | 472,257 | 815,358 |
| Developer fees | 40,449 | 44,421 | 42,997 | 21,289 | 26,278 |
| Charges for services | 4,731,119 | 5,214,367 | 4,951,802 | 5,297,842 | 5,839,270 |
| Fines and forfeitures | 485,682 | 571,955 | 474,942 | 480,935 | 428,364 |
| Use of money and property | 676,448 | 1,653,689 | 2,009,463 | 2,265,751 | 898,441 |
| Miscellaneous | 2,436,733 | 1,387,490 | 1,924,407 | 1,946,558 | 3,406,989 |
| Total revenues | <u>36,251,607</u> | <u>40,307,773</u> | <u>40,833,058</u> | <u>46,136,276</u> | <u>38,252,773</u> |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General Government | 5,764,422 | 4,947,159 | 5,366,166 | 5,249,193 | 5,541,732 |
| Community development | 2,212,323 | 2,651,277 | 3,052,714 | 3,051,920 | 3,094,721 |
| Redevelopment | 346,713 | 259,135 | 219,747 | 263,141 | 241,945 |
| Police services | 7,645,947 | 8,765,219 | 9,054,083 | 9,745,710 | 9,934,858 |
| Public works | 9,289,562 | 9,381,332 | 10,282,483 | 10,893,133 | 10,600,554 |
| Parks and community service | 5,992,324 | 6,713,338 | 7,255,301 | 7,813,864 | 7,615,877 |
| Capital outlay | - | - | - | - | - |
| Debt service: | | | | | |
| Principal | - | - | - | - | - |
| Interest and fees | - | - | - | - | - |
| Total Expenditures | <u>31,251,291</u> | <u>32,717,460</u> | <u>35,230,494</u> | <u>37,016,961</u> | <u>37,029,687</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>5,000,316</u> | <u>7,590,313</u> | <u>5,602,564</u> | <u>9,119,315</u> | <u>1,223,086</u> |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Issuance of pension bonds | | | | | - |
| Prepayment to CalPERS | | | | | - |
| Transfers in | 3,710,069 | 3,695,426 | 4,107,967 | 4,074,435 | 3,658,570 |
| Transfers out | (4,286,742) | (6,256,629) | (9,111,067) | (12,206,063) | (34,336,251) ⁽¹⁾ |
| Total other financing sources (uses) | <u>(576,673)</u> | <u>(2,561,203)</u> | <u>(5,003,100)</u> | <u>(8,131,628)</u> | <u>(30,677,681)⁽¹⁾</u> |
| Net change in fund balances | 4,423,643 | 5,029,110 | 599,464 | 987,687 | (29,454,595) |
| FUND BALANCES | | | | | |
| Beginning of year | 26,220,669 | 30,644,312 | 35,673,422 | 36,272,886 | 37,260,573 |
| End of year | <u>\$ 30,644,312</u> | <u>\$ 35,673,422</u> | <u>\$ 36,272,886</u> | <u>\$ 37,260,573</u> | <u>\$ 7,805,978</u> |

⁽¹⁾ Reflects transfer of \$26.3 million in General Fund reserves to designated special revenue, debt service and internal service fund reserves. See caption “– Management Discussion” above for an explanation of the reallocation of fund reserves.

Source: City of San Ramon, Administrative Services Department, Finance Division

TABLE 3
CITY OF SAN RAMON
General Fund Comparative Balance Sheet
For Fiscal Years 2006 through 2010

| | <i>2006</i> | <i>2007</i> | <i>2008</i> | <i>2009</i> | <i>2010</i> |
|--|----------------------|----------------------|----------------------|----------------------|--------------------------|
| ASSETS | | | | | |
| Cash and investments | \$ 30,518,015 | \$ 37,330,876 | \$ 33,557,180 | \$ 37,709,230 | \$10,190,366 |
| Restricted cash and investments | 374,127 | 394,127 | 153,801 | 147,114 | 140,427 |
| Receivables: | | | | | |
| Accounts | 2,692,420 | 2,433,886 | 11,158,856 | 5,180,616 | 2,117,757 |
| Notes | | | | 7,285,000 | 7,285,000 |
| Interest | 291,089 | 393,625 | 312,845 | 264,315 | 22,156 |
| Due from other funds (Note 4) | 747,385 | 212,910 | 3,580,560 | 1,186,732 | 66,653 |
| Advances from other funds | - | - | - | - | - |
| Land held for resale | - | - | - | - | - |
| Inventory | 990 | 3,294 | 6,622 | 12,369 | 3,676 |
| Prepaid and deposits | 94,654 | 95,087 | 100,419 | 87,656 | 103,111 |
| Total assets | <u>\$ 34,718,680</u> | <u>\$ 40,863,805</u> | <u>\$ 48,870,283</u> | <u>\$ 51,873,032</u> | <u>\$19,929,146</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts Payable | \$ 1,841,267 | \$ 2,258,056 | \$ 1,336,816 | \$ 1,213,697 | \$ 1,582,219 |
| Accrued salaries | 713,031 | 1,112,772 | 1,003,817 | 1,799,221 | 1,913,464 |
| Due to other funds | - | - | - | - | - |
| Deferred revenue | 1,014,793 | 1,152,572 | 9,726,592 | 10,993,248 | 8,142,792 |
| Deposits payable | 505,277 | 666,983 | 530,172 | 606,293 | 484,693 |
| Advances from other funds | - | - | - | - | - |
| Total liabilities | <u>4,074,368</u> | <u>5,190,383</u> | <u>12,597,397</u> | <u>14,612,459</u> | <u>12,123,168</u> |
| Fund Balances: | | | | | |
| Reserved: | | | | | |
| Encumbrances | \$ 330,365 | \$ 251,123 | \$ 519,798 | \$ 120,939 | \$ 66,287 |
| Debt service | - | - | - | - | - |
| Advances to other funds | - | - | - | - | - |
| Housing set-aside | - | - | - | - | - |
| Inventory | - | - | 6,622 | - | 3,676 |
| Land held for resale | - | - | - | 12,369 | - |
| Prepaid and deposits | 67,720 | 68,153 | 100,419 | 87,656 | 103,111 |
| Unreserved: | | | | | |
| Undesignated, reported in: | | | | | |
| General fund | 30,246,227 | 35,354,146 | 35,646,047 | 37,039,609 | 7,632,904 ⁽¹⁾ |
| Special revenue | - | - | - | - | - |
| Debt service | - | - | - | - | - |
| Capital projects | - | - | - | - | - |
| Total fund balances | <u>30,644,312</u> | <u>35,673,422</u> | <u>36,272,886</u> | <u>37,260,573</u> | <u>7,805,978</u> |
| Total liabilities and fund balances | <u>\$ 34,718,680</u> | <u>\$ 40,863,805</u> | <u>\$ 48,870,283</u> | <u>\$ 51,873,032</u> | <u>\$ 19,929,146</u> |

⁽¹⁾ Reflects transfer of \$26.3 million in General Fund reserves to designated special revenue, debt service and internal service fund reserves.

Source: City of San Ramon, Administrative Services Department, Finance Division

Tax Receipts

Taxes and revenues received by the City include sales and use taxes, property taxes, property transfer taxes, transient occupancy taxes and other taxes such as business license taxes, franchise taxes and motor vehicle taxes. Of such taxes, property taxes, sales taxes, property transfer taxes and transient occupancy taxes constitute the major sources of General Fund revenues.

The following table sets forth tax revenues received by the City for Fiscal Years 2009 and 2010 and amounts budgeted for Fiscal Years 2011 and 2012, by source:

TABLE 4
CITY OF SAN RAMON
Tax Revenues by Source
For Fiscal Years 2009 through 2012
(Expressed in thousands)

| <i>Fiscal Year Ended June 30:</i> | <i>2009</i> | <i>2010</i> | <i>2011 Budget</i> | <i>2012 Budget</i> |
|-----------------------------------|---------------------|---------------------|---------------------|---------------------|
| Property Taxes | \$14,525,239 | \$13,930,189 | \$13,611,948 | \$13,634,359 |
| Sales Tax | 14,870,719 | 6,657,222 | 7,475,000 | 7,700,000 |
| Property Transfer Taxes | 438,874 | 537,645 | 400,000 | 450,000 |
| Transient Occupancy Taxes | 1,566,201 | 1,247,315 | 1,450,000 | 1,360,000 |
| Franchise Fees | <u>3,416,994</u> | <u>3,498,870</u> | <u>3,520,000</u> | <u>3,670,000</u> |
| Total | \$34,818,027 | \$25,871,241 | \$26,456,948 | \$26,814,359 |

Source: City of San Ramon

Sales Taxes

Sales tax receipts provide one of the largest tax revenue sources for the City, contributing approximately 32.2% of the total General Fund revenues during Fiscal Year 2009 and 17.4% in Fiscal Year 2010. A sales tax is imposed on retail sales or consumption of personal property. The tax rate is established by the State Legislature. The statewide tax rate, as of April 2010, is 8.25%. An additional 0.50% is collected in Contra Costa County for transportation purposes. The State collects and administers the tax, and makes distributions on taxes within the City as follows:

TABLE 5
CITY OF SAN RAMON
Sales Tax Rates

| | |
|-----------------------------------|--------------|
| State (General Fund): | 6.00% |
| State (Fiscal Recovery Fund): | 0.25 |
| State (Local Revenue Fund): | 0.50 |
| State (Local Public Safety Fund): | 0.50 |
| Local: | |
| County transportation: | 0.25 |
| City and County Operations: | 0.75 |
| County (Transportation): | <u>0.50</u> |
| Total: | <u>8.75%</u> |

The allocation of 0.25 percent sales tax to the payment of economic recovery bonds became effective July 1, 2004, as part of the “triple flip” in the Governor’s 2004-05 Budget and pursuant to State Proposition 57, approved by the voters on March 2, 2003. Proposition 57 authorized the issuance of up to \$15 billion of economic recovery bonds secured by the 0.25% sales tax allocation. Prior to July 1, 2004, this sales tax was available to cities and counties for general purposes. Under the legislation implementing the “triple flip,” the lost sales tax is replaced by increased property tax revenues, equal to the lost sales tax revenues.

Senate Constitutional Amendment No. 4, approved by the voters as Proposition 1A in the November 2004 election, amended the State Constitution to, among other things, reduce the Legislature’s authority over local government revenue sources by restricting the State from lowering the local sales tax rate or changing the allocation of local sales tax revenues without meeting certain conditions.

The State's actual administrative costs with respect to the portion of sales taxes allocable to the City are deducted before distribution and are determined on a quarterly basis.

Property Taxes

Property taxes are currently the City's largest revenue source. It accounted for approximately 36% of the General Fund revenue in Fiscal Year 2010. The City projects that property revenues will decline by approximately 2.3% in Fiscal Year 2011.

Assessed Valuation. The valuation of property in the City is established by the Contra Costa County Assessor, except for public utility property, which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the full value of the property, as defined in Article XIII A of the California Constitution. Prior to 1981-82, assessed valuations were reported at 25% of the full value of the property.

Two types of State-reimbursed exemptions affect the valuation of property. The first currently exempts 100% of the full value of business inventories from taxation. The second exemption currently provides a credit of \$7,000 of the full value of an owner-occupied dwelling for which application has been made to the County Assessor. Revenue estimated to be lost to local taxing agencies due to the above exemptions has in the past been reimbursed from State sources. Reimbursement is based upon total taxes due upon such exemption values and therefore is not reduced by any estimated amount of actual delinquencies.

The following table sets forth assessed valuations for Fiscal Years 2007 through 2011.

**TABLE 6
CITY OF SAN RAMON
Assessed Value and Estimated Actual of Taxable Property
Taxable Property
Last Ten Fiscal Years**

| | <i>Secured</i> | <i>Unsecured</i> | <i>Taxable Assessed Value</i> |
|------|------------------|------------------|-----------------------------------|
| 2007 | \$12,724,401,220 | \$374,659,666 | \$13,099,060,886 |
| 2008 | 14,043,096,208 | 401,846,354 | 14,444,942,562 |
| 2009 | 14,657,651,750 | 414,927,856 | 15,072,579,606 |
| 2010 | 14,281,273,168 | 396,128,906 | 14,677,402,074 |
| 2011 | 14,117,347,324 | 370,158,408 | 14,487,981,801 |

Source: Contra Costa County Auditor-Controller's Office – Certificate of Assessed Valuation

Ad Valorem Property Taxes. Taxes are levied for each fiscal year on taxable real and personal property which is situated in the City as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property, the taxes on which are a lien on real property sufficient to secure payment of the taxes. Other property is assessed on the "unsecured roll."

The following table sets forth the largest taxpayers located within the City in terms of their assessed value for Fiscal Year 2011.

TABLE 7
CITY OF SAN RAMON
Principal Property Taxpayers
Fiscal Year Ending 2011
(Assessed value in thousands)

| | <i>Property Owner</i> | <i>Land Use</i> | <i>Assessed Value</i> | <i>Percentage of Total</i> |
|-----|--|-----------------------------|-------------------------|----------------------------|
| 1. | Chevron USA Inc. | Professional-Office | \$ 374,714,265 | 2.65% |
| 2. | Sunset Building Co, LLC/ Sunset Land Co. LLC | Professional-Office | 365,946,382 | 2.59 |
| 3. | Shapell Industries Inc. | Residential-Multifamily | 185,366,404 | 1.31 |
| 4. | Essex Portfolio LP/ Essex S. R. Partners LP | Residential-Multifamily | 161,235,396 | 1.14 |
| 5. | SDC 7 | Professional-Office | 155,016,576 | 1.10 |
| 6. | Annabel Investment Company | Professional-Office | 151,965,322 | 1.08 |
| 7. | Alexander Properties Co. | Professional-Office | 92,913,441 | 0.66 |
| 8. | Legacy III SR Crow Canyon LLC | Professional-Office | 87,512,102 | 0.62 |
| 9. | Wittschen Capital Resources LP | Commercial | 72,399,583 | 0.51 |
| 10. | San Ramon Regional Medical Center | Professional-Medical Office | 63,020,285 | 0.45 |
| | | | <u>\$ 1,710,089,756</u> | <u>12.11%</u> |

Source: California Municipal Statistics, Inc.

Tax Rates

The basic tax rate for all taxing entities within a particular tax code area is \$1 per \$100 of assessed valuation in accordance with Article XIII A of the State Constitution. To this may be added whatever tax rates are necessary to meet debt service on indebtedness approved by the voters.

Tax Levies, Collections and Teeter Plan

Property taxes on the secured roll are due in two installments, on January 1st and June 1st of the fiscal year. If unpaid, such taxes become delinquent on December 10th and April 10th, respectively, and a 10 percent penalty attaches to any delinquent payment. On July 1, an additional 1½ percent per month is levied on delinquencies for five years. In addition, property on the secured roll with respect to which taxes are delinquent is sold to the State on or about June 30th five years after the delinquency occurs. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of one percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County Tax Collector.

Property taxes on the unsecured roll are due as of the March 1st lien date and become delinquent, if unpaid, on August 31st. A six percent penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of one percent per month begins to accrue beginning November 1st of the fiscal year.

Beginning in fiscal year 1978/79, Proposition 13 and its implementing legislation shifted the function of property taxation primarily to the counties, except for levies to support prior voted debt, and prescribed how levies on countywide property values are to be shared with local taxing entities within each county.

The Contra Costa County Board of Supervisors utilizes the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code.

Generally, the Teeter Plan provides for a tax distribution procedure in which secured roll taxes and assessments are distributed to taxing agencies within the County on the basis of the tax and assessment levy, rather than on the basis of actual tax and assessment collections. The County then receives all future delinquent tax and assessment payments and penalties. Pursuant to the Teeter Plan, the County establishes a tax and assessment losses Reserve fund and a tax resources account, and each entity levying or entitled to receipt of property taxes in the County may draw on the amount of uncollected taxes and assessments credited to its fund, in the same manner as if the amount credited had been collected.

The County is responsible for determining the amount of tax and assessment levy on each parcel which is entered onto the secured real property tax roll. Upon completion of the secured real property tax roll, the County's Auditor-Controller determines the total amount of taxes and assessments actually extended on the roll for each fund for which a tax levy has been included, and apportions 100 percent of the tax and assessment levies to that fund's credit. Such moneys may thereafter be drawn against by the taxing agency in the same manner as if the amount credited had been collected. The County determines which moneys in the county treasury (including those credited to the tax and assessment losses Reserve fund) shall be available to be drawn on to the extent of the amount of uncollected taxes and assessments credited to each fund for which a levy had been included. When amounts are received on the secured tax roll for the current year, or for redemption of tax-defaulted property, Teeter Plan moneys are distributed to the apportioned tax resources funds.

California State law has authorized the Teeter Plan for over 40 years; however, until 1993, it had been implemented by only five counties. Legislation signed by the Governor on July 19, 1993 provided a financial inducement to utilize this simplified accounting method. So long as the Teeter Plan is in place, the City is expected to be credited with 100 percent of its property taxes, regardless of any delinquencies in payment of the taxes. However, the County Board of Supervisors may discontinue the Teeter Plan at any time.

Transient Occupancy Taxes

Transient occupancy taxes have historically provided a revenue source for the City's General Fund. Sometimes referred to as a hotel tax, this tax is imposed on occupants for the privilege of occupying rooms in hotels, motels, inns and other taxed properties. In Fiscal Year 2010, transient occupancy taxes accounted for approximately 3% of General Fund revenues.

Charges for Services

The City provides various services which generate revenue for its General Fund. Services provided by the City include building construction and planning fees, engineering encroachment inspections, police fees such as fingerprinting, police reports, and towing, as well as a number of recreation programs. In Fiscal Year 2010, Charges for Services accounted for approximately 15% of all General Fund Revenues.

Long-Term Obligations

As of June 30, 2010, the City had total long-term obligations of \$119,278,174. Obligations continue to decrease as long-term debt is paid off in both the governmental and business-type activities. See APPENDIX B—"THE CITY OF SAN RAMON CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2010."

**TABLE 8
CITY OF SAN RAMON
Long-Term Liabilities
June 30, 2010**

| | <i>Balance at July 1, 2009</i> | <i>Additions</i> | <i>Reductions</i> | <i>Balance at June 30, 2010</i> | <i>Due Within One Year</i> |
|--|------------------------------------|----------------------|-----------------------|-------------------------------------|--------------------------------|
| Tax Allocation Bonds: ⁽¹⁾ | | | | | |
| 1998 Tax Allocation Bonds | \$ 21,820,000 | \$ — | \$ (705,000) | \$ 21,115,000 | \$ 735,000 |
| 2004 Tax Allocation Bonds | 6,735,000 | — | (340,000) | 6,395,000 | 350,000 |
| 2006 Tax Allocation Bonds A | 31,866,570 | — | — | 31,866,570 | — |
| 2006 Tax Allocation Bonds B | 21,910,000 | — | (675,000) | 21,235,000 | 865,000 |
| Premium on Debt | 573,302 | — | (21,333) | 551,969 | — |
| Revenue Bonds: | | | | | |
| 2005 ERAF Tax Revenue Bonds | 345,000 | — | (50,000) | 295,000 | 55,000 |
| 2006 ERAF Tax Revenue Bonds | 405,000 | — | (50,000) | 355,000 | 50,000 |
| Certificates of Participation: | | | | | |
| 1996 COPS #9 Refunding Issue ⁽²⁾ | 5,380,000 | — | (225,000) | 5,155,000 | 240,000 |
| 2001 COPS #10 Refunding Issue ⁽²⁾ | 9,700,000 | — | (630,000) | 9,070,000 | 655,000 |
| 2003 COPS #11 Refunding Issue | 1,700,000 | — | (160,000) | 1,540,000 | 165,000 |
| Pension Obligation Bonds | — | 17,650,000 | (145,000) | 17,505,000 | 80,000 |
| HELP Loan | 750,000 | — | — | 750,000 | — |
| Capital Lease | 76,976 | — | (13,806) | 63,170 | 14,558 |
| Compensated absences | <u>3,143,386</u> | <u>756,210</u> | <u>(518,131)</u> | <u>3,381,465</u> | <u>518,131</u> |
| Total | <u>\$104,405,234</u> | <u>\$ 18,406,210</u> | <u>\$ (3,533,270)</u> | <u>\$ 119,278,174</u> | <u>\$ 3,727,689</u> |

⁽¹⁾ Not payable from the General Fund.

⁽²⁾ To be refunded from proceeds of the Certificates.

Source: City of San Ramon

Direct and Overlapping Bonded Debt

The statement of direct and overlapping debt (the "Debt Report") set forth below was prepared by California Municipal Statistics, Inc. as of June 30, 2010. The Debt Report includes only such information as has been reported to California Municipal Statistics, Inc. by the issuers of the debt described therein and by others. The Debt Report is included for general information purposes only. The City takes no responsibility for its completeness or accuracy.

TABLE 9
CITY OF SAN RAMON
Statement of Direct and Overlapping Debt
As of June 30, 2010

| | |
|--------------------------------------|-------------------------|
| 2009-10 Assessed Valuation: | \$14,703,174,636 |
| Redevelopment Incremental Valuation: | <u>906,695,158</u> |
| Adjusted Assessed Valuation: | <u>\$13,796,479,478</u> |

| | <i>Total Debt</i> <i>6/30/2010</i> | <i>%Applicable⁽¹⁾</i> | <i>City's Share of</i> <i>Debt 6/30/10</i> |
|---|---------------------------------------|----------------------------------|---|
| <u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u> | | | |
| Bay Area Rapid Transit District | \$420,000,000 | 3.159 | \$ 13,267,800 |
| Contra Costa Community College District | 245,795,000 | 10.392 | 25,543,016 |
| Chabot-Las Positas Community College District | 462,902,125 | 0.489 | 2,263,591 |
| San Ramon Valley Unified School District | 282,283,345 | 41.127 | 116,094,671 |
| East Bay Regional Park District | 196,775,000 | 4.814 | 9,472,749 |
| ABAG Windemere Ranch Community Facilities District No. 2004-2 | 27,995,000 | 100.000 | 27,995,000 |
| ABAG Windemere Ranch 1915 Act Bonds | 99,609,439 | 100.000 | 99,609,439 |
| City of San Ramon 1915 Act Bonds | 306,900 | 100.000 | 306,900 |
| Contra Costs County Assessment District No. 1993-3 | 665,632 | 100.000 | <u>665,632</u> |
| TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT | | | 295,218,798 |
| <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u> | | | |
| Contra Costa County General Fund Obligations | 296,478,318 | 10.650 | 31,574,941 |
| Contra Costa County Pension Obligations | 435,531,000 | 10.650 | 46,360,515 |
| Contra Costa Community College District Certificates of Participation | 990,000 | 10.392 | 102,881 |
| Chabot-Las Positas Community College General Fund Obligations | 4,665,000 | 0.489 | 22,812 |
| City of San Ramon Certificates of Participation | 15,765,000 | 100.000 | 15,765,000 |
| City of San Ramon Pension Obligation | 17,065,000 | 100.000 | 17,505,000 |
| San Ramon Valley Fire Protection District Certificates of Participation | 15,065,000 | 41.344 | <u>6,228,474</u> |
| GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT | | | 117,559,623 |
| Less: Contra Costa County Obligations supported from revenue funds | | | 13,425,640 |
| NET COMBINED TOTAL DEBT | | | \$104,133,983 |
| COMBINED TOTAL DEBT | | | <u>\$412,778,421⁽²⁾</u> |
| NET COMBINED TOTAL DEBT | | | \$399,352,781 |

Ratios to 2009-10 Assessed Valuation:

Total Direct and Overlapping Tax and Assessment Debt 2.01%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$33,270,000) 0.24%
 Combined Total Debt 2.99%
 Net Combined Total Debt 2.689%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/10: \$0

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

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

Source: California Municipal Statistics, Inc.

Investment Policies and Procedures

Funds held by the City are invested in accordance with the City's Statement of Investment Policy (the "Investment Policy") prepared by the Finance Director/Treasurer as authorized by Section 53601 of the Government code of California. The Investment Policy is submitted to the San Ramon City Council annually.

The Investment Policy allows for the purchase of a variety of securities and provides for limitations as to exposure, maturity and rating which vary with each security type. The composition of the portfolio will change over time as old investments mature, or are sold, and as new investments are made.

Invested funds are managed to insure preservation of capital through high quality investments, maintenance of liquidity and then yield. Further, operating funds may not be invested in any investment with a maturity greater than five years.

The City has never invested in derivatives or reverse repurchase agreements and such investments and instruments are not allowed by City policy.

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

TABLE 10
CITY OF SAN RAMON
Investments by Maturity
June 30, 2010

| <i>Investment Type</i> | <i>Remaining Maturity (in Months)</i> | | | | <i>Total</i> |
|-------------------------------------|---------------------------------------|------------------------|------------------------|----------------------------|-----------------------|
| | <i>12 Months or Less</i> | <i>13 to 24 Months</i> | <i>25 to 60 Months</i> | <i>More than 60 Months</i> | |
| Corporate Notes | \$ 4,287,313 | \$ - | \$ - | \$ - | \$ 4,287,313 |
| Federal Agency Securities | 26,003,200 | 19,933,899 | 8,043,620 | - | 53,980,719 |
| Municipal Bonds | - | - | - | 140,427 | 140,427 |
| U.S. Treasury Notes | 6,780,750 | 10,052,900 | - | - | 16,833,650 |
| Money Market Funds | 9,916,853 | - | - | - | 9,916,853 |
| Local Agency Investment Fund (LAIF) | 140,266 | - | - | - | 140,266 |
| Held by bond trustee: | | | | | |
| Money Market Funds | 10,499,340 | - | - | - | 10,499,340 |
| Federal Agency Securities | 4,008,759 | - | 1,510,688 | - | 5,519,447 |
| Corporate Notes | <u>922,742</u> | - | - | - | <u>922,742</u> |
| Total Investments | <u>\$ 62,559,223</u> | <u>\$ 29,986,799</u> | <u>\$ 9,554,308</u> | <u>\$ 140,427</u> | <u>\$ 102,240,757</u> |
| Demand Deposits and Cash on Hand | | | | | <u>7,924,716</u> |
| | | | | Total Cash and Investments | <u>\$ 110,165,473</u> |

Source: The City of San Ramon.

The City believes that its funds are prudently invested and that the investments therein are scheduled to mature at the times and in the amounts that are necessary to meet the City's expenditures and other scheduled withdrawals.

For additional information concerning the City investments, See APPENDIX B—"THE CITY OF SAN RAMON CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2010."

Insurance Program

When it is probable that a claim liability has been incurred, and the amount of the loss can be reasonably estimated, the City records the estimated loss, net of any insurance coverage under its self-insurance program. At June 30, 2010, in the opinion of the City Attorney, the City had no material claims, which require loss provisions in the financial statements. Small claims and judgments are recorded as expenditures when paid.

The City's self-insurance program is administered through the Municipal Pooling Authority (the "MPA"). The MPA is a public entity risk pool, which is accounted for under the provisions of GASB Statement No. 10. Claim losses recorded in the MPA include both current claims and Incurred But Not Reported claims ("IBNR"). Deposits to the MPA are recorded by the City as insurance expenditures in the General Fund when paid. These deposits are subject to retrospective adjustment. Favorable claims experience result in a refund of deposits from the MPA and such refunds, if any, are recorded as a reduction of insurance expenditures in the year received. Adverse claims experience result in the payment of additional deposits and such deposits, if any, are recorded as insurance expenditures when paid.

Description of Participation in the Municipal Pooling Authority. The City is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; natural disasters; errors and omissions; injury to employees; and unemployment claims. MPA is comprised of over 19 California member cities and is organized under a Joint Powers Agreement pursuant to the California Government Code. The purpose of the MPA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. Each member city has a representative on the Board of Directors.

The City pays an annual premium to the MPA for its Liability (\$29 million coverage, \$5,000 deductible), Fire and Property (\$1 billion coverage, \$5,000 deductible), Auto (\$250,000 coverage; police \$3,000 deductible; all others \$2,000), Workers' Compensation (\$50 million, zero deductible), boiler & machinery (\$50 million, \$5,000 deductible) and earthquake (\$50 million, 10 percent deductible). The Agreement provides that the MPA will be self-sustaining through member premiums and assessments. The MPA purchases commercial insurance in excess of those amounts covered by the MPA's self-insurance pool.

Pension Plans

General. The City's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries of the Miscellaneous Plan of the City of San Ramon. The Miscellaneous Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent single-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. The City also contributes to the cost sharing multiple-employer public employee defined benefit pension plan for safety employees. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries of the Safety Police Plan of the City of San Ramon. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Active plan members in the Miscellaneous Plan of the City are required to contribute 8% of their annual covered salary. For miscellaneous members, the City pays a 7% contribution for all permanent full-time and part-time positions and the employees contribute 1%. Active plan members in the safety plan of the City are required to contribute 9% of their annual covered salary. For safety employees, the City pays a 9% contribution for all permanent full-time and part-time positions. Additionally, the City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members based on the Entry Age Actuarial Cost Method. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administrations. The required employer contribution rate for fiscal year ended June 30, 2010 was 10.291% for miscellaneous employees and 20.006% for safety employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Actuarial Valuations. The staff actuaries at PERS prepare annually an actuarial valuation which covers a Fiscal Year ending approximately 15 months before the actuarial valuation is prepared (thus, the

actuarial valuation delivered to the City in October 2010 covered PERS' Fiscal Year ended June 30, 2009). The actuarial valuations express the City's required contribution rates in percentages of payroll, which percentages the City must contribute in the Fiscal Year immediately following the Fiscal Year in which the actuarial valuation is prepared (thus, the City's contribution rate derived from the actuarial valuation as of June 30, 2009, that was prepared in October 2010, will affect such City's Fiscal Year 2011-12). PERS rules require the City to implement the actuary's recommended rates.

In calculating the annual actuarially recommended contribution rates, the PERS actuary calculates on the basis of certain assumptions the actuarial present value of benefits that PERS will fund under the PERS Plans, which includes two components, the normal cost and the UAAL. The normal cost represents the actuarial present value of benefits that PERS will fund under the PERS Plans that are attributed to the current year, and the UAAL represents the actuarial present value of benefits that PERS will fund that are attributed to past years. The UAAL represents an estimate of the actuarial shortfall between assets on deposit at PERS and the present value of the benefits that PERS will pay under the PERS Plans to retirees and active employees upon their retirement. The UAAL is based on several assumptions such as, among others, the rate of investment return, average life expectancy, average age of retirement, inflation, salary increases and occurrences of disabilities. In addition, the UAAL includes certain actuarial adjustments such as, among others, the actuarial practice of smoothing losses and gains over multiple years (which is described in more detail below). As a result, the UAAL may be considered an estimate of the unfunded actuarial present value of the benefits that PERS will fund under the PERS Plans to retirees and active employees upon their retirement and not as a fixed expression of the liability the City owes to PERS under its PERS Plans.

In each actuarial valuation, the PERS actuary estimates the actuarial value of the assets (the "Actuarial Value") of the PERS Plans at the end of the Fiscal Year (which assumes, among other things, that the rate of return during that Fiscal Year equaled the assumed rate of return of 7.75%). The PERS actuary uses a smoothing technique to determine Actuarial Value that is calculated based on certain policies. As described below, these policies changed significantly in April 2005, affecting the Actuarial Value calculation for Fiscal Year 2006-07 and beyond.

Actuarial Assumptions and Policies. On April 21, 2004, the PERS Board approved a change in the inflation assumption used in the actuarial valuations that set employer contribution rates. The inflation assumption was changed from 3.5 percent to 3 percent. The change impacted the inflation component of the annual investment return assumption and the long term payroll growth assumption as follows:

- The annual assumed investment return has decreased from 8.25 percent to 7.75 percent.
- The long term payroll growth assumption has decreased from 3.75 percent to 3.25 percent.
- The inflation component of individual salary scales has decreased from 3.75 percent to 3.25 percent.

In April 2005, the PERS Board adopted new policies aimed at stabilizing rising employer costs. These policies were used to set Fiscal Year 2006-07 employer contribution rates for the City. These policies include:

- Spreading PERS market value asset gains and losses over 15 years rather than three years.
- Widening the "corridor" limits for establishing the actuarial value of assets from 90 to 110 percent of market value to 80 to 120 percent of market value.
- Establishing a rolling 30-year amortization on all remaining net unamortized gains or losses, instead of amortizing 10% of the net unamortized gain or loss each year.

- Requiring a minimum employer contribution rate equal to the employer normal costs minus a 30-year amortization of surplus (but not less than 0%).

Due to significant market investment losses of approximately -24% in the CalPERS trust fund for fiscal year 2008-09, CalPERS implemented a 3-year phase-in of the 2008-09 investment loss because CalPERS expects three years will be a sufficient length of time for the economy to recover. This phased in approach will be achieved by temporarily relaxing the constraints on the smoothed value of assets around the actual market value. The corridor will be widened and then contracted as follows:

- Increase the corridor limits from 80%-120% of market value to 60% to 140% of market value to determine the actuarial value of assets for the June 30, 2009 valuation, which impacts the 2011-12 contribution rate.
- Reduce the corridor limits from 60%-140% of market value to 70% to 130% of market value to determine the actuarial value of assets for the June 30, 2010 valuation, which impacts the 2012-2013 contribution rate.
- Return to the 80%-120% of market value corridor limits for the actuarial value of assets on June 30, 2011 and thereafter, which impacts contribution rates for fiscal years 2013-14 and beyond.
- Asset losses outside of the 80%-120% corridor described above will be amortized pursuant to a fixed 30-year amortization schedule.

In addition, in February 2010, the CalPERS Board adopted a resolution requiring additional contributions for any plan or pool if the cash flows hamper adequate funding progress by preventing the expected funded status on a market value of assets basis of the plan to either:

- Increase by at least 15% by June 30, 2043; or
- Reach a level of 75% funded by June 30, 2043.

Miscellaneous Plan. Based on the PERS Actuarial Report dated October, 2010, the unfunded accrued actuarial liability for the Miscellaneous Plan was \$20,353,884 as of June 30, 2009.

On January 21, 2010, the City issued \$17,650,000 of taxable pension obligation bonds to prepay a portion of its unfunded liability to PERS with respect to the Miscellaneous Plan. Payment of the proceeds of the pension obligation bonds to PERS reduced the City's unfunded liability to a projected \$3,790,283 as of June 30, 2010.

The following table sets forth the schedule of funding for the Miscellaneous Plan as of June 30, 2009 and does not include the impact of the pension obligation bonds. The employer contribution rate for Fiscal Year 2011-12 is 12.670%:

| <i>Valuation Date</i> | <i>Accrued Liability</i> | <i>Actuarial Value of Assets</i> | <i>Unfunded Liability</i> | <i>Market Value of Assets</i> | <i>Funded Ratio⁽¹⁾</i> | <i>Annual Covered Payroll</i> |
|-----------------------|--------------------------|----------------------------------|---------------------------|-------------------------------|-----------------------------------|-------------------------------|
| 6/30/09 | \$67,747,289 | \$47,393,405 | \$20,353,884 | \$34,782,364 | 51.3% | \$17,394,607 |

⁽¹⁾ On a market value of assets basis.

Source: PERS Actuarial Report Dated October 2010.

Safety Plan. Due to the number of employees participating in the City's Safety Plan, PERS has required the City to be included into a "Risk Pool" with other Safety Plans providing similar benefit structures

(3% at age 50). The City's Safety Plan is one of 266 plans included in the Risk Pool, and has 56 active members out of the 10,786 active members included in the Risk Pool as of June 30, 2009. Based on the PERS Actuarial Report dated October, 2010, the unfunded accrued actuarial liability for the Risk Pool in which the City's Safety Plan is included was \$1,694,516,623 as of June 30, 2009. The City has not been provided with its own share of the unfunded actuarial liability of the Risk Pool for its Safety Plan.

The following table sets forth the funding for the Risk Pool in which Safety Plan participates as of June 30, 2009. The employer contribution rate for Fiscal Year 2011-12 is 25.821%:

| <i>Valuation Date</i> | <i>Accrued Liabilities</i> | <i>Actuarial Value of Assets</i> | <i>Unfunded Liability</i> | <i>Market Value of Assets</i> | <i>Funded Ratio⁽¹⁾</i> | <i>Annual Covered Payroll</i> |
|-----------------------|----------------------------|----------------------------------|---------------------------|-------------------------------|-----------------------------------|-------------------------------|
| 6/30/09 | \$9,721,675,347 | \$8,027,158,724 | \$1,694,516,623 | \$5,850,794,301 | 60.2% | \$973,814,168 |

⁽¹⁾ On a market value of assets basis.

Source: PERS Actuarial Report Dated October 2010.

Post Employment Healthcare Benefits

The City of San Ramon Retiree Healthcare Plan is a single-employer defined benefit healthcare plan administered by the City. Merit employees who retire directly from the City under CalPERS at the minimum age of 50 with at least 4 years of CalPERS service (or disability) are eligible to receive up to the entire cost of health benefits until age 65 subject to the City's vesting schedule. This same benefit may continue to a surviving spouse depending on the retirement plan election. After age 65, the City pays up to \$350 per month for any health coverage, also subject to the vesting schedule. As of June 30, 2010, there were 271 retirees receiving post-employment health care benefits from the City.

The contribution requirements of the Plan participants and the City are established and may be amended by the City.

The Annual Required Contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC is equal to the normal cost plus a 30-year amortization of the unfunded actuarial liability.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for Fiscal Year 2010 was as follows:

| <i>Fiscal Year Ended</i> | <i>Annual OPEB Cost</i> | <i>Annual OPEB Cost Contributed</i> | <i>Net OPEB Obligation (Asset)</i> |
|--------------------------|-------------------------|-------------------------------------|------------------------------------|
| 6/30/2010 | \$1,496,484 | \$1,499,189 | \$141,641 |

As of January 1, 2010, the funded status of the plan was as follows:

| | |
|---|------------------|
| Actuarial accrued liability (AAL) | \$ 13,798,458 |
| Actuarial value of plan assets | <u>7,042,928</u> |
| Unfunded actuarial accrued liability (UAAL) | \$ 6,755,530 |
| Funded ratio (actuarial value of plan assets/AAL) | 51% |
| Covered payroll (active plan members) | \$ 21,610,054 |
| UAAL as a percentage of covered payroll | 31% |

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding

the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the January 1, 2010 actuarial valuation, the actuarial cost method was used for determining the benefit obligations of the Projected Unit Credit Cost Method. The actuarial assumptions included a 7 percent investment rate of return, which is a blended rate of the expected long-term investment returns on plan assets and on the City's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 4 percent initially, reduced by decrements of .75% per year to an ultimate rate of 5 percent after the fifth year. Both rates included a 4.5 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payrolls over 30 years. It is assumed the City's payroll will increase 3% per year.

Population

The following tables present population and income data for the City and County:

**TABLE 11
POPULATION**

| <i>Fiscal Year</i> | <i>City of San Ramon Population⁽¹⁾</i> | <i>Percent Change in Population</i> | <i>City of San Ramon Personal Income⁽²⁾</i> | <i>City of San Ramon Per Capita Income⁽³⁾</i> | <i>Contra Costa County Population⁽¹⁾</i> | <i>Contra Costa County Per Capital Income⁽²⁾</i> |
|--------------------|---|-------------------------------------|--|--|---|---|
| 2001 | 45,850 | 2.8% | \$1,386,562 | 43,521 | 965,100 | 44,796 |
| 2002 | 46,750 | 1.9 | 1,413,417 | 44,348 | 980,900 | 44,326 |
| 2003 | 46,950 | 2.3 | 1,446,691 | 45,368 | 992,700 | 43,957 |
| 2004 | 48,600 | 3.4 | 1,497,609 | 46,911 | 1,008,944 | 46,211 |
| 2005 | 51,027 | 4.8 | 1,569,494 | 49,163 | 1,020,898 | 48,618 |
| 2006 | 53,137 | 4.0 | 1,632,274 | 51,129 | 1,029,377 | 52,730 |
| 2007 | 58,035 | 8.4 | 1,769,385 | 55,424 | 1,042,341 | 37,036 |
| 2008 | 59,002 | 1.6 | 1,797,695 | 56,311 | 1,051,674 | 38,074 |
| 2009 | 63,176 | 6.6 | 1,916,343 | 60,027 | 1,060,435 | * |
| 2010 | 64,860 | 2.6 | 1,966,168 | 61,588 | 1,073,055 | * |

Source: ⁽¹⁾ State of California, Department of Finance.

⁽²⁾ Bureau of Economic Analysis/State of California Franchise Tax Board

⁽³⁾ State of California Employment Development Department

* Information was not available for 2009, 2010.

Employment

The following table summarizes historical employment and unemployment in the City and County.

TABLE 12
CITY OF SAN RAMON
Annual Average Employment and Unemployment Rates
Last Ten Fiscal Years

| <i>Fiscal Year</i> | <i>Average Annual Unemployment Rates</i> | | | |
|--------------------|--|---|---|---|
| | <i>City of San Ramon Labor Force</i> | <i>City of San Ramon Unemployment Rates</i> | <i>Contra Costa County Unemployment Rates</i> | <i>State of California Unemployment Rates</i> |
| 2001 | 28,200 | 1.5% | 4.0% | 5.4% |
| 2002 | 28,200 | 2.1 | 5.7 | 6.7 |
| 2003 | 28,000 | 2.3 | 6.1 | 6.7 |
| 2004 | 28,000 | 2.0 | 5.4 | 6.8 |
| 2005 | 28,100 | 2.0 | 5.3 | 6.3 |
| 2006 | 28,500 | 1.6 | 4.5 | 5.3 |
| 2007 | 29,200 | 1.8 | 4.5 | 5.3 |
| 2008 | 29,200 | 2.2 | 5.4 | 6.4 |
| 2009 | 28,800 | 3.7 | 9.0 | 10.6 |
| 2010 | 27,700 | 5.1 | 12.1 | 13.2 |

Source: State of California Employment Development Department

APPENDIX B

**INDEPENDENT AUDITOR'S REPORT OF THE CITY
FOR THE YEAR ENDED JUNE 30, 2010**

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CITY OF SAN RAMON, CALIFORNIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2010



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CITY OF SAN RAMON, CALIFORNIA

**Comprehensive Annual
Financial Report**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2010**



MAYOR

H. Abram Wilson

MAYOR PRO TEMPORE

Carol Rowley

COUNCIL MEMBERS

Dave Hudson

Jim Livingstone

Scott Perkins

CITY MANAGER

Herb Moniz

Prepared by the Administrative Services Department, Finance Division

Greg Rogers

Director of Administrative Services



CITY OF SAN RAMON
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2010

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Comprehensive Annual Financial Report
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CITY OF SAN RAMON

2222 CAMINO RAMON
SAN RAMON, CALIFORNIA 94583
PHONE: (925) 973-2500
WEB SITE: www.sanramon.ca.gov

December 23, 2010

To the Citizens of the City of San Ramon,
Honorable Mayor and Members of the
City Council

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of San Ramon for the fiscal year ended June 30, 2010. This report is published in accordance with State law requirements that financial statements be presented in conformity with accounting principles generally accepted in the United States of America and audited by a firm of licensed certified public accountants.

For the fiscal year ended June 30, 2010, the City of San Ramon has continued to comply with recent pronouncements of the Governmental Accounting Standards Board (GASB). Reconciliations of the fund financial statements to the Statement of Net Assets and Statement of Activities are provided in the financial section of this report. This letter of transmittal is designed to complement the Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with City management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and the changes in financial position and cash flows, where applicable, of the governmental activities, the business-type activities, the discreetly presented component units and the various other funds of the City.

City of San Ramon Profile

The City of San Ramon, incorporated in 1983, is located in Contra Costa County, a growing area in the eastern portion of the San Francisco Bay Area. The City occupies a land area of 18.0 square miles and serves a population of 64,860. San Ramon continues to show strength as a major employer and a community with high quality residential neighborhoods.

The City of San Ramon is a Charter City that operates under the Council-Manager form of government. Policy making and legislative authority are vested in the City Council, which consists of an elected Mayor for two-years and a four member Council elected to four-year terms. The governing council is responsible for the City's ordinances, operation resolutions, adoption of the annual budget, appointing commissions and committees and hiring the City Manager and City Attorney.

The City Manager is responsible for implementing the policies, ordinances and directives of the City Council, for overseeing the day-to-day operations of the City and for appointing the Directors of the City's departments. The City provides a number of services and activities summarized as follows:

- Police protection
- Maintenance of streets and roads
- Maintenance of parks and landscaping
- Recreation activities
- Senior activities
- Planning and building services
- Storm water and drainage services
- Economic Development and Redevelopment

Factors Affecting Financial Condition

Budgeting Controls:

The City operates on a fiscal year basis, beginning July 1 and ending June 30. The budget is prepared under the supervision of the City Manager and transmitted to the City Council for deliberation and adoption prior to the beginning of the fiscal year.

Upon adoption by the City Council, the City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual budget. Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. The City's budgetary procedures are further discussed in the Notes to the Basic Financial Statements and can be found in the Financial Section of this report.

Activities of all funds of the City are included in the annual appropriated budget except for the capital projects fund, which adopts a project length budget. In addition, a five-year Capital Improvement Program is updated annually, at which time budgets for new projects and revisions for existing projects are adopted. The level of budgetary control is by fund, although budgets are adopted within funds at the department/division level in all operating funds and at the project level in the capital projects funds. Only the City Council has the authority to increase total appropriations subject only to the appropriation limitations established by State law. Budget appropriations lapse at the end of the fiscal

year, with the exception of contract commitments and capital improvement projects, which are carried over until the commitment is met, or the project has been completed.

Internal Controls:

The City of San Ramon has established a number of internal controls to help prevent fraud and maintain the financial strength of the City. In order to strengthen internal controls the City recently formalized a fraud prevention policy which was adopted by the City Council. The intent of the policy is to facilitate the development of controls which will aid in the prevention and detection of fraud against the City of San Ramon.

Local Economic Conditions:

The City of San Ramon economy has been negatively impacted by the weak national and State of California economies, but is in relatively better condition than most of the areas of California. Some of the examples of the relative strength of the local economy are as follows:

- The California statewide unemployment rate has been exceeding 12% since mid-2009, but the unemployment rate that has been measured for San Ramon residents by the State Economic Development Department as of October 2010 was approximately 4.6%.
- San Ramon has a relatively high median household income level which was \$111,604 as estimated in the Bay Area Census 2007, which is nearly twice the State of California level.
- San Ramon assessed property values declined 1.45% for the 2010-11 tax rolls. This compared to a Contra Costa County-wide decrease in assessed values of 3.4%.

For the Future:

Several factors will have impacted the City's budget for the fiscal year 2010-2011 and beyond. These factors include the State and the local area economies, increases in health and pension plan costs and the County level of governments' financial difficulties impacting the cost of contract services. The economy as a whole has been in a continuing downturn and there continues to be a concern about the weak real estate markets. Locally, property tax revenue is reflecting the recessionary real estate market and is projected to decline by 2% in 2010-2011. Other major General Fund revenue sources such as sales tax and transient occupancy taxes are expected to show no growth reflecting the lack of a strong economic recovery. It is anticipated that State Proposition IA and recently approved Proposition 22 will help protect the City from future revenue raids by the State government.

For fiscal year 2010-2011, a budget was presented to City Council that included the removal of funding for four (4) vacant positions reflecting the continuation of a hiring freeze to offset projections of no revenue growth. The hiring freeze, which was started in spring of 2008, has now led to a position vacancy rate that exceeds 12%. The hiring freeze has meant the City has continued to rely on additional contracting for services to cover the expansion of municipal services in the Dougherty Valley area of the City. During 2010-2011 service expansion includes: 6.5 acres of new parks, 10 acres of new landscaping, 8 curb miles of new roadways and 266 new street lights. In addition, the 2010-2011 budget includes a pay freeze for the entire workforce.

The City Council has been proactive in planning for an uncertain financial future by:

- Establishing and maintaining a 50% contingency reserve policy and protecting City reserves from potential state raids by moving \$26.3 million of reserves out of the General Fund to designated special revenue, debt service and internal service fund reserves
- Setting aside funds to cover the future cost of retiree health benefits
- Maintaining an internal service fund to accumulate funds for maintenance of publicly owned buildings
- Fully funding vehicle and Information Technology replacement funds
- Issuing \$17.6 million of Pension Obligation Bonds to insure that unfunded pension liabilities will be amortized in a cost effective manner

These types of actions help to preserve the financial health of the City of San Ramon and to provide the flexibility to make up for revenue shortfalls as the State and County put pressure on City resources. As a result of efforts to preserve the financial health of the City long-term debt ratings for the General Fund were upgraded in 2008 to “AAA” by the Standard and Poor’s rating agency.

Annual Audit:

Mayer Hoffman McCann P.C., a firm of licensed certified public accountants, has audited the City of San Ramon’s financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of San Ramon for the fiscal year ended June 30, 2010 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the City of San Ramon's financial statements for the year ended June 30, 2010, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

The City of San Ramon is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget's Circular A-133, Audits of State and Local Governments. A single audit report for the City of San Ramon will be issued in the early part of 2011 as required by federal law. The auditor's report on the basic financial statements, including the notes to the financial statements, but their opinion does not cover the combining and individual fund statements.

Awards:

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 San Ramon for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

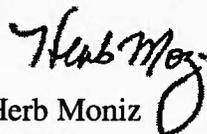
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR), whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

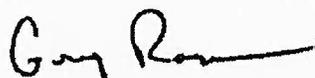
Acknowledgements:

The preparation of the CAFR could not have been accomplished without the efficient and dedicated services of the entire staff of the Administrative Services Department. Special thanks and acknowledgment are due to Eva Phelps, Finance Division Manager and Candace Daniels, Financial Analyst who devoted extensive time and energy preparing this report. We would like to express our appreciation to other members of the City staff who assisted or contributed to its preparation. We would also like to thank the Mayor and City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Handwritten signature of Herb Moniz in black ink.

Herb Moniz
City Manager

Handwritten signature of Greg Rogers in black ink.

Greg Rogers
Administrative Services Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of San Ramon
California

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

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



President

Executive Director

**CITY OF SAN RAMON
STAFF DIRECTORY**

Executive Management

City Manager
City Attorney
City Clerk
Director of Administrative Services
Director of Engineering
Director of Parks & Community Services/Public Services
Director of Planning
Director of Redevelopment
Chief of Police

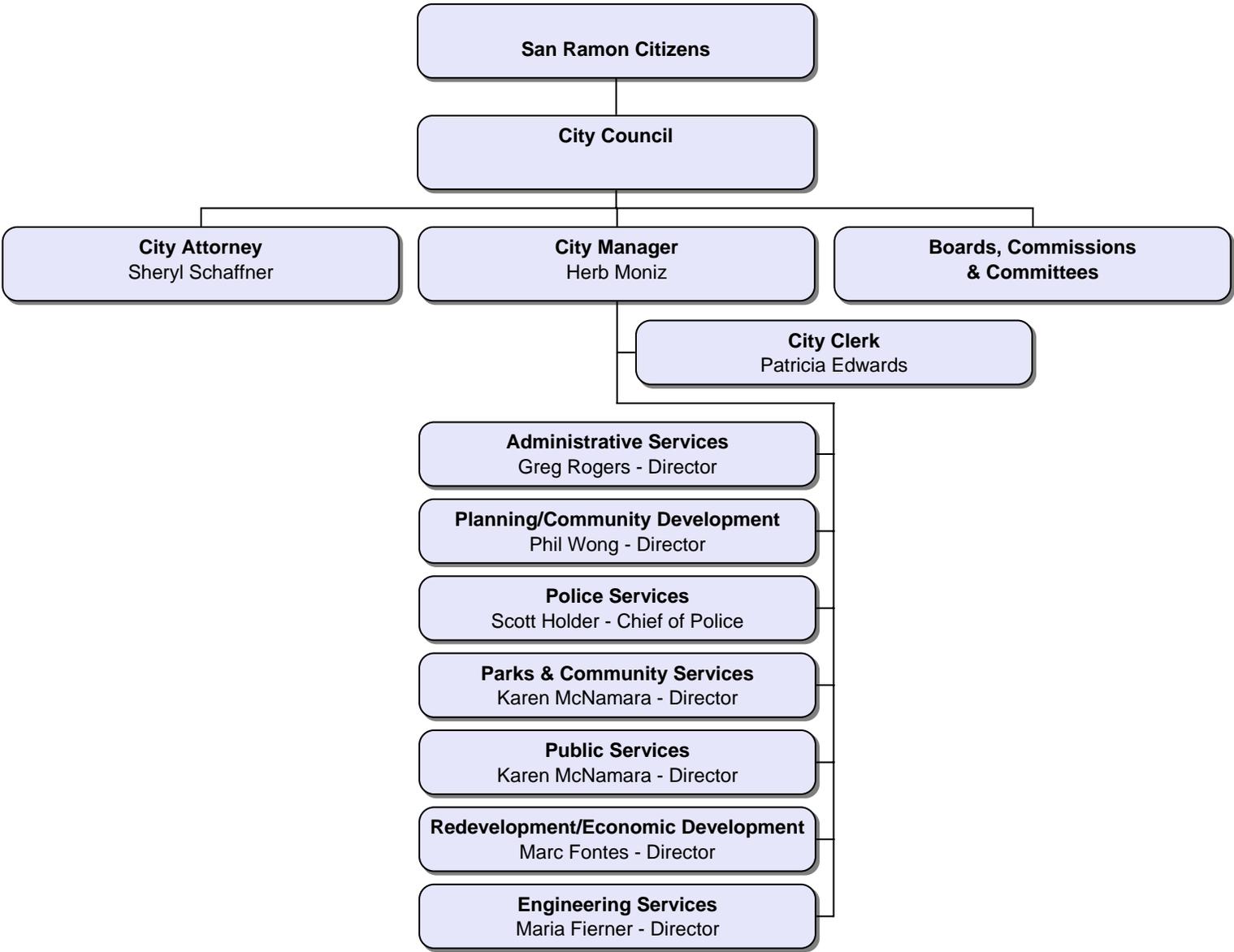
Herb Moniz
Sheryl Schaffner
Patricia Edwards
Greg Rogers
Maria Fierner
Karen McNamara
Phil Wong
Marc Fontes
Scott Holder

Finance Division

Finance Manager
Administrative Analyst
Administrative Analyst
Administrative Coordinator
Accounting Specialist
Accounting Specialist
Accounting Specialist

Eva Phelps
Candace Daniels
Luann Silva
Terry Castaneda
Julie Glaser
Carla Hayden
Linda Miller

City of San Ramon Organization Chart







Mayer Hoffman McCann P.C.

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The Honorable City Council of
The City of San Ramon, California

Independent Auditors' Report

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 opinions.

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

The information identified in the accompanying table of contents as *management's discussion and analysis* and *required supplementary information* identified in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of San Ramon's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2010 on our consideration of the City of San Ramon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman Mc Cann P.C.

San Jose, California
December 23, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of San Ramon's financial performance for the fiscal year ended June 30, 2010 provides an overview of year ending results based on the government-wide statements, an analysis on the City's overall financial position and results of operations to assist users in evaluating the City's financial position and a discussion of significant changes that occurred in funds and significant budget variances. In addition, it describes the activities during the year for capital assets and long-term debt. We end our discussion and analysis with a description of currently known facts, decisions, and conditions that are expected to have a significant effect on the financial position or results of operations. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities by \$453.0 million (net assets). Of this amount, \$95.3 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. \$2.0 million is restricted for specific purposes (restricted net assets), and \$355.7 million is invested in capital assets, net of related debt.
- The City's total net assets increased by \$23.1 million over the prior fiscal year.
- The City's governmental funds reported combined ending fund balances of \$93.8 million, a decrease of \$16.8 million in comparison with the prior year.
- Long-term liabilities increased during the year reflecting the sale of \$17.6 million of pension obligation bonds.
- The revenues available for expenditure were \$0.2 million less than the final budget for in the General Fund reflecting weaker than anticipated sales tax revenues partially offset by other categories. The City kept General Fund expenditures within spending limits by \$1.2 million.
- The General Fund balance at the end of the year was reduced to \$7.8 million as part of a strategy of moving \$26.3 million of reserves out of the General Fund to designated special revenue, debt service and internal service fund reserves. This was done to help protect the City General Fund reserves from the State making a raid as was done in the Redevelopment Agency.

THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City and its component units, using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The statements present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. Additionally,

certain eliminations have occurred as prescribed by the GASB statements in regards to inter-fund activity, payables and receivables.

The Statement of Net Assets presents information on all of 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 an indicator of whether the financial health 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 of the current year's revenues and expenses are taken into account, regardless of the timing of related cash flows (accrual basis of accounting). In the statement of activities, we separate the City activities as follows:

- **Governmental activities** - Most of the City's basic services are reported in this category, including the General Government (City Manager, City Clerk and Administrative Services, etc), Community Development (Planning, Building and Transportation), Police Services, Public Works (streets, facilities, parks, engineering, etc), and Parks and Community Services (recreation and culture). These activities are generally financed by property and sales taxes, user fees, interest income, franchise fees, and State and Federal shared revenues and grants.
- **Component unit activities** – The City includes two separate legal entities in its report – the San Ramon Redevelopment Agency and the San Ramon Public Financing Authority. Although legally separate, these “component units” are important because the City is financially accountable for them.

Fund Financial Statements include statements for each of the three categories of activities – governmental, business-type and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting. The fiduciary activities are Agency funds, which only report a balance sheet and do not have a measurement focus. Reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach

Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified ac crual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

Proprietary funds – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The City's Proprietary Funds are internal service funds.

Fiduciary funds - The City is the trustee, or *fiduciary*, for certain funds held on behalf of developers and other community funds such as the Tri-Valley Transportation Council Trust Fund. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

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

Required Supplementary Information is in addition to the basic financial statements and accompanying notes. This report also presents certain "Required Supplementary Information" concerning the City's progress in funding its obligation to provide pension benefits to its employees, budgetary comparison schedules for the General fund and other major special revenue funds.

Supplemental Information includes information for major capital project, non-major governmental, internal service, and agency funds, and is presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net assets increased \$23.1 million to \$453 million from \$429.9 million. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities. The City has no business-type activities.

Table 1
Net Assets
As of June 30, 2010 and 2009

| | <u>Governmental Activities</u> | |
|---|--------------------------------|----------------------|
| | <u>2010</u> | <u>2009</u> |
| Current and restricted assets | \$147,036,790 | \$146,190,369 |
| Capital assets | <u>436,342,948</u> | <u>401,388,373</u> |
| Total Assets | <u>583,379,738</u> | <u>547,578,742</u> |
| Long-term liabilities outstanding | 119,278,174 | 104,405,234 |
| Other Liabilities | <u>11,090,477</u> | <u>13,301,644</u> |
| Total Liabilities | <u>130,368,651</u> | <u>117,706,878</u> |
| Invested in Capital Assets, Net of Related Debt | 355,683,194 | 364,411,397 |
| Restricted | 1,983,532 | 41,080,968 |
| Unrestricted | <u>95,344,361</u> | <u>24,379,499</u> |
| Total Net Assets | <u>\$453,011,087</u> | <u>\$429,871,864</u> |

The City's net assets are made-up of three components: Investment in Capital Assets, Net of Related Debt, Restricted Net Assets and Unrestricted Net Assets. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, accounted for the majority of the City's

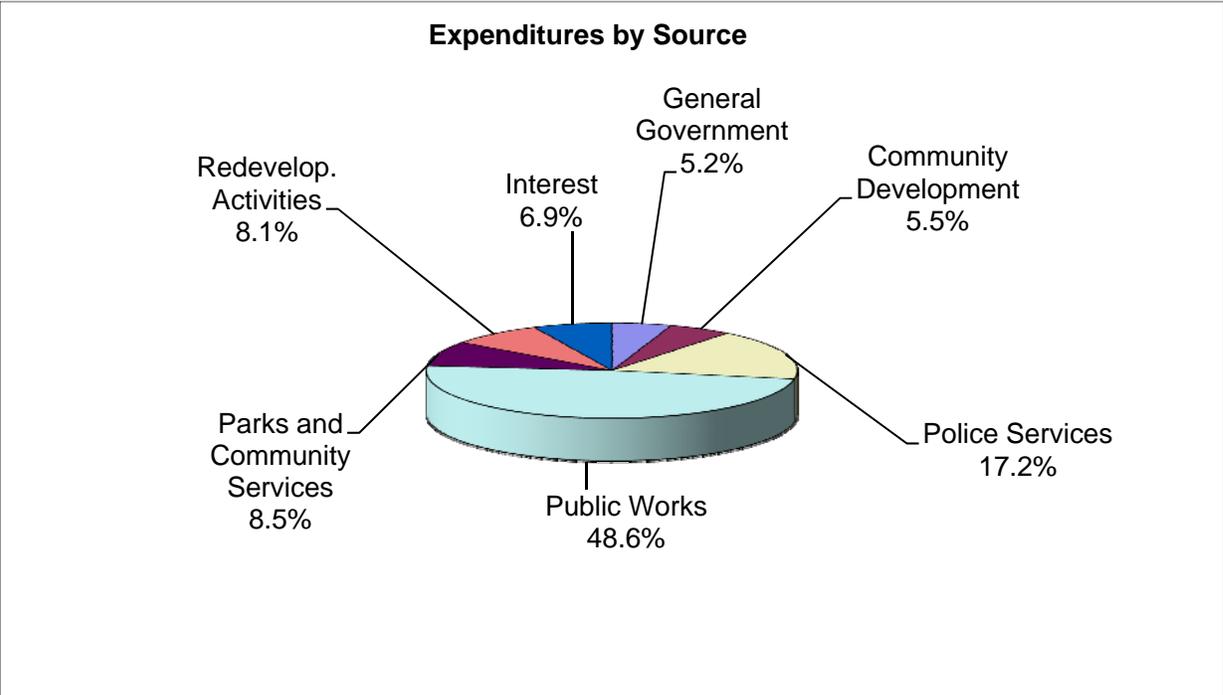
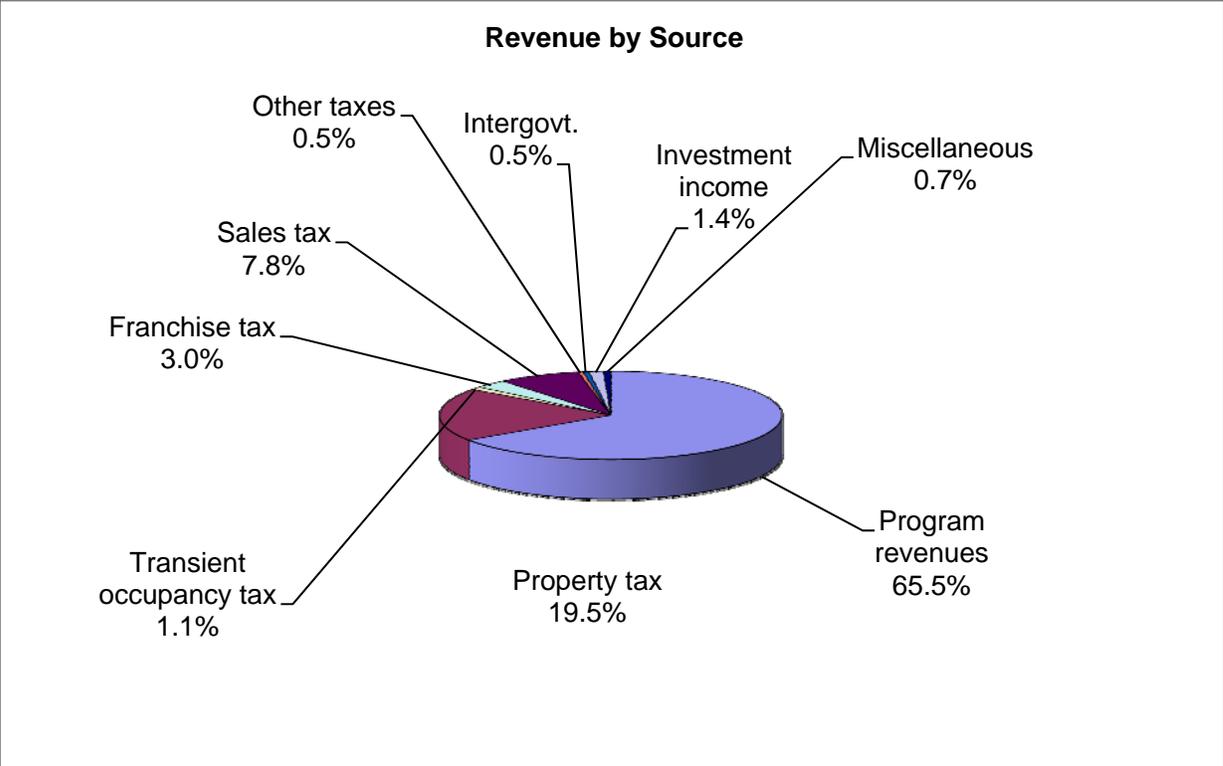
governmental activities net assets. The City has conservatively budgeted revenues and expenditures in order to prevent a drawing down of reserve funds.

Total liabilities are \$130.4 million, the majority of which is non-current, due in more than one year. The non-current liability portion due in more than one year totals \$119.3 million and primarily consists of tax allocation bonds, pension obligation bonds and certificates of participation debt.

Net Assets for all governmental activities totaled \$453.0 million which was an increase of \$23.1 million (5.4%). The major factor causing the increase in net assets was a \$35.8 million net increase in capital assets resulting from additional public infrastructure being acquired as the City expands into the Dougherty Valley area of the City.

Table 2
Changes in Net Assets
As of June 30, 2010 and 2009

| | <u>Governmental Activities</u> | |
|------------------------------------|---------------------------------------|----------------------------|
| | <u>2010</u> | <u>2009</u> |
| REVENUES: | | |
| Program revenues: | | |
| Charges for Services | \$7,801,868 | \$8,772,167 |
| Operating Contributions and Grants | 25,564,895 | 18,686,921 |
| Capital Contributions and Grants | 41,818,078 | 63,437,561 |
| General revenues: | | |
| Property tax | 22,388,243 | 23,364,635 |
| Transient occupancy tax | 1,247,315 | 1,566,201 |
| Franchise tax | 3,498,870 | 3,416,994 |
| Sales tax | 8,969,804 | 14,870,719 |
| Other taxes | 537,645 | 438,874 |
| Intergovernmental, unrestricted | 615,652 | 296,468 |
| Investment income | 1,571,949 | 4,366,204 |
| Miscellaneous | 815,954 | 2,435,411 |
| Loss on disposal of assets | - | - |
| Total Revenues | <u>114,830,273</u> | <u>141,652,155</u> |
| EXPENSES: | | |
| General government | 4,752,394 | 5,788,545 |
| Community development | 5,046,559 | 3,668,601 |
| Redevelopment activities | 7,409,543 | 5,606,182 |
| Police services | 15,752,533 | 15,060,970 |
| Public works | 44,560,311 | 39,132,983 |
| Parks and community service | 7,756,449 | 8,745,298 |
| Interest | <u>6,323,261</u> | <u>4,818,092</u> |
| Total Expenses | <u>91,691,050</u> | <u>82,820,671</u> |
| INCREASE IN NET ASSETS | <u>\$23,139,223</u> | <u>\$58,831,484</u> |



The City's total revenues were \$114.8 million for the year ended June 30, 2010, a decrease of \$26.8 million from the prior year. Most of the decrease was accounted for by a \$21.6 million decline in capital contributions. Program revenue includes charges for services, grants and contributions. Program revenue provided \$75.2 million (65.5% of the total).

General revenues include taxes, intergovernmental revenues such as Vehicle License Fees (VLF), and investment income not restricted to specific programs. General revenue provided \$39.6 million (34.5% of the total). Property taxes at \$22.4 million make up the largest component of General revenues.

- The level of property tax revenue reflects the changes in assessed value in the City as a whole and in the Redevelopment project area.
- Property tax assessed value growth declined 2.6% during the year due to the slow local real estate market.
- Sales tax revenue was lower by \$5.9 million reflecting a large one-time sales tax payment in the prior year that did not recur in the current year along with a decline due to a weaker economy impacting retail sales activity.

Total expenses were \$91.7 million. Expenses were up \$8.9 million (10.7% overall) in 2010 compared to 2009 due to the expansion of services in the Dougherty Valley Area of the City. Public Works with \$44.6 million of expenditures represented the largest component of Governmental Expenditures.

FUND FINANCIAL ANALYSIS

The City uses *fund accounting* to segregate accounts for specific activities or objectives, including demonstrating finance-related legal compliance.

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 financing 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.

As of the end of the current fiscal year, the City's governmental funds reported combined fund balance of \$93.8 million which decreased from the prior year by \$16.8 million. This total includes a General Fund balance of \$7.8 million. The General Fund balance decreased by \$29.5 million from the prior year partially reflecting a \$26.3 million transfer of reserve funds to designated special revenue, debt service and internal service funds which included \$8.0 million to the Dougherty Valley Fund, \$15.8 million to the Certificate of Participation Debt Service Fund, and \$2.5 million to the Healthcare Fund. General fund revenues were \$1.2 million more than expenditures before transfers. The major reason for the \$26.3 million of reserves transferred from the General Fund was to place the reserves in special funds that would be harder for the State to raid from the City.

Other major funds and non-major funds balance significant changes are noted below:

- The Dougherty Valley special operating fund balance increased by \$10.0 million reflecting a \$8.0 million strategic transfer of reserves from the General Fund.

- The Low/Moderate Income Housing fund balance increased by \$4.6 million as a result of purchases of land and making loans from bond proceeds.
- The Certificate of Participation Debt Service fund balance increased by \$15.8 million reflecting a strategic transfer of reserves from the General Fund which fully reserves against the outstanding principal of the Certificate of Participation debt.

Proprietary funds – The City’s proprietary funds statements provide the same type of information found in the Government-wide Financial Statements, but in more detail.

At the end of the fiscal year, total net assets were \$14.1 million. Of that, the unrestricted net assets were \$11.7 million and the amount invested in capital assets were \$2.4 million. Net assets of the proprietary funds increased \$3.0 million reflecting investment earnings and transfers of funds to cover future equipment and building replacement costs and a \$2.5 million transfer of General Fund Reserves to the Healthcare Fund as part of a strategic moving of reserves.

GENERAL FUND BUDGETARY HIGHLIGHTS

For the City’s General Fund, actual ending revenues of \$38.3 million were \$0.2 million less than the final budgeted revenues of \$38.5 million. The majority of the variance was decreases in sales taxes other taxes offset by higher than expected charges for services and intergovernmental revenues.

- Taxes were \$1.3 million below the budget reflecting weakness in sales taxes and hotel occupancy taxes.
- Intergovernmental revenues were \$0.3 million above budget due to a one-time payment for motor vehicle license fees for areas that had been annexed in previous years.
- Charges for services were \$0.3 million above budget reflecting recreation and permit activities at higher than anticipated levels.
- Uses of money and property were above budget by \$0.3 million as a result of positive market adjustments to the portfolio caused by the change in prevailing market interest rates.
- The General Fund actual ending expenditures of \$37.0 million were \$1.1 million less than the final budget of \$38.2 million. There were minor changes in the original budget compared to the final budget during the year.
- The actual spending coming in below budget reflected an effort by the City to carefully control spending in a weaker economy including the continuation of a hiring freeze throughout the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2010, the City had \$436.3 million invested in a broad range of capital assets, including land, streets, bridges, drainage systems, traffic lights, parks, buildings, vehicles and equipment.

Table 3
Capital Assets
As of June 30, 2010 and 2009

| | <u>Governmental Activities</u> | |
|--|--------------------------------|----------------------|
| | <u>2010</u> | <u>2009</u> |
| Non Depreciable | | |
| - Land | \$45,552,739 | \$45,414,721 |
| - Construction in progress | 27,688,269 | 19,824,610 |
| Depreciable, net of accumulated depreciation | | |
| - Machinery, furniture and equipment | 2,364,038 | 2,630,225 |
| - Buildings and improvements | 44,963,560 | 44,387,904 |
| - Park improvements | 30,220,015 | 30,806,572 |
| - Infrastructure | <u>285,554,327</u> | <u>258,324,341</u> |
| Total Capital Assets | <u>\$436,342,948</u> | <u>\$401,388,373</u> |

The City's fiscal year 2010-2011 capital budget calls for spending of \$5.9 million for capital projects. The majority being for the construction of street improvements on San Ramon Valley Blvd. and Bollinger Canyon Road, pavement management system projects, and storm drainage improvement projects. Most of the projects will be financed with funds that have been designated by an outside party for specific use. Additional information about the capital assets can be found in Note 6 to the Notes to the Financial Statements.

Debt Administration

At year-end, the City's governmental activities had \$119.3 million in bonds, notes, contracts, and compensated absences as shown in Table 4. This was \$14.9 million more than 2009 reflecting the issuance of \$17.6 million of pension obligation bonds.

Table 4
Outstanding Debt at Year-End

| | <u>Governmental Activities</u> | |
|-------------------------------|---------------------------------------|---------------------------------|
| | <u>2010</u> | <u>2009</u> |
| Tax Allocation Bonds | \$81,163,539 | \$82,904,872 |
| ERAF Tax Revenue Bonds | 650,000 | 750,000 |
| Certificates of Participation | 15,765,000 | 16,780,000 |
| Pension Obligation Bonds | 17,505,000 | -0- |
| Housing (HELP) Loan | 750,000 | 750,000 |
| Capital Lease | 63,170 | 76,976 |
| Compensated Absences | <u>3,381,465</u> | <u>3,143,386</u> |
| Total Debt | <u>\$119,278,174</u> | <u>\$104,405,234</u> |

Additional information about the City's long-term obligations can be found in Note 7 in the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In preparing the budget for 2010-2011, management looked at the following economic factors:

- The weak real estate market and economy were major factors in preparing the budget. Anticipating a no growth revenue environment, the City continued a hiring freeze that had been implemented in the spring of 2008 and eliminated the funding for an additional four vacant positions in the budget to help bring expenditures in line with projected weak revenue growth. In addition, a pay freeze was implemented on July 1, 2010.
- State budget: California voters passed Proposition I-A several years ago which made it more difficult for the State level of government to take property tax revenues from local agencies. However, the State government budget has been experiencing a severe deficit which has increased the risk that the State may divert local agency funds in the future. During the past year the State elected to invoke a feature of Proposition I-A which allowed a borrowing of \$1.5 million of City General Fund Property tax revenues. In addition, the State chose to take \$2.9 million in fund reserves from the Redevelopment Agency. In order to help protect General Fund reserves from a state take-away, in 2010-2011 the City chose to move \$26.3 million of reserves from the General Fund to designated special revenue, debt service and internal service funds which should be harder for the State to access.
- Public Employee Retirement System Costs: Costs for the City contribution to the retirement plans for City employees are anticipated to increase over the next several years reflecting market losses by the retirement system. Gains or losses by the State run retirement system are now recognized over an extended fifteen year smoothing period. In order to mitigate some of the losses by the pension plan and smooth out the impact of the losses the City issued \$17.6

million of pension obligation bonds which have a rate significantly below the required actuarial return for the pension plan.

- Sales tax revenues are expected to be weak over the next several years reflecting a recessionary environment. Local sales tax collections were projected to be lower in 2010-2011 than in the previous year.
- Property tax revenue growth was projected to weaken, with an assessed value decline of approximately 2% due to the real estate market recession.
- Continued expansion of the City into the Dougherty Valley area east of the current City limits will cause increases in special assessment revenues over the next few years as well as cost increases for delivering services to the area.
- The health care industry continues to struggle with providing consumers and employers with cost effective medical premiums. Health care rates are expected to continue to increase in future years. The City has taken further actions to modify health care coverage during the past several years to moderate the growth in costs. These actions have included changing health networks to obtain further discounts from medical service providers and by increasing the employees' share of medical service costs.

The City's General Fund is expected to complete fiscal year 2010-2011 with a planned draw down of \$2.9 million of reserves. The City budget plan will continue to maintain reserves in the General Fund and the special funds (Dougherty Valley, Bond Funds and Health Care Fund) well in excess of the 50% combined reserve policy level. The expenditure budget was developed to maintain core City services. This required expenditure adjustments in various categories to offset benefits increasing due to cost of pension plan increases, and rising health care premiums. The most significant changes impacting salary and benefit costs was to remove the funding for four previously funded vacant positions as part of the continuation of a hiring freeze and the implementation of a pay freeze.

The City continues to grow with significant additions of land and population through annexations in the Dougherty Valley area. The 2010-2011 budget is a reflection of the City's commitment to the residents of San Ramon. The City's historically conservative approach of maintaining a high level of operating reserves has provided a cushion against economic uncertainties. For the 2010-2011 fiscal year the City has made a commitment to allocate resources for public safety, cultural/social programs, and infrastructure improvements. A copy of the City's 2010-2011 budget can be obtained by contacting the City Administrative Services Department (See below) or via the City's website at www.ci.san-ramon.ca.us.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Financial Report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Administrative Services Department at City of San Ramon offices at 2228 Camino Ramon, San Ramon, California 94583 or by calling (925) 973-2528.

CITY OF SAN RAMON
Statement of Net Assets
June 30, 2010

| | Governmental Activities |
|---|----------------------------|
| Assets: | |
| Cash and investments (Note 3) | \$ 91,292,194 |
| Restricted cash and investments (Note 3) | 17,081,955 |
| Receivables: | |
| Accounts | 2,983,066 |
| Interest | 150,124 |
| Notes and loans (Note 5) | 13,316,024 |
| Inventory | 3,676 |
| Prepays and deposits | 17,112,824 |
| Deferred charges | 1,823,418 |
| Land held for resale | 3,091,868 |
| Other post-employment benefits asset (Note 11) | 181,641 |
| Capital assets, not depreciated (Note 6) | 73,241,007 |
| Capital assets, depreciated, net (Note 6) | 363,101,941 |
| Total assets | 583,379,738 |
| Liabilities: | |
| Accounts payable and accrued expenses | 7,584,901 |
| Claims and judgments payable (Note 14) | 75,858 |
| Deposits payable | 706,480 |
| Interest payable | 1,865,447 |
| Unearned revenue | 857,791 |
| Noncurrent liabilities (Note 7): | |
| Due within one year | 3,727,689 |
| Due in more than one year | 115,550,485 |
| Total liabilities | 130,368,651 |
| Net Assets: | |
| Invested in capital assets, net of related debt | 355,683,194 |
| Restricted for: | |
| Housing set-aside | 662,851 |
| Redevelopment | 1,320,681 |
| Unrestricted | 95,344,361 |
| Total net assets | \$ 453,011,087 |

See accompanying notes to the financial statements.

CITY OF SAN RAMON
Statement of Activities
Fiscal year ended June 30, 2010
(With comparative information for the prior year)

| | | Program Revenues | | | Net (Expenses) Revenues and Change in Net Assets |
|--|---------------|-------------------------|--|--|--|
| | Expenses | Charges for Services | Operating Contributions and Grants | Capital Contributions and Grants | Governmental Activities 2010 |
| Governmental activities: | | | | | |
| General government | \$ 4,752,394 | 261,797 | 462,942 | - | (4,027,655) |
| Community development | 5,046,559 | 1,565,754 | 1,987,483 | - | (1,493,322) |
| Police services | 15,752,533 | 668,991 | 155,048 | - | (14,928,494) |
| Public works | 44,650,311 | 846,281 | 22,779,686 | 41,818,078 | 20,793,734 |
| Parks and community service | 7,756,449 | 4,455,520 | 40,837 | - | (3,260,092) |
| Redevelopment | 7,409,543 | 3,525 | 138,899 | - | (7,267,119) |
| Interest expense and other charges | 6,323,261 | - | - | - | (6,323,261) |
| Total governmental activities | \$ 91,691,050 | 7,801,868 | 25,564,895 | 41,818,078 | (16,506,209) |
| General revenues: | | | | | |
| Taxes: | | | | | |
| Property | | | | | 13,930,189 |
| Property tax, redevelopment agency tax increment | | | | | 8,458,054 |
| Sales and use | | | | | 8,969,804 |
| Transient occupancy | | | | | 1,247,315 |
| Franchise | | | | | 3,498,870 |
| Other | | | | | 537,645 |
| Intergovernmental, unrestricted | | | | | 615,652 |
| Investment income | | | | | 1,571,949 |
| Miscellaneous | | | | | 815,954 |
| Total general revenues | | | | | 39,645,432 |
| Change in net assets | | | | | 23,139,223 |
| Net assets at beginning of year | | | | | 429,871,864 |
| Net assets at end of year | | | | | \$ 453,011,087 |

See accompanying notes to the financial statements.

CITY OF SAN RAMON
Governmental Funds
Balance Sheet
June 30, 2010

| | Special Revenue | | | |
|--|----------------------|---------------------|---------------------------|------------------|
| | General Fund | Dougherty Valley | Low/Mod Income Housing | |
| | | | Set-Aside | Redevelopment |
| <u>Assets</u> | | | | |
| Cash and investments | \$ 10,190,366 | 11,089,081 | 724,828 | 2,958,558 |
| Restricted cash and investments | 140,427 | - | - | - |
| Receivables: | | | | |
| Accounts | 2,117,757 | 3,255 | - | - |
| Notes | 7,285,000 | - | 6,026,099 | - |
| Interest | 22,156 | - | 1,370 | 4,598 |
| Due from other funds (Note 4) | 66,653 | - | - | 58,598 |
| Advances to other funds (Note 4) | - | - | 2,888,859 | - |
| Land held for resale | - | - | 2,271,868 | - |
| Inventory | 3,676 | - | - | - |
| Prepaid and deposits | 103,111 | 3,465 | 559 | 5,596 |
| Total assets | \$ 19,929,146 | 11,095,801 | 11,913,583 | 3,027,350 |
| <u>Liabilities and Fund Balances</u> | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 1,582,219 | 562,460 | 83 | 7,028 |
| Accrued payroll | 1,913,464 | 533,341 | 63,264 | 48,621 |
| Due to other funds (Note 4) | - | - | - | - |
| Deferred revenue | 8,142,792 | - | 6,026,099 | - |
| Deposits payable | 484,693 | - | - | - |
| Advances from other funds (Note 4) | - | - | - | 2,888,859 |
| Total liabilities | 12,123,168 | 1,095,801 | 6,089,446 | 2,944,508 |
| Fund balances: | | | | |
| Reserved: | | | | |
| Encumbrances | 66,287 | 391,365 | - | 1,384 |
| Debt service | - | - | - | - |
| Advances to other funds | - | - | 2,888,859 | - |
| Housing set-aside | - | - | 662,851 | - |
| Inventory | 3,676 | - | - | - |
| Land held for resale | - | - | 2,271,868 | - |
| Prepaid and deposits | 103,111 | 3,465 | 559 | 5,596 |
| Unreserved: | | | | |
| Undesignated, reported in: | | | | |
| General fund | 7,632,904 | - | - | - |
| Special revenue | - | 9,605,170 | - | 75,862 |
| Debt service | - | - | - | - |
| Capital projects | - | - | - | - |
| Total fund balances | 7,805,978 | 10,000,000 | 5,824,137 | 82,842 |
| Total liabilities and fund balances | \$ 19,929,146 | 11,095,801 | 11,913,583 | 3,027,350 |

See accompanying notes to the financial statements.

| <u>Capital Projects</u> | Nonmajor Governmental | Total |
|--------------------------------|--------------------------|--------------------|
| <u>Capital Improvement</u> | <u>Funds</u> | <u>Total</u> |
| 18,634,878 | 35,784,898 | 79,382,609 |
| - | 16,941,528 | 17,081,955 |
| 237,067 | 554,331 | 2,912,410 |
| - | 4,925 | 13,316,024 |
| 35,936 | 63,508 | 127,568 |
| - | - | 125,251 |
| - | - | 2,888,859 |
| - | 820,000 | 3,091,868 |
| - | - | 3,676 |
| - | 93 | 112,824 |
| <u>18,907,881</u> | <u>54,169,283</u> | <u>119,043,044</u> |
| 2,056,319 | 463,834 | 4,671,943 |
| 30,971 | 123,149 | 2,712,810 |
| - | 123,274 | 123,274 |
| - | 4,925 | 14,173,816 |
| 109,066 | 112,721 | 706,480 |
| - | - | 2,888,859 |
| <u>2,196,356</u> | <u>827,903</u> | <u>25,277,182</u> |
| 2,225,229 | 26,199 | 2,710,464 |
| - | 16,941,528 | 16,941,528 |
| - | - | 2,888,859 |
| - | - | 662,851 |
| - | - | 3,676 |
| - | 820,000 | 3,091,868 |
| - | 93 | 112,824 |
| - | - | 7,632,904 |
| - | 13,462,243 | 23,143,275 |
| - | 17,526,136 | 17,526,136 |
| <u>14,486,296</u> | <u>4,565,181</u> | <u>19,051,477</u> |
| <u>16,711,525</u> | <u>53,341,380</u> | <u>93,765,862</u> |
| <u>18,907,881</u> | <u>54,169,283</u> | <u>119,043,044</u> |



CITY OF SAN RAMON
Governmental Funds
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2010

| | | |
|-------------------------------------|----|------------|
| Fund balances of governmental funds | \$ | 93,765,862 |
|-------------------------------------|----|------------|

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets have not been included as financial resources in governmental fund activity:

| | | |
|--------------------------|--|---------------|
| Capital assets | | 598,951,650 |
| Accumulated depreciation | | (164,972,741) |

Long term debt, compensated absences and claims payable that have not been included in governmental fund activity:

| | | |
|--------------------------------|--|---------------|
| Bonds payable | | (115,896,709) |
| Compensated absences | | (3,381,465) |
| Bond issuance costs | | 1,823,418 |
| Other post-employment benefits | | 181,641 |
| Prepayment to CalPERS | | 17,000,000 |

| | | |
|--|--|-------------|
| Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds. | | (1,865,447) |
|--|--|-------------|

| | | |
|---|--|------------|
| Deferred revenue balances relating to certain receivables are not reported as liabilities in the Statement of Net Assets since revenue recognition is not based upon measurable and available criteria. | | 13,316,025 |
|---|--|------------|

| | | |
|--|--|------------|
| Internal service funds are used by management to charge the costs of certain activities, such as equipment management, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net assets. | | 14,088,853 |
|--|--|------------|

| | | |
|---------------------------------------|----|-------------|
| Net assets of governmental activities | \$ | 453,011,087 |
|---------------------------------------|----|-------------|

See accompanying notes to the financial statements.

CITY OF SAN RAMON
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Fiscal year ended June 30, 2010

| | Special Revenue | | | |
|---|---------------------|---------------------|--|--------------------|
| | General Fund | Dougherty Valley | Low/Mod Income Housing Set-Aside | Redevelopment |
| Revenues: | | | | |
| Taxes | \$ 25,871,241 | - | 1,691,610 | 6,766,444 |
| License and permits | 966,832 | - | - | - |
| Intergovernmental revenues | 815,358 | 11,741,544 | - | - |
| Developer fees | 26,278 | - | - | - |
| Charges for services | 5,839,270 | - | - | - |
| Fines and forfeitures | 428,364 | - | - | - |
| Use of money and property | 898,441 | - | 11,115 | 5,189 |
| Special assessments | - | - | - | - |
| Miscellaneous | 3,406,989 | 4,238 | 47,859 | 74,889 |
| Total revenues | 38,252,773 | 11,745,782 | 1,750,584 | 6,846,522 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 5,541,732 | - | - | - |
| Community development | 3,094,721 | - | - | - |
| Redevelopment | 241,945 | - | 1,331,635 | 5,791,678 |
| Police services | 9,934,858 | 5,619,129 | - | - |
| Public works | 10,600,554 | 6,646,221 | - | - |
| Parks and community service | 7,615,877 | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service: | | | | |
| Principal | - | - | - | - |
| Interest and fees | - | - | - | - |
| Total expenditures | 37,029,687 | 12,265,350 | 1,331,635 | 5,791,678 |
| Excess (deficiency) of revenues over (under) expenditures | 1,223,086 | (519,568) | 418,949 | 1,054,844 |
| Other financing sources (uses): | | | | |
| Issuance of pension bonds | - | - | - | - |
| Prepayment to CalPERS | - | - | - | - |
| Transfers in (Note 4) | 3,658,570 | 10,526,089 | 5,576,351 | 6,606,187 |
| Transfers out (Note 4) | (34,336,251) | (6,521) | (1,399,660) | (7,617,811) |
| Total other financing sources (uses) | (30,677,681) | 10,519,568 | 4,176,691 | (1,011,624) |
| Net change in fund balances | (29,454,595) | 10,000,000 | 4,595,640 | 43,220 |
| Fund balances at beginning of year | 37,260,573 | - | 1,228,497 | 39,622 |
| Fund balances at end of year | \$ 7,805,978 | 10,000,000 | 5,824,137 | 82,842 |

See accompanying notes to the financial statements.

| <u>Capital Projects</u> | Nonmajor Governmental Funds | <u>Total</u> |
|-----------------------------|-----------------------------------|---------------------|
| - | - | 34,329,295 |
| - | 6,985 | 973,817 |
| 1,850,713 | 4,062,917 | 18,470,532 |
| - | 1,393,135 | 1,419,413 |
| - | 161,287 | 6,000,557 |
| - | 15,500 | 443,864 |
| 235,436 | 418,915 | 1,569,096 |
| - | 5,447,926 | 5,447,926 |
| - | 804,044 | 4,338,019 |
| <u>2,086,149</u> | <u>12,310,709</u> | <u>72,992,519</u> |
| - | - | 5,541,732 |
| - | 1,817,219 | 4,911,940 |
| - | - | 7,365,258 |
| - | 7,725 | 15,561,712 |
| - | 3,859,722 | 21,106,497 |
| - | - | 7,615,877 |
| 8,665,636 | 7,841,425 | 16,507,061 |
| - | 2,980,000 | 2,980,000 |
| - | 5,742,374 | 5,742,374 |
| <u>8,665,636</u> | <u>22,248,465</u> | <u>87,332,451</u> |
| <u>(6,579,487)</u> | <u>(9,937,756)</u> | <u>(14,339,932)</u> |
| - | 17,650,000 | 17,650,000 |
| - | (17,000,000) | (17,000,000) |
| 9,026,575 | 38,479,285 | 73,873,057 |
| <u>(1,739,653)</u> | <u>(31,897,682)</u> | <u>(76,997,578)</u> |
| <u>7,286,922</u> | <u>7,231,603</u> | <u>(2,474,521)</u> |
| 707,435 | (2,706,153) | (16,814,453) |
| <u>16,004,090</u> | <u>56,047,533</u> | <u>110,580,315</u> |
| <u>16,711,525</u> | <u>53,341,380</u> | <u>93,765,862</u> |

See accompanying notes to the financial statements.

CITY OF SAN RAMON
 Governmental Funds
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to Statement of Activities
 Fiscal year ended June 30, 2010

Changes in fund balances of governmental funds \$ (16,814,453)

Amounts reported for governmental activities in the statement of activities are different because:

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expenses, whereas net assets decrease by the amount of depreciation expense charged for the year.

| | |
|------------------------|--------------|
| Capital outlay | 10,595,330 |
| Donated capital assets | 41,818,078 |
| Depreciation expense | (17,192,645) |

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

| | |
|-----------------------------|--------------|
| Issuance of long-term debt | (17,650,000) |
| Repayment of debt principal | 3,015,139 |
| Prepayment to CalPERS | 17,000,000 |

The amounts below included in the Statements of Activities do not provide or require the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change)

| | |
|---|-----------|
| Compensated absences | (238,079) |
| Interest payable | (963,553) |
| Other post employment healthcare benefits | 181,641 |
| Bond issuance costs | 325,580 |

Revenues that are measurable but not available are recorded as deferred revenue under the modified accrual basis of accounting. 19,676

Internal service funds are used by management to charge the costs of certain activities, such as equipment management, to individual funds. The net revenues (expenses) of the internal services funds is reported with governmental activities. 3,042,509

Changes in net assets of governmental activities \$ 23,139,223

See accompanying notes to the financial statements.

CITY OF SAN RAMON
 Proprietary Funds
 Statement of Net Assets
 June 30, 2010

| | Governmental Activities Internal Service Funds |
|---|--|
| | |
| Assets: | |
| Current assets: | |
| Cash and investments | \$ 11,909,585 |
| Accounts receivable | 70,656 |
| Interest receivable | 22,556 |
| | 12,002,797 |
| Total current assets | 12,002,797 |
| Non-current assets: | |
| Capital assets, net of accumulated depreciation | 2,364,039 |
| | 14,366,836 |
| Total assets | 14,366,836 |
| Liabilities: | |
| Current liabilities: | |
| Accounts payable | 196,768 |
| Accrued payroll | 3,380 |
| Due to other funds | 1,977 |
| Claims and judgements payable | 75,858 |
| | 277,983 |
| Total liabilities | 277,983 |
| Net assets: | |
| Invested in capital assets | 2,364,039 |
| Unrestricted | 11,724,814 |
| | 14,088,853 |
| Total net assets | \$ 14,088,853 |

See accompanying notes to the financial statements.

CITY OF SAN RAMON
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
Fiscal year ended June 30, 2010

| | Governmental Activities Internal Service Funds |
|---------------------------------|--|
| | |
| Operating revenues: | |
| Charges for services | \$ 7,656,165 |
| Other | 13,660 |
| Total operating revenues | 7,669,825 |
| Operating expenses: | |
| Personnel services | 445,834 |
| Service and supplies | 5,899,714 |
| Claims and insurance | 856,763 |
| Depreciation | 758,979 |
| Total operating expenses | 7,961,290 |
| Operating income (loss) | (291,465) |
| Nonoperating revenues: | |
| Investment income | 138,356 |
| Intergovernmental | 57,415 |
| Income (loss) before transfers | 195,771 |
| Transfers: | |
| Transfers in (Note 4) | 3,622,524 |
| Transfers out (Note 4) | (484,321) |
| Total transfers | 3,138,203 |
| Change in net assets | 3,042,509 |
| Net assets at beginning of year | 11,046,344 |
| Net assets at end of year | \$ 14,088,853 |

See accompanying notes to the financial statements.

CITY OF SAN RAMON
Proprietary Funds
Statement of Cash Flows
Fiscal year ended June 30, 2010
(With comparative information for the prior year)

| | Governmental Activities Internal Service Funds |
|---|--|
| | |
| Cash flows from operating activities: | |
| Cash received from department users | \$ 7,694,741 |
| Cash payments to suppliers for goods and services | (6,685,796) |
| Cash payments to employees for services | (369,976) |
| | |
| Net cash provided by (used for) operating activities | 638,969 |
| Cash flows from non-capital and related financing activities: | |
| Intergovernmental | 57,415 |
| Cash received from other funds | 3,624,501 |
| Cash paid to other funds | (484,321) |
| | |
| Net cash provided by (used for) non-capital and related financing activities | 3,197,595 |
| Cash flows from capital and related financing activities: | |
| Acquisition of capital assets | (492,791) |
| | |
| Net cash provided by (used for) capital and related financing activities | (492,791) |
| Cash flows from investing activities: | |
| Interest | 138,356 |
| | |
| Net cash provided by (used for) investing activities | 138,356 |
| Net increase (decrease) in cash and cash equivalents | 3,482,129 |
| Cash and cash equivalents at beginning of year | 8,427,456 |
| | |
| Cash and cash equivalents at end of year | \$ 11,909,585 |
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income (loss) | \$ (291,465) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | |
| Depreciation | 758,979 |
| (Increase) decrease in accounts receivable | (11,088) |
| (Increase) decrease in interest receivable | 36,004 |
| (Increase) decrease in prepaid and deposits | 94 |
| Increase (decrease) in accounts payable | 70,200 |
| Increase (decrease) in accrued payroll | 387 |
| Increase (decrease) in claims and judgments payable | 75,858 |
| | |
| Net cash provided by (used for) operating activities | \$ 638,969 |

There were no significant noncash investing or financing activities for the year ended June 30, 2010.

See accompanying notes to the financial statements.

CITY OF SAN RAMON
Fiduciary Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2010

| | <u>Agency Funds</u> |
|-------------------------------|-------------------------|
| <u>Assets</u> | |
| Cash and investments (Note 3) | \$ 1,791,324 |
| Interest receivable | <u>3,871</u> |
| Total assets | <u>\$ 1,795,195</u> |
| <u>Liabilities</u> | |
| Due to bondholders | \$ 178,222 |
| Due to other governments | <u>1,616,973</u> |
| Total liabilities | <u>\$ 1,795,195</u> |

See accompanying notes to the financial statements.

CITY OF SAN RAMON
Notes to the Financial Statements
Year ended June 30, 2010

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The City of San Ramon (City) was incorporated in 1983 as a Charter City and operates under a Council/Manager form of government. The Council is composed of five members. As required by generally accepted accounting principles, the financial statements present the government and its component units for which the government is considered financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with the data of the primary government. Each blended component unit as described below has a June 30 year end.

Blended Component Units

City of San Ramon Redevelopment Agency

The Redevelopment Agency (Agency) was established in 1985 pursuant to the State of California Health and Safety Code, section 33000 entitled, "Community Redevelopment Law". Its purpose is to finance long-term capital improvements designed to eliminate physical and economic blight in a project area. The City Council acts as the Agency governing board and exerts significant influence over its operations. The funds of the Agency's have been included in the governmental activities of the financial statements. Separate financial statements of the City of San Ramon Redevelopment Agency can be obtained from the City of San Ramon Finance Department at 2228 Camino Ramon, San Ramon, California 94583.

San Ramon Public Financing Authority

The San Ramon Public Financing Authority (Authority) was formed in 1987 as a joint powers authority between the City and the Authority in order to provide financial assistance to the City and the Authority by issuing debt and financing the construction of public facilities. The members of the City Council also act as the governing board of the Authority. Separate financial statements are not issued for the Authority.

(b) Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements and eliminations have been made to minimize the double counting of internal activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

CITY OF SAN RAMON
Notes to the Financial Statements
Year ended June 30, 2010

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, however, are unlike all other fund types, reporting only assets and liabilities. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements 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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise taxes, licenses, charges for services, intergovernmental revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government. Inventories are reported in the governmental funds using the purchase method. Inventories are valued on a first-in-first-out basis and since they are held for the City's own use, they are not adjusted to reflect changes in their market value.

The City reports the following major governmental funds:

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

The Dougherty Valley Special Revenue Fund is used to account for revenue received from Contra Costa County as reimbursements for a variety of municipal services, including police protection, and street and park maintenance, to be provided by the City. Per a Memorandum of Understanding with the County, the City is required to separately track the costs of service provided in the Dougherty Valley Area, and submit claims for reimbursements for costs to the County.

The Low/Mod Income Housing Set-Aside Special Revenue Fund has been set up to account for the 20% set aside of property taxes to be used for low and moderate income housing.

CITY OF SAN RAMON
Notes to the Financial Statements
Year ended June 30, 2010

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The Redevelopment Fund has been set up to record the transactions of the San Ramon Redevelopment Agency. The financial resources for the Redevelopment Agency are provided by the City of San Ramon, property tax increment revenue, issuance of tax allocation, lease revenue bonds, long term notes, and proceeds from sale/lease of real property.

The Capital Improvement Capital Projects Fund is used to account for expenditures for major infrastructure improvements of roads, sidewalks, City facilities, including parks, as well as for the procurement of major pieces of equipment.

In addition, the City reports the following fund types:

Proprietary Fund Type

Internal Service Funds are used to account for the financing of goods or services provided by one department of the City to other departments on a cost-reimbursement basis. The City has six internal service funds – The investment fund is for investment management, the equipment replacement fund is for recording the equipment and depreciation thereon, the information systems replacement fund is for recording computer equipment, the insurance liability fund is used to provide for the general liability and other claims against the City, the healthcare fund is used for payment of medical, dental, vision premiums and claims, and the building maintenance fund is used for the cost of maintaining City buildings.

Fiduciary Fund Types

Agency Funds – are used to account for assets held by the City as an agent for individuals, private organizations, and/or - other governments, in accordance with the conditions of the agreements. Agency funds are purely custodial and thus do not involve measurement of results of operations. The City has seven agency funds – Fostoria Assessment District Fund, Cree Court Assessment District Fund, SCCJEP A Trust Fund, Tri-Valley Transportation Trust Fund, Helping Hands Program, Tri-Valley TBID Fund, and DV Performing Arts Theater Fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to members, customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

CITY OF SAN RAMON
Notes to the Financial Statements
Year ended June 30, 2010

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's internal service funds are charges to customers for sales and services. Operating expenses for internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then use unrestricted resources as needed.

(d) Cash and Investments

For purposes of the statement of cash flows of the proprietary funds, all cash and investments with an original maturity of 90 days or less are considered to be cash and cash equivalents. The City pools its investment funds for maximum return.

Investments are included within the financial statement classifications of "Cash and investments" and "Cash and investments – restricted" and are stated at fair value.

The City has adopted the provisions of GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Pools," which require governmental entities to report certain investments at fair value in the financial statements and recognize the corresponding change in the fair value of investments in the year in which the change occurred. In accordance with GASB Statement No. 31, the City has adjusted certain investments to fair value.

(e) Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

(f) Capital Assets

Capital assets, which include land, machinery, equipment (vehicles, computers, etc.), buildings and improvements, and infrastructure assets (roads, bridges, etc.), are reported in the statement of net assets. Capital assets are defined by the City as all land and buildings; vehicles, and equipment with an initial individual cost of more than \$5,000; improvements and infrastructure assets with costs of more than \$100,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or annexed capital assets are recorded at estimated market value at the date of donation or annexation.

CITY OF SAN RAMON
Notes to the Financial Statements
Year ended June 30, 2010

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Capital Assets (Continued)

Depreciation is recorded on a straight-line basis over the useful life of the assets as follows:

| | |
|----------------------------|-----------------|
| Buildings and improvements | 25 to 50 years |
| Vehicles and equipment | 3 to 10 years |
| Parks improvements | 25 years |
| Infrastructure assets | 10 to 100 years |

GASB Statement No. 34 requires the City to report and depreciate infrastructure assets. Infrastructure assets includes pavement/roads, storm drains, sidewalks, landscaping, curb and gutters, street lights, traffic signals, bridges, culverts, catch basins, retaining and soundwalls, v-ditches, and fencing.

(g) Long-term Obligations

In the government-wide statements long-term obligations are recorded as liabilities in the statement of net assets and are also shown in the proprietary fund statements.

(h) Employee Compensated Absences

City employees may receive from 12 to 22 days vacation time each year, depending upon length of service. An employee may accumulate earned vacation time up to a maximum of two years' worth of accrued vacation leave. Upon termination, employees are paid the full value of their unused vacation and compensatory time at their existing salary. City employees may accrue 12 days of sick leave each year. Upon termination, employees are paid 25-50 percent depending on length of service, of the value of their unused sick leave balance at their existing salary. There is no fixed payment schedule for employee compensated absences.

(i) Property Taxes

Property taxes are assessed, collected and allocated by the County of Contra Costa.

The duties of assessing and collecting property taxes are performed by the County of Contra Costa Assessor and Tax Collector, respectively. Under the County's "Teeter Plan," the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Tax levies cover the period from July 1 to June 30 of each year. All tax liens attach annually on the first day in January proceeding the fiscal year for which the taxes are levied. Taxes are levied on both real and personal property, as it exists on that date.

Secured property taxes are levied against real property and are due and payable in two equal installments. The first installment is due on November 1 and becomes delinquent if not paid by December 10. The second installment is due on February 1 and becomes delinquent if not paid by April 10. Unsecured personal property taxes are due on July 1 each year.

CITY OF SAN RAMON
Notes to the Financial Statements
Year ended June 30, 2010

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Claims and Judgments

When it is probable that a claim liability has been incurred, and the amount of the loss can be reasonably estimated, the City records the estimated loss, net of any insurance coverage under its self-insurance program. At June 30, 2010, in the opinion of the City Attorney, the City had no material claims, which require loss provisions in the financial statements. Small claims and judgments are recorded as expenditures when paid.

The City's self-insurance program is administered through the Municipal Pooling Authority (the MPA), which is described at Note (12)a. The MPA is a public entity risk pool, which is accounted for under the provisions of GASB Statement No. 10. Claim losses recorded in the MPA include both current claims and Incurred But Not Reported claims (IBNR). Deposits to the MPA are recorded by the City as insurance expenditures in the General Fund when paid. These deposits are subject to retrospective adjustment. Favorable claims experience result in a refund of deposits from the MPA and such refunds, if any, are recorded as a reduction of insurance expenditures in the year received. Adverse claims experience result in the payment of additional deposits and such deposits, if any, are recorded as insurance expenditures when paid.

(k) Allocation of Interest Income Among Funds

The City pools all non-restricted cash for investment purchases and allocates interest income based on month-end cash balances. Funds that have restricted cash record interest income in the respective fund.

(l) Estimates

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

CITY OF SAN RAMON
Notes to the Financial Statements
Year ended June 30, 2010

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(a) Budgetary Accounting

The City Council adopts an Annual Budget, in accordance with generally accepted accounting principles, no later than the second meeting of June of each year for the fiscal year commencing the following July 1. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. During May of each year, the City Manager submits to the City Council a proposed budget for the next fiscal year. Copies are made available to the public, the press, and staff members.
2. A series of Council work sessions are held at which the recommended budget is reviewed in detail and the departments (as requested) provide additional information.
3. After review by the City Council, a public hearing is conducted for the purpose of receiving public input on the recommended operating and capital budgets, the Redevelopment Agency budget, the Master Fee Schedule, and the Gann Appropriation Limit.
4. Upon completion of the hearings and modifications, if any, to the proposed budget, it is adopted, in late June, by the City Council through passage of appropriate resolutions.
5. Generally, the budget is amended in the middle of the year and at the end of the year. All approved additional appropriations are added to the adopted budget and an amended budget is presented to the City Council, which adopts it after due review. Expenditures may not exceed budgeted appropriations at the fund level.

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. For the fiscal year ended June 30, 2010, based on calculations by City Management, proceeds of taxes did not exceed related appropriations.

(b) Expenditures in excess of Appropriations

The City had the following funds with expenditures in excess of appropriations for the year ended June 30, 2010:

Nonmajor funds:

| | |
|--|------------|
| Redevelopment Tax Allocation Debt Service Fund | \$ (1,283) |
| Pension Obligation Bonds Fund | (909,361) |

CITY OF SAN RAMON
Notes to the Financial Statements
Year ended June 30, 2010

(3) CASH AND INVESTMENTS

Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

Statement of Net Assets:

| | |
|-----------------------------------|---------------|
| Cash and investments | \$ 91,292,194 |
| Cash and investments - restricted | 17,081,955 |

Fiduciary funds:

| | |
|----------------------------|------------------------------|
| Cash and investments | <u>1,791,324</u> |
| Total cash and investments | <u><u>\$ 110,165,473</u></u> |

Cash and investments as of June 30, 2010 consist of the following:

| | |
|--------------------------------------|------------------------------|
| Cash on hand | \$ 18,345 |
| Deposits with financial institutions | 7,906,371 |
| Investments | <u>102,240,757</u> |
| Total cash and investments | <u><u>\$ 110,165,473</u></u> |

CITY OF SAN RAMON
Notes to the Financial Statements
Year ended June 30, 2010

(3) CASH AND INVESTMENTS (Continued)

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

The table below identifies the *investment types* that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address *interest rate risk*, *credit risk*, and *concentration of credit risk*. This table does not address investment of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy; nor does the table address the investment of funds set aside for the payment of retiree health care benefits which are governed by a separate less restrictive section of the California Government Code.

| <u>Authorized Investment Type</u> | <u>Maximum Maturity</u> | <u>Minimum Credit Quality</u> | <u>Maximum Percentage of Portfolio*</u> | <u>Maximum Investment in One Issuer</u> |
|---|-----------------------------|---------------------------------------|---|---|
| U.S. Treasury Obligations | 5 years | None | None | None |
| Federal Agency Securities | 5 years | None | None | None |
| Commercial Paper | 270 days | A1/P1/F1 | 25% | 10% |
| Medium-Term Notes | 5 years | AA | 10% | None |
| Bankers' Acceptances | 180 days | None | 40% | 10% |
| Negotiable Time Certificates of Deposit | 5 years | AA | 30% | None |
| Repurchase Agreements | 30 days | None | None | None |
| Money Market Mutual Funds | 5 years | AAAm | 15% | None |
| Municipal Bonds | 5 years | AA | None | None |
| Local Agency Bonds | 5 years | AA | None | None |
| FDIC Insured Bonds | 2 years | A | 10% | None |
| Local Agency Investment Fund (LAIF) | N/A | None | 15% | None |

* Excluding amounts held by bond trustee and funds invested for the payment of retiree health care benefits.

CITY OF SAN RAMON
Notes to the Financial Statements
Year ended June 30, 2010

(3) CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the *investment types* that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address *interest rate risk, credit risk, and concentration of credit risk.*

| <u>Authorized Investment Type</u> | <u>Maximum Maturity</u> | <u>Maximum Percentage Allowed</u> | <u>Maximum Investment in One Issuer</u> | <u>Minimum Credit Quality</u> |
|-----------------------------------|-------------------------|-----------------------------------|---|-------------------------------|
| U.S. Treasury Obligations | None | None | None | None |
| Federal Securities | None | None | None | None |
| Federal Agency Obligations | 3 years | None | None | AAA |
| Commercial Paper | 270 days | None | None | A-1, AAA |
| Medium-Term Corporate Notes | 5 years | None | None | None |
| Banker's Acceptance | 180 days | None | None | A-1 |
| Mortgage-backed Securities | None | None | None | None |
| Money Market Funds | N/A | None | None | AAAm |
| Municipal Bonds | None | None | None | AAA |
| Local Agency Bonds | None | None | None | None |
| Investment Agreements | 30 years | None | None | None |
| Local Agency Investment Fund | N/A | None | None | None |

CITY OF SAN RAMON
Notes to the Financial Statements
Year ended June 30, 2010

(3) CASH AND INVESTMENTS (Continued)

Disclosures Relating to Interest Rate Risk

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

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

| Investment Type | Remaining Maturity (in Months) | | | | Total |
|--|---------------------------------------|----------------------------|-------------------------|--|-----------------------------|
| | 12 Months Or Less | 13 to 24 Months | 25-60 Months | More Than 60 Months | |
| Corporate Notes | \$ 4,287,313 | - | - | - | 4,287,313 |
| Federal Agency Securities | 26,003,200 | 19,933,899 | 8,043,620 | - | 53,980,719 |
| Municipal Bonds | - | - | - | 140,427 | 140,427 |
| U.S. Treasury Notes | 6,780,750 | 10,052,900 | - | - | 16,833,650 |
| Money Market Funds | 9,916,853 | - | - | - | 9,916,853 |
| Local Agency Investment Fund (LAIF) | 140,266 | - | - | - | 140,266 |
| Held by bond trustee: | | | | | |
| Money Market Funds | 10,499,340 | - | - | - | 10,499,340 |
| Federal Agency Securities | 4,008,759 | - | 1,510,688 | - | 5,519,447 |
| Corporate Notes | 922,742 | - | - | - | 922,742 |
| Total Investments | <u>\$ 62,559,223</u> | <u>29,986,799</u> | <u>9,554,308</u> | <u>140,427</u> | <u>102,240,757</u> |
| <i>Demand Deposits and Cash on Hand</i> | | | | | <u>7,924,716</u> |
| | | | | <i>Total Cash and Investments</i> | <u>\$110,165,473</u> |

CITY OF SAN RAMON
Notes to the Financial Statements
Year ended June 30, 2010

(3) CASH AND INVESTMENTS (Continued)

Disclosures Relating to 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 minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

| Investment Type | Minimum Legal Rating | Exempt From Disclosure | Rating as of Year End | | | Total |
|--|----------------------------|------------------------------|-----------------------|------------------|----------------|--------------------|
| | | | AAA | AA3 | Not Rated | |
| Corporate Notes | AA | \$ - | 3,273,993 | 1,013,320 | - | 4,287,313 |
| U.S. Treasury Notes | N/A | 16,833,650 | - | - | - | 16,833,650 |
| Federal Agency Securities | N/A | - | 53,980,719 | - | - | 53,980,719 |
| Municipal Bonds | AA | - | - | - | 140,427 | 140,427 |
| Money Market Funds | AAA | - | 9,916,853 | - | - | 9,916,853 |
| Local Agency Investment Fund (LAIF) | N/A | - | - | - | 140,266 | 140,266 |
| Held by bond trustee: | | | | | | |
| Money Market Funds | AAA | - | 10,499,340 | - | - | 10,499,340 |
| Federal Agency Securities | AAA | - | 5,519,447 | - | - | 5,519,447 |
| Corporate Notes | AAA | - | 922,742 | - | - | 922,742 |
| | | <u>\$ 16,833,650</u> | <u>84,113,094</u> | <u>1,013,320</u> | <u>280,693</u> | <u>102,240,757</u> |

Concentration of Credit Risk

The investment policy of the City of San Ramon contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of *total City investments* are as follows:

| Issuer | Investment Type | Amount |
|--|---------------------------|---------------|
| Federal Home Loan Bank Bonds | Federal Agency Securities | \$ 32,143,294 |
| Federal Home Loan Mortgage Corporation | Federal Agency Securities | 10,001,100 |
| Federal National Mortgage Association | Federal Agency Securities | 11,539,868 |

CITY OF SAN RAMON
Notes to the Financial Statements
Year ended June 30, 2010

(3) CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2010, \$7,656,657 of the City's deposits with financial institutions in excess of Federal Depository Insurance Limits were held in collateralized amounts.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The book value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The total amount invested by all public agencies in LAIF as of June 30, 2010 was \$23.3 billion. LAIF is a part of the California Pooled Money Investment Act (PMIA), which at June 30, 2010 had a balance of \$69.4 billion. Of that amount, 5.42% was invested in medium-term and short-term structured notes and asset backed securities. The average maturity of PMIA investments was 203 days as of June 30, 2010.

CITY OF SAN RAMON
Notes to the Financial Statements
Year ended June 30, 2010

(4) INTERFUND TRANSACTIONS

(a) Interfund Balances

The purpose of the interfund receivables and payables is to make short-term loans from the General Fund to various funds. These interfund loans are to provide for operating cash flow.

| <u>Due To Fund</u> | <u>Due To Fund</u> | <u>Amount</u> |
|--------------------|-----------------------------|-------------------|
| General Fund | Nonmajor Governmental Funds | \$ 64,676 |
| | Internal Service Funds | 1,977 |
| Redevelopment Fund | Nonmajor Governmental Funds | <u>58,598</u> |
| | Total | <u>\$ 125,251</u> |

(b) Interfund Advances

The Redevelopment Agency Board authorized a loan from the Affordable Housing Fund to the Redevelopment Fund for \$2,888,859 for five years at the City pool interest rate. As part of the State's adopted 2009-10 budget, the State included a revenue shift of \$2.05 billion from California's redevelopment agencies. For San Ramon, the Agency's share of this revenue shift is just under \$2.9 million for 2009-10.

CITY OF SAN RAMON
Notes to the Financial Statements
Year ended June 30, 2010

(4) INTERFUND TRANSACTIONS (Continued)

(c) Interfund Transfers

Interfund transfers for the year ended June 30, 2010 consisted of the following:

| Transfer From | Transfer To | Amount |
|--|--|-------------------------|
| General Fund | Dougherty Valley Special Revenue Fund | \$ 10,526,089 (a) |
| | Redevelopment Fund | 2,000,000 (a) |
| | Capital Improvements Capital Projects Fund | 700,000 (b) |
| | Non-Major Governmental Funds | 17,524,361 (a)(b)(c) |
| | Internal Service Funds | <u>3,585,801 (a)(b)</u> |
| | | <u>34,336,251</u> |
| Dougherty Valley Special Revenue Fund | Internal Service Funds | 6,521 (b) |
| Low/Mod Income Housing Set-Aside Special Revenue Fund | Non-Major Governmental Funds | 1,399,660 (c) |
| Redevelopment Fund | Non-Major Governmental Funds | 7,617,811 (a)(b)(c) |
| Capital Improvements Capital Projects Fund | General Fund | 403,625 (a)(e) |
| | Non-Major Governmental Funds | <u>1,336,028 (e)</u> |
| | | <u>1,739,653</u> |
| Non-Major Governmental Funds | General Fund | 3,254,945 (a)(d) |
| | Low/Mod Income Housing Set-Aside Special Revenue Fund | 5,576,351 (a)(b) |
| | Redevelopment Fund | 4,606,187 (c) |
| | Capital Improvements Capital Projects Fund | 7,846,326 (b) |
| | Non-Major Governmental Funds | 10,597,353 (e)(a) |
| | Internal Service Funds | <u>16,520 (b)</u> |
| | | <u>31,897,682</u> |
| Internal Service Funds | Capital Improvements Capital Projects Fund | 480,249 (b) |
| | Non-Major Governmental Funds | <u>4,072 (b)</u> |
| | | <u>484,321</u> |
| Agency Funds | Internal Service Funds | 13,682 (b) |
| | | <u>\$ 77,495,581</u> |

Interfund transfers were principally used for the following purposes:

- (a) Transfers to fund operation expenditures
- (b) Transfers to fund capital improvements
- (c) Transfers to fund debt service
- (d) Transfers to fund administrative expenses
- (e) Transfers to return excess funds to source

CITY OF SAN RAMON
Notes to the Financial Statements
Year ended June 30, 2010

(5) NOTES RECEIVABLES

Notes receivable activity for the year ended June 30, 2010 is as follows:

| | Balance at July 1, 2009 | Additions | Deletions | Balance at June 30, 2010 |
|------------------------------------|------------------------------------|------------------|------------------|-------------------------------------|
| Greystone Homes, Inc. | \$ 9,925 | - | - | 9,925 |
| Bollinger Crest Apt. Investor, LLC | 208,540 | - | (5,839) | 202,701 |
| American Baptist Homes | 5,500,000 | - | - | 5,500,000 |
| REHAB Loan Program | 292,884 | 63,553 | (38,038) | 318,399 |
| Sunset Development | 7,285,000 | - | - | 7,285,000 |
| Total notes receivable | <u>\$ 13,296,349</u> | <u>63,553</u> | <u>(43,877)</u> | <u>13,316,025</u> |

(a) Greystone Homes, Inc.

In January 1996, the Agency and the City entered into an Affordable Housing Agreement with Greystone Homes, Inc. The agreement provides for various restrictions on the project to facilitate the affordability of housing units to qualifying low and moderate-income residents. The agreement calls for the reduction of the purchase price of affordable units by \$5,000. Upon initial sale of each affordable unit, the homebuyer will execute a promissory note to the Agency for \$9,925, accruing annually compounded interest at 3 percent for a term not to exceed 30 years. The homebuyer agrees to repay the note upon sale or transfer of the affordable unit. For each note, \$4,925 represents the deferred payment of the San Ramon Valley Boulevard Widening Fee to the City. The amount of notes outstanding as of June 30, 2010 was \$9,925.

(b) Bollinger Crest Apartment Investors, LLC

In March 1998, the Agency entered into an Affordable Housing Agreement with Bollinger Crest Apartment Investors, LLC. The agreement provides for various restrictions on the project to facilitate the rental of housing units to qualifying low and moderate-income residents. The agreement calls for a subsidy grant of \$266,000 from the Agency to the 65 unit housing project along with a deferment of development fees amounting to \$40,000. The grant was recorded as an expenditure of housing funds. The deferred fees are expected to become payable to the Agency at the expiration of the term of the agreement which is 15 years.

In September 1998, the agreement was amended to include two loans which total \$225,000. The loans were made to finance the cost of construction improvements on land that is partially Agency owned. The loans of \$125,000 and \$100,000 accrue interest of 2.5 percent per year and are payable in installments of \$10,000 and \$8,000, respectively. As of June 30, 2010, the outstanding principal balances on the loans were \$90,529 and \$72,172, respectively, and the amount of development fees deferred was \$40,000.

CITY OF SAN RAMON
Notes to the Financial Statements
Year ended June 30, 2010

(5) NOTES RECEIVABLES (Continued)

(c) American Baptist Homes

In April 2007, the Agency approved a loan to American Baptist Homes in the amount of \$5,500,000 for the development and improvement of real property for the purpose of developing 105 units of multifamily housing for seniors to very low income and low income households in the City of San Ramon. The \$5,500,000 includes a \$750,000 loan from the State of California to the Agency which was then loaned by the Agency to American Baptist Homes. The loan is due and payable in full no later than fifty-five (55) years from the Completion Date. The outstanding balance as of June 30, 2010 was \$5,500,000. See Note 7(j).

(d) Rehab Loan Program

In November 2007, the Redevelopment Agency implemented a Home Rehabilitation Loan Program to fund existing Home Rehabilitation Grants and the Exterior Enhancement Rebate Program for fiscal year 2007-2008. The Housing Rehabilitation Loan Program proposes a \$35,000 deferred loan be made available to medium, low, very low and extremely low income households at 3% interest. The loan would accrue interest for 30 years and be due upon sale, transfer, or refinance of the property. It is anticipated that repayments will start in year four of the program. Recycled funds will be used to fund future housing rehabilitation loans. During fiscal year 2009-10, two new loans were issued to low income households for a total of \$63,533 and \$38,038 was returned for unused funds. The outstanding balance as of June 30, 2010 was \$318,399.

(e) Sunset Development

On July 1, 2008 the City and Sunset Development entered into a Mutual Release Agreement which states the City relinquishes its option to commence construction on the 7.56 acre parcel and thereby allows Sunset Development to exercise its option to purchase the property from the City, (which is part of the Bishop Ranch Agreement discussed in Note 13(b)), in the amount of \$8,285,000. On July 2, 2008 the City sold the 7.56 acre parcel to Sunset Development. The City received \$1,000,000 in cash and the remaining amount was converted to a note with a maturity date of December 31, 2012. Interest accrues at 6% annually and is paid quarterly. The outstanding balance as of June 30, 2010 was \$7,285,000. On December 15, 2009, the note was modified to extend the maturity date to January 1, 2015.

CITY OF SAN RAMON
Notes to the Financial Statements
Year ended June 30, 2010

(6) CAPITAL ASSETS

The following table presents the capital assets activity for the year ended June 30, 2010:

| Governmental activities | Balances at July 1, 2009 | Additions | Deletions | Balances at June 30, 2010 |
|--|-------------------------------------|---------------------|--------------------|--------------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 45,414,721 | 138,018 | - | 45,552,739 |
| Construction in progress | 19,824,610 | 9,527,523 | (1,663,865) | 27,688,268 |
| Total capital assets not being depreciated | <u>65,239,331</u> | <u>9,665,541</u> | <u>(1,663,865)</u> | <u>76,568,737</u> |
| Capital assets, being depreciated: | | | | |
| Park improvements | 43,256,293 | 1,202,809 | - | 44,459,102 |
| Buildings and improvements | 55,007,704 | 1,795,345 | - | 56,803,049 |
| Machinery, furniture and equipment | 9,507,994 | 519,977 | (523,621) | 9,504,350 |
| Infrastructure: | | | | |
| Pavement/roads | 149,345,313 | 10,788,664 | - | 160,133,977 |
| Curb and gutter | 30,798,365 | 1,280,930 | - | 32,079,295 |
| Sidewalks | 42,504,432 | 2,682,555 | - | 45,186,987 |
| Catch basins | 9,059,209 | 596,926 | - | 9,656,135 |
| Storm drains | 58,176,078 | 5,366,653 | - | 63,542,731 |
| V-Ditch | 753,094 | 60,500 | - | 813,594 |
| Street lights | 23,109,393 | 2,236,449 | - | 25,345,842 |
| Traffic signals | 18,250,159 | - | - | 18,250,159 |
| Bridge | 13,509,691 | 27,500 | - | 13,537,191 |
| Culvert | 1,416,747 | 8,840,668 | - | 10,257,415 |
| Retaining/soundwalls | 3,956,267 | - | - | 3,956,267 |
| Fencing | 443,009 | - | - | 443,009 |
| Landscaping | 32,213,087 | 9,032,803 | - | 41,245,890 |
| Total capital assets being depreciated | <u>491,306,835</u> | <u>44,431,779</u> | <u>(523,621)</u> | <u>535,214,993</u> |
| Less accumulated depreciation for: | | | | |
| Park improvements | (12,449,721) | (1,789,366) | - | (14,239,087) |
| Buildings and improvements | (10,619,800) | (1,219,689) | - | (11,839,489) |
| Machinery, furniture and equipment | (6,877,769) | (762,472) | 499,929 | (7,140,312) |
| Infrastructure: | | | | |
| Pavement/roads | (56,517,699) | (6,676,494) | - | (63,194,193) |
| Curb and gutter | (8,125,699) | (513,741) | - | (8,639,440) |
| Sidewalks | (18,816,486) | (1,249,395) | - | (20,065,881) |
| Catch basins | (2,232,991) | (193,123) | - | (2,426,114) |
| Storm drains | (14,317,504) | (1,270,855) | - | (15,588,359) |
| V-Ditch | (258,155) | (14,239) | - | (272,394) |
| Street lights | (9,450,463) | (824,924) | - | (10,275,387) |
| Traffic signals | (9,476,354) | (614,055) | - | (10,090,409) |
| Bridge | (1,933,316) | (270,744) | - | (2,204,060) |
| Culvert | (56,670) | (205,148) | - | (261,818) |
| Retaining/soundwalls | (304,129) | (158,251) | - | (462,380) |
| Fencing | (38,114) | (22,150) | - | (60,264) |
| Landscaping | (3,682,923) | (1,670,542) | - | (5,353,465) |
| Total accumulated depreciation | <u>(155,157,793)</u> | <u>(17,455,188)</u> | <u>499,929</u> | <u>(172,113,052)</u> |
| Total capital assets, being depreciated, net | <u>336,149,042</u> | <u>26,976,591</u> | <u>(23,692)</u> | <u>363,101,941</u> |
| Governmental activities capital assets, net | <u>\$ 401,388,373</u> | <u>36,642,132</u> | <u>(1,687,557)</u> | <u>436,342,948</u> |

CITY OF SAN RAMON
Notes to the Financial Statements
Year ended June 30, 2010

(6) CAPITAL ASSETS (Continued)

Depreciation expense is charged to functions/programs of the primary government as follows:

| | |
|--|----------------------|
| Governmental activities: | |
| General government | \$ 147,099 |
| Community development | 121,887 |
| Redevelopment | 1,005 |
| Police services | 302,811 |
| Public works | 15,894,900 |
| Parks and community services | <u>987,486</u> |
| Total depreciation expense - governmental activities | <u>\$ 17,455,188</u> |

(7) LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2010 is as follows:

| | Balance at July 1, 2009 | Additions | Reductions | Balance at June 30, 2010 | Due Within One Year |
|---------------------------------------|------------------------------------|----------------------|-----------------------|-------------------------------------|--------------------------------|
| Tax allocation bonds: | | | | | |
| 1998 Tax Allocation Bonds | \$ 21,820,000 | \$ - | \$ (705,000) | \$ 21,115,000 | \$ 735,000 |
| 2004 Tax Allocation Bonds | 6,735,000 | - | (340,000) | 6,395,000 | 350,000 |
| 2006 Tax Allocation Bonds A | 31,866,570 | - | - | 31,866,570 | - |
| 2006 Tax Allocation Bonds B | 21,910,000 | - | (675,000) | 21,235,000 | 865,000 |
| Premium on Debt | 573,302 | - | (21,333) | 551,969 | - |
| Revenue bonds: | | | | | |
| 2005 ERAF Tax Revenue Bonds | 345,000 | - | (50,000) | 295,000 | 55,000 |
| 2006 ERAF Tax Revenue Bonds | 405,000 | - | (50,000) | 355,000 | 50,000 |
| Certificates of Participation: | | | | | |
| 1996 COPS #9 Refunding Issue | 5,380,000 | - | (225,000) | 5,155,000 | 240,000 |
| 2001 COPS #10 Refunding Issue | 9,700,000 | - | (630,000) | 9,070,000 | 655,000 |
| 2003 COPS #11 Refunding Issue | 1,700,000 | - | (160,000) | 1,540,000 | 165,000 |
| Pension Obligation Bonds | - | 17,650,000 | (145,000) | 17,505,000 | 80,000 |
| HELP Loan | 750,000 | - | - | 750,000 | - |
| Capital lease | 76,976 | - | (13,806) | 63,170 | 14,558 |
| Compensated absences | 3,143,386 | 756,210 | (518,131) | 3,381,465 | 518,131 |
| | <u>\$ 104,405,234</u> | <u>\$ 18,406,210</u> | <u>\$ (3,533,270)</u> | <u>\$ 119,278,174</u> | <u>\$ 3,727,689</u> |

(a) 1998 Tax Allocation Bonds

On April 1, 1998, tax allocation revenue bonds in the amount of \$26,920,000 were issued to partially advance refund the 1994 Tax Allocation Revenue Bonds, to repay the long-term advance from the City and to finance capital projects. Interest on the bonds accrues at 3.60 to 5.30 percent and is payable semiannually on February 1 and August 1. Principal is payable each February 1.

All tax increment revenues except dedicated housing tax increment allocation are the security for the bonds. These revenues have been pledged until the year 2028. The total debt service amount for the bonds is \$33.3 million. Pledged tax increment revenue recognized during the fiscal year ended June 30, 2010 was \$7.0 million in parity with the 2004 Tax Allocation Bonds and 2006 Tax Allocation Bonds Series A and B as against the total debt service payments of \$1.8 million.

CITY OF SAN RAMON
Notes to the Financial Statements
Year ended June 30, 2010

(7) LONG-TERM LIABILITIES (Continued)

(a) 1998 Tax Allocation Bonds (Continued)

Cash and investments in the custody of the fiscal agent are restricted by the bond resolutions for payment of principal and interest on the tax allocation bonds. In addition, the bonds resolutions require retention of funds held by the fiscal agent prior to use for other than debt service.

The City is in compliance with the covenants contained in debt indentures, which require the establishment of certain specific accounts for the bonds.

Debt service payments on the 1998 Tax Allocation Revenue Bonds payable will be made from a nonmajor debt service fund. Annual debt service requirements to maturity are as follows:

| Year Ending | 1998 Tax Allocation Bonds | | |
|--------------------|----------------------------------|-------------------|-------------------|
| | Principal | Interest | Total |
| June 30 | | | |
| 2011 | \$ 735,000 | 1,112,340 | 1,847,340 |
| 2012 | 770,000 | 1,077,060 | 1,847,060 |
| 2013 | 810,000 | 1,039,330 | 1,849,330 |
| 2014 | 850,000 | 996,400 | 1,846,400 |
| 2015 | 895,000 | 951,350 | 1,846,350 |
| 2016-2020 | 5,250,000 | 3,991,430 | 9,241,430 |
| 2021-2025 | 6,800,000 | 2,444,625 | 9,244,625 |
| 2026-2028 | 5,005,000 | 539,540 | 5,544,540 |
| Total | <u>\$ 21,115,000</u> | <u>12,152,075</u> | <u>33,267,075</u> |

(b) 2004 Tax Allocation Bonds

On July 21, 2004, tax allocation revenue bonds in the amount of \$8,105,000 were issued to advance refund the remaining \$7,710,000 balance of the 1994 Tax Allocation Revenue Bonds. Interest on the bonds accrues at 2.5 to 5.0 percent and is payable semiannually on February 1 and August 1. Principal is payable each February 1. Bonds maturing on or after August 1, 2004 are subject to call on any interest payment date at par plus a premium of up to two percent. Term bonds maturing February 1, 2024 are subject to mandatory sinking fund redemption at par commencing February 1, 2005. The Bonds are payable solely from the Agency's tax increment revenues.

The tax allocation bonds are secured and to be serviced from tax increment revenues. All tax increment revenues except dedicated housing tax increment allocation are the security for the bonds. These revenues have been pledged until the year 2024. The total debt service amount for the bonds is \$8.8 million. Pledged tax increment revenue recognized during the fiscal year ended June 30, 2010 was \$7.0 million in parity with the 1998 Tax Allocation Bond and the 2006 Tax Allocation Bonds Series A and B as against the total debt service payment of \$.6 million.

Cash and investments in the custody of the fiscal agent are restricted by the bond resolutions for payment of principal and interest on the tax allocation bonds. In addition, the bond resolutions require retention of funds held by the fiscal agent prior to use for other than debt service.

CITY OF SAN RAMON
Notes to the Financial Statements
Year ended June 30, 2010

(7) LONG-TERM LIABILITIES (Continued)

(b) 2004 Tax Allocation Bonds (Continued)

The City is in compliance with the covenants contained in debt indentures, which require the establishment of certain specific accounts for the tax allocation bonds.

Debt service payments on the 2004 Tax Allocation Revenue Bonds payable will be made from a nonmajor debt service fund. Annual debt service requirements to maturity are as follows:

| Year Ending | 2004 Tax Allocation Bonds | | |
|--------------------|----------------------------------|-----------------|--------------|
| | Principal | Interest | Total |
| June 30 | | | |
| 2011 | \$ 350,000 | 276,745 | 626,745 |
| 2012 | 360,000 | 263,795 | 623,795 |
| 2013 | 375,000 | 250,475 | 625,475 |
| 2014 | 390,000 | 236,600 | 626,600 |
| 2015 | 405,000 | 221,000 | 626,000 |
| 2016-2020 | 2,285,000 | 839,650 | 3,124,650 |
| 2021-2024 | 2,230,000 | 275,375 | 2,505,375 |
| Total | \$ 6,395,000 | 2,363,640 | 8,758,640 |

(c) 2006 Tax Allocation Revenue Bonds

On October 24, 2006, tax allocation revenue bonds, series A and B in the amount of \$31,866,570 and \$22,665,000, respectively, were issued to provide three separate loans to the Agency to finance projects of benefit to the City of San Ramon Redevelopment Project, to pay costs of issuance incurred in connection with the issuance of the bonds and to acquire reserve fund surety bonds for each series of the bonds. Interest on the bonds accrues at 5.00 to 5.95 percent and is payable semiannually on February 1 and August 1. Principal is payable each February 1.

The tax allocation bonds are secured and to be serviced from tax increment revenues. All tax increment revenues except dedicated housing tax increment allocation are the security for the bonds. These revenues have been pledged until the year 2038. The total debt service amount for the bonds is \$116.1 million. Pledged tax increment revenue recognized during the fiscal year ended June 30, 2010 was \$7.0 million in parity with the 1998 Tax Allocation Bond and the 2004 Tax Allocation Bond as against the total debt service payment of \$2.9 million.

Cash and investments in the custody of the fiscal agent are restricted by the bond resolutions for payment of principal and interest on the tax allocation bonds. In addition, the bond resolutions require retention of funds held by the fiscal agent prior to use for any other debt service.

The City is in compliance with the covenants contained in debt indentures, which require the establishment of certain specific accounts for the tax allocation bonds.

CITY OF SAN RAMON
Notes to the Financial Statements
Year ended June 30, 2010

(7) LONG-TERM LIABILITIES (Continued)

(c) 2006 Tax Allocation Revenue Bonds (Continued)

Debt service payments on the 2006 Tax Allocation Revenue Bonds will be made from the Redevelopment Tax Allocation 2006 Debt Service Fund. Annual debt service requirements to maturity are as follows:

| Year Ending | 2006 Tax Allocation Revenue Bonds Series A | | | |
|--------------------|---|------------------|-----------------|--------------|
| | June 30 | Principal | Interest | Total |
| 2011 | \$ | - | 976,750 | 976,750 |
| 2012 | | - | 976,750 | 976,750 |
| 2013 | | - | 976,750 | 976,750 |
| 2014 | | - | 976,750 | 976,750 |
| 2015 | | - | 976,750 | 976,750 |
| 2016-2020 | | 1,410,672 | 5,968,078 | 7,378,750 |
| 2021-2025 | | 3,293,037 | 8,575,713 | 11,868,750 |
| 2026-2030 | | 4,473,369 | 12,875,381 | 17,348,750 |
| 2031-2035 | | 10,399,493 | 12,157,507 | 22,557,000 |
| 2036-2038 | | 12,290,000 | 1,248,750 | 13,538,750 |
| Total | \$ | 31,866,571 | 45,709,179 | 77,575,750 |

| Year Ending | 2006 Tax Allocation Revenue Bonds Series B | | | |
|--------------------|---|------------------|-----------------|--------------|
| | June 30 | Principal | Interest | Total |
| 2011 | \$ | 865,000 | 1,210,325 | 2,075,325 |
| 2012 | | 1,035,000 | 1,164,913 | 2,199,913 |
| 2013 | | 1,095,000 | 1,110,058 | 2,205,058 |
| 2014 | | 1,150,000 | 1,051,475 | 2,201,475 |
| 2015 | | 1,210,000 | 989,375 | 2,199,375 |
| 2016-2020 | | 4,580,000 | 3,938,540 | 8,518,540 |
| 2021-2025 | | 1,460,000 | 3,196,763 | 4,656,763 |
| 2026-2030 | | 2,745,000 | 2,631,478 | 5,376,478 |
| 2031-2035 | | 4,045,000 | 1,656,715 | 5,701,715 |
| 2036-2038 | | 3,050,000 | 369,793 | 3,419,793 |
| Total | \$ | 21,235,000 | 17,319,435 | 38,554,435 |

CITY OF SAN RAMON
Notes to the Financial Statements
Year ended June 30, 2010

(7) LONG-TERM LIABILITIES (Continued)

(d) 2005 ERAF Tax Revenue Bonds

In April 2005, the City issued bonds under the CRA/ERAF Loan Program to facilitate payment of 2004-05 ERAF property taxes. These bonds are called 2005 California Statewide Communities Development Authority Taxable Revenue Bonds, carry interest rates ranging from 3.87% to 5.01%, and are payable in 10 years per the debt service schedule as follows:

| Year Ending | 2005 ERAF Tax Revenue Bonds | | | |
|--------------------|------------------------------------|------------------|-----------------|--------------|
| | June 30 | Principal | Interest | Total |
| 2011 | \$ | 55,000 | 14,370 | 69,370 |
| 2012 | | 55,000 | 11,790 | 66,790 |
| 2013 | | 60,000 | 9,167 | 69,167 |
| 2014 | | 60,000 | 6,233 | 66,233 |
| 2015 | | 65,000 | 3,257 | 68,257 |
| Total | \$ | 295,000 | 44,817 | 339,817 |

(e) 2006 ERAF Tax Revenue Bonds

In May 2006, the City issued bonds under the CRA/ERAF Loan Program to facilitate payment of 2005-06 ERAF property taxes. These bonds are called 2006 California Statewide Communities Development Authority Taxable Revenue Bonds, carry interest rates ranging from 5.28% to 5.67%, and are payable in 10 years per the debt service schedule as follows:

| Year Ending | 2006 ERAF Tax Revenue Bonds | | | |
|--------------------|------------------------------------|------------------|-----------------|--------------|
| | June 30 | Principal | Interest | Total |
| 2011 | \$ | 50,000 | 19,845 | 69,845 |
| 2012 | | 55,000 | 17,105 | 72,105 |
| 2013 | | 55,000 | 14,064 | 69,064 |
| 2014 | | 60,000 | 10,995 | 70,995 |
| 2015 | | 60,000 | 7,425 | 67,425 |
| 2016 | | 75,000 | 4,173 | 79,173 |
| Total | \$ | 355,000 | 73,607 | 428,607 |

(f) 1996 Certificates of Participation (COP #9)

On January 1, 1996, the City issued \$7,555,000 of refunding certificates of participation to take advantage of lower prevailing interest rates. The proceeds were used to advance refund the 1994 San Ramon Central Park North Expansion Certificates of Participation. The proceeds were issued to expand the City of San Ramon Central Park by financing the acquisition of 13.8 acres of land. Interest on the bonds accrues at 3.55% to 5.00% and is payable semi-annually on August 1 and February 1. Principal is payable each August 1.

The City is in compliance with the covenants contained in debt indentures, which require the establishment of certain specific accounts for the certificates of participation.

CITY OF SAN RAMON
Notes to the Financial Statements
Year ended June 30, 2010

(7) LONG-TERM LIABILITIES (Continued)

(f) 1996 Certificates of Participation (COP #9) (Continued)

Debt service payments on the 1996 Certificates of Participation will be made from a nonmajor debt service fund. Annual debt service requirements to maturity are as follows:

| Year Ending | 1996 COP #9 Refunding | | | |
|--------------------|------------------------------|------------------|-----------------|--------------|
| | June 30 | Principal | Interest | Total |
| 2011 | \$ | 240,000 | 251,750 | 491,750 |
| 2012 | | 250,000 | 239,500 | 489,500 |
| 2013 | | 265,000 | 226,625 | 491,625 |
| 2014 | | 275,000 | 213,125 | 488,125 |
| 2015 | | 290,000 | 199,000 | 489,000 |
| 2016-2020 | | 1,685,000 | 756,375 | 2,441,375 |
| 2021-2025 | | 2,150,000 | 278,750 | 2,428,750 |
| Total | \$ | 5,155,000 | 2,165,125 | 7,320,125 |

(g) 2001 Certificates of Participation (COP #10)

On February 1, 2001, the City issued \$13,970,000 of refunding certificates of participation. These certificates were issued to advance refund the 1991 Certificates of Participation to take advantage of substantially lower interest rates. The proceeds of the 1991 Certificates of Participation were issued to advance refund the 1986 and 1989 Certificates of Participation. The proceeds from the 1986 and 1989 Certificates of Participation were used to fund the City's Community Center, San Ramon Library, Central Park expansion, Crow Canyon interchange improvements, and to purchase City offices. Interest on the bonds accrues at 3.50% to 5.00% and is payable semi-annually on September 1 and March 1. Principal is payable each March 1.

The City is in compliance with the covenants contained in debt indentures, which require the establishment of certain specific accounts for the certificates of participation.

Debt service payments on the 2001 Certificates of Participation will be made from a nonmajor debt service fund. Annual debt service requirements to maturity are as follows:

| Year Ending | 2001 COP #10 Refunding | | | |
|--------------------|-------------------------------|------------------|-----------------|--------------|
| | June 30 | Principal | Interest | Total |
| 2011 | \$ | 655,000 | 425,380 | 1,080,380 |
| 2012 | | 685,000 | 398,525 | 1,083,525 |
| 2013 | | 715,000 | 369,755 | 1,084,755 |
| 2014 | | 745,000 | 339,368 | 1,084,368 |
| 2015 | | 775,000 | 306,588 | 1,081,588 |
| 2016-2021 | | 5,495,000 | 996,963 | 6,491,963 |
| Total | \$ | 9,070,000 | 2,836,579 | 11,906,579 |

CITY OF SAN RAMON
Notes to the Financial Statements
Year ended June 30, 2010

(7) LONG-TERM LIABILITIES (Continued)

(h) 2003 Certificates of Participation (COP #11)

On March 1, 2003, the City issued \$2,580,000 of refunding certificates of participation. These certificates were issued to advance refund the City's 1993 Certificates of Participation to take advantage of the substantially lower prevailing interest rates. The 1993 Certificates of Participation of \$3,000,000 was issued to refund a 1987 Certificate of Participation and restructure the debt for economic reasons. Interest on the certificates accrues at 2.50% to 4.40% and is payable semiannually on September 1 and March 1. Principal is payable each March 1.

The City is in compliance with the covenants contained in debt indentures, which require the establishment of certain specific accounts for the certificates of participation.

Debt service payments on the 2003 Certificates of Participation will be made from a nonmajor debt service fund. Annual debt service requirements to maturity are as follows:

| Year Ending | 2003 COP #11 Refunding | | |
|--------------------|-------------------------------|-----------------|--------------|
| June 30 | Principal | Interest | Total |
| 2011 | \$ 165,000 | 63,454 | 228,454 |
| 2012 | 175,000 | 57,266 | 232,266 |
| 2013 | 180,000 | 50,266 | 230,266 |
| 2014 | 190,000 | 43,066 | 233,066 |
| 2015 | 195,000 | 35,466 | 230,466 |
| 2016-2018 | 635,000 | 55,813 | 690,813 |
| Total | \$ 1,540,000 | 305,331 | 1,845,331 |

(i) Pension Obligation Bonds

On January 21, 2010, taxable pension obligation bonds in the amount of \$17,650,000 were issued to prepay the unfunded CALPERS pension obligation. Interest on the bonds accrues at 4 to 6.4 percent and is payable semiannually on June 1 and December 1. Principal is payable each June 1. Term bonds maturing February 1, 2039 are subject to mandatory sinking fund redemption at par commencing June 1, 2015. The total debt service amount for the bonds is \$39.4 million.

Cash and investments in the custody of the fiscal agent are restricted by the bond resolutions for payment of principal and interest on the tax allocation bonds. In addition, the bond resolutions require retention of funds held by the fiscal agent prior to use for other than debt service.

CITY OF SAN RAMON
Notes to the Financial Statements
Year ended June 30, 2010

(7) LONG-TERM LIABILITIES (Continued)

(i) Pension Obligation Bonds (Continued)

The City is in compliance with the covenants contained in debt indentures, which require the establishment of certain specific accounts for the pension obligation bonds.

| Year Ending | 2010 Taxable Pension Obligation Bonds | | | |
|--------------------|--|------------------|-----------------|--------------|
| | June 30 | Principal | Interest | Total |
| 2011 | \$ | 80,000 | 1,089,433 | 1,169,433 |
| 2012 | | 110,000 | 1,086,233 | 1,196,233 |
| 2013 | | 145,000 | 1,081,833 | 1,226,833 |
| 2014 | | 180,000 | 1,076,033 | 1,256,033 |
| 2015 | | 215,000 | 1,068,833 | 1,283,833 |
| 2016-2020 | | 1,705,000 | 5,130,999 | 6,835,999 |
| 2021-2025 | | 2,435,000 | 4,529,920 | 6,964,920 |
| 2026-2030 | | 3,320,000 | 3,644,800 | 6,964,800 |
| 2031-2035 | | 4,535,000 | 2,435,520 | 6,970,520 |
| 2036-2039 | | 4,780,000 | 788,800 | 5,568,800 |
| Total | \$ | 17,505,000 | 21,932,404 | 39,437,404 |

(j) HELP Loan

In April 2007, the Agency received a Housing Enabled by Local Partnership (“HELP”) loan from the California Housing Finance Agency (“CalHFA”). The loan carries an interest rate of 3%, with principal and interest due 10 years from the original date of the loan. The \$750,000 was loaned by the Agency to American Baptist Homes as documented in Note 5(c).

(k) Capital Lease

On July 10, 2006, the City entered into an eight year lease agreement in the amount of \$114,763 for the lease/purchase of an Elgin Air Sweeper. The total monthly payments are \$1,464 including interest at 5.32%.

(l) Employee Compensated Absences

The long-term compensated absences balance at June 30, 2010 is \$3,381,465. The City’s compensated absences policy is described in Note 1(h). Based on historical trends, \$518,131 of that amount is estimated to be used and/or paid out during fiscal year 2010-11. The liability will be paid from future resources primarily from the insurance liability internal service fund.

CITY OF SAN RAMON
Notes to the Financial Statements
Year ended June 30, 2010

(8) FUND EQUITY

Fund Balance Reserves

In the fund financial statements, the City has established reservations to segregate portions of fund balances which are not appropriable for expenditure in future periods, or which are legally set aside for a specific future use.

The City's major governmental funds reserves at June 30, 2010 are presented below, followed by explanations of the nature and purpose of each reserve.

| | <u>General Fund</u> | <u>Dougherty Valley Special Revenue Fund</u> | <u>Low/Mod Income Housing Set-Aside Special Revenue Fund</u> | <u>Redevelopment Special Revenue Fund</u> | <u>Capital Project Fund</u> | <u>Non-Major Governmental</u> |
|----------------------------|-------------------------|--|--|---|-------------------------------------|-----------------------------------|
| Reserved: | | | | | | |
| Prepaid and deposits | \$ 103,111 | 3,465 | 559 | 5,596 | - | 93 |
| Inventory | 3,676 | - | - | - | - | - |
| Land held for resale | - | - | 2,271,868 | - | - | 820,000 |
| Advances to other funds | - | - | 2,888,859 | - | - | - |
| Housing - capital projects | - | - | 662,851 | - | - | - |
| Encumbrances | 66,267 | 391,365 | - | 1,384 | 2,225,229 | 20,049 |
| Debt service | - | - | - | - | - | 34,467,665 |
| Total Reserved | <u>\$ 173,054</u> | <u>394,830</u> | <u>5,824,137</u> | <u>6,980</u> | <u>2,225,229</u> | <u>35,307,807</u> |

Reserved for Prepaid and Deposits

These funds are reserved for prepaid items and deposits.

Reserved for Inventory

These funds are reserved for inventory.

Reserved for Land Held for Resale

These funds are reserved for sale of land.

Reserved for Advances to Other Funds

These funds are reserved for advances that represent reserves accumulated for payment of advances from other funds.

Reserved for Housing - Capital Projects

These funds are reserved for capital projects associated with the City.

Reserved for Encumbrances

These funds are reserved for future expenditures.

Reserved for Debt Service

These funds are reserved for restricted debt proceeds.

CITY OF SAN RAMON
Notes to the Financial Statements
Year ended June 30, 2010

(9) DEFINED BENEFIT PENSION PLAN (PERS)

(a) Plan Description

The City's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries of the Miscellaneous Plan of the City of San Ramon. The Miscellaneous Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent single-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. The City also contributes to the cost sharing multiple-employer public employee defined benefit pension plan for safety employees. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries of the Safety Police Plan of the City of San Ramon. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

(b) Funding Policy

Active plan members in the Miscellaneous Plan of the City are required to contribute 8% of their annual covered salary. For miscellaneous members, the City pays a 7% contribution for all permanent full-time and part-time positions and the employees contribute 1%. Active plan members in the safety plan of the City are required to contribute 9% of their annual covered salary. For safety employees, the City pays a 9% contribution for all permanent full-time and part-time positions. Additionally, the City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members based on the Entry Age Actuarial Cost Method. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administrations. The required employer contribution rate for fiscal year ended June 30, 2010 was 10.291% for miscellaneous employees and 20.006% for safety employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

CITY OF SAN RAMON
Notes to the Financial Statements
Year ended June 30, 2010

(9) DEFINED BENEFIT PENSION PLAN (PERS) (Continued)

A summary of principle assumptions and methods used to determine the ARC is shown below:

| | <u>Miscellaneous Plan</u> | <u>Safety Plan</u> |
|----------------------------|---|---|
| Valuation Date | June 30, 2007 | June 30, 2007 |
| Actuarial Cost Method | Entry Age Actuarial Cost Method | Entry Age Actuarial Cost Method |
| Amortization Method | Level Percent of Payroll | Level Percent of Payroll |
| Average Remaining Period | 26 Years as of the Valuation Date | 16 Years as of the Valuation Date |
| Asset Valuation Method | 15 Year Smoothed Market | 15 Year Smoothed Market |
| Actuarial Assumptions | | |
| Investment Rate of Return | 7.75% (net of administrative expenses) | 7.75% (net of administrative expenses) |
| Projected Salary Increases | 3.25% to 14.45% depending on Age, Service, and type of employment | 3.25% to 14.45% depending on Age, Service, and type of employment |
| Inflation | 3.00% | 3.00% |
| Payroll Growth | 3.25% | 3.25% |
| Individual Salary Growth | A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25% | A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25% |

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percent of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 10% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

The Schedule of Funding Progress presented below, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Required Supplementary Information – Miscellaneous

| Valuation Date | Entry Age | Actuarial Value of Assets | Unfunded | Funded Status | Annual Covered Payroll | UAAL |
|-------------------|--------------------------------|---------------------------------|--|------------------|------------------------------|----------------------|
| | Normal Accrued Liability | | Liability (UAAL) (Excess Assets) | | | As a % of Payroll |
| 6/30/07 | \$49,456,538 | 35,756,950 | 13,699,588 | 72.3% | 15,679,844 | 87.4% |
| 6/30/08 | 57,139,854 | 41,841,265 | 15,298,589 | 73.2% | 16,767,785 | 91.2% |
| 6/30/09 | 67,747,289 | 47,393,405 | 20,353,884 * | 70.0% | 17,394,607 | 117.0% |

* Does not include the \$17,000,000 payment of taxable pension obligation bonds issued on January 21, 2010 to refinance the unfunded liability.

CITY OF SAN RAMON
Notes to the Financial Statements
Year ended June 30, 2010

(9) DEFINED BENEFIT PENSION PLAN (PERS) (Continued)

(c) Annual Pension Cost

| Fiscal Year | <u>Annual Pension Cost (Employee)</u> | |
|----------------|---------------------------------------|---------------|
| | Safety | Miscellaneous |
| 6/30/08 | \$ 1,585,641 | \$ 3,989,118 |
| 6/30/09 | 1,734,281 | 4,144,194 |
| 6/30/10 | 1,903,721 | 3,845,759 |

(10) POST EMPLOYMENT HEALTH CARE BENEFITS

The City provides certain health care benefits for Dougherty Regional Fire Authority retirees as required under contract signed with PERS and the dissolution agreement of the Authority. The cost of retiree health care benefits is recognized as expenditure as premiums are paid. For the year ended June 30, 2010, those cost totaled \$92,636. See Note 11 for additional disclosures on the City retiree health care benefits.

(11) POST EMPLOYMENT HEALTHCARE PLAN

Plan Description: The City administers a single-employer defined benefit healthcare plan (the plan) which provides medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. The City reports the financial activity of the plan as a trust fund, and no separate financial report is prepared.

Summary of Significant Accounting Policies: The Plan is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows.

The benefits and refunds of the plan are recognized when due and payable in accordance with the terms of the plan.

Eligibility: Employees are eligible for retiree health benefits if they retire from the City on or after age 50 with at least 4 years of service, and are eligible for a PERS pension. Membership of the plan consisted of the following at June 30, 2010, the date of the latest actuarial valuation:

| | |
|---|-----|
| Retirees and beneficiaries receiving benefits | 30 |
| Active plan members | 241 |
| Total | 271 |

CITY OF SAN RAMON
Notes to the Financial Statements
Year ended June 30, 2010

(11) POST EMPLOYMENT HEALTHCARE PLAN (Continued)

Funding Policy: The contribution requirements of plan members and the City are established and may be amended by the City Council. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City Council. For fiscal year 2009-2010, the City contributed \$1,499,189 to the plan and \$223,573 for current premiums (100% of total premiums). Plan members receiving benefits contributed \$26,372 (approximately 11.8% of total premiums) through their required contribution. The City pays up to the entire cost of health benefits for eligible retirees and their spouses until age 65 subject to the City's vesting schedule. After age 65, the City pays up to \$350 per month for any health coverage, also subject to the vesting schedule.

Annual OPEB Cost and Net OPEB Obligation: The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB asset as of June 30, 2010:

| | |
|---|---------------------|
| Annual required contribution | \$ 1,499,189 |
| Interest on net OPEB obligation | (12,526) |
| Adjustment to annual required contribution | <u>9,821</u> |
| Annual OPEB cost (expense) | 1,496,484 |
| Contributions made (including premiums paid) | <u>1,499,189</u> |
| Increase in net OPEB obligation (asset) | (2,705) |
| Net OPEB obligation (asset)—beginning of year | <u>(178,936)</u> |
| Net OPEB obligation (asset)—end of year | <u>\$ (181,641)</u> |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB Obligation/ (Asset) for 2010 and the two preceding years were as follows:

| <u>Fiscal</u> <u>Year End</u> | <u>Annual</u> <u>OPEB Cost</u> | <u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u> | <u>Net OPEB</u> <u>Obligation/(Asset)</u> |
|----------------------------------|-----------------------------------|---|--|
| 6/30/08 | \$ 719,749 | 133.7% | (242,455) |
| 6/30/09 | 1,495,612 | 97.3% | (178,396) |
| 6/30/10 | 1,496,484 | 100% | (181,641) |

CITY OF SAN RAMON
Notes to the Financial Statements
Year ended June 30, 2010

(11) POST EMPLOYMENT HEALTHCARE PLAN (Continued)

Funded Status and Progress: As of January 1, 2010, the most recent valuation date, the actuarial accrued liability for benefits was \$13.8 million, and the actuarial value of assets was \$7 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$6.8 million and a funded ratio (actuarial value of assets as a percentage of the actuarial accrued liability) of 51%. The covered payroll (annual payroll of active employees covered by plan) was \$21.6 million, and the ratio of the UAAL to the covered payroll was 31%.

| Valuation <u>Date</u> | Actuarial Value of <u>Plan Assets</u> | Actuarial Accrued <u>Liability (AAL)</u> | Unfunded Actuarial Accrued <u>Liability (UAAL)</u> | Funded <u>Ratio</u> | Annual Covered <u>Payroll</u> | UAAL As a % of <u>Payroll</u> |
|--------------------------|---|--|---|------------------------|-------------------------------------|-------------------------------------|
| 1/1/2007 | \$ 3,800,700 | \$ 6,322,781 | \$ 2,522,081 | 60% | \$ 13,973,000 | 18% |
| 1/1/2008 | 4,599,036 | 9,669,389 | 5,070,353 | 48% | 19,735,830 | 26% |
| 1/1/2010 | 7,042,928 | 13,798,458 | 6,755,530 | 51% | 21,610,054 | 31% |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented above, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

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

The actuarial cost method used for determining the benefit obligations is the Projected Unit Credit Cost Method. The actuarial assumptions included a 7 percent investment rate of return, which is a blended rate of the expected long-term investment returns on plan assets and on the City's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 4 percent initially, reduced by decrements of .75% per year to an ultimate rate of 5 percent after the fifth year. Both rates included a 4.5 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payrolls over 30 years. It is assumed the City's payroll will increase 3% per year

CITY OF SAN RAMON
Notes to the Financial Statements
Year ended June 30, 2010

(12) RISK MANAGEMENT

(a) Description of Participation in the Municipal Pooling Authority

The City is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; natural disasters; errors and omissions; injury to employees; and unemployment claims. The City is a member of the Municipal Pooling Authority (MPA). MPA is comprised of over 19 California member cities and is organized under a Joint Powers Agreement pursuant to the California Government Code. The purpose of the MPA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. Each member city has a representative on the Board of Directors. The accounting methods used by the MPA are more fully described at Note 1.

The City pays an annual premium to the MPA for its Liability (\$29 million coverage, \$5,000 deductible), Fire and Property (\$1 billion coverage, \$5,000 deductible), Auto (\$250,000 coverage; police \$3,000 deductible; all others \$2,000), Workers' Compensation (\$50 million, zero deductible), boiler & machinery (\$50 million, \$5,000 deductible) and earthquake (\$50 million, 10 percent deductible). The Agreement provides that the MPA will be self-sustaining through member premiums and assessments. The MPA purchases commercial insurance in excess of those amounts covered by the MPA's self-insurance pool.

Audited financial information can be obtained from the MPA at 1911 San Miguel Drive, Walnut Creek, CA 94596. A summary of the latest annual financial information as of and for the year ended June 30, 2010 is as follows:

| | MPA |
|-----------------------------|---------------|
| Total assets | \$ 64,230,445 |
| Total liabilities | \$ 40,540,942 |
| Total equities | \$ 23,689,503 |
| Total revenues | \$ 15,363,601 |
| Total expenditures/expenses | \$ 10,836,052 |
| Net increase in net assets | \$ 4,527,549 |

(b) Summary Disclosure of Self-Insurance Losses

The City currently reports all of its risk management activities in its Insurance Liability Internal Service Fund. The City is self insured for its health benefits. Excess coverage for health benefits is provided by Hartford Life Insurance Company. Excess coverage for health insurance is provided by a commercial insurance policy after payment of large deductibles, referred to as self-insurance retention. Self-insurance and commercial coverage limits are as follows:

| Type of coverage | Self-insurance | Commercial coverage |
|-------------------------|--|--|
| Health benefits | Up to \$50,000 per person Up to \$1,505,391 per group | \$50,000 to \$2,000,000 per occurrence |

Amounts in excess of these limits are self-insured.

CITY OF SAN RAMON
Notes to the Financial Statements
Year ended June 30, 2010

(12) RISK MANAGEMENT (Continued)

(b) Summary Disclosure of Self-Insurance Losses (Continued)

The unpaid claims liabilities include amounts for incurred but not reported (IBNR) claims. IBNR claims are claims that are incurred through the end of the fiscal year but not reported until after that date. Claim liabilities are calculated considering recent claim settlement trends, including frequency.

(13) DEVELOPER AGREEMENTS

(a) Home Depot OPA

In March 1995, the Agency and Home Depot signed an Owner Participation Agreement (OPA) under which Home Depot developed a twenty-six acre site on Crow Canyon Road. Development includes the construction of a 129,000 square foot Home Depot store and garden center, approximately 20,000 square feet of other retail space, thirty-six condominium units, and parking for over seven hundred vehicles.

Under the Agreement, the Agency passes through to Home Depot the Agency's portion of the incremental property taxes it receives as a result of Home Depot's development, as a reimbursement for grading costs incurred by Home Depot. The maximum which may be reimbursed over the term of the Agreement is \$2,000,000. Annual reimbursements are limited to amounts actually received by the Agency and the Agreement terminates in fifteen years or when total reimbursements equal \$2,000,000, whichever is sooner. Total reimbursements as of June 30, 2010 were \$1,426,637. The agreement was terminated as of June 15, 2010.

(b) Bishop Ranch Agreement

In November 1987, the City entered into an annexation and development agreement with Sunset Development Company (et al.) relative to the development known as Bishop Ranch. The agreement was subsequently amended seven different times (September 1991, September 1996, April 1998, May 2002, January 2008, December 2008, and December 2009). The agreement and amendments outline provisions for the development of the 585-acre business park community known as Bishop Ranch. The development included the installation of numerous public improvements that serve both the project and adjoining areas of the City.

In the Third Amendment dated April 14, 1998, the developer of Bishop Ranch agreed to dedicate 11.19 acres of land to the City when building permits are obtained for the fourth office building of the BR# 3 office project by June 30, 2001, whichever shall occur first. This transaction was consummated on June 29, 2001. The use of the property is restricted by the development agreement and limited to the development of public buildings. If the City elects to sell or transfer any or all of its interests in the property at any time before December 31, 2010, the developer has the right to purchase the property from the City for \$5,000,000 (with a consumer price index escalation clause) plus the actual out-of-pocket costs incurred by the City in constructing improvements to the property. If the City does not commence construction of a civic center complex on the property by December 31, 2010, the developer has until July 1, 2011 to repurchase the property under the same terms as the pre December 31, 2010 right to purchase clause.

CITY OF SAN RAMON
Notes to the Financial Statements
Year ended June 30, 2010

(13) DEVELOPER AGREEMENTS (Continued)

(b) Bishop Ranch Agreement

The Fifth Amendment dated January 25, 2008 was entered into in connection with the approval of the City Center Project, contained a termination clause if certain property transfers between the Bishop Ranch Ownership and the City for construction of the City Center Project did not occur prior to January 1, 2010

In the Seventh Amendment dated December 15, 2009, the termination date was extended to January 1, 2015 and Sunset's right to exercise its option for reacquisition of the dedicated land was extended to July 1, 2015.

(c) Bishop Ranch Tax Exchange Agreement with Contra Costa County

The City entered into a Master Property Tax Exchange Agreement with Contra Costa County in June of 1986. This agreement was amended in December of 1987 and made specific provisions for the sharing of tax revenues in the 585-acre business park known as Bishop Ranch. The agreement provided that the property tax revenue allocation to the City for parcels in the Bishop Ranch business park would be reduced by 50% of the total sales and transient occupancy taxes collected in the Bishop Ranch area. The agreement limits the amount of property tax revenues transferred to the County to the amount of property taxes allocable to the City for the Bishop Ranch Area. The amount of property taxes received by the Contra Costa County under the agreement for the Bishop Ranch area during the year was \$1,297,690.

(d) Dougherty Valley Development Memorandum of Understanding

On October 15, 1997, the City entered into a Memorandum of Understanding with Contra Costa County, Shapell Industries, and Windermere Partners related to the development of Dougherty Valley, an area on the eastern borders of the City. The Memorandum of Understanding is an instrument of compliance with a May 11, 1994 settlement agreement. Under the Memorandum of Understanding, the City will be annexing land that will include up to approximately 11,000 housing units. Contra Costa County has established a County Service Area assessment district in Dougherty Valley that is intended to pay for a variety of municipal services including police protection, street and park maintenance. The City will be providing service in the area and under the agreement will be reimbursed for a portion of those services from the County Service Area Assessment. Under the agreement, the City is required to separately track the costs of services in the Dougherty Valley Area, and submit claims for reimbursements for costs from the County. On December 13, 2005, the City Council approved the formal reimbursement agreement.

(e) Assessment Districts Bond Issues

The Fostoria Parkway Assessment District issued special assessment bonds for the purpose of public improvements under the Municipal Improvement Acts of 1911 and 1913. These special assessment bonds were refinanced and refunded under the 1984 Refunding Act in July 2005. Neither the faith, credit, nor taxing power of the City is pledged to the repayment of the bonds. The City is only acting as an agent for the property owners and bondholders in collecting and forwarding the special assessment. Accordingly, the unretired principal at June 30, 2010 of \$348,300 has not been recorded as a long-term liability in the statement of net assets.

CITY OF SAN RAMON
Notes to the Financial Statements
Year ended June 30, 2010

(13) DEVELOPER AGREEMENTS (Continued)

(f) Cree Court Assessment District

The Cree Court Assessment District has issued debt to finance infrastructure improvements and facilities within its boundaries. The City is the collecting and paying agent for the debt issued by this District, but has no direct or contingent liability or moral obligation for the payment of this debt. Accordingly, the unretired principal at June 30, 2010 of \$140,427 has not been recorded as a long-term liability in the statement of net assets.

(14) CONTINGENCIES AND COMMITMENTS

In the normal course of operations, the City has been named as a defendant in various claims and legal actions. In the opinion of management and legal counsel, the ultimate liability for these legal actions and claims will not have a material adverse effect on the City's basic financial statements.

The City participates in Federal and State grant programs. These programs are subject to 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 expected such amounts, if any, to be immaterial.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SAN RAMON
General Fund
Schedule of Revenues and Expenditures
Budget and Actual
Fiscal year ended June 30, 2010

| | Budget | | Actual | Variance with Final Budget Positive |
|---|---------------|--------------|--------------|---|
| | Original | Final | | (Negative) |
| Revenues: | | | | |
| Taxes | \$ 27,144,852 | 27,144,852 | 25,871,241 | (1,273,611) |
| License and permits | 1,007,960 | 1,007,960 | 966,832 | (41,128) |
| Intergovernmental revenues | 470,467 | 470,467 | 815,358 | 344,891 |
| Developer fees | 26,000 | 26,000 | 26,278 | 278 |
| Charges for services | 5,498,004 | 5,498,004 | 5,839,270 | 341,266 |
| Fines and forfeitures | 493,280 | 493,280 | 428,364 | (64,916) |
| Investment income | 630,000 | 630,000 | 898,441 | 268,441 |
| Miscellaneous | 3,205,050 | 3,205,050 | 3,406,989 | 201,939 |
| Total revenues | 38,475,613 | 38,475,613 | 38,252,773 | (222,840) |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 5,719,954 | 5,977,639 | 5,541,732 | 435,907 |
| Community development | 2,951,440 | 2,987,581 | 3,094,721 | (107,140) |
| Redevelopment activities | 301,573 | 316,163 | 241,945 | 74,218 |
| Police services | 9,804,640 | 9,840,396 | 9,934,858 | (94,462) |
| Public works | 10,869,803 | 10,879,175 | 10,600,554 | 278,621 |
| Parks and community services | 8,165,538 | 8,165,538 | 7,615,877 | 549,661 |
| Total expenditures | 37,812,948 | 38,166,492 | 37,029,687 | 1,136,805 |
| Excess of revenues over expenditures | 662,665 | 309,121 | 1,223,086 | 913,965 |
| Other financing sources (uses): | | | | |
| Transfers in | 3,738,445 | 3,738,445 | 3,658,570 | (79,875) |
| Transfers out | (6,144,589) | (34,909,589) | (34,336,251) | 573,338 |
| Total other financing sources (uses): | (2,406,144) | (31,171,144) | (30,677,681) | 493,463 |
| Net change in fund balance | (1,743,479) | (30,862,023) | (29,454,595) | 1,407,428 |
| Fund balance at beginning of year | 37,260,573 | 37,260,573 | 37,260,573 | - |
| Fund balance at end of year | \$ 35,517,094 | 6,398,550 | 7,805,978 | 1,407,428 |

CITY OF SAN RAMON
Dougherty Valley
Schedule of Revenues and Expenditures
Budget and Actual
Fiscal year ended June 30, 2010

| | Budget | | Actual | Variance with Final Budget Positive |
|--|-----------------------|--------------------|-------------------|---|
| | Original | Final | | (Negative) |
| Revenues: | | | | |
| Intergovernmental | \$ 9,800,000 | 9,800,000 | 11,741,544 | 1,941,544 |
| Miscellaneous | - | - | 4,238 | 4,238 |
| Total revenues | <u>9,800,000</u> | <u>9,800,000</u> | <u>11,745,782</u> | <u>1,945,782</u> |
| Expenditures: | | | | |
| Police services | 5,552,567 | 5,572,993 | 5,619,129 | (46,136) |
| Public works | <u>7,462,096</u> | <u>7,614,841</u> | <u>6,646,221</u> | <u>968,620</u> |
| Total expenditures | <u>13,014,663</u> | <u>13,187,834</u> | <u>12,265,350</u> | <u>922,484</u> |
| Excess (deficiency) of revenues over expenditures | <u>(3,214,663)</u> | <u>(3,387,834)</u> | <u>(519,568)</u> | <u>(2,868,266)</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 2,214,663 | 11,214,663 | 10,526,089 | (688,574) |
| Transfers out | <u>-</u> | <u>-</u> | <u>(6,521)</u> | <u>(6,521)</u> |
| Total other financing sources (uses) | 2,214,663 | 11,214,663 | 10,519,568 | (695,095) |
| Net change in fund balance | (1,000,000) | 7,826,829 | 10,000,000 | 2,173,171 |
| Fund balance at beginning of year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ (1,000,000)</u> | <u>7,826,829</u> | <u>10,000,000</u> | <u>2,173,171</u> |

CITY OF SAN RAMON
 Low/Mod Income Housing Set-Aside
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 Fiscal year ended June 30, 2010

| | Budget | | Actual | Variance with Final Budget Positive (Negative) |
|---|---------------------|------------------|------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Property taxes | \$ 1,610,706 | 1,610,706 | 1,691,610 | 80,904 |
| Investment income | 24,000 | 24,000 | 11,115 | (12,885) |
| Miscellaneous | 24,000 | 24,000 | 47,859 | 23,859 |
| Total revenues | <u>1,658,706</u> | <u>1,658,706</u> | <u>1,750,584</u> | <u>91,878</u> |
| Expenditures: | | | | |
| Redevelopment | 1,664,115 | 1,910,857 | 1,331,635 | 579,222 |
| Total expenditures | <u>1,664,115</u> | <u>1,910,857</u> | <u>1,331,635</u> | <u>579,222</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(5,409)</u> | <u>(252,151)</u> | <u>418,949</u> | <u>671,100</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 1,345,624 | 5,576,351 | 5,576,351 | - |
| Transfers out | (1,399,660) | (1,399,660) | (1,399,660) | - |
| Total other financing sources (uses) | <u>(54,036)</u> | <u>4,176,691</u> | <u>4,176,691</u> | <u>-</u> |
| Net change in fund balance | (59,445) | 3,924,540 | 4,595,640 | 671,100 |
| Fund balance at beginning of year | <u>1,228,497</u> | <u>1,228,497</u> | <u>1,228,497</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 1,169,052</u> | <u>5,153,037</u> | <u>5,824,137</u> | <u>671,100</u> |

CITY OF SAN RAMON
 Redevelopment
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 Fiscal year ended June 30, 2010

| | Budget | | Actual | Variance with |
|---|---------------------|--------------------|--------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues: | | | | |
| Property taxes | \$ 6,442,822 | 6,442,822 | 6,766,444 | 323,622 |
| Investment income | - | - | 5,189 | 5,189 |
| Miscellaneous revenues | - | - | 74,889 | 74,889 |
| | <u>6,442,822</u> | <u>6,442,822</u> | <u>6,846,522</u> | <u>403,700</u> |
| Total revenues | | | | |
| Expenditures: | | | | |
| Current: | | | | |
| Public works | <u>2,916,835</u> | <u>8,807,211</u> | <u>5,791,678</u> | <u>3,015,533</u> |
| Total expenditures | <u>2,916,835</u> | <u>8,807,211</u> | <u>5,791,678</u> | <u>3,015,533</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>3,525,987</u> | <u>(2,364,389)</u> | <u>1,054,844</u> | <u>3,419,233</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 6,017,480 | 9,017,480 | 6,606,187 | (2,411,293) |
| Transfers out | <u>(7,543,467)</u> | <u>(7,543,467)</u> | <u>(7,617,811)</u> | <u>(74,344)</u> |
| Total other financing sources (uses) | <u>(1,525,987)</u> | <u>1,474,013</u> | <u>(1,011,624)</u> | <u>(2,485,637)</u> |
| Net change in fund balance | 2,000,000 | (890,376) | 43,220 | 933,596 |
| Fund balance at beginning of year | <u>39,622</u> | <u>39,622</u> | <u>39,622</u> | <u>-</u> |
| Fund balance (deficit) at end of year | <u>\$ 2,039,622</u> | <u>(850,754)</u> | <u>82,842</u> | <u>933,596</u> |

CITY OF SAN RAMON
Note to Required Supplementary Information
June 30, 2010

(1) BUDGETS AND BUDGETARY ACCOUNTING

The City Council adopts an Annual Budget, in accordance with generally accepted accounting principles, no later than the second meeting of June of each year for the fiscal year commencing the following July 1. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1 - During May of each year, the City Manager submits to the City Council a proposed budget for the next following fiscal year. Copies are made available to the public, the press, and staff members.
- 2 - A series of Council work sessions are held at which the recommended budget is reviewed in detail and the departments (as requested) provide additional information.
- 3 - After review by the City Council, a public hearing is conducted for the purpose of receiving public input on the recommended operating and capital budgets, the Redevelopment Agency budget, the Master Fee Schedule, and the Gann Appropriation Limit.
- 4 - Upon completion of the hearings and modifications, if any, to the proposed budget, it is adopted, in late June, by the City Council through passage of appropriate resolutions.
- 5 - Generally, the budget is amended in the middle of the year and at the end of the year. All approved additional appropriations are added to the adopted budget and an amended budget is presented to the City Council, which adopts it after due review.

SUPPLEMENTARY INFORMATION



CITY OF SAN RAMON
 Capital Improvement
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 Fiscal year ended June 30, 2010

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|--------------------|---|
| Revenues: | | | |
| Intergovernmental | \$ 5,445,000 | 1,850,713 | (3,594,287) |
| Investment income | <u>350,000</u> | <u>235,436</u> | <u>(114,564)</u> |
| Total revenues | <u>5,795,000</u> | <u>2,086,149</u> | <u>(3,708,851)</u> |
| Expenditures: | | | |
| Capital outlay | <u>15,828,706</u> | <u>8,665,636</u> | <u>7,163,070</u> |
| Total expenditures | <u>15,828,706</u> | <u>8,665,636</u> | <u>7,163,070</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(10,033,706)</u> | <u>(6,579,487)</u> | <u>3,454,219</u> |
| Other financing sources (uses): | | | |
| Transfers in | 9,026,575 | 9,026,575 | - |
| Transfers out | <u>(316,000)</u> | <u>(1,739,653)</u> | <u>(1,423,653)</u> |
| Total other financing sources (uses) | <u>8,710,575</u> | <u>7,286,922</u> | <u>(1,423,653)</u> |
| Net change in fund balance | (1,323,131) | 707,435 | 2,030,566 |
| Fund balance at beginning of year | <u>16,004,090</u> | <u>16,004,090</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 14,680,959</u> | <u>16,711,525</u> | <u>2,030,566</u> |



DESCRIPTIONS OF NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for revenue which, by law or administrative action, is designed to finance particular projects and activities in the City's Capital Improvement Program. These funds are Planning Cost Recovery Fund, Development Mitigation Funds, Gas Tax Fund, Park Development Fund, Crow Canyon Project Fund, SCCJEP A Fund, Street Maintenance/Improvement Fund, Traffic Improvement Fund, and Tri-Valley Transportation Fund.

The City has several special revenue funds which are funded by special assessments collected annually to pay for specific operating programs. These funds are Citywide Lighting and Landscaping Funds, Special Landscaping Zones Fund, Canyon Park Fund, Village Center Common Area Fund, Solid Waste Fund, Geologic Hazard Abatement District (GHAD) Fund, Measure J Traffic Program Fund, and Non-Point Drainage District Fund.

The City has set up separate special revenue funds for recording transactions for special projects and programs. These are the Street Smarts Fund, the TDM Programs Fund, the Police Services Donation Fund, and Project Participation Fund.

DEBT SERVICE FUNDS

The Debt Service Funds are used to account for the payment of principal and interest on long term debt of the City and related entities.

The Pension Obligation Bonds Debt Service Fund is used to account for debt service activity related to the 2010 Taxable Pension Obligation Bonds.

The COP #9 Fund is used to account for debt service activity relating to the 1996 Certificates of Participation.

The COP #10 Fund is used to account for debt service activity relating to the 2001 Certificates of Participation.

The COP #11 Fund is used to account for debt service activity relating to the 2003 Certificates of Participation.

The Redevelopment Tax Allocation Debt Service Fund is used to account for debt service activity relating to the 2004 Tax Allocation Revenue Bonds and the 1998 Tax Allocation Revenue Bonds.

The Redevelopment Tax Allocation 2006 Debt Service Fund is used to account for debt service activity relating to the 2006 Tax Allocation Revenue Bonds.

The ERAF Tax Bond Fund is used to account for debt service activity relating to the 2005 ERAF Taxable Revenue Bonds and the 2006 ERAF Taxable Revenue Bonds.

CAPITAL PROJECTS FUND

The City has also set up the Redevelopment Capital Projects Fund for recording major project developmental activities undertaken by the San Ramon Redevelopment Agency.

CITY OF SAN RAMON
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2010

| | Special Revenue Funds | | | |
|--------------------------------------|---------------------------|---------------------------|---------|---------------------|
| | Planning Cost Recovery | Development Mitigation | Gas Tax | Park Development |
| <u>Assets</u> | | | | |
| Cash and investments | \$ 84,106 | 1,199,919 | 350,132 | 356,757 |
| Cash and investments - restricted | | | | |
| Accounts receivable | 2,621 | 5,372 | 48,214 | - |
| Interest receivable | 159 | 1,659 | 657 | 678 |
| Notes and loans | - | - | - | - |
| Prepaid items | - | - | - | - |
| Due from other funds | - | - | - | - |
| | \$ 86,886 | 1,206,950 | 399,003 | 357,435 |
| <u>Liabilities and Fund Balances</u> | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | - | - | - |
| Accrued payroll | - | - | - | - |
| Due to other funds | - | - | - | - |
| Deferred revenue | - | - | - | - |
| Deposits payable | - | - | - | 24,421 |
| | - | - | - | 24,421 |
| Total liabilities | - | - | - | 24,421 |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Encumbrances | - | - | - | - |
| Debt service | - | - | - | - |
| Land held for resale | - | - | - | - |
| Prepays and deposits | - | - | - | - |
| Unreserved: | | | | |
| Special revenue funds | 86,886 | 1,206,950 | 399,003 | 333,014 |
| Debt service funds | - | - | - | - |
| Capital project funds | - | - | - | - |
| | 86,886 | 1,206,950 | 399,003 | 333,014 |
| Total fund balances | 86,886 | 1,206,950 | 399,003 | 333,014 |
| Total liabilities and fund balances | \$ 86,886 | 1,206,950 | 399,003 | 357,435 |

Special Revenue Funds

| Crow Canyon Project | SCCJEPA Fund | Street Maintenance/ Improvement | Traffic Improvement | Tri-Valley Transportation | Citywide Lighting and Landscaping |
|---------------------------|-----------------|---------------------------------------|------------------------|------------------------------|---|
| 377,174 | 876,155 | 1,048,674 | 953,543 | 3,981 | 884,738 |
| - | - | 252,584 | - | - | 21,421 |
| 718 | 1,641 | 1,982 | 1,808 | 8 | 1,670 |
| - | - | 4,925 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>377,892</u> | <u>877,796</u> | <u>1,308,165</u> | <u>955,351</u> | <u>3,989</u> | <u>907,829</u> |
| - | - | - | - | - | 168,256 |
| - | - | - | - | - | 15,190 |
| - | - | - | - | - | - |
| - | - | 4,925 | - | - | - |
| - | - | - | - | - | - |
| - | - | 4,925 | - | - | 183,446 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 377,892 | 877,796 | 1,303,240 | 955,351 | 3,989 | 724,383 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>377,892</u> | <u>877,796</u> | <u>1,303,240</u> | <u>955,351</u> | <u>3,989</u> | <u>724,383</u> |
| <u>377,892</u> | <u>877,796</u> | <u>1,308,165</u> | <u>955,351</u> | <u>3,989</u> | <u>907,829</u> |

(continued)

CITY OF SAN RAMON
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2010

| | Special Revenue Funds | | | |
|--------------------------------------|---------------------------------|-------------------|-------------------------------|-------------------|
| | Special Landscaping Zones | Canyon Park | Village Center Common Area | Solid Waste |
| <u>Assets</u> | | | | |
| Cash and investments | \$ 1,921,626 | 191,405 | 9,156 | 132,118 |
| Cash and investments - restricted | | | | |
| Accounts receivable | 3,038 | 29,116 | - | 20,784 |
| Interest receivable | 3,649 | 364 | 17 | 251 |
| Notes and loans | - | - | - | - |
| Prepaid items | - | - | - | - |
| Due from other funds | - | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total assets | <u>\$ 1,928,313</u> | <u>220,885</u> | <u>9,173</u> | <u>153,153</u> |
| <u>Liabilities and Fund Balances</u> | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 112,640 | 4,120 | - | 13,359 |
| Accrued payroll | 25,736 | 342 | - | 3,446 |
| Due to other funds | - | - | - | - |
| Deferred revenue | - | - | - | - |
| Deposit payable | - | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities | <u>138,376</u> | <u>4,462</u> | <u>-</u> | <u>16,805</u> |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Encumbrances | - | - | 6,150 | - |
| Debt service | - | - | - | - |
| Land held for resale | - | - | - | - |
| Prepays and deposits | - | - | - | - |
| Unreserved: | | | | |
| Special revenue funds | 1,789,937 | 216,423 | 3,023 | 136,348 |
| Debt service funds | - | - | - | - |
| Capital project funds | - | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total fund balances | <u>1,789,937</u> | <u>216,423</u> | <u>9,173</u> | <u>136,348</u> |
| Total liabilities and fund balances | <u>\$ 1,928,313</u> | <u>220,885</u> | <u>9,173</u> | <u>153,153</u> |

Special Revenue Funds

| GHAD | Measure J Traffix | Non-Point Drainage District | Street Smarts | TDM Programs | Police Services Donation |
|------------------|----------------------|-----------------------------------|------------------|-----------------|--------------------------------|
| 3,880,293 | 12,648 | 612,317 | 21,010 | 5,922 | 171,432 |
| 4,469 | 46,658 | 38,188 | 2,500 | 70,675 | - |
| 7,370 | 29 | 1,160 | 43 | - | 325 |
| - | - | - | - | - | - |
| - | - | - | 93 | - | - |
| - | - | - | - | - | - |
| <u>3,892,132</u> | <u>59,335</u> | <u>651,665</u> | <u>23,646</u> | <u>76,597</u> | <u>171,757</u> |
| 14,362 | 57,331 | 40,538 | 6,483 | 1,820 | 22,185 |
| 12,817 | 2,004 | 44,567 | 1,856 | 10,101 | - |
| - | - | - | - | 64,676 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | 88,300 |
| <u>27,179</u> | <u>59,335</u> | <u>85,105</u> | <u>8,339</u> | <u>76,597</u> | <u>110,485</u> |
| 16,544 | - | 3,505 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 93 | - | - |
| 3,848,409 | - | 563,055 | 15,214 | - | 61,272 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>3,864,953</u> | <u>-</u> | <u>566,560</u> | <u>15,307</u> | <u>-</u> | <u>61,272</u> |
| <u>3,892,132</u> | <u>59,335</u> | <u>651,665</u> | <u>23,646</u> | <u>76,597</u> | <u>171,757</u> |

(continued)

CITY OF SAN RAMON
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2010

| | Special Revenue | Debt Service | | |
|--------------------------------------|--------------------------|--------------------------------|-----------|------------|
| | Project Participation | Pension Obligation Bonds | COP #9 | COP#10 |
| <u>Assets</u> | | | | |
| Cash and investments | \$ 558,995 | - | 5,272,448 | 9,354,418 |
| Cash and investments - restricted | - | 11,388 | 534,664 | 1,075,656 |
| Accounts receivable | - | - | - | - |
| Interest receivable | 1,063 | - | 9,905 | 17,584 |
| Notes and loans | - | - | - | - |
| Prepaid items | - | - | - | - |
| Land held for resale | - | - | - | - |
| Due from other funds | - | - | - | - |
| | | | | |
| Total assets | \$ 560,058 | 11,388 | 5,817,017 | 10,447,658 |
| <u>Liabilities and Fund Balances</u> | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | - | 21 | - |
| Accrued payroll | - | - | - | - |
| Due to other funds | - | - | - | - |
| Deferred revenue | - | - | - | - |
| Deposits payable | - | - | - | - |
| | | | | |
| Total liabilities | - | - | 21 | - |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Encumbrances | - | - | - | - |
| Debt service | - | 11,388 | 534,664 | 1,075,656 |
| Land held for resale | - | - | - | - |
| Prepaid and deposits | - | - | - | - |
| Unreserved: | | | | |
| Special revenue funds | 560,058 | - | - | - |
| Debt service funds | - | - | 5,282,332 | 9,372,002 |
| Capital projects funds | - | - | - | - |
| | | | | |
| Total fund balances | 560,058 | 11,388 | 5,816,996 | 10,447,658 |
| Total liabilities and fund balances | \$ 560,058 | 11,388 | 5,817,017 | 10,447,658 |

| COP#11 | Debt Service Funds | | | Capital Projects | |
|------------------|-------------------------------|-------------------------|--------------------|----------------------|-------------------|
| | RDA Tax Allocation 1994/96/04 | RDA Tax Allocation 2006 | Redevelopment ERAF | RDA Capital Projects | Total |
| 1,602,241 | 1,317,701 | - | 524 | 4,585,465 | 35,784,898 |
| 233,066 | 3,591,485 | 11,495,269 | - | - | 16,941,528 |
| - | - | - | - | 8,691 | 554,331 |
| 3,013 | 2,533 | 5,221 | 1 | - | 63,508 |
| - | - | - | - | - | 4,925 |
| - | - | - | - | - | 93 |
| - | - | - | - | 820,000 | 820,000 |
| - | - | - | - | - | - |
| <u>1,838,320</u> | <u>4,911,719</u> | <u>11,500,490</u> | <u>525</u> | <u>5,414,156</u> | <u>54,169,283</u> |
| - | 78 | 756 | - | 21,885 | 463,834 |
| - | - | - | - | 7,090 | 123,149 |
| - | - | 58,598 | - | - | 123,274 |
| - | - | - | - | - | 4,925 |
| - | - | - | - | - | 112,721 |
| <u>-</u> | <u>78</u> | <u>59,354</u> | <u>-</u> | <u>28,975</u> | <u>827,903</u> |
| - | - | - | - | - | 26,199 |
| 233,066 | 3,591,485 | 11,495,269 | - | - | 16,941,528 |
| - | - | - | - | 820,000 | 820,000 |
| - | - | - | - | - | 93 |
| - | - | - | - | - | 13,462,243 |
| 1,605,254 | 1,320,156 | (54,133) | 525 | - | 17,526,136 |
| - | - | - | - | 4,565,181 | 4,565,181 |
| <u>1,838,320</u> | <u>4,911,641</u> | <u>11,441,136</u> | <u>525</u> | <u>5,385,181</u> | <u>53,341,380</u> |
| <u>1,838,320</u> | <u>4,911,719</u> | <u>11,500,490</u> | <u>525</u> | <u>5,414,156</u> | <u>54,169,283</u> |

CITY OF SAN RAMON
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Fiscal year ended June 30, 2010

| | Special Revenue Funds | | | |
|--|---------------------------|---------------------------|--------------------|---------------------|
| | Planning Cost Recovery | Development Mitigation | Gas Tax | Park Development |
| Revenues: | | | | |
| Taxes | \$ - | - | - | - |
| Licenses and fees | - | - | - | - |
| Intergovernmental | - | - | 990,740 | 69,048 |
| Developer fees | - | 89,386 | - | - |
| Charges for services | 161,247 | - | - | - |
| Fines and forfeitures | - | - | - | - |
| Investment income | 639 | 8,475 | (5,861) | 4,730 |
| Special assessments | - | - | - | - |
| Miscellaneous | - | - | - | - |
| Total revenues | <u>161,886</u> | <u>97,861</u> | <u>984,879</u> | <u>73,778</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Community development | - | - | - | - |
| Police services | - | - | - | - |
| Public works | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service: | | | | |
| Principal | - | - | - | - |
| Interest and fees | - | - | - | - |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>161,886</u> | <u>97,861</u> | <u>984,879</u> | <u>73,778</u> |
| Other financing sources (uses): | | | | |
| Issuance of pension bonds | - | - | - | - |
| Payment to bond escrow agent | - | - | - | - |
| Transfers in | - | 7,157 | 329,779 | - |
| Transfers out | (75,000) | (357,807) | (2,252,620) | (85,916) |
| Total other financing sources (uses) | <u>(75,000)</u> | <u>(350,650)</u> | <u>(1,922,841)</u> | <u>(85,916)</u> |
| Net change in fund balances | 86,886 | (252,789) | (937,962) | (12,138) |
| Fund balances at beginning of year | <u>-</u> | <u>1,459,739</u> | <u>1,336,965</u> | <u>345,152</u> |
| Fund balances (deficit) at end of year | <u>\$ 86,886</u> | <u>1,206,950</u> | <u>399,003</u> | <u>333,014</u> |

| Special Revenue Funds | | | | | | |
|-----------------------|--------------------|--------------------------------|---------------------|---------------------------|-----------------------------------|------------------|
| Crow Canyon Project | SCCJEPA Fund | Street Maintenance/Improvement | Traffic Improvement | Tri-Valley Transportation | Citywide Lighting and Landscaping | |
| - | - | - | - | - | - | - |
| - | - | 1,282,808 | - | - | - | 8,163 |
| - | 1,287,089 | - | 16,660 | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 4,181 | (10,841) | 8,758 | 14,282 | 45 | 4,597 | 4,597 |
| - | - | - | - | - | - | 2,056,770 |
| - | - | - | 88,200 | - | - | 7,866 |
| <u>4,181</u> | <u>1,276,248</u> | <u>1,291,566</u> | <u>119,142</u> | <u>45</u> | <u>2,077,396</u> | |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | 1,250,302 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,250,302</u> |
| <u>4,181</u> | <u>1,276,248</u> | <u>1,291,566</u> | <u>119,142</u> | <u>45</u> | <u>827,094</u> | |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | 1,628 | 997,314 | - | - | - |
| - | (3,596,542) | (1,438,734) | (332,507) | - | - | (628,537) |
| <u>-</u> | <u>(3,596,542)</u> | <u>(1,437,106)</u> | <u>664,807</u> | <u>-</u> | <u>-</u> | <u>(628,537)</u> |
| 4,181 | (2,320,294) | (145,540) | 783,949 | 45 | 198,557 | 198,557 |
| <u>373,711</u> | <u>3,198,090</u> | <u>1,448,780</u> | <u>171,402</u> | <u>3,944</u> | <u>525,826</u> | |
| <u>377,892</u> | <u>877,796</u> | <u>1,303,240</u> | <u>955,351</u> | <u>3,989</u> | <u>724,383</u> | |

(continued)

CITY OF SAN RAMON
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Fiscal year ended June 30, 2010

| | Special Revenue Funds | | | |
|--|---------------------------------|----------------|-------------------------------|----------------|
| | Special Landscaping Zones | Canyon Park | Village Center Common Area | Solid Waste |
| Revenues: | | | | |
| Taxes | \$ - | - | - | - |
| Licenses and fees | - | - | - | 105 |
| Intergovernmental | - | - | - | 7,323 |
| Developer fees | - | - | - | - |
| Charges for services | - | - | - | - |
| Fines and forfeitures | - | - | - | - |
| Investment income | 22,058 | 2,093 | 49 | 952 |
| Special assessments | 1,210,852 | 29,116 | - | - |
| Miscellaneous | 3,038 | - | 3,003 | 159,149 |
| | <u>1,235,948</u> | <u>31,209</u> | <u>3,052</u> | <u>167,529</u> |
| Total revenues | | | | |
| Expenditures: | | | | |
| Current: | | | | |
| Community development | - | - | - | - |
| Police services | - | - | - | - |
| Public works | 1,167,311 | 10,852 | 3,598 | 113,606 |
| Capital outlay | - | - | - | - |
| Debt service: | | | | |
| Principal | - | - | - | - |
| Interest and fees | - | - | - | - |
| | <u>1,167,311</u> | <u>10,852</u> | <u>3,598</u> | <u>113,606</u> |
| Total expenditures | | | | |
| Excess (deficiency) of revenues over (under) expenditures | <u>68,637</u> | <u>20,357</u> | <u>(546)</u> | <u>53,923</u> |
| Other financing sources (uses): | | | | |
| Issuance of pension bonds | - | - | - | - |
| Payment to bond escrow agent | - | - | - | - |
| Transfers in | 339,099 | - | 4,073 | - |
| Transfers out | (200,637) | (2,517) | - | - |
| | <u>138,462</u> | <u>(2,517)</u> | <u>4,073</u> | <u>-</u> |
| Total other financing sources (uses) | | | | |
| Net change in fund balances | 207,099 | 17,840 | 3,527 | 53,923 |
| Fund balances at beginning of year | <u>1,582,838</u> | <u>198,583</u> | <u>5,646</u> | <u>82,425</u> |
| Fund balances (deficit) at end of year | <u>\$ 1,789,937</u> | <u>216,423</u> | <u>9,173</u> | <u>136,348</u> |

Special Revenue Funds

| GHAD | Measure J Traffix | Non-Point Drainage District | Street Smarts | TDM Programs | Police Services Donation |
|------------------|----------------------|-----------------------------------|------------------|-----------------|--------------------------------|
| 6,880 | - | - | - | - | - |
| - | 1,286,538 | - | 8,300 | 409,997 | - |
| - | - | - | - | - | - |
| - | - | 40 | - | - | - |
| - | - | - | - | - | 15,500 |
| 40,573 | 1,277 | 2,130 | 1,215 | - | 2,095 |
| 1,032,705 | - | 1,118,483 | - | - | - |
| 30,211 | - | 6,000 | 33,200 | - | 10,435 |
| <u>1,110,369</u> | <u>1,287,815</u> | <u>1,126,653</u> | <u>42,715</u> | <u>409,997</u> | <u>28,030</u> |
| - | 1,287,815 | - | 119,407 | 409,997 | - |
| - | - | - | - | - | 7,725 |
| 271,454 | - | 1,042,599 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>271,454</u> | <u>1,287,815</u> | <u>1,042,599</u> | <u>119,407</u> | <u>409,997</u> | <u>7,725</u> |
| <u>838,915</u> | <u>-</u> | <u>84,054</u> | <u>(76,692)</u> | <u>-</u> | <u>20,305</u> |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 35,000 | - | - |
| <u>(64,568)</u> | <u>(12,500)</u> | <u>(192,485)</u> | <u>-</u> | <u>-</u> | <u>(16,522)</u> |
| <u>(64,568)</u> | <u>(12,500)</u> | <u>(192,485)</u> | <u>35,000</u> | <u>-</u> | <u>(16,522)</u> |
| 774,347 | (12,500) | (108,431) | (41,692) | - | 3,783 |
| <u>3,090,606</u> | <u>12,500</u> | <u>674,991</u> | <u>56,999</u> | <u>-</u> | <u>57,489</u> |
| <u>3,864,953</u> | <u>-</u> | <u>566,560</u> | <u>15,307</u> | <u>-</u> | <u>61,272</u> |

(continued)

CITY OF SAN RAMON
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Fiscal year ended June 30, 2010

| | Special Revenue | Debt Service Funds | | |
|--|--------------------------|-----------------------|------------------|--------------------|
| | Project Participation | Pension Obligation | COP #9 | COP#10 |
| | | Bonds | | |
| Revenues: | | | | |
| Taxes | \$ - | - | - | - |
| Licenses and fees | - | - | - | - |
| Intergovernmental | - | - | - | - |
| Developer fees | - | - | - | - |
| Charges for services | - | - | - | - |
| Fines and forfeitures | - | - | - | - |
| Investment income | 5,036 | 1,208 | 32,244 | 29,852 |
| Special assessments | - | - | - | - |
| Miscellaneous | - | 462,942 | - | - |
| | <u>5,036</u> | <u>464,150</u> | <u>32,244</u> | <u>29,852</u> |
| Total revenues | <u>5,036</u> | <u>464,150</u> | <u>32,244</u> | <u>29,852</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Community development | - | - | - | - |
| Police services | - | - | - | - |
| Public works | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service: | | | | |
| Principal | - | 145,000 | 225,000 | 630,000 |
| Interest and fees | - | 1,034,114 | 267,731 | 454,481 |
| | <u>-</u> | <u>1,179,114</u> | <u>492,731</u> | <u>1,084,481</u> |
| Total expenditures | <u>-</u> | <u>1,179,114</u> | <u>492,731</u> | <u>1,084,481</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>5,036</u> | <u>(714,964)</u> | <u>(460,487)</u> | <u>(1,054,629)</u> |
| Other financing sources (uses): | | | | |
| Issuance of pension bonds | - | 17,650,000 | - | - |
| Prepayment to CalPERS | - | (17,000,000) | - | - |
| Transfers in | - | 76,352 | 5,643,375 | 10,150,580 |
| Transfers out | (200,000) | - | - | - |
| | <u>(200,000)</u> | <u>726,352</u> | <u>5,643,375</u> | <u>10,150,580</u> |
| Total other financing sources (uses) | <u>(200,000)</u> | <u>726,352</u> | <u>5,643,375</u> | <u>10,150,580</u> |
| Net change in fund balances | (194,964) | 11,388 | 5,182,888 | 9,095,951 |
| Fund balances at beginning of year | <u>755,022</u> | <u>-</u> | <u>634,108</u> | <u>1,351,707</u> |
| Fund balances (deficit) at end of year | <u>\$ 560,058</u> | <u>11,388</u> | <u>5,816,996</u> | <u>10,447,658</u> |

| COP#11 | Debt Service Funds | | | Capital Projects | |
|------------------|-------------------------------------|-------------------------------|-----------------------|-------------------------|--------------------|
| | RDA Tax Allocation 1994/96/04 | RDA Tax Allocation 2006 | Redevelopment ERAF | RDA Capital Projects | Total |
| - | - | - | - | - | 6,985 |
| - | - | - | - | - | 4,062,917 |
| - | - | - | - | - | 1,393,135 |
| - | - | - | - | - | 161,287 |
| - | - | - | - | - | 15,500 |
| 5,723 | 105,364 | 110,728 | 523 | 26,790 | 418,915 |
| - | - | - | - | - | 5,447,926 |
| - | - | - | - | - | 804,044 |
| <u>5,723</u> | <u>105,364</u> | <u>110,728</u> | <u>523</u> | <u>26,790</u> | <u>12,310,709</u> |
| - | - | - | - | - | 1,817,219 |
| - | - | - | - | - | 7,725 |
| - | - | - | - | - | 3,859,722 |
| - | - | - | - | 7,841,425 | 7,841,425 |
| 160,000 | 1,045,000 | 675,000 | 100,000 | - | 2,980,000 |
| <u>72,790</u> | <u>1,625,403</u> | <u>2,246,544</u> | <u>41,311</u> | <u>-</u> | <u>5,742,374</u> |
| <u>232,790</u> | <u>2,670,403</u> | <u>2,921,544</u> | <u>141,311</u> | <u>7,841,425</u> | <u>22,248,465</u> |
| <u>(227,067)</u> | <u>(2,565,039)</u> | <u>(2,810,816)</u> | <u>(140,788)</u> | <u>(7,814,635)</u> | <u>(9,937,756)</u> |
| - | - | - | - | - | 17,650,000 |
| - | - | - | - | - | (17,000,000) |
| 1,769,054 | 4,669,120 | 4,263,055 | 141,311 | 10,052,388 | 38,479,285 |
| - | (2,000,000) | (17,852,306) | - | (2,588,484) | (31,897,682) |
| <u>1,769,054</u> | <u>2,669,120</u> | <u>(13,589,251)</u> | <u>141,311</u> | <u>7,463,904</u> | <u>7,231,603</u> |
| 1,541,987 | 104,081 | (16,400,067) | 523 | (350,731) | (2,706,153) |
| <u>296,333</u> | <u>4,807,560</u> | <u>27,841,203</u> | <u>2</u> | <u>5,735,912</u> | <u>56,047,533</u> |
| <u>1,838,320</u> | <u>4,911,641</u> | <u>11,441,136</u> | <u>525</u> | <u>5,385,181</u> | <u>53,341,380</u> |

CITY OF SAN RAMON
 Planning Cost Recovery

Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 Fiscal year ended June 30, 2010

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|-----------------|---|
| Revenues: | | | |
| Charges for services | \$ 78,500 | 161,247 | 82,747 |
| Investment income | <u>-</u> | <u>639</u> | <u>639</u> |
| Total revenues | <u>78,500</u> | <u>161,886</u> | <u>83,386</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>78,500</u> | <u>161,886</u> | <u>83,386</u> |
| Other financing sources (uses): | | | |
| Transfers out | <u>(75,000)</u> | <u>(75,000)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(75,000)</u> | <u>(75,000)</u> | <u>-</u> |
| Net change in fund balance | 3,500 | 86,886 | 83,386 |
| Fund balance at beginning of year | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 3,500</u> | <u>86,886</u> | <u>83,386</u> |

CITY OF SAN RAMON
Development Mitigation
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Fiscal year ended June 30, 2010

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|----------------------------|-------------------------|---|
| Revenues: | | | |
| Developer fees | \$ 5,000 | 89,386 | 84,386 |
| Investment income | <u>1,000</u> | <u>8,475</u> | <u>7,475</u> |
| Total revenues | <u>6,000</u> | <u>97,861</u> | <u>91,861</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>6,000</u> | <u>97,861</u> | <u>91,861</u> |
| Other financing sources (uses): | | | |
| Transfers in | - | 7,157 | 7,157 |
| Transfers out | <u>(357,807)</u> | <u>(357,807)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(357,807)</u> | <u>(350,650)</u> | <u>7,157</u> |
| Net change in fund balance | (351,807) | (252,789) | 99,018 |
| Fund balance at beginning of year | <u>1,459,739</u> | <u>1,459,739</u> | <u>-</u> |
| Fund balance at end of year | <u><u>\$ 1,107,932</u></u> | <u><u>1,206,950</u></u> | <u><u>99,018</u></u> |

CITY OF SAN RAMON
Gas Tax
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Fiscal year ended June 30, 2010

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|--------------------|---|
| Revenues: | | | |
| Intergovernmental | \$ 1,009,700 | 990,740 | (18,960) |
| Investment income (loss) | <u>1,000</u> | <u>(5,861)</u> | <u>(6,861)</u> |
| Total revenues | <u>1,010,700</u> | <u>984,879</u> | <u>(25,821)</u> |
| Excess (deficiency) of revenues over (under) expenditures | 1,010,700 | 984,879 | (25,821) |
| Other financing sources (uses): | | | |
| Transfers in | - | 329,779 | 329,779 |
| Transfers out | <u>(2,252,620)</u> | <u>(2,252,620)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(2,252,620)</u> | <u>(1,922,841)</u> | <u>329,779</u> |
| Net change in fund balance | (1,241,920) | (937,962) | 303,958 |
| Fund balance at beginning of year | <u>1,336,965</u> | <u>1,336,965</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 95,045</u> | <u>399,003</u> | <u>303,958</u> |

CITY OF SAN RAMON
 Park Development
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 Fiscal year ended June 30, 2010

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|-----------------|---|
| Revenues: | | | |
| Intergovernmental revenues | \$ - | 69,048 | 69,048 |
| Investment income | - | 4,730 | 4,730 |
| | <u>-</u> | <u>73,778</u> | <u>73,778</u> |
| Total revenues | | | |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>73,778</u> | <u>73,778</u> |
| Other financing sources (uses): | | | |
| Transfers out | <u>(85,916)</u> | <u>(85,916)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(85,916)</u> | <u>(85,916)</u> | <u>-</u> |
| Net change in fund balance | (85,916) | (12,138) | 73,778 |
| Fund balance at beginning of year | <u>345,152</u> | <u>345,152</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 259,236</u> | <u>333,014</u> | <u>73,778</u> |

CITY OF SAN RAMON
Crow Canyon Project
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Fiscal year ended June 30, 2010

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|----------------|---|
| Revenues: | | | |
| Investment income | \$ - | 4,181 | 4,181 |
| Total revenues | <u>-</u> | <u>4,181</u> | <u>4,181</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>4,181</u> | <u>4,181</u> |
| Net change in fund balance | - | 4,181 | 4,181 |
| Fund balance at beginning of year | <u>373,711</u> | <u>373,711</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 373,711</u> | <u>377,892</u> | <u>4,181</u> |

CITY OF SAN RAMON
 SCCJEP A Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 Fiscal year ended June 30, 2010

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|--------------------|---|
| Revenues: | | | |
| Developer fees | \$ 500,000 | 1,287,089 | 787,089 |
| Use of money and property | <u>50,000</u> | <u>(10,841)</u> | <u>(60,841)</u> |
| Total revenues | <u>550,000</u> | <u>1,276,248</u> | <u>726,248</u> |
| Other financing sources (uses): | | | |
| Transfers out | <u>(3,596,542)</u> | <u>(3,596,542)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(3,596,542)</u> | <u>(3,596,542)</u> | <u>-</u> |
| Net change in fund balance | (3,046,542) | (2,320,294) | 726,248 |
| Fund balance at beginning of year | <u>3,198,090</u> | <u>3,198,090</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 151,548</u> | <u>877,796</u> | <u>726,248</u> |

CITY OF SAN RAMON
Street Maintenance/Improvement
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Fiscal year ended June 30, 2010

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|--------------------|---|
| Revenues: | | | |
| Intergovernmental | \$ 1,158,255 | 1,282,808 | 124,553 |
| Investment income | <u>-</u> | <u>8,758</u> | <u>8,758</u> |
| Total revenues | <u>1,158,255</u> | <u>1,291,566</u> | <u>133,311</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>1,158,255</u> | <u>1,291,566</u> | <u>133,311</u> |
| Other financing sources (uses): | | | |
| Transfers in | - | 1,628 | 1,628 |
| Transfers out | <u>(1,438,734)</u> | <u>(1,438,734)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(1,438,734)</u> | <u>(1,437,106)</u> | <u>1,628</u> |
| Net change in fund balance | (280,479) | (145,540) | 134,939 |
| Fund balance at beginning of year | <u>1,448,780</u> | <u>1,448,780</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 1,168,301</u> | <u>1,303,240</u> | <u>134,939</u> |

CITY OF SAN RAMON
Traffic Improvement
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Fiscal year ended June 30, 2010

| | <u>Final Budget</u> | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|---|--------------------------------|---------------------------|---|
| Revenues: | | | |
| Developer fees | \$ - | 16,660 | 16,660 |
| Investment income | - | 14,282 | 14,282 |
| Miscellaneous | <u>50,000</u> | <u>88,200</u> | <u>38,200</u> |
| Total revenues | <u>50,000</u> | <u>119,142</u> | <u>69,142</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>50,000</u> | <u>119,142</u> | <u>69,142</u> |
| Other financing sources (uses): | | | |
| Transfers in | - | 997,314 | 997,314 |
| Transfers out | <u>(332,507)</u> | <u>(332,507)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(332,507)</u> | <u>664,807</u> | <u>997,314</u> |
| Net change in fund balance | (282,507) | 783,949 | 1,066,456 |
| Fund balance at beginning of year | <u>171,402</u> | <u>171,402</u> | <u>-</u> |
| Fund balance at end of year | <u><u>\$ (111,105)</u></u> | <u><u>955,351</u></u> | <u><u>1,066,456</u></u> |

CITY OF SAN RAMON
 Tri-Valley Transportation
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 Fiscal year ended June 30, 2010

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|---------------|---|
| Revenues: | | | |
| Investment income | \$ - | 45 | 45 |
| Total revenues | <u>-</u> | <u>45</u> | <u>45</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>45</u> | <u>45</u> |
| Net change in fund balance | - | 45 | 45 |
| Fund balance at beginning of year | <u>3,944</u> | <u>3,944</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 3,944</u> | <u>3,989</u> | <u>45</u> |

CITY OF SAN RAMON
Citywide Lighting and Landscaping
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Fiscal year ended June 30, 2010

| | <u>Final Budget</u> | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|---|-------------------------|----------------------|---|
| Revenues: | | | |
| Intergovernmental | \$ 7,900 | 8,163 | 263 |
| Investment income | - | 4,597 | 4,597 |
| Special assessments | 1,921,680 | 2,056,770 | 135,090 |
| Miscellaneous | <u>-</u> | <u>7,866</u> | <u>7,866</u> |
| Total revenues | <u>1,929,580</u> | <u>2,077,396</u> | <u>147,816</u> |
| Expenditures: | | | |
| Current: | | | |
| Public works | <u>1,348,428</u> | <u>1,250,302</u> | <u>98,126</u> |
| Total expenditures | <u>1,348,428</u> | <u>1,250,302</u> | <u>98,126</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>581,152</u> | <u>827,094</u> | <u>245,942</u> |
| Other financing sources (uses): | | | |
| Transfers out | <u>(628,537)</u> | <u>(628,537)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(628,537)</u> | <u>(628,537)</u> | <u>-</u> |
| Net change in fund balance | (47,385) | 198,557 | 245,942 |
| Fund balance at beginning of year | <u>525,826</u> | <u>525,826</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 478,441</u> | <u>724,383</u> | <u>245,942</u> |

CITY OF SAN RAMON
Special Landscaping Zones
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Fiscal year ended June 30, 2010

| | <u>Final Budget</u> | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|---|-------------------------|----------------------|---|
| Revenues: | | | |
| Investment income | \$ - | 22,058 | 22,058 |
| Special assessments | 1,191,749 | 1,210,852 | 19,103 |
| Miscellaneous | <u>-</u> | <u>3,038</u> | <u>3,038</u> |
| Total revenues | <u>1,191,749</u> | <u>1,235,948</u> | <u>44,199</u> |
| Expenditures: | | | |
| Current: | | | |
| Public works | <u>1,365,420</u> | <u>1,167,311</u> | <u>198,109</u> |
| Total expenditures | <u>1,365,420</u> | <u>1,167,311</u> | <u>198,109</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(173,671)</u> | <u>68,637</u> | <u>242,308</u> |
| Other financing sources (uses): | | | |
| Transfers in | 339,099 | 339,099 | - |
| Transfers out | <u>(200,637)</u> | <u>(200,637)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>138,462</u> | <u>138,462</u> | <u>-</u> |
| Net change in fund balance | (35,209) | 207,099 | 242,308 |
| Fund balance at beginning of year | <u>1,582,838</u> | <u>1,582,838</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 1,547,629</u> | <u>1,789,937</u> | <u>242,308</u> |

CITY OF SAN RAMON
Canyon Park
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Fiscal year ended June 30, 2010

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|------------------------------|---------------------------|---|
| Revenues: | | | |
| Investment income | \$ - | 2,093 | 2,093 |
| Special assessments | <u>36,534</u> | <u>29,116</u> | <u>(7,418)</u> |
| Total revenues | <u>36,534</u> | <u>31,209</u> | <u>(5,325)</u> |
| Expenditures: | | | |
| Current: | | | |
| Public works | <u>16,849</u> | <u>10,852</u> | <u>5,997</u> |
| Total expenditures | <u>16,849</u> | <u>10,852</u> | <u>5,997</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>19,685</u> | <u>20,357</u> | <u>672</u> |
| Other financing sources (uses): | | | |
| Transfers out | <u>(2,517)</u> | <u>(2,517)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(2,517)</u> | <u>(2,517)</u> | <u>-</u> |
| Net change in fund balance | 17,168 | 17,840 | 672 |
| Fund balance at beginning of year | <u>198,583</u> | <u>198,583</u> | <u>-</u> |
| Fund balance at end of year | <u><u>\$ 215,751</u></u> | <u><u>216,423</u></u> | <u><u>672</u></u> |

CITY OF SAN RAMON
Village Center Common Area
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Fiscal year ended June 30, 2010

| | <u>Final Budget</u> | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|---|-------------------------|---------------------|---|
| Revenues: | | | |
| Investment income | \$ - | 49 | 49 |
| Miscellaneous | <u>6,187</u> | <u>3,003</u> | <u>(3,184)</u> |
| Total revenues | <u>6,187</u> | <u>3,052</u> | <u>(3,135)</u> |
| Expenditures: | | | |
| Current: | | | |
| Public works | <u>10,260</u> | <u>3,598</u> | <u>6,662</u> |
| Total expenditures | <u>10,260</u> | <u>3,598</u> | <u>6,662</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(4,073)</u> | <u>(546)</u> | <u>3,527</u> |
| Other financing sources (uses): | | | |
| Transfers in | <u>-</u> | <u>4,073</u> | <u>4,073</u> |
| Total other financing sources (uses) | <u>-</u> | <u>4,073</u> | <u>4,073</u> |
| Net change in fund balance | (4,073) | 3,527 | 7,600 |
| Fund balance at beginning of year | <u>5,646</u> | <u>5,646</u> | <u>-</u> |
| Fund balance at end of year | <u><u>\$ 1,573</u></u> | <u><u>9,173</u></u> | <u><u>7,600</u></u> |

CITY OF SAN RAMON
Solid Waste
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Fiscal year ended June 30, 2010

| | <u>Final Budget</u> | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|---|-----------------------------|---------------------------|---|
| Revenues: | | | |
| Licenses and permits | \$ - | 105 | 105 |
| Intergovernmental | 14,122 | 7,323 | (6,799) |
| Investment income | - | 952 | 952 |
| Miscellaneous | <u>157,500</u> | <u>159,149</u> | <u>1,649</u> |
| Total revenues | <u>171,622</u> | <u>167,529</u> | <u>(4,093)</u> |
| Expenditures: | | | |
| Current: | | | |
| Public works | <u>156,620</u> | <u>113,606</u> | <u>43,014</u> |
| Total expenditures | <u>156,620</u> | <u>113,606</u> | <u>43,014</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>15,002</u> | <u>53,923</u> | <u>38,921</u> |
| Net change in fund balance | 15,002 | 53,923 | 38,921 |
| Fund balance at beginning of year | <u>82,425</u> | <u>82,425</u> | <u>-</u> |
| Fund balance at end of year | <u><u>\$ 97,427</u></u> | <u><u>136,348</u></u> | <u><u>38,921</u></u> |

CITY OF SAN RAMON
GHAD
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Fiscal year ended June 30, 2010

| | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|---------------------|------------------|---|
| | <u> </u> | <u> </u> | <u> </u> |
| Revenues: | | | |
| Licenses and permits | \$ 3,500 | 6,880 | 3,380 |
| Special assessments | 1,037,283 | 1,032,705 | (4,578) |
| Investment income | 55,927 | 40,573 | (15,354) |
| Charges for services | 3,500 | - | (3,500) |
| Miscellaneous | <u>25,661</u> | <u>30,211</u> | <u>4,550</u> |
| Total revenues | <u>1,125,871</u> | <u>1,110,369</u> | <u>(15,502)</u> |
| Expenditures: | | | |
| Current: | | | |
| Public works | <u>458,261</u> | <u>271,454</u> | <u>186,807</u> |
| Total expenditures | <u>458,261</u> | <u>271,454</u> | <u>186,807</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>667,610</u> | <u>838,915</u> | <u>171,305</u> |
| Other financing sources (uses): | | | |
| Transfers out | <u>(64,568)</u> | <u>(64,568)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(64,568)</u> | <u>(64,568)</u> | <u>-</u> |
| Net change in fund balance | 603,042 | 774,347 | 171,305 |
| Fund balance at beginning of year | <u>3,090,606</u> | <u>3,090,606</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 3,693,648</u> | <u>3,864,953</u> | <u>171,305</u> |

CITY OF SAN RAMON
Measure J Traffic
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Fiscal year ended June 30, 2010

| | <u>Final Budget</u> | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|---|--------------------------|------------------|---|
| Revenues: | | | |
| Intergovernmental | \$ 1,292,368 | 1,286,538 | (5,830) |
| Investment income | - | 1,277 | 1,277 |
| Miscellaneous | <u>450,000</u> | <u>-</u> | <u>(450,000)</u> |
| Total revenues | <u>1,742,368</u> | <u>1,287,815</u> | <u>(454,553)</u> |
| Expenditures: | | | |
| Current: | | | |
| Community development | <u>1,626,253</u> | <u>1,287,815</u> | <u>338,438</u> |
| Total expenditures | <u>1,626,253</u> | <u>1,287,815</u> | <u>338,438</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>116,115</u> | <u>-</u> | <u>(116,115)</u> |
| Other financing sources (uses): | | | |
| Transfers out | <u>-</u> | <u>(12,500)</u> | <u>(12,500)</u> |
| Total other financing sources (uses) | <u>-</u> | <u>(12,500)</u> | <u>(12,500)</u> |
| Net change in fund balance | 116,115 | (12,500) | (128,615) |
| Fund balance at beginning of year | <u>12,500</u> | <u>12,500</u> | <u>-</u> |
| Fund balance at end of year | <u><u>\$ 128,615</u></u> | <u><u>-</u></u> | <u><u>(128,615)</u></u> |

CITY OF SAN RAMON
 Non-Point Drainage District
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 Fiscal year ended June 30, 2010

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|----------------------|---|
| Revenues: | | | |
| Special assessments | \$ 1,069,340 | 1,118,483 | 49,143 |
| Charges for services | - | 40 | 40 |
| Investment income | 20,000 | 2,130 | (17,870) |
| Miscellaneous | <u>-</u> | <u>6,000</u> | <u>6,000</u> |
| Total revenues | <u>1,089,340</u> | <u>1,126,653</u> | <u>37,313</u> |
| Expenditures: | | | |
| Current: | | | |
| Public works | <u>1,263,229</u> | <u>1,042,599</u> | <u>220,630</u> |
| Total expenditures | <u>1,263,229</u> | <u>1,042,599</u> | <u>220,630</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(173,889)</u> | <u>84,054</u> | <u>257,943</u> |
| Other financing sources (uses): | | | |
| Transfers out | <u>(192,485)</u> | <u>(192,485)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(192,485)</u> | <u>(192,485)</u> | <u>-</u> |
| Net change in fund balance | (366,374) | (108,431) | 257,943 |
| Fund balance at beginning of year | <u>674,991</u> | <u>674,991</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 308,617</u> | <u>566,560</u> | <u>257,943</u> |

CITY OF SAN RAMON
Street Smarts
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Fiscal year ended June 30, 2010

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-----------------------------|--------------------------|---|
| Revenues: | | | |
| Intergovernmental | \$ 290,000 | 8,300 | (281,700) |
| Investment income | - | 1,215 | 1,215 |
| Miscellaneous | <u>30,000</u> | <u>33,200</u> | <u>3,200</u> |
| Total revenues | <u>320,000</u> | <u>42,715</u> | <u>(277,285)</u> |
| Expenditures: | | | |
| Current: | | | |
| Community development | <u>382,600</u> | <u>119,407</u> | <u>263,193</u> |
| Total expenditures | <u>382,600</u> | <u>119,407</u> | <u>263,193</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(62,600)</u> | <u>(76,692)</u> | <u>(14,092)</u> |
| Other financing sources (uses): | | | |
| Transfers in | <u>35,000</u> | <u>35,000</u> | <u>-</u> |
| Total other financing sources (uses) | <u>35,000</u> | <u>35,000</u> | <u>-</u> |
| Net change in fund balance | (27,600) | (41,692) | (14,092) |
| Fund balance at beginning of year | <u>56,999</u> | <u>56,999</u> | <u>-</u> |
| Fund balance at end of year | <u><u>\$ 29,399</u></u> | <u><u>15,307</u></u> | <u><u>(14,092)</u></u> |

CITY OF SAN RAMON
TDM Programs
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Fiscal year ended June 30, 2010

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|-----------------|---|
| Revenues: | | | |
| Intergovernmental | \$ 701,459 | 409,997 | (291,462) |
| Total revenues | <u>701,459</u> | <u>409,997</u> | <u>(291,462)</u> |
| Expenditures: | | | |
| Current: | | | |
| Community development | <u>701,459</u> | <u>409,997</u> | <u>291,462</u> |
| Total expenditures | <u>701,459</u> | <u>409,997</u> | <u>291,462</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balance | - | - | - |
| Fund balance at beginning of year | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance (deficit) at end of year | <u><u>\$ -</u></u> | <u><u>-</u></u> | <u><u>-</u></u> |

CITY OF SAN RAMON
 Police Services Donation
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 Fiscal year ended June 30, 2010

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|-----------------|---|
| Revenues: | | | |
| Fines and forfeitures | \$ - | 15,500 | 15,500 |
| Investment income | - | 2,095 | 2,095 |
| Miscellaneous | - | 10,435 | 10,435 |
| | <u>-</u> | <u>28,030</u> | <u>28,030</u> |
| Total revenues | | | |
| | <u>-</u> | <u>28,030</u> | <u>28,030</u> |
| Expenditures: | | | |
| Current: | | | |
| Police services | <u>46,200</u> | <u>7,725</u> | <u>38,475</u> |
| | <u>46,200</u> | <u>7,725</u> | <u>38,475</u> |
| Total expenditures | | | |
| | <u>46,200</u> | <u>7,725</u> | <u>38,475</u> |
| Excess (deficiency) of revenues over (under) expenditures | | | |
| | <u>(46,200)</u> | <u>20,305</u> | <u>66,505</u> |
| Other financing sources (uses): | | | |
| Transfers out | <u>-</u> | <u>(16,522)</u> | <u>(16,522)</u> |
| Total other financing sources (uses) | | | |
| | <u>-</u> | <u>(16,522)</u> | <u>(16,522)</u> |
| Net change in fund balance | | | |
| | <u>(46,200)</u> | <u>3,783</u> | <u>49,983</u> |
| Fund balance at beginning of year | | | |
| | <u>57,489</u> | <u>57,489</u> | <u>-</u> |
| Fund balance at end of year | | | |
| | <u>\$ 11,289</u> | <u>61,272</u> | <u>49,983</u> |

CITY OF SAN RAMON
 Project Participation
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 Fiscal year ended June 30, 2010

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|--------------------------|-----------------------|---|
| Revenues: | | | |
| Investment income | \$ - | 5,036 | 5,036 |
| Total revenues | <u>-</u> | <u>5,036</u> | <u>5,036</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>5,036</u> | <u>5,036</u> |
| Other financing sources (uses): | | | |
| Transfers out | <u>(200,000)</u> | <u>(200,000)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(200,000)</u> | <u>(200,000)</u> | <u>-</u> |
| Net change in fund balance | (200,000) | (194,964) | 5,036 |
| Fund balance at beginning of year | <u>755,022</u> | <u>755,022</u> | <u>-</u> |
| Fund balance at end of year | <u><u>\$ 555,022</u></u> | <u><u>560,058</u></u> | <u><u>5,036</u></u> |

CITY OF SAN RAMON
Pension Obligation Bonds Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Fiscal year ended June 30, 2010

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|------------------|---|
| Revenues: | | | |
| Investment income | \$ - | 1,208 | 1,208 |
| Miscellaneous | - | 462,942 | 462,942 |
| | <u>-</u> | <u>464,150</u> | <u>464,150</u> |
| Total revenues | | | |
| | <u>-</u> | <u>464,150</u> | <u>464,150</u> |
| Expenditures: | | | |
| Debt Service | | | |
| Principal | - | 145,000 | (145,000) |
| Interest and fees | - | 764,361 | (764,361) |
| | <u>-</u> | <u>909,361</u> | <u>(909,361)</u> |
| Total expenditures | | | |
| | <u>-</u> | <u>909,361</u> | <u>(909,361)</u> |
| Excess (deficiency) of revenues over (under) expenditures | | | |
| | <u>-</u> | <u>(445,211)</u> | <u>(445,211)</u> |
| Other financing sources (uses): | | | |
| Issuance of pension bonds | - | 17,380,247 | 17,380,247 |
| Payment to bond escrow agent | - | (17,000,000) | (17,000,000) |
| Transfers in | - | 76,352 | 76,352 |
| | <u>-</u> | <u>456,599</u> | <u>456,599</u> |
| Total other financing sources (uses) | | | |
| | <u>-</u> | <u>456,599</u> | <u>456,599</u> |
| Net change in fund balance | | | |
| | - | 11,388 | 11,388 |
| Fund balance at beginning of year | | | |
| | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance at end of year | | | |
| | <u>\$ -</u> | <u>11,388</u> | <u>11,388</u> |

CITY OF SAN RAMON
COP #9
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Fiscal year ended June 30, 2010

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|------------------|---|
| Revenues: | | | |
| Investment income | \$ 15,000 | 32,244 | 17,244 |
| Total revenues | <u>15,000</u> | <u>32,244</u> | <u>17,244</u> |
| Expenditures: | | | |
| Debt service | | | |
| Principal | 225,000 | 225,000 | - |
| Interest and fees | <u>267,775</u> | <u>267,731</u> | <u>44</u> |
| Total expenditures | <u>492,775</u> | <u>492,731</u> | <u>44</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(477,775)</u> | <u>(460,487)</u> | <u>17,288</u> |
| Other financing sources (uses): | | | |
| Transfers in | <u>5,643,375</u> | <u>5,643,375</u> | <u>-</u> |
| Total other financing sources (uses) | <u>5,643,375</u> | <u>5,643,375</u> | <u>-</u> |
| Net change in fund balance | 5,165,600 | 5,182,888 | 17,288 |
| Fund balance at beginning of year | <u>634,108</u> | <u>634,108</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 5,799,708</u> | <u>5,816,996</u> | <u>17,288</u> |

CITY OF SAN RAMON
COP #10
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Fiscal year ended June 30, 2010

| | <u>Final Budget</u> | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|---|-------------------------|--------------------|---|
| Revenues: | | | |
| Investment income | \$ 40,000 | 29,852 | (10,148) |
| Total revenues | <u>40,000</u> | <u>29,852</u> | <u>(10,148)</u> |
| Expenditures: | | | |
| Debt service | | | |
| Principal | 630,000 | 630,000 | - |
| Interest and fees | <u>454,580</u> | <u>454,481</u> | <u>99</u> |
| Total expenditures | <u>1,084,580</u> | <u>1,084,481</u> | <u>99</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,044,580)</u> | <u>(1,054,629)</u> | <u>(10,049)</u> |
| Other financing sources (uses): | | | |
| Transfers in | <u>10,150,580</u> | <u>10,150,580</u> | <u>-</u> |
| Total other financing sources (uses) | <u>10,150,580</u> | <u>10,150,580</u> | <u>-</u> |
| Net change in fund balance | 9,106,000 | 9,095,951 | (10,049) |
| Fund balance at beginning of year | <u>1,351,707</u> | <u>1,351,707</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 10,457,707</u> | <u>10,447,658</u> | <u>(10,049)</u> |

CITY OF SAN RAMON
COP #11
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Fiscal year ended June 30, 2010

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|----------------------------|-------------------------|---|
| Revenues: | | | |
| Investment income | \$ 9,000 | 5,723 | (3,277) |
| Total revenues | <u>9,000</u> | <u>5,723</u> | <u>(3,277)</u> |
| Expenditures: | | | |
| Debt service | | | |
| Principal | 160,000 | 160,000 | - |
| Interest and fees | <u>73,054</u> | <u>72,790</u> | <u>264</u> |
| Total expenditures | <u>233,054</u> | <u>232,790</u> | <u>264</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(224,054)</u> | <u>(227,067)</u> | <u>(3,013)</u> |
| Other financing sources (uses): | | | |
| Transfers in | <u>1,769,054</u> | <u>1,769,054</u> | <u>-</u> |
| Total other financing sources (uses) | <u>1,769,054</u> | <u>1,769,054</u> | <u>-</u> |
| Net change in fund balance | 1,545,000 | 1,541,987 | (3,013) |
| Fund balance at beginning of year | <u>296,333</u> | <u>296,333</u> | <u>-</u> |
| Fund balance at end of year | <u><u>\$ 1,841,333</u></u> | <u><u>1,838,320</u></u> | <u><u>(3,013)</u></u> |

CITY OF SAN RAMON
 Redevelopment Tax Allocation 1994/96/04
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 Fiscal year ended June 30, 2010

| | <u>Final Budget</u> | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|---|-------------------------|--------------------|---|
| Revenues: | | | |
| Investment income | \$ 130,000 | 105,364 | (24,636) |
| Total revenues | <u>130,000</u> | <u>105,364</u> | <u>(24,636)</u> |
| Expenditures: | | | |
| Debt service | | | |
| Principal | 1,045,000 | 1,045,000 | - |
| Interest and fees | <u>1,624,120</u> | <u>1,625,403</u> | <u>(1,283)</u> |
| Total expenditures | <u>2,669,120</u> | <u>2,670,403</u> | <u>(1,283)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(2,539,120)</u> | <u>(2,565,039)</u> | <u>(25,919)</u> |
| Other financing sources (uses): | | | |
| Transfers in | 4,669,120 | 4,669,120 | - |
| Transfers out | <u>(2,180,000)</u> | <u>(2,000,000)</u> | <u>180,000</u> |
| Total other financing sources (uses) | <u>2,489,120</u> | <u>2,669,120</u> | <u>180,000</u> |
| Net change in fund balance | (50,000) | 104,081 | 154,081 |
| Fund balance at beginning of year | <u>4,807,560</u> | <u>4,807,560</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 4,757,560</u> | <u>4,911,641</u> | <u>154,081</u> |

CITY OF SAN RAMON
 Redevelopment Tax Allocation 2006 Debt Service Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 Fiscal year ended June 30, 2010

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|---------------------|---|
| Revenues: | | | |
| Investment income | \$ 750,000 | 110,728 | (639,272) |
| Total revenues | <u>750,000</u> | <u>110,728</u> | <u>(639,272)</u> |
| Expenditures: | | | |
| Debt Service | | | |
| Principal | 675,000 | 675,000 | - |
| Interest and fees | <u>2,270,850</u> | <u>2,246,544</u> | <u>24,306</u> |
| Total expenditures | <u>2,945,850</u> | <u>2,921,544</u> | <u>24,306</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(2,195,850)</u> | <u>(2,810,816)</u> | <u>(614,966)</u> |
| Other financing sources (uses): | | | |
| Transfers in | 2,945,850 | 4,263,055 | 1,317,205 |
| Transfers out | <u>(18,263,751)</u> | <u>(17,852,306)</u> | <u>411,445</u> |
| Total other financing sources (uses) | <u>(15,317,901)</u> | <u>(13,589,251)</u> | <u>1,728,650</u> |
| Net change in fund balance | (17,513,751) | (16,400,067) | 1,113,684 |
| Fund balance at beginning of year | <u>27,841,203</u> | <u>27,841,203</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 10,327,452</u> | <u>11,441,136</u> | <u>1,113,684</u> |

CITY OF SAN RAMON
 Redevelopment ERAF
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 Fiscal year ended June 30, 2010

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|------------------|---|
| Revenues: | | | |
| Investment income | \$ - | 523 | 523 |
| Total revenues | <u>-</u> | <u>523</u> | <u>523</u> |
| Expenditures: | | | |
| Debt service: | | | |
| Principal | 100,000 | 100,000 | - |
| Interest and fees | <u>41,311</u> | <u>41,311</u> | <u>-</u> |
| Total expenditures | <u>141,311</u> | <u>141,311</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(141,311)</u> | <u>(140,788)</u> | <u>523</u> |
| Other financing sources (uses): | | | |
| Transfers in | <u>141,311</u> | <u>141,311</u> | <u>-</u> |
| Total other financing sources (uses) | <u>141,311</u> | <u>141,311</u> | <u>-</u> |
| Net change in fund balance | - | 523 | 523 |
| Fund balance at beginning of year | <u>2</u> | <u>2</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 2</u> | <u>525</u> | <u>523</u> |

CITY OF SAN RAMON
RDA Capital Projects
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Fiscal year ended June 30, 2010

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|--------------------|---|
| Revenues: | | | |
| Investment income | \$ 80,000 | 26,790 | (53,210) |
| Total revenues | <u>80,000</u> | <u>26,790</u> | <u>(53,210)</u> |
| Expenditures: | | | |
| Capital outlay | <u>9,580,632</u> | <u>7,841,425</u> | <u>1,739,207</u> |
| Total expenditures | <u>9,580,632</u> | <u>7,841,425</u> | <u>1,739,207</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(9,500,632)</u> | <u>(7,814,635)</u> | <u>1,685,997</u> |
| Other financing sources (uses): | | | |
| Transfers in | 10,052,388 | 10,052,388 | - |
| Transfers out | <u>(1,345,624)</u> | <u>(2,588,484)</u> | <u>(1,242,860)</u> |
| Total other financing sources (uses) | <u>8,706,764</u> | <u>7,463,904</u> | <u>(1,242,860)</u> |
| Net change in fund balance | (793,868) | (350,731) | 443,137 |
| Fund balance at beginning of year | <u>5,735,912</u> | <u>5,735,912</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 4,942,044</u> | <u>5,385,181</u> | <u>443,137</u> |

DESCRIPTIONS OF INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods and services provided by one City department or agency to other departments or agencies of the City, or to other governmental units on a cost-reimbursement basis (including depreciation).

The Investment Fund is used to account for the management of investments.

The Equipment Replacement Fund is used to account for replacement of major equipment and vehicles. Revenues are derived from allocated charges to the department's general fund.

The Information System Replacement Fund is used to account for replacement of computer related equipment.

The Insurance Liability Fund is used to administer the City employee's leave payouts, retiree medical benefits, general insurance, and safety programs with the goals of reducing insurance-related costs, maintain appropriate levels of coverage and to build contingent loss reserves.

The Healthcare Fund is used to account for City employee's healthcare premiums and claims.

The Building Maintenance Fund is used to account for the cost of maintaining City buildings.

CITY OF SAN RAMON
Internal Service Funds
Combining Statement of Net Assets
June 30, 2010

| | Investment Fund | Equipment Replacement Fund | Information System Replacement Fund |
|--|--------------------|----------------------------------|--|
| | <u>Fund</u> | <u>Fund</u> | <u>Fund</u> |
| Assets: | | | |
| Current assets: | | | |
| Cash and investments | \$ 5,771 | 2,421,644 | 669,040 |
| Accounts receivable | - | 5,734 | - |
| Interest receivable | - | 4,604 | 1,271 |
| | <u>-</u> | <u>4,604</u> | <u>1,271</u> |
| Total current assets | <u>5,771</u> | <u>2,431,982</u> | <u>670,311</u> |
| Noncurrent assets | | | |
| Capital assets, net of accumulated depreciation | - | 2,364,039 | - |
| | <u>-</u> | <u>2,364,039</u> | <u>-</u> |
| Total assets | <u>5,771</u> | <u>4,796,021</u> | <u>670,311</u> |
| Liabilities: | | | |
| Current liabilities: | | | |
| Accounts payable | 2,404 | 118,865 | - |
| Accrued payroll | 3,380 | - | - |
| Due to other funds | 1,977 | - | - |
| Noncurrent liabilities: | | | |
| Claims and judgments payable | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> |
| Total liabilities | <u>7,761</u> | <u>118,865</u> | <u>-</u> |
| Net assets (deficit): | | | |
| Invested in capital assets | - | 2,364,039 | - |
| Unrestricted | (1,990) | 2,313,117 | 670,311 |
| | <u>(1,990)</u> | <u>2,313,117</u> | <u>670,311</u> |
| Total net assets (deficit) | <u>\$ (1,990)</u> | <u>4,677,156</u> | <u>670,311</u> |

| <u>Insurance Liability Fund</u> | <u>Healthcare Fund</u> | <u>Building Maintenance Fund</u> | <u>Total</u> |
|---|----------------------------|--|-------------------|
| 2,749,938 | 5,129,453 | 933,739 | 11,909,585 |
| 26,347 | 38,575 | - | 70,656 |
| <u>5,218</u> | <u>9,686</u> | <u>1,777</u> | <u>22,556</u> |
| <u>2,781,503</u> | <u>5,177,714</u> | <u>935,516</u> | <u>12,002,797</u> |
| - | - | - | 2,364,039 |
| <u>2,781,503</u> | <u>5,177,714</u> | <u>935,516</u> | <u>14,366,836</u> |
| 19,845 | 55,654 | - | 196,768 |
| - | - | - | 3,380 |
| - | - | - | 1,977 |
| <u>-</u> | <u>75,858</u> | <u>-</u> | <u>75,858</u> |
| <u>19,845</u> | <u>131,512</u> | <u>-</u> | <u>277,983</u> |
| - | - | - | 2,364,039 |
| <u>2,761,658</u> | <u>5,046,202</u> | <u>935,516</u> | <u>11,724,814</u> |
| <u>2,761,658</u> | <u>5,046,202</u> | <u>935,516</u> | <u>14,088,853</u> |

CITY OF SAN RAMON
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Fiscal year ended June 30, 2010

| | Investment Fund | Equipment Replacement Fund | Information System Replacement Fund |
|---|--------------------------|----------------------------------|--|
| | <u>Fund</u> | <u>Fund</u> | <u>Fund</u> |
| Operating revenues: | | | |
| Charges for services | \$ - | 702,292 | 264,751 |
| Other | - | <u>13,660</u> | - |
| Total operating revenues | <u>-</u> | <u>715,952</u> | <u>264,751</u> |
| Operating expenses: | | | |
| Personnel services | - | - | - |
| Services and supplies | 50,680 | 2,670 | 91,417 |
| Claims and insurance | - | - | - |
| Depreciation | - | <u>758,979</u> | - |
| Total operating expenses | <u>50,680</u> | <u>761,649</u> | <u>91,417</u> |
| Operating income (loss) | <u>(50,680)</u> | <u>(45,697)</u> | <u>173,334</u> |
| Nonoperating revenues: | | | |
| Investment income | 65,923 | 3,827 | 7,142 |
| Intergovernmental | - | - | - |
| Total nonoperating revenues | <u>65,923</u> | <u>3,827</u> | <u>7,142</u> |
| Income (loss) before transfers | <u>15,243</u> | <u>(41,870)</u> | <u>180,476</u> |
| Transfers: | | | |
| Transfers in | - | 75,607 | - |
| Transfers out | - | - | - |
| Total transfers | <u>-</u> | <u>75,607</u> | <u>-</u> |
| Change in net assets | 15,243 | 33,737 | 180,476 |
| Net assets (deficit) at beginning of year | <u>(17,233)</u> | <u>4,643,419</u> | <u>489,835</u> |
| Net assets (deficit) at end of year | <u><u>\$ (1,990)</u></u> | <u><u>4,677,156</u></u> | <u><u>670,311</u></u> |

| Insurance Liability Fund | Healthcare Fund | Building Maintenance Fund | Total |
|--------------------------------|--------------------|---------------------------------|-------------------|
| 1,454,007 | 5,234,935 | 180 | 7,656,165 |
| - | - | - | 13,660 |
| <u>1,454,007</u> | <u>5,234,935</u> | <u>180</u> | <u>7,669,825</u> |
| 445,834 | - | - | 445,834 |
| 196,340 | 5,558,607 | - | 5,899,714 |
| 856,763 | - | - | 856,763 |
| - | - | - | 758,979 |
| <u>1,498,937</u> | <u>5,558,607</u> | <u>-</u> | <u>7,961,290</u> |
| <u>(44,930)</u> | <u>(323,672)</u> | <u>180</u> | <u>(291,465)</u> |
| 21,907 | 30,864 | 8,693 | 138,356 |
| <u>57,415</u> | <u>-</u> | <u>-</u> | <u>57,415</u> |
| <u>79,322</u> | <u>30,864</u> | <u>8,693</u> | <u>195,771</u> |
| <u>34,392</u> | <u>(292,808)</u> | <u>8,873</u> | <u>(95,694)</u> |
| 146,917 | 3,200,000 | 200,000 | 3,622,524 |
| - | - | (484,321) | (484,321) |
| <u>146,917</u> | <u>3,200,000</u> | <u>(284,321)</u> | <u>3,138,203</u> |
| 181,309 | 2,907,192 | (275,448) | 3,042,509 |
| <u>2,580,349</u> | <u>2,139,010</u> | <u>1,210,964</u> | <u>11,046,344</u> |
| <u>2,761,658</u> | <u>5,046,202</u> | <u>935,516</u> | <u>14,088,853</u> |

CITY OF SAN RAMON
Internal Service Funds
Combining Statement of Cash Flows
Fiscal year ended June 30, 2010

| | Investment Fund | Equipment Replacement Fund | Information System Replacement Fund |
|--|--------------------|----------------------------------|--|
| Cash flows from operating activities: | | | |
| Cash received from department users | \$ - | 719,806 | 266,930 |
| Cash payments to suppliers of goods and services | (62,129) | 71,385 | (101,914) |
| Cash payments to employees for services | - | - | - |
| Net cash provided by (used for) operating activities | <u>(62,129)</u> | <u>791,191</u> | <u>165,016</u> |
| Cash flows from non-capital financing activities: | | | |
| Intergovernmental | - | - | - |
| Cash received from other funds | 1,977 | 75,607 | - |
| Cash paid to other funds | - | - | - |
| Net cash provided by (used for) non-capital and related activities | <u>1,977</u> | <u>75,607</u> | <u>-</u> |
| Cash flows from capital and related financing activities: | | | |
| Acquisition of capital assets | - | (492,791) | - |
| Net cash provided by (used for) capital and related financing activities | <u>-</u> | <u>(492,791)</u> | <u>-</u> |
| Cash flows from investing activities: | | | |
| Interest | <u>65,923</u> | <u>3,827</u> | <u>7,142</u> |
| Net cash provided by (used for) investing activities | <u>65,923</u> | <u>3,827</u> | <u>7,142</u> |
| Net increase (decrease) in cash and cash equivalents | 5,771 | 377,834 | 172,158 |
| Cash and cash equivalents at beginning of year | <u>-</u> | <u>2,043,810</u> | <u>496,882</u> |
| Cash and cash equivalents at end of year | <u>\$ 5,771</u> | <u>2,421,644</u> | <u>669,040</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | | |
| Operating income (loss) | \$ (50,680) | (45,697) | 173,334 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | |
| Depreciation | - | 758,979 | - |
| (Increase) decrease in accounts receivable | - | (5,734) | - |
| (Increase) decrease in interest receivable | - | 9,588 | 2,179 |
| (Increase) decrease in prepaid and deposits | - | - | - |
| Increase (decrease) in accounts payable | (11,836) | 74,055 | (10,497) |
| Increase (decrease) in accrued payroll | 387 | - | - |
| Increase (decrease) in claims and judgments payable | - | - | - |
| Net cash provided by (used for) operating activities | <u>\$ (62,129)</u> | <u>791,191</u> | <u>165,016</u> |

| Insurance Liability Fund | Healthcare Fund | Building Maintenance Fund | Total |
|--------------------------------|--------------------|---------------------------------|-------------------|
| 1,450,459 | 5,250,875 | 6,671 | 7,694,741 |
| (1,033,895) | (5,559,243) | - | (6,685,796) |
| <u>(445,834)</u> | <u>75,858</u> | <u>-</u> | <u>(369,976)</u> |
| <u>(29,270)</u> | <u>(232,510)</u> | <u>6,671</u> | <u>638,969</u> |
| 57,415 | - | - | 57,415 |
| 146,917 | 3,200,000 | 200,000 | 3,624,501 |
| <u>-</u> | <u>-</u> | <u>(484,321)</u> | <u>(484,321)</u> |
| <u>204,332</u> | <u>3,200,000</u> | <u>(284,321)</u> | <u>3,197,595</u> |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>(492,791)</u> |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>(492,791)</u> |
| <u>21,907</u> | <u>30,864</u> | <u>8,693</u> | <u>138,356</u> |
| <u>21,907</u> | <u>30,864</u> | <u>8,693</u> | <u>138,356</u> |
| 196,969 | 2,998,354 | (268,957) | 3,482,129 |
| <u>2,552,969</u> | <u>2,131,099</u> | <u>1,202,696</u> | <u>8,427,456</u> |
| <u>2,749,938</u> | <u>5,129,453</u> | <u>933,739</u> | <u>11,909,585</u> |
| (44,930) | (323,672) | 180 | (291,465) |
| - | - | - | 758,979 |
| (16,182) | 10,828 | - | (11,088) |
| 12,634 | 5,112 | 6,491 | 36,004 |
| - | 94 | - | 94 |
| 19,208 | (730) | - | 70,200 |
| - | - | - | 387 |
| <u>-</u> | <u>75,858</u> | <u>-</u> | <u>75,858</u> |
| <u>(29,270)</u> | <u>(232,510)</u> | <u>6,671</u> | <u>638,969</u> |



DESCRIPTIONS OF AGENCY FUNDS

Agency Funds account for assets held by the governmental unit in the capacity of agent for individuals, governmental entities, and non-public organizations.

The Agency Funds used to account for monies held by the City in a fiduciary capacity are as follows:

The Fostoria Assessment District Fund is used to account for the special assessment bonds issued for the purpose of public improvements by the Fostoria Parkway Assessment District.

The Cree Court Assessment District Fund is used to account for the debt issued to finance infrastructure improvements and facilities within its boundaries.

The SCCJEP A Trust Fund and the Tri-Valley Transportation (TVTC) Trust Fund are the other funds used to account for activities for which the City is acting only as an agent.

The Helping Hands Program is used to account for donations for Hurricane Katrina victims.

The Tri-Valley TBID Fund is used to account for the collection of Tri-Valley Tourism Business Improvement District assessment on lodging businesses for which the City is acting only as an agent.

The DV Performing Arts Theater Fund is used to account for funds related to cultural and theater arts.

CITY OF SAN RAMON
 Agency Funds
 Combining Balance Sheet
 June 30, 2010

| | <u>Fostoria Assessment District Fund</u> | <u>Cree Court Assessment District Fund</u> | <u>SCCJEP Trust Fund</u> | <u>TVTC Trust Fund</u> |
|--------------------------|--|--|------------------------------|----------------------------|
| Assets: | | | | |
| Cash and investments | \$ 112,883 | 65,051 | 99,799 | 1,384,802 |
| Interest receivable | <u>164</u> | <u>124</u> | <u>188</u> | <u>2,678</u> |
| Total assets | <u>\$ 113,047</u> | <u>65,175</u> | <u>99,987</u> | <u>1,387,480</u> |
| Liabilities: | | | | |
| Due to bondholders | \$ 113,047 | 65,175 | - | - |
| Due to other governments | <u>-</u> | <u>-</u> | <u>99,987</u> | <u>1,387,480</u> |
| Total liabilities | <u>\$ 113,047</u> | <u>65,175</u> | <u>99,987</u> | <u>1,387,480</u> |

| <u>Helping Hands Program</u> | <u>Tri-Valley TBID Fund</u> | <u>DV Performing Arts Theater</u> | <u>Total</u> |
|----------------------------------|---------------------------------|---------------------------------------|------------------|
| 1,802 | 44,838 | 82,149 | 1,791,324 |
| <u>3</u> | <u>-</u> | <u>714</u> | <u>3,871</u> |
| <u>1,805</u> | <u>44,838</u> | <u>82,863</u> | <u>1,795,195</u> |
| - | - | - | 178,222 |
| <u>1,805</u> | <u>44,838</u> | <u>82,863</u> | <u>1,616,973</u> |
| <u>1,805</u> | <u>44,838</u> | <u>82,863</u> | <u>1,795,195</u> |

CITY OF SAN RAMON
Agency Funds
Statement of Changes in Assets and Liabilities
Fiscal year ended June 30, 2010

| | <u>Balance</u> <u>June 30, 2009</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2010</u> |
|--|--|------------------|------------------|--|
| <hr/> <u>Fostoria Assessment District Fund</u> <hr/> | | | | |
| <u>Assets</u> | | | | |
| Restricted cash and investments | \$ 109,213 | 3,670 | - | 112,883 |
| Interest receivable | <u>564</u> | <u>-</u> | <u>400</u> | <u>164</u> |
| Total assets | <u>\$ 109,777</u> | <u>3,670</u> | <u>400</u> | <u>113,047</u> |
| <u>Liabilities</u> | | | | |
| Due to bondholders | \$ 109,777 | <u>3,670</u> | <u>400</u> | <u>113,047</u> |
| Total liabilities | <u>\$ 109,777</u> | <u>3,670</u> | <u>400</u> | <u>113,047</u> |
| <hr/> <u>Cree Court Assessment District Fund</u> <hr/> | | | | |
| <u>Assets</u> | | | | |
| Restricted cash and investments | \$ 64,187 | 864 | - | 65,051 |
| Interest receivable | <u>375</u> | <u>-</u> | <u>251</u> | <u>124</u> |
| Total assets | <u>\$ 64,562</u> | <u>864</u> | <u>251</u> | <u>65,175</u> |
| <u>Liabilities</u> | | | | |
| Due to bondholders | \$ 64,562 | <u>864</u> | <u>251</u> | <u>65,175</u> |
| Total liabilities | <u>\$ 64,562</u> | <u>864</u> | <u>251</u> | <u>65,175</u> |
| <hr/> <u>SCCJEP A Trust Fund</u> <hr/> | | | | |
| <u>Assets</u> | | | | |
| Restricted cash and investments | \$ 102 | 99,697 | - | 99,799 |
| Interest receivable | <u>1</u> | <u>187</u> | <u>-</u> | <u>188</u> |
| Total assets | <u>\$ 103</u> | <u>99,884</u> | <u>-</u> | <u>99,987</u> |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ 103 | <u>99,884</u> | <u>-</u> | <u>99,987</u> |
| Total liabilities | <u>\$ 103</u> | <u>99,884</u> | <u>-</u> | <u>99,987</u> |

CITY OF SAN RAMON
Agency Funds (Continued)
Statement of Changes in Assets and Liabilities
Fiscal year ended June 30, 2010

| | <u>Balance</u> <u>June 30, 2009</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2010</u> |
|---------------------------------|--|------------------|------------------|--|
| <u>TVTC Trust Fund</u> | | | | |
| <u>Assets</u> | | | | |
| Restricted cash and investments | \$ 4,228,730 | - | 2,843,928 | 1,384,802 |
| Interest receivable | 29,364 | - | 26,686 | 2,678 |
| Total assets | <u>\$ 4,258,094</u> | <u>-</u> | <u>2,870,614</u> | <u>1,387,480</u> |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ 4,258,094 | - | 2,870,614 | 1,387,480 |
| Total liabilities | <u>\$ 4,258,094</u> | <u>-</u> | <u>2,870,614</u> | <u>1,387,480</u> |
| <u>Helping Hands Program</u> | | | | |
| <u>Assets</u> | | | | |
| Restricted cash and investments | \$ 1,773 | 29 | - | 1,802 |
| Interest receivable | 12 | - | 9 | 3 |
| Total assets | <u>\$ 1,785</u> | <u>29</u> | <u>9</u> | <u>1,805</u> |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ 1,785 | 29 | 9 | 1,805 |
| Total liabilities | <u>\$ 1,785</u> | <u>29</u> | <u>9</u> | <u>1,805</u> |
| <u>Tri-Valley TBID</u> | | | | |
| <u>Assets</u> | | | | |
| Restricted cash and investments | \$ 28,443 | 16,395 | - | 44,838 |
| Total Assets | <u>\$ 28,443</u> | <u>16,395</u> | <u>-</u> | <u>44,838</u> |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ 28,443 | 16,395 | - | 44,838 |
| Total liabilities | <u>\$ 28,443</u> | <u>16,395</u> | <u>-</u> | <u>44,838</u> |

CITY OF SAN RAMON
Agency Funds (Continued)
Statement of Changes in Assets and Liabilities
Fiscal year ended June 30, 2010

| | Balance June 30, 2009 | Additions | Deletions | Balance June 30, 2010 |
|---|--------------------------|----------------|------------------|--------------------------|
| <hr/> <u>DV Performing Arts Theater</u> <hr/> | | | | |
| <u>Assets</u> | | | | |
| Restricted cash and investments | \$ 30,910 | 51,239 | - | 82,149 |
| Interest receivable | - | 714 | - | 714 |
| Total assets | <u>\$ 30,910</u> | <u>51,953</u> | <u>-</u> | <u>82,863</u> |
| <u>Liabilities</u> | | | | |
| Due to other government | \$ 30,910 | 51,953 | - | 82,863 |
| Total liabilities | <u>\$ 30,910</u> | <u>51,953</u> | <u>-</u> | <u>82,863</u> |
| <hr/> <u>Total Agency Funds</u> <hr/> | | | | |
| <u>Assets</u> | | | | |
| Restricted cash and investments | \$ 4,463,358 | 171,894 | 2,843,928 | 1,791,324 |
| Interest receivable | 30,316 | 901 | 27,346 | 3,871 |
| Total assets | <u>\$ 4,493,674</u> | <u>172,795</u> | <u>2,871,274</u> | <u>1,795,195</u> |
| <u>Liabilities</u> | | | | |
| Due to bondholders | \$ 174,339 | 4,534 | 651 | 178,222 |
| Due to other governments | 4,319,335 | 168,261 | 2,870,623 | 1,616,973 |
| Total liabilities | <u>\$ 4,493,674</u> | <u>172,795</u> | <u>2,871,274</u> | <u>1,795,195</u> |

STATISTICAL SECTION



CITY OF SAN RAMON
Miscellaneous Statistical Data
June 30, 2010

This part of the City of San Ramon 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 government's overall financial health.

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| | <i>Page(s)</i> |
|---|----------------|
| Financial Trends | |
| <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i> | 132 - 149 |
| Revenue Capacity | |
| <i>These schedules contain trend information to help the reader assess the government's most significant current local revenue source, the property tax.</i> | 150 - 156 |
| Debt Capacity | |
| <i>These schedules contain present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i> | 157 - 163 |
| Demographic and Economic Information | |
| <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i> | 164 - 169 |
| Operating Information | |
| <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i> | 170 - 174 |

CITY OF SAN RAMON
Government-wide Revenues by Source
Last Eight Fiscal Years

Program Revenues

Operating

| Fiscal Year | Charges for Service | Operating Grants and Contribution | Capital Grants and Contributions |
|--------------------|----------------------------|--|---|
| 2003 | \$ 5,087,937 | \$ 2,108,757 | \$ 7,395,709 |
| 2004 | 4,610,184 | 7,863,622 | - |
| 2005 | 8,557,192 | 7,423,584 | - |
| 2006 | 7,532,215 | 19,862,455 | 16,850,513 |
| 2007 | 8,413,504 | 22,226,351 | 20,011,852 |
| 2008 | 8,427,787 | 20,157,260 | 83,368,962 |
| 2009 | 8,772,167 | 18,686,921 | 63,437,561 |
| 2010 | 7,801,868 | 25,564,895 | 41,818,078 |

Source: City of San Ramon Finance Department.

The City of San Ramon has elected to show only eight years of data for this schedule.

General Revenues

| Taxes | Grants and Contributions not Restricted to Specific Programs | Unrestricted Investment Earnings | Miscellaneous | Total |
|---------------|---|---|----------------------|---------------|
| \$ 28,318,416 | \$ - | \$ 2,769,029 | \$ 121,128 | \$ 45,800,976 |
| 30,634,673 | - | 580,225 | 634,249 | 44,322,953 |
| 29,248,700 | 1,254,093 | 1,222,168 | 325,160 | 48,030,899 |
| 31,206,365 | 366,736 | 1,631,989 | 3,573,450 | 81,023,723 |
| 36,700,878 | 663,381 | 5,776,976 | 3,926,129 | 97,719,071 |
| 37,425,269 | 349,903 | 6,899,560 | 354,417 | 156,983,158 |
| 43,657,423 | 296,468 | 4,366,204 | 2,435,411 | 141,652,155 |
| 36,641,877 | 615,652 | 1,571,949 | 815,954 | 114,830,273 |

CITY OF SAN RAMON
Government-wide Expenses by Function
Last Eight Fiscal Years

| Fiscal Year | General Government | Community Development | Redevelopment Activities |
|--------------------|---------------------------|----------------------------------|-------------------------------------|
| 2003 | \$ 5,721,358 | \$ 2,803,230 | \$ 1,831,538 |
| 2004 | 4,984,152 | 3,980,696 | 3,537,654 |
| 2005 | 6,561,353 | 2,480,184 | 2,738,552 |
| 2006 | 10,171,862 | 2,752,098 | 3,337,071 |
| 2007 | 8,872,067 | 3,398,890 | 7,399,338 |
| 2008 | 6,171,414 | 3,621,282 | 4,541,600 |
| 2009 | 5,788,545 | 3,668,601 | 5,606,182 |
| 2010 | 4,752,394 | 5,046,559 | 7,409,543 |

Source: City of San Ramon Finance Department.

The City of San Ramon has elected to show only eight years of data for this schedule.

| Police Services | Public Works | Parks & Comm. Services | Debt Service | Total |
|------------------------|---------------------|---------------------------------------|---------------------|---------------|
| \$ 7,612,274 | \$ 13,122,523 | \$ 5,292,684 | \$ 2,804,477 | \$ 39,188,084 |
| 7,860,626 | 6,364,292 | 8,289,863 | 2,947,245 | 37,964,528 |
| 8,916,523 | 13,926,655 | 5,763,481 | 2,688,557 | 43,075,305 |
| 10,735,267 | 22,049,699 | 6,725,942 | 2,592,406 | 58,364,345 |
| 13,252,963 | 21,932,969 | 9,493,124 | 3,522,550 | 67,871,901 |
| 13,447,852 | 36,268,552 | 8,157,575 | 4,924,869 | 77,133,144 |
| 15,060,970 | 39,132,983 | 8,745,298 | 4,818,092 | 82,820,671 |
| 15,752,533 | 44,650,311 | 7,756,449 | 6,323,261 | 91,691,050 |

CITY OF SAN RAMON
General Governmental Revenues by Source
Last Ten Fiscal Years

| Fiscal Year | Taxes | License and Permits | Intergovernmental | Charges for Services | Fines and Forfeitures |
|--------------------|---------------|----------------------------|--------------------------|-----------------------------|------------------------------|
| 2001 | \$ 26,331,854 | \$ 840,265 | \$ 5,810,392 | \$ 2,466,754 | \$ 500,478 |
| 2002 | 24,879,988 | 899,377 | 5,829,209 | 2,475,497 | 430,586 |
| 2003 | 22,647,675 | 792,698 | 9,857,042 | 2,792,547 | 452,187 |
| 2004 | 24,163,790 | 903,976 | 5,374,327 | 3,342,586 | 390,746 |
| 2005 | 29,248,700 | 1,089,540 | 6,095,602 | 3,778,252 | 436,972 |
| 2006 | 31,206,365 | 1,319,273 | 8,904,169 | 4,731,119 | 485,682 |
| 2007 | 37,346,861 | 1,481,633 | 10,546,945 | 5,217,517 | 584,705 |
| 2008 | 37,425,270 | 1,379,798 | 11,840,753 | 4,958,357 | 479,942 |
| 2009 | 43,657,423 | 836,242 | 12,248,364 | 5,303,292 | 500,815 |
| 2010 | 34,329,295 | 973,817 | 18,470,532 | 6,000,557 | 443,864 |

Source: City of San Ramon Finance Department

| Investment | | Special | | | |
|-------------------|-----------------------|--------------------|----------------------|-----------------------|--|
| Income | Developer Fees | Assessments | Miscellaneous | Total Revenues | |
| \$ 7,185,734 | \$ 1,268,788 | \$ 2,945,946 | \$ 1,983,927 | \$ 49,334,138 | |
| 4,531,390 | 1,443,426 | 3,057,337 | 1,052,071 | 44,598,881 | |
| 3,073,929 | 1,909,791 | 3,186,778 | 1,150,800 | 45,863,447 | |
| 564,783 | 5,659,443 | 3,579,965 | 1,798,222 | 45,777,838 | |
| 1,222,178 | 842,444 | 3,952,965 | 1,364,246 | 48,030,899 | |
| 1,632,655 | 7,289,744 | 4,120,349 | 2,781,321 | 62,470,677 | |
| 5,432,436 | 4,023,010 | 4,723,624 | 1,580,120 | 70,936,851 | |
| 6,532,710 | 3,173,952 | 5,062,682 | 2,026,250 | 72,879,714 | |
| 5,229,847 | 1,099,258 | 5,367,469 | 2,353,447 | 76,596,157 | |
| 1,569,096 | 1,419,413 | 5,447,926 | 4,338,019 | 72,992,519 | |

CITY OF SAN RAMON
Tax Revenue by Source
Last Ten Fiscal Years

| Fiscal Year | | | Transient | | Property | | Total Revenues |
|--------------------|-----------------|------------------------|------------------|------------------|-----------------|---------------|-----------------------|
| | Property | Sales & Use | Occupancy | Franchise | Transfer | | |
| 2001 | \$ 10,086,240 | \$ 11,638,696 | \$ 2,266,625 | \$ 1,978,145 | \$ 362,148 | \$ 26,331,854 | |
| 2002 | 11,467,631 | 8,847,820 | 1,859,629 | 2,325,352 | 379,556 | 24,879,988 | |
| 2003 | 11,340,876 | 7,798,202 | 1,595,508 | 1,456,157 | 456,932 | 22,647,675 | |
| 2004 | 12,228,181 | 7,930,474 | 1,497,744 | 1,822,788 | 684,603 | 24,163,790 | |
| 2005 | 15,366,081 | 8,838,140 | 1,673,075 | 2,482,431 | 888,973 | 29,248,700 | |
| 2006 | 16,848,973 | 8,519,497 | 1,796,136 | 2,953,202 | 1,088,557 | 31,206,365 | |
| 2007 | 22,337,358 | 9,279,509 | 1,998,354 | 2,892,311 | 839,329 | 37,346,861 | |
| 2008 | 22,305,788 | 9,241,599 | 1,979,708 | 3,233,907 | 664,267 | 37,425,269 | |
| 2009 | 23,364,635 | 14,870,719 | 1,566,201 | 3,416,994 | 438,874 | 43,657,423 | |
| 2010 | 22,388,243 | 6,657,222 | 1,247,315 | 3,498,870 | 537,645 | 34,329,295 | |

| | | | | | | |
|-----------|--------|-------|--------|-------|------|-------|
| Change | | | | | | |
| 2001-2010 | 133.2% | 11.7% | -11.9% | 86.7% | 5.3% | 62.1% |

Source: City of San Ramon Finance Department



CITY OF SAN RAMON
General Governmental Expenditures by Function
Last Ten Fiscal Years

| Fiscal Year | General Government | Community Development | Police Services | Public Works |
|--------------------|---------------------------|------------------------------|------------------------|---------------------|
| 2001 | \$ 4,550,234 | \$ 2,965,175 | \$ 5,674,784 | \$ 10,090,567 |
| 2002 | 5,366,063 | 3,002,067 | 6,435,783 | 11,625,993 |
| 2003 | 5,682,995 | 2,721,909 | 7,602,660 | 12,833,695 |
| 2004 | 4,666,852 | 2,013,374 | 7,488,081 | 11,878,771 |
| 2005 | 4,432,084 | 2,382,249 | 8,675,067 | 12,996,749 |
| 2006 | 5,764,422 | 2,644,053 | 10,508,407 | 14,403,182 |
| 2007 | 4,947,159 | 2,989,056 | 12,393,830 | 16,376,909 |
| 2008 | 5,366,166 | 3,545,656 | 13,438,237 | 18,634,385 |
| 2009 | 5,249,193 | 3,592,975 | 15,051,354 | 20,685,827 |
| 2010 | 5,541,732 | 4,911,940 | 15,561,712 | 21,106,497 |

Source: City of San Ramon Finance Department.

| Parks & Community Services | Redevelopment | Capital Projects | Debt Service | Total |
|---|----------------------|-------------------------|---------------------|---------------|
| \$ 4,036,525 | \$ 1,423,670 | \$ 12,499,115 | \$ 18,627,669 | \$ 59,867,739 |
| 4,320,223 | 1,825,940 | 13,722,652 | 6,961,895 | 53,260,616 |
| 4,909,669 | 1,831,540 | 7,829,651 | 4,251,759 | 47,663,878 |
| 4,844,394 | 3,922,297 | 4,064,885 | 4,386,783 | 43,265,437 |
| 5,248,041 | 2,737,762 | 6,717,023 | 4,784,687 | 47,973,662 |
| 5,992,324 | 2,516,281 | 4,525,437 | 4,561,571 | 50,915,677 |
| 6,713,338 | 8,042,285 | 18,253,987 | 6,582,194 | 76,298,758 |
| 7,255,301 | 4,541,600 | 14,164,296 | 7,196,023 | 74,141,664 |
| 7,813,864 | 5,624,588 | 19,955,868 | 7,381,467 | 85,355,136 |
| 7,615,877 | 7,365,258 | 16,507,061 | 8,722,374 | 87,332,451 |

CITY OF SAN RAMON
Net Assets by Component
Last Eight Fiscal Years
(accrual basis of accounting)

| | <u>2003</u> | <u>2004</u> | <u>2005</u> |
|--|----------------------|-----------------------|-----------------------|
| Governmental activities: | | | |
| Invested in capital assets, net of related debt | \$ 27,140,679 | \$ 36,458,512 | \$ 40,721,363 |
| Restricted | 9,477,932 | 9,483,553 | 9,904,740 |
| Unrestricted | <u>58,599,450</u> | <u>56,298,824</u> | <u>57,181,868</u> |
| Total governmental activities net assets | <u>\$ 95,218,061</u> | <u>\$ 102,240,889</u> | <u>\$ 107,807,971</u> |

The City of San Ramon has elected to show only eight years of data for this schedule.

| 2006 | 2007 | 2008 | 2009 | 2010 |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 54,623,748 | \$ 161,185,738 | \$ 308,079,659 | \$ 364,411,397 | \$ 355,683,194 |
| 10,472,821 | 56,678,279 | 44,630,931 | 41,080,968 | 1,983,532 |
| <u>65,370,780</u> | <u>73,326,349</u> | <u>18,329,790</u> | <u>24,379,499</u> | <u>95,344,361</u> |
| <u>\$ 130,467,349</u> | <u>\$ 291,190,366</u> | <u>\$ 371,040,380</u> | <u>\$ 429,871,864</u> | <u>\$ 453,011,087</u> |

CITY OF SAN RAMON
Changes in Net Assets
Last Eight Fiscal Years
(accrual basis of accounting)

| | June 30, 2010 | | |
|--|---------------------|-------------------|-------------------|
| | 2003 | 2004 | 2005 |
| Expenses: | | | |
| Governmental activities: | | | |
| General government | \$ 5,721,358 | \$ 4,984,152 | \$ 6,561,353 |
| Community development | 2,803,230 | 3,980,696 | 2,480,184 |
| Redevelopment activities | 1,831,538 | 3,537,654 | 2,738,552 |
| Police services | 7,612,274 | 7,860,626 | 8,916,523 |
| Public services | 13,122,523 | 6,364,292 | 13,926,655 |
| Parks and community service | 5,292,684 | 8,289,863 | 5,763,481 |
| Interest on long-term debt | 2,804,477 | 2,947,245 | 2,688,557 |
| Total governmental activities expenses | <u>39,188,084</u> | <u>37,964,528</u> | <u>43,075,305</u> |
| Program revenues: | | | |
| Governmental activities: | | | |
| Charges for services: | | | |
| General government | 289,652 | 333,963 | 400,596 |
| Community development | 1,263,157 | 1,539,782 | 1,836,333 |
| Redevelopment activities | 163,245 | - | 5,524 |
| Police services | 602,334 | 2,584 | 648,746 |
| Public services | 396,007 | 259,092 | 2,786,545 |
| Park and community service | 2,373,542 | 2,474,763 | 2,879,448 |
| Operating grants and contributions | 2,108,757 | 7,863,622 | 7,423,584 |
| Capital grants and contributions | <u>7,395,709</u> | <u>-</u> | <u>-</u> |
| Total governmental activities program revenues | <u>14,592,403</u> | <u>12,473,806</u> | <u>15,980,776</u> |
| Net revenues (expenses): | (24,595,681) | (25,490,722) | (27,094,529) |
| General revenues and other changes in net assets: | | | |
| Governmental activities: | | | |
| Taxes: | | | |
| Property tax, levied for general purpose | 6,860,195 | 10,848,832 | 10,279,625 |
| Property tax, Redevelopment Agency tax increment | 4,192,294 | 3,067,792 | 5,086,456 |
| Transient occupancy tax | 1,595,508 | 1,497,744 | 1,673,075 |
| Franchise tax | 1,456,157 | 1,822,788 | 2,482,431 |
| Sales tax | 7,798,202 | 7,930,474 | 8,838,140 |
| Property transfer tax | - | - | 888,973 |
| Intergovernmental, unrestricted | - | - | 1,254,093 |
| Motor vehicle in lieu | 2,772,350 | 2,072,853 | - |
| Other taxes | 3,643,710 | 3,394,190 | 325,160 |
| Investment income | 2,769,029 | 580,225 | 1,222,168 |
| Other general revenues | 121,128 | 634,249 | - |
| Total governmental activities | <u>31,208,573</u> | <u>31,849,147</u> | <u>32,050,121</u> |
| Changes in net assets | <u>\$ 6,612,892</u> | <u>6,358,425</u> | <u>4,955,592</u> |

The City of San Ramon has elected to show only eight years of data for this schedule.

| June 30, 2010 | | | | |
|-------------------|-------------------|--------------------|-------------------|-------------------|
| 2006 | 2007 | 2008 | 2009 | 2010 |
| \$ 10,171,862 | \$ 8,872,067 | \$ 6,171,414 | \$ 5,788,545 | \$ 4,752,394 |
| 2,752,098 | 3,398,890 | 3,621,282 | 3,668,601 | 5,046,559 |
| 3,337,071 | 7,399,338 | 4,541,600 | 5,606,182 | 7,409,543 |
| 10,735,267 | 13,252,963 | 13,447,852 | 15,060,970 | 15,752,533 |
| 22,049,699 | 21,932,969 | 36,268,552 | 39,132,983 | 44,650,311 |
| 6,725,942 | 9,493,124 | 8,157,575 | 8,745,298 | 7,756,449 |
| <u>2,592,406</u> | <u>3,522,550</u> | <u>4,924,869</u> | <u>4,818,092</u> | <u>6,323,261</u> |
| <u>58,364,345</u> | <u>67,871,901</u> | <u>77,133,144</u> | <u>82,820,671</u> | <u>91,691,050</u> |
| 412,303 | 680,714 | 564,543 | 249,447 | 261,797 |
| 2,334,610 | 2,805,636 | 2,584,480 | 1,528,803 | 1,565,754 |
| 890 | 1,909 | - | 1,347,142 | 3,525 |
| 681,056 | 762,755 | 682,255 | 713,969 | 668,991 |
| 742,147 | 312,491 | 435,807 | 539,834 | 846,281 |
| 3,361,209 | 3,849,999 | 4,160,702 | 4,392,972 | 4,455,520 |
| 19,862,455 | 22,226,351 | 20,157,260 | 18,686,921 | 25,564,895 |
| <u>16,850,513</u> | <u>20,011,852</u> | <u>83,368,962</u> | <u>63,437,561</u> | <u>41,818,078</u> |
| <u>44,245,183</u> | <u>50,651,707</u> | <u>111,954,009</u> | <u>90,896,649</u> | <u>75,184,841</u> |
| (14,119,162) | (17,220,194) | 34,820,865 | 8,075,978 | (16,506,209) |
| 11,508,092 | 14,039,077 | 14,345,904 | 14,525,239 | 13,930,189 |
| 5,340,881 | 7,652,298 | 7,959,884 | 8,839,396 | 8,458,054 |
| 1,796,136 | 1,998,354 | 1,979,708 | 1,566,201 | 1,247,315 |
| 2,953,202 | 2,892,311 | 3,233,907 | 3,416,994 | 3,498,870 |
| 8,519,497 | 9,279,509 | 9,241,599 | 14,870,719 | 8,969,804 |
| 1,088,557 | 839,329 | 664,267 | 438,874 | 537,645 |
| 366,736 | 663,381 | 349,903 | 296,468 | 615,652 |
| - | - | - | - | - |
| - | - | - | - | - |
| 1,631,989 | 5,776,976 | 6,899,560 | 4,366,204 | 1,571,949 |
| 3,573,450 | 3,926,129 | 354,417 | 2,435,411 | 815,954 |
| <u>36,778,540</u> | <u>47,067,364</u> | <u>45,029,149</u> | <u>50,755,506</u> | <u>39,645,432</u> |
| <u>22,659,378</u> | <u>29,847,170</u> | <u>79,850,014</u> | <u>58,831,484</u> | <u>23,139,223</u> |

CITY OF SAN RAMON
Fund Balances of Governmental Funds
Last Eight Fiscal Years
(modified accrual basis of accounting)

| | June 30, 2010 | | |
|------------------------------------|----------------------|-------------------|-------------------|
| | <u>2003</u> | <u>2004</u> | <u>2005</u> |
| General fund: | | | |
| Reserved | \$ - | \$ - | \$ 213,267 |
| Unreserved | <u>28,474,575</u> | <u>21,501,069</u> | <u>26,007,402</u> |
| Total general fund | <u>\$ 28,474,575</u> | <u>21,501,069</u> | <u>26,220,669</u> |
| All other governmental funds: | | | |
| Reserved for: | | | |
| Encumbrances | - | - | - |
| Advances to other funds | - | - | - |
| Housing set-aside | 3,701,111 | 3,771,110 | 4,005,258 |
| Housing-capital projects | - | - | - |
| Land held for resale | - | - | - |
| Debt Service | 5,723,938 | 5,712,443 | 5,899,482 |
| Prepaid and deposits | - | - | - |
| Special revenue funds | - | - | 304,137 |
| Unreserved, reported in: | - | - | - |
| Special revenue funds | 25,470,282 | 22,213,799 | 20,046,598 |
| Debt Service | - | - | - |
| Capital projects funds | <u>943,955</u> | <u>8,442,244</u> | <u>6,738,595</u> |
| Total all other governmental funds | <u>\$ 35,839,286</u> | <u>40,139,596</u> | <u>36,994,070</u> |

The City of San Ramon has elected to show only eight years of data for this schedule.

| June 30, 2010 | | | | |
|-------------------|-------------------|-------------------|-------------------|-------------------|
| 2006 | 2007 | 2008 | 2009 | 2010 |
| \$ 398,085 | \$ 319,276 | \$ 626,839 | \$ 220,964 | \$ 173,074 |
| <u>30,246,227</u> | <u>35,354,146</u> | <u>35,646,047</u> | <u>37,039,609</u> | <u>7,632,904</u> |
| <u>30,644,312</u> | <u>35,673,422</u> | <u>36,272,886</u> | <u>37,260,573</u> | <u>7,805,978</u> |
| - | - | - | - | 2,644,177 |
| - | - | - | - | 2,888,859 |
| 2,039,079 | 2,343,700 | 1,379,634 | 298,497 | 662,851 |
| 2,407,526 | 6,565,554 | 2,389,945 | 4,915,912 | - |
| 1,750,000 | 1,750,000 | 1,750,000 | 1,750,000 | 3,091,868 |
| 6,026,216 | 48,703,794 | 43,644,891 | 34,936,559 | 16,941,528 |
| - | - | - | - | 9,713 |
| 1,458,753 | 333,470 | 229,898 | 201,466 | - |
| - | - | - | - | - |
| 19,363,080 | 23,053,905 | 19,847,931 | 15,213,218 | 23,143,275 |
| - | - | - | - | 17,526,136 |
| <u>11,324,824</u> | <u>5,398,576</u> | <u>15,973,609</u> | <u>16,004,090</u> | <u>19,051,477</u> |
| <u>44,369,478</u> | <u>88,148,999</u> | <u>85,215,908</u> | <u>73,319,742</u> | <u>85,959,884</u> |

CITY OF SAN RAMON
Changes in Fund Balances of Governmental Funds
Last Eight Fiscal Years
(modified accrual basis of accounting)

| | June 30, 2010 | | |
|---|-----------------------|-----------------------|-------------------|
| | 2003 | 2004 | 2005 |
| Revenues: | | | |
| Taxes | \$ 22,647,675 | \$ 24,163,790 | \$ 29,248,700 |
| Licenses and permits | 792,698 | 903,976 | 1,089,540 |
| Fines and forfeitures | 452,187 | 390,746 | 436,972 |
| Investment income | 3,073,929 | 564,783 | 1,222,178 |
| Intergovernmental | 9,857,042 | 5,374,327 | 6,095,602 |
| Developer fees | 1,909,791 | 5,659,443 | 842,444 |
| Charges for services | 2,792,547 | 3,342,586 | 3,778,252 |
| Special district assessments | 3,186,778 | 3,579,965 | 3,952,965 |
| Miscellaneous | 1,150,800 | 1,798,222 | 1,364,246 |
| Total revenues | <u>45,863,447</u> | <u>45,777,838</u> | <u>48,030,899</u> |
| Expenditures | | | |
| Current: | | | |
| General government | 5,683,004 | 4,666,852 | 4,432,084 |
| Community development | 2,721,909 | 2,013,374 | 2,382,249 |
| Police Services | 7,602,659 | 7,488,081 | 8,675,067 |
| Public works | 12,833,691 | 11,878,771 | 12,996,749 |
| Parks & community services | 4,909,669 | 4,844,394 | 5,248,041 |
| Redevelopment | 1,831,538 | 3,922,297 | 2,737,762 |
| Capital Outlay | 7,829,647 | 4,064,885 | 6,717,023 |
| Debt service: | | | |
| Principal retirement | 1,325,000 | 1,515,000 | 1,510,000 |
| Interest and fees | 2,926,758 | 2,871,783 | 3,748,925 |
| Total expenditures | <u>47,663,875</u> | <u>43,265,437</u> | <u>48,447,900</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,800,428)</u> | <u>2,512,401</u> | <u>(417,001)</u> |
| Other financing sources (uses): | | | |
| Transfers in | 17,217,506 | 20,053,533 | 17,316,805 |
| Transfers out | (17,224,219) | (25,903,533) | (17,316,805) |
| Issuance of bonds | 2,583,468 | - | 8,615,347 |
| Payment to bond escrow agent | (2,576,928) | - | (7,235,762) |
| Total other financing sources (uses) | <u>(173)</u> | <u>(5,850,000)</u> | <u>1,379,585</u> |
| Net change in fund balances | <u>\$ (1,800,601)</u> | <u>\$ (3,337,599)</u> | <u>\$ 962,584</u> |

Debt service as a percentage of noncapital expenditures

The City of San Ramon has elected to show only eight years of data for this schedule.

June 30, 2010

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|----|-------------------|----------------------|-----------------------|-----------------------|-----------------------|
| \$ | 31,206,365 | \$ 37,346,861 | \$ 37,425,270 | \$ 43,657,423 | \$ 34,329,295 |
| | 1,319,273 | 1,481,633 | 1,379,798 | 836,242 | 973,817 |
| | 485,682 | 584,705 | 6,532,710 | 500,815 | 443,864 |
| | 1,632,655 | 5,432,436 | 11,840,753 | 5,229,847 | 1,569,096 |
| | 8,904,169 | 10,546,945 | 3,173,952 | 12,248,364 | 18,470,532 |
| | 7,289,744 | 4,023,010 | 4,958,357 | 1,099,258 | 1,419,413 |
| | 4,731,119 | 5,217,517 | 479,942 | 5,303,292 | 6,000,557 |
| | 4,120,349 | 4,723,624 | 5,062,682 | 5,367,469 | 5,447,926 |
| | 2,781,321 | 1,580,120 | 2,026,250 | 2,353,447 | 4,338,019 |
| | <u>62,470,677</u> | <u>70,936,851</u> | <u>72,879,714</u> | <u>76,596,157</u> | <u>72,992,519</u> |
| | 5,764,422 | 4,947,159 | 5,366,166 | 5,249,193 | 5,541,732 |
| | 2,644,053 | 2,989,056 | 3,545,656 | 3,592,975 | 4,911,940 |
| | 10,508,407 | 12,393,830 | 4,541,600 | 15,051,354 | 15,561,712 |
| | 14,403,182 | 16,376,909 | 13,438,237 | 20,685,827 | 21,106,497 |
| | 5,992,324 | 6,713,338 | 18,634,385 | 7,813,864 | 7,615,877 |
| | 2,516,281 | 8,042,285 | 7,255,301 | 5,624,588 | 7,365,258 |
| | 4,525,437 | 18,253,987 | 14,164,296 | 19,955,868 | 16,507,061 |
| | 1,805,000 | 1,914,911 | 2,270,000 | 2,560,000 | 2,980,000 |
| | 2,756,571 | 4,667,283 | 4,926,023 | 4,821,467 | 5,742,374 |
| | <u>50,915,677</u> | <u>76,298,758</u> | <u>74,141,664</u> | <u>85,355,136</u> | <u>87,332,451</u> |
| | <u>11,555,000</u> | <u>(5,361,907)</u> | <u>(1,261,950)</u> | <u>(8,758,979)</u> | <u>(14,339,932)</u> |
| | 29,592,630 | 34,729,686 | 41,981,839 | 51,574,276 | 73,873,057 |
| | (29,878,579) | (35,727,718) | (43,053,516) | (53,723,776) | (76,997,578) |
| | 530,000 | 55,168,571 | - | - | 17,380,247 |
| | - | - | - | - | (17,000,000) |
| | <u>244,051</u> | <u>54,170,539</u> | <u>(1,071,677)</u> | <u>(2,149,500)</u> | <u>(2,474,521)</u> |
| \$ | <u>11,799,051</u> | <u>\$ 48,808,632</u> | <u>\$ (2,333,627)</u> | <u>\$(10,908,479)</u> | <u>\$(16,814,453)</u> |

17%

11%

11%

11%

CITY OF SAN RAMON
Assessed Value and Estimated Actual of Taxable Property
Taxable Property
Last Ten Fiscal Years

| Fiscal Year ended June 30 | Secured | # | Unsecured | Taxable Assessed Value | Total Direct Tax Rate |
|--------------------------------------|----------------|----------|------------------|---------------------------------------|----------------------------------|
| 2001 | 5,812,953,477 | | 306,509,523 | 6,119,463,000 | 0.178% |
| 2002 | 6,625,521,538 | | 381,720,319 | 7,007,241,857 | 0.176% |
| 2003 | 7,259,480,059 | | 369,599,559 | 7,629,079,618 | 0.166% |
| 2004 | 7,900,522,510 | | 381,689,462 | 8,282,211,972 | 0.166% |
| 2005 | 9,191,578,847 | | 327,981,765 | 9,519,560,612 | 0.153% |
| 2006 * | 10,281,208,947 | | 317,172,631 | 10,598,381,578 | 0.148% |
| 2007 * | 12,724,401,220 | | 374,659,666 | 13,099,060,886 | 0.136% |
| 2008 * | 14,043,096,208 | | 401,846,354 | 14,444,942,562 | 0.132% |
| 2009 * | 14,657,651,750 | | 414,927,856 | 15,072,579,606 | 0.077% |
| 2010 * | 14,281,273,168 | | 396,128,906 | 14,677,402,074 | 0.077% |

Source: Contra Costa County Auditor-Controller's Office - Certificate of Assessed Valuation

* The 2006-2010 Taxable Assessed Valuation is the Total Gross Assessed Valuation less Homeowner's exemptions. 2001-2005 is the Total Gross Assessed Valuation less the Homeowner's and other exemptions.

Note:

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

CITY OF SAN RAMON
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

| Fiscal Year | City of San Ramon Direct Rate | Overlapping Rates | | | | TOTAL DIRECT RATE |
|--------------------|--------------------------------------|-------------------------------|-------------------------------|--|---|--------------------------|
| | | Bay Area Rapid Transit | East Bay Regional Park | San Ramon Unified School District | Contra Costa County Community Colleges | |
| 2001 | 0.1780 | 0.0000 | 0.0065 | 0.0249 | 0.0000 | 0.2094 |
| 2002 | 0.1760 | 0.0000 | 0.0072 | 0.0470 | 0.0000 | 0.2302 |
| 2003 | 0.1660 | 0.0000 | 0.0065 | 0.0001 | 0.0040 | 0.1766 |
| 2004 | 0.1660 | 0.0000 | 0.0057 | 0.0361 | 0.0038 | 0.2116 |
| 2005 | 0.1530 | 0.0000 | 0.0057 | 0.0517 | 0.0042 | 0.2146 |
| 2006 | 0.1484 | 0.0048 | 0.0057 | 0.0514 | 0.0047 | 0.2150 |
| 2007 | 0.1357 | 0.0050 | 0.0085 | 0.0533 | 0.0043 | 0.2018 |
| 2008 | 0.1317 | 0.0076 | 0.0080 | 0.0517 | 0.0108 | 0.1942 |
| 2009 | 0.0771 | 0.009 | 0.0100 | 0.0519 | 0.0066 | 0.0861 |
| 2010 | 0.0772 | 0.0057 | 0.0108 | 0.0587 | 0.0126 | 0.1650 |

Source: Contra Costa County Auditors Controller's Office

CITY OF SAN RAMON
Principal Sales Tax Producers (Listed Alphabetically)
For the Year Ended June 30, 2010

| FIRM | BUSINESS DESCRIPTION |
|----------------------------------|------------------------------|
| AT&T WIRELESS | SPECIALTY STORES |
| CHEVRON SERVICE STATIONS | SERVICE STATIONS |
| CVS/PHARMACY | DRUG STORES |
| DEVIL MOUNTAIN WHOLESALE NURSERY | NURSERY |
| ELEASE RETURNS | USED CAR SALES |
| ENGS LEASE PLAN | LEASING |
| FUEL & MARINE MARKETING | OIL & GAS PRODUCTS |
| HOME DEPOT | BUILDING MATERIALS STORE |
| INTERFORM COMMERCIAL DESIGNERS | OFFICE EQUIPMENT STORES |
| MAGNOLIA HOME THEATRE | APPLIANCE STORES |
| MARRIOTT HOTEL | HOTEL/FOOD/BAR SALES |
| MORGAN'S MASONRY SUPPLY | BUILDING MATERIALS WHOLESALE |
| OFFICE DEPOT | OFFICE EQUIPMENT STORES |
| OKONITE COMPANY | ELECTRONIC EQUIPMENT |
| ORCHARD SUPPLY HARDWARE | HARDWARE STORES |
| RICOH CORPORATION | ELECTRONIC EQUIPMENT |
| SAFEWAY STORES | SUPERMARKETS |
| SAVE MART SUPERMARKETS | SUPERMARKETS |
| SHELL SERVICE STATIONS | SERVICE STATIONS |
| TARGET STORES | DEPARTMENT STORES |
| TOYOTA MOTOR DISTRIBUTORS | VEHICLE PARTS MANUFACTURER |
| VALERO SERVICE STATIONS | SERVICE STATIONS |
| WHOLE FOODS MARKET | SUPERMARKETS |

Source: MBIA MuniServices Company



CITY OF SAN RAMON
Principal Property Taxpayers
Current Fiscal Year and Nine Years Ago
June 30, 2010

| Taxpayer | 2010 | | |
|---|--|-------------|---|
| | 2010 Assessed Valuation | Rank | Percentage of Total Taxable Assessed Value |
| Chevron USA Inc. | \$ 397,130,531 | 1 | 2.78% |
| Sunset Building Co. LLC/Sunset Land Co. LLC | 366,889,511 | 2 | 2.56% |
| Essex Portfolio LP/ Essex S.R.Partners LP | 245,713,771 | 3 | 1.72% |
| Shapell Industries Inc. | 239,733,540 | 4 | 1.68% |
| SDC 7 | 155,235,950 | 5 | 1.08% |
| Annabel Investment Company | 152,331,782 | 6 | 1.06% |
| Legacy III SR Crow Canyon LLC | 103,640,000 | 7 | 0.72% |
| Alexander Properties Co. | 93,125,412 | 8 | 0.65% |
| Wittschen Capital Resources LP | 72,571,591 | 9 | 0.51% |
| Brookfield Homes | 70,815,960 | 10 | 0.49% |
| Total | \$ 1,897,188,048 | | |

2009-2010 Assessed Valuation: \$ 14,308,697,975

2000-2001 Assessed Valuation: \$ 5,890,903,357

Source: California Municipal Statistics, Inc.

2001

| Taxpayer | 2001 Assessed Valuation | Rank | Percentage of Total Taxable Assessed Value |
|---|--|-------------|---|
| Chevron USA Inc. | \$ 268,088,593 | 1 | 4.55% |
| SDC 7 | 130,470,206 | 2 | 2.21% |
| Annabel Investment Company | 127,603,150 | 3 | 2.17% |
| W Cornerstone Properties LP | 84,088,285 | 4 | 1.43% |
| Sunset Building Co. LLC/Sunset Land Co. LLC | 78,156,842 | 5 | 1.33% |
| Alexander Properties Co. | 77,927,916 | 6 | 1.32% |
| ASN Multifamily LP | 55,209,249 | 7 | 0.94% |
| BRE Properties Inc. | 45,359,026 | 8 | 0.77% |
| Gateway Crescent Inc. | 41,820,000 | 9 | 0.71% |
| Essex Portfolio LP | 40,656,017 | 10 | 0.69% |
| | <u>\$ 949,379,284</u> | | |

CITY OF SAN RAMON
Property Tax Levies and Collections
Last Ten Fiscal Years

| Fiscal Year ended June 30 | Total Tax Levy for Fiscal Year | Collected within the Fiscal Year of the Levy | | Total Collections to Date | |
|--------------------------------------|---|---|-------------------------------|----------------------------------|-------------------------------|
| | | Amount | Percentage of Levy | Amount | Percentage of Levy |
| 2001 | 10,901,786 | 10,901,786 | 100.00% | 10,901,786 | 100.00% |
| 2002 | 12,308,382 | 12,308,382 | 100.00% | 12,308,382 | 100.00% |
| 2003 | 12,694,582 | 12,694,582 | 100.00% | 12,694,582 | 100.00% |
| 2004 | 13,773,806 | 13,773,806 | 100.00% | 13,773,806 | 100.00% |
| 2005 | 14,597,017 | 14,597,017 | 100.00% | 14,597,017 | 100.00% |
| 2006 | 15,722,845 | 15,722,845 | 100.00% | 15,722,845 | 100.00% |
| 2007 | 17,781,503 | 17,781,503 | 100.00% | 17,781,503 | 100.00% |
| 2008 | 19,017,674 | 19,017,674 | 100.00% | 19,017,674 | 100.00% |
| 2009 | 11,624,667 | 11,624,667 | 100.00% | 11,624,667 | 100.00% |
| 2010 | 11,332,451 | 11,332,451 | 100.00% | 11,332,451 | 100.00% |

Source: Contra Costa County Auditor-Controller's Office

CITY OF SAN RAMON
Ratios of Debt Outstanding
Last Eight Fiscal Years

| Fiscal Year Ended June 30 | Outstanding Debt | | | | Percent of Assessed Value | Per Capita |
|---------------------------------|-------------------------------------|----------------------------|--------------------------------|---------------|---------------------------------|---------------|
| | Certificates of Participation | Tax Allocation Bonds | Pension Obligation Bonds | Total | | |
| 2003 | \$ 22,125,000 | \$ 33,325,000 | | \$ 55,450,000 | 0.7268% | \$ 1,181 |
| 2004 | 21,320,000 | 32,615,000 | | 53,935,000 | 0.6512% | 1,110 |
| 2005 | 20,480,000 | 32,340,000 | | 52,820,000 | 0.5549% | 1,035 |
| 2006 | 19,610,000 | 31,445,000 | | 51,055,000 | 0.4817% | 961 |
| 2007 | 18,705,000 | 85,667,338 | | 104,372,338 | 0.7968% | 1,798 |
| 2008 | 17,760,000 | 84,411,105 | | 102,171,105 | 0.7073% | 1,732 |
| 2009 | 16,780,000 | 82,904,872 | | 99,684,872 | 0.6614% | 1,578 |
| 2010 | 15,765,000 | 81,163,539 | 17,505,000 | 114,433,539 | 0.7797% | 1,764 |

Source: City of San Ramon Finance Department

The City of San Ramon has elected to show only eight years of data for this schedule.

CITY OF SAN RAMON
Ratios of Outstanding Debt by Type
Last Eight Fiscal Years

| Fiscal Year Ended June 30 | Governmental Activities | | | | | | Total Governmental Activities |
|---------------------------------|---|--------------------------------|----------------------|--------------------------------|-------------------|----------------------|-------------------------------------|
| | Certificates of Participation (1) | Tax Allocation Bonds (1) | Revenue Bonds (1) | Pension Obligation Bonds | Capital lease (1) | Notes Payable (1) | |
| 2003 | \$ 22,125,000 | \$ 33,325,000 | * | | ** | *** | \$ 55,450,000 |
| 2004 | 21,320,000 | 32,615,000 | * | | ** | *** | 53,935,000 |
| 2005 | 20,480,000 | 32,340,000 | 510,347 | | ** | *** | 53,330,347 |
| 2006 | 19,610,000 | 31,445,000 | 1,015,000 | | ** | *** | 52,070,000 |
| 2007 | 18,705,000 | 85,667,338 | 935,000 | | 102,483 | 750,000 | 106,159,821 |
| 2008 | 17,760,000 | 84,411,105 | 845,000 | | 90,068 | 750,000 | 103,856,173 |
| 2009 | 16,780,000 | 82,904,872 | 750,000 | | 76,976 | 750,000 | 101,261,848 |
| 2010 | 15,765,000 | 81,183,539 | 650,000 | 17,505,000 | 63,170 | 750,000 | 115,916,709 |

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

The City is expressing total outstanding debt as a percentage of taxable assessed property values as provided by the Contra Costa County Auditor-Controller's Office.

Source: (1) City of San Ramon Finance Department
(2) Contra Costa County Auditor-Controller's Office
* The City issued revenue bonds in fiscal years 2005 and 2006
** The City entered into a lease agreement on July 10, 2006
*** In April 2007 the Redevelopment Agency received a Housing Enabled by Local Partnership ("HELP") loan from the California Housing Finance Agency ("CalHFA")

The City of San Ramon has elected to show only eight years of data for this schedule.

| | Total Primary Government | Percentage of Assessed Value of Property (2) | Debt Per Capita |
|----|--------------------------------|--|-----------------------|
| \$ | 55,450,000 | 0.73% | \$ 1,181 |
| | 53,935,000 | 0.51% | 1,110 |
| | 53,330,347 | 0.56% | 1,045 |
| | 52,070,000 | 0.49% | 980 |
| | 106,159,821 | 0.81% | 1,829 |
| | 103,856,173 | 0.72% | 1,760 |
| | 101,261,848 | 0.67% | 1,603 |
| | 115,916,709 | 0.79% | 1,787 |

CITY OF SAN RAMON
Direct and Overlapping Debt
June 30, 2010

| | |
|--------------------------------------|--------------------|
| 2009-10 Assessed Valuation: | \$ 14,703,174,636 |
| Redevelopment Incremental Valuation: | <u>906,695,158</u> |
| Adjusted Assessed Valuation: | \$ 13,796,479,478 |

| <u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u> | Total Debt <u>6/30/2010</u> | <u>% Applicable (1)</u> | City's Share of <u>Debt 6/30/10</u> |
|---|--------------------------------|-------------------------|--|
| Bay Area Rapid Transit District | \$ 420,000,000 | 3.159 | \$ 13,267,800 |
| Contra Costa Community College District | 245,795,000 | 10.392 | 25,543,016 |
| Chabot-Las Positas Community College District | 462,902,125 | 0.489 | 2,263,591 |
| San Ramon Valley Unified School District | 282,283,345 | 41.127 | 116,094,671 |
| East Bay Regional Park District | 196,775,000 | 4.814 | 9,472,749 |
| ABAG Windemere Ranch Community Facilities District No. 2004-2 | 27,995,000 | 100 | 27,995,000 |
| ABAG Windemere Ranch 1915 Act Bonds | 99,609,439 | 100 | 99,609,439 |
| City of San Ramon 1915 Act Bonds | 306,900 | 100 | 306,900 |
| Contra Costa County Assessment District No. 1993-3 | 665,632 | 100 | <u>665,632</u> |
| TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT | | | 295,218,798 |

| <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u> | | | |
|---|-------------------|------------|-----------------------|
| Contra Costa County General Fund Obligations | 296,478,318 | 10.65% | 31,574,941 |
| Contra Costa County Pension Obligations | 435,531,000 | 10.65 | 46,360,515 |
| Contra Costa Community College District Certificates of Participation | 990,000 | 10.392 | 102,881 |
| Chabot-Las Positas Community College General Fund Obligations | 4,665,000 | 0.489 | 22,812 |
| City of San Ramon Certificates of Participation | 15,765,000 | 100 | 15,765,000 |
| City of San Ramon Pension Obligation | 17,505,000 | 100 | 17,505,000 |
| San Ramon Valley Fire Protection District Certificates of Participation | 15,065,000 | 41.344 | <u>6,228,474</u> |
| GROSS DIRECT OVERLAPPING GENERAL FUND DEBT | | | 117,559,623 |
| Less: Contra Costa County Obligations supported from revenue funds | | | 13,425,640 |
| NET COMBINED TOTAL DEBT | | | \$ 104,133,983 |

| | |
|---------------------------|--------------------|
| GROSS COMBINED TOTAL DEBT | \$ 412,778,421 (2) |
| NET COMBINED TOTAL DEBT | \$ 399,352,781 |

- 1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.
- 2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2009-10 Assessed Valuation:

| | |
|---|-------|
| Total Gross Overlapping Tax and Assessment Debt | 2.01% |
|---|-------|

Ratios to Adjusted Assessed Valuation:

| | |
|--|--------------|
| Combined Direct Debt (\$33,270,000) | 0.24% |
| Combined Total Debt | 2.99% |
| Net Combined Total Debt | 2.89% |

| | |
|---|-----|
| <u>STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/10:</u> | \$0 |
|---|-----|

Source: California Municipal Statistics, Inc.

CITY OF SAN RAMON
Legal Debt Margin Information
Last Eight Fiscal Years

| | June 30, 2010 | | | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
| Debt limit | \$ 550,402,578 | \$ 550,402,578 | \$ 541,685,346 | \$ 491,244,419 | \$ 397,439,309 | \$ 356,983,523 | \$ 310,582,949 | \$ 286,090,486 |
| Total net debt applicable to limit | <u>15,765,000</u> | <u>16,780,000</u> | <u>17,760,000</u> | <u>18,705,000</u> | <u>19,610,000</u> | <u>20,480,000</u> | <u>21,320,000</u> | <u>22,125,000</u> |
| Legal debt margin | <u>\$ 534,637,578</u> | <u>\$ 533,622,578</u> | <u>\$ 523,925,346</u> | <u>\$ 472,539,419</u> | <u>\$ 377,829,309</u> | <u>\$ 336,503,523</u> | <u>\$ 289,262,949</u> | <u>\$ 263,965,486</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 2.9% | 3.0% | 3.3% | 3.8% | 4.9% | 5.7% | 6.9% | 7.7% |

Legal Debt Margin Calculation for Fiscal Year 2010:

| | |
|------------------------------------|-----------------------|
| Assessed value | \$ 3,669,350,519 |
| Debt limit (15% of assessed value) | <u>\$ 550,402,578</u> |
| Debt applicable to limit: | |
| Certificates of Participation | \$ 15,765,000 |
| Legal debt margin | <u>\$ 534,637,578</u> |

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). Although the statutory debt limit has not been amended by the State since this change, the percentages presented in the above computations have been proportionately modified to 3.75% (25% of 15%) for the purpose of this calculation in order to be consistent with the computational effect of the debt limit at the time of the state's establishment of the limit.

Source: City Finance Department

The City of San Ramon has elected to show only eight years of data for this schedule.

CITY OF SAN RAMON
Pledged-Revenue Coverages
Last Ten Fiscal Years

| Fiscal Year Ended June 30 | Tax Allocation Bonds | | | |
|---------------------------------|----------------------|--------------|-----------|----------|
| | Tax Increment | Debt Service | | Coverage |
| | | Principal | Interest | |
| 2001 | - | - | - | - |
| 2002 | - | - | - | - |
| 2003 | 5,424,208 | 675,000 | 1,885,196 | 2.12 |
| 2004 | 6,070,248 | 710,000 | 1,850,712 | 2.37 |
| 2005 | 6,410,349 | 755,000 | 1,813,752 | 2.50 |
| 2006 | 6,712,089 | 895,000 | 1,579,570 | 2.71 |
| 2007 | 7,652,298 | 925,000 | 2,149,905 | 2.49 |
| 2008 | 7,959,885 | 1,256,233 | 3,774,252 | 1.58 |
| 2009 | 8,839,396 | 1,506,233 | 3,722,083 | 1.69 |
| 2010 | 8,458,054 | 1,741,233 | 3,655,270 | 1.57 |

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

Source: City Finance Department



**CITY OF SAN RAMON
Demographics Statistics
Last Ten Fiscal Years**

| Fiscal Year | City of San Ramon Population (1) | Percent Change In Population | City of San Ramon Personal Income (2) |
|--------------------|---|---|--|
| 2001 | 45,850 | 2.8% | 1,386,562 |
| 2002 | 46,750 | 1.9% | 1,413,417 |
| 2003 | 46,950 | 2.3% | 1,446,691 |
| 2004 | 48,600 | 3.4% | 1,497,609 |
| 2005 | 51,027 | 4.8% | 1,569,494 |
| 2006 | 53,137 | 4.0% | 1,632,274 |
| 2007 | 58,035 | 8.4% | 1,769,385 |
| 2008 | 59,002 | 1.6% | 1,797,695 |
| 2009 | 63,176 | 6.6% | 1,916,343 |
| 2010 | 64,860 | 2.6% | 1,966,168 |

Note: City of San Ramon personal income for years 2005-2010 and City of San Ramon per capita income for 2008 - 2010 are estimates based upon the percent of change in population as provided by the Department of Commerce, Bureau of Economic Analysis.

Source: (1) State of California Department of Finance
 (2) Bureau of Economic Analysis/ State of California Franchise Tax Board
 (3) State of California Employment Development Department
 (4) United States Census Bureau
 * Information was not available for 2009, 2010

| City of San Ramon Per Capita Income (3) | City of San Ramon Unemployment Rates (3) | Contra Costa County Population (1) | Contra Costa County Per Capita Income (2) |
|--|---|---|--|
| 43,521 | 1.5 | 965,100 | 44,796 |
| 44,348 | 2.1 | 980,900 | 44,326 |
| 45,368 | 2.3 | 992,700 | 43,957 |
| 46,911 | 2.0 | 1,008,944 | 46,211 |
| 49,163 | 2.0 | 1,020,898 | 48,618 |
| 51,129 | 1.6 | 1,029,377 | 52,730 |
| 55,424 | 1.8 | 1,042,341 | 37,036 |
| 56,311 | 2.2 | 1,051,674 | 38,074 |
| 60,027 | 3.7 | 1,060,435 | * |
| 61,588 | 5.1 | 1,073,055 | * |

CITY OF SAN RAMON
Annual Average Employment
and Unemployment Rates
Last Ten Fiscal Years

| <u>Fiscal Year</u> | <u>Annual Average Unemployment Rates</u> | | | |
|--------------------|--|---|---|---|
| | <u>City of San Ramon Labor Force</u> | <u>City of San Ramon Unemployment Rates</u> | <u>Contra Costa County Unemployment Rates</u> | <u>State of California Unemployment Rates</u> |
| 2001 | 28,200 | 1.5% | 4.0% | 5.4% |
| 2002 | 28,200 | 2.1% | 5.7% | 6.7% |
| 2003 | 28,000 | 2.3% | 6.1% | 6.7% |
| 2004 | 28,000 | 2.0% | 5.4% | 6.8% |
| 2005 | 28,100 | 2.0% | 5.3% | 6.3% |
| 2006 | 28,500 | 1.6% | 4.5% | 5.3% |
| 2007 | 29,200 | 1.8% | 4.5% | 5.3% |
| 2008 | 29,200 | 2.2% | 5.4% | 6.4% |
| 2009 | 28,800 | 3.7% | 9.0% | 10.6% |
| 2010 | 27,700 | 5.1% | 12.1% | 13.2% |

Source: State of California Employment Development Department

CITY OF SAN RAMON
Principal Employers
Current Fiscal Year and Nine Years Ago
June 30, 2010

| Employer | 2010 | | 2001 | |
|-----------------------------------|----------------------------|------------------------------------|----------------------------|------------------------------------|
| | Number of Employees | Percent of Total Employment | Number of Employees | Percent of Total Employment |
| Chevron USA Inc | 3,500 | 12.64% | * | * |
| AT&T | 2,130 | 7.69% | * | * |
| Robert Half International Inc. | 1,052 | 7.69% | * | * |
| San Ramon Regional Medical Center | 793 | 2.86% | * | * |
| Accenture | 750 | 2.71% | * | * |
| Marriott | 368 | 1.33% | * | * |
| IBM Corporation | 358 | 1.29% | * | * |
| Primed Management Consulting | 348 | 1.26% | * | * |
| United Parcel Service | 327 | 1.18% | * | * |
| Safeway | 317 | 1.14% | * | * |

Source: City of San Ramon Finance Department

* Labor Force data was not available for 2001.

CITY OF SAN RAMON
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

| <u>Function/Program</u> | June 30, 2010 | | | | |
|------------------------------------|----------------------|--------------------|--------------------|--------------------|--------------------|
| | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
| General Government | | | | | |
| Management Services | 8.00 | 7.00 | 7.00 | 7.00 | 5.00 |
| Finance * | | | | 16.00 | 14.00 |
| Human Resources * | | | | 4.00 | 3.00 |
| Administrative Services * | 19.00 | 20.00 | 20.00 | | |
| Community Development | | | | | |
| Planning Services | 8.00 | 8.00 | 8.00 | 9.00 | 9.00 |
| Building Services | 12.50 | 12.50 | 12.50 | 10.50 | 10.50 |
| Transportation Services | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 |
| Public Works | | | | | |
| Engineering Services | 24.00 | 24.00 | 24.00 | 24.00 | 23.00 |
| Public Services | 77.90 | 77.90 | 76.60 | 72.60 | 70.10 |
| Police Services | | | | | |
| Sworn | 57.00 | 56.00 | 56.00 | 53.00 | 50.00 |
| Non-Sworn | 19.50 | 19.50 | 19.50 | 18.50 | 14.50 |
| Parks and Community Services | 33.60 | 33.60 | 33.60 | 33.60 | 33.60 |
| Economic Development/Redevelopment | 4.00 | 4.00 | 4.00 | 4.00 | 3.00 |
| | 267.50 | 266.50 | 265.20 | 256.20 | 239.70 |

Source: Various City Departments

* In 2003 the Administrative Services department was reorganized to form the Finance and Human Resources departments. There was another reorganization in 2008 combining Finance and Human Resources into Administrative Services.

June 30, 2010

| <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> | <u>2001</u> |
|-------------|-------------|-------------|-------------|-------------|
| 5.50 | 6.50 | 6.45 | 6.50 | 6.50 |
| 14.00 | 15.00 | 14.00 | | |
| 3.00 | 3.00 | 3.00 | | |
| | | | 16.00 | 15.00 |
| 10.00 | 10.00 | 12.75 | 10.20 | 7.15 |
| 10.50 | 10.50 | 10.50 | 10.50 | 10.50 |
| 4.00 | 3.00 | 3.00 | 3.00 | 6.00 |
| 23.00 | 24.00 | 22.00 | 20.00 | 17.50 |
| 67.60 | 67.60 | 66.26 | 67.77 | 55.74 |
| 47.00 | 43.00 | 44.00 | 42.00 | 40.00 |
| 13.50 | 13.50 | 13.50 | 12.14 | 9.64 |
| 28.60 | 28.60 | 28.60 | 27.90 | 24.50 |
| 2.50 | 2.50 | 2.75 | 1.75 | 2.55 |
| 229.20 | 227.20 | 226.81 | 217.76 | 195.08 |

CITY OF SAN RAMON
Operating Indicators by Function/Program
Last Ten Fiscal Years

| | June 30, 2010 | | | | |
|-------------------------------------|----------------------|-------------|-------------|-------------|-------------|
| | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
| <u>Function/Program</u> | | | | | |
| Police | | | | | |
| Arrests | 532 | 596 | 746 | 784 | 767 |
| Non-Moving Courtesy | | | | | |
| Warning/parking violations | 4,387 | 5,141 | 5,730 | 5,666 | 5,704 |
| Moving traffic violations | 7,428 | 7,413 | 6,868 | 6,485 | 5,446 |
| Patrol Activity | 72,070 | 56,519 | 81,828 | 72,789 | 67,016 |
| Public Services | | | | | |
| Street resurfacing (miles) | * | * | * | * | * |
| Potholes repaired | 172 | 161 | 143 | 136 | 116 |
| Light/Signal repairs | 191 | 186 | 164 | 178 | 163 |
| USA inspections | 506 | 528 | 514 | 532 | 500 |
| Street light Repairs | 811 | 752 | 506 | 881 | 871 |
| Sign repair | 302 | 283 | 236 | 276 | 266 |
| Sidewalk repairs | 139 | 128 | 89 | 133 | 121 |
| Graffiti abatement | 151 | 137 | 126 | 154 | 129 |
| Trim notices | 196 | 201 | 186 | 191 | 190 |
| Vehicle lube, oil, filter | 261 | 252 | 248 | 232 | 174 |
| Irrigation repairs | 6,395 | 5,712 | 5,086 | 4,354 | 4,177 |
| Encroachment Permits | 378 | 553 | 613 | 994 | 930 |
| Parks and Community Services | | | | | |
| Swimming pool admissions | 110,300 | 65,126 | 51,827 | 58,229 | 65,683 |
| Leisure class participants | 29,023 | 36,261 | 28,714 | 17,354 | 12,320 |
| Library books circulated | 799,846 | 768,623 | 669,242 | 551,286 | 435,073 |
| Youth sport league participants ** | 7,310 | 5,935 | 4,040 | 6,241 | 6,029 |
| Adult sport league teams | 514 | 279 | 243 | 323 | 303 |
| Senior center drop in participants | 41,000 | 36,600 | 37,709 | 29,566 | 19,142 |
| Community center facility rentals | 462 | 580 | 540 | 599 | 501 |
| Planning | | | | | |
| Building permits | 5,049 | 5,159 | 6,721 | 8,853 | 9,388 |
| Home Occupation permits | 305 | 310 | 454 | 325 | 324 |
| Building applications processed | 1,808 | 2,015 | 2,553 | 3,118 | 2,268 |
| Planning applications processed | 450 | 464 | 648 | 817 | 508 |
| Code enforcement cases | 790 | 889 | 558 | 457 | 315 |
| Inspections | 12,010 | 12,794 | 14,577 | 15,386 | 13,432 |

Source: Various City Departments

* Information was not available.

** Does not include sports camps as in previous years; sports camps are included in leisure class participants.

June 30, 2010

| <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> | <u>2001</u> |
|-------------|-------------|-------------|-------------|-------------|
| 642 | 586 | 690 | 772 | 869 |
| 5,828 | 6,062 | 6,315 | 6,564 | 5,688 |
| 6,706 | 6,207 | 6,097 | 5,696 | 4,549 |
| 61,461 | 60,529 | 65,582 | 65,554 | 64,859 |
| | | | | |
| * | 9.82 | 3.71 | 12.81 | 10.10 |
| 110 | 105 | 110 | 104 | 92 |
| 765 | 747 | 735 | 700 | 728 |
| 205 | 199 | 200 | 193 | 206 |
| 810 | 798 | 795 | 790 | 788 |
| 210 | 192 | 201 | 233 | 248 |
| 109 | 99 | 82 | 81 | 78 |
| 85 | 74 | 68 | 60 | 52 |
| 110 | 104 | 95 | 75 | 62 |
| 395 | 392 | 360 | 352 | 353 |
| 1,630 | 1,592 | 1,566 | 1,531 | 1,496 |
| 765 | 756 | 727 | 680 | 923 |
| | | | | |
| 58,090 | 56,220 | 59,945 | 73,566 | 66,332 |
| 13,130 | 12,053 | 13,834 | 12,709 | 12,265 |
| 365,187 | 336,855 | 341,346 | 328,563 | 308,672 |
| 5,074 | 4,797 | 4,720 | 4,596 | 4,470 |
| 254 | 217 | 213 | 202 | 181 |
| 11,653 | 11,284 | 11,052 | 8,111 | 7,259 |
| 796 | 804 | 808 | 840 | 856 |
| | | | | |
| 6,969 | 6,970 | 7,646 | 6,854 | * |
| 451 | 461 | 509 | 262 | 242 |
| 2,764 | 2,819 | 3,076 | 2,758 | 2,938 |
| 602 | 611 | 693 | 421 | 379 |
| 245 | 323 | * | * | * |
| 16,647 | 16,920 | * | * | * |

CITY OF SAN RAMON
Capital Assets Statistics by Function
Last Ten Fiscal Years

June 30, 2010

| <u>Function</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Police | | | | | |
| Stations | 2 | 2 | 2 | 2 | 2 |
| Patrol units | 59 | 56 | 57 | 56 | 50 |
| Public Services | | | | | |
| Streets (miles) | 241 | 236 | 220 | 192 | 186 |
| Catch basins | 3,500 | 3,380 | 2,983 | 2,712 | 2,511 |
| Streetlights | 6,599 | 6,412 | 5,960 | 5,915 | 5,460 |
| Traffic signals | 95 | 95 | 91 | 84 | 80 |
| Landscape acreage | 412 | 371 | 340 | 286 | 248 |
| Parks | 57 | 54 | 52 | 43 | 40 |
| Parks acreage | 366 | 359 | 354 | 298 | 291 |
| Open space/trails acreage | 206 | 190 | 190 | 190 | 178 |
| Fountains | 7 | 7 | 7 | 6 | 6 |
| Pools | 5 | 5 | 5 | 3 | 3 |
| Vehicles | 71 | 71 | 67 | 64 | 58 |
| Parks and Community Services | | | | | |
| Swimming pools | 2 | 2 | 2 | 2 | 1 |
| Tennis courts | 24 | 24 | 24 | 24 | 15 |
| Community centers | 3 | 3 | 3 | 3 | 3 |
| Community gymnasiums | 2 | 2 | 2 | 2 | 2 |
| Libraries | 2 | 2 | 2 | 2 | 2 |
| Historic properties | 1 | 1 | 1 | 1 | 1 |
| Skate parks | 1 | 1 | 1 | 1 | 1 |
| Theaters | 2 | 2 | 2 | 2 | 1 |

Source: Various City Departments

* Information was not available.

June 30, 2010

| <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> | <u>2001</u> |
|-------------|-------------|-------------|-------------|-------------|
| 2 | 1 | 1 | 1 | 1 |
| 49 | 45 | 47 | 46 | * |
| 180 | 175 | 170 | 168 | 165 |
| 2,459 | 2,400 | 2,326 | 2,293 | 2,243 |
| 4,999 | 4,802 | 4,607 | 4,480 | 4,405 |
| 80 | 70 | 68 | 63 | 63 |
| 240 | 240 | 231 | 229 | 201 |
| 34 | 33 | 32 | 28 | 27 |
| 258 | 248 | 244 | 228 | 217 |
| 178 | 178 | 178 | 178 | 178 |
| 6 | 6 | 6 | 5 | 5 |
| 3 | 3 | 3 | 3 | 3 |
| 49 | 49 | 45 | 44 | 44 |
| 1 | 1 | 1 | 1 | 1 |
| 15 | 13 | 13 | 13 | 13 |
| 3 | 2 | 2 | 2 | 2 |
| 2 | 2 | 2 | 2 | 0 |
| 2 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 |

CITY OF SAN RAMON
Miscellaneous Statistical Data
June 30, 2010

| | |
|-------------------------------------|-------------------------------------|
| Date of Incorporation | July 1, 1983 |
| Form of Government | Council/City Manager (Charter City) |
| Population | 64,860 |
| Number of Authorized City Employees | 266 |
| Median Age | 37 |
| Median Household Income | 111,600 |
| Registered Voters | 33,727 |
| Area in Square Miles | 17.98 |

Miles of Streets:

| | |
|--------------|--------|
| Lane Miles | 397.61 |
| Center miles | 195.76 |

Fire Protection:

| | |
|---|---|
| San Ramon Valley Fire Protection District | |
| Number of Stations | 4 |

Police Protection:

| | |
|---------------------------|----|
| Number of Stations | 2 |
| Number of Sworn Personnel | 57 |

Education:

| | |
|--------------------|----|
| Elementary Schools | 11 |
| Middle Schools | 4 |
| High Schools | 2 |

Libraries: (Contracted with Contra Costa County)

| | |
|---------------------|---------|
| Number of Libraries | 2 |
| Number of Volumes | 149,532 |

Recreation and Culture:

| | |
|--------------|-----|
| Park Sites | 57 |
| Park Acreage | 366 |

Community Facilities:

| | |
|---|---|
| San Ramon Community Center | 1 |
| Senior Center | 1 |
| Dougherty Valley Station Community Center | 1 |

Building Permits Issued: 5,049

Source: Various City of San Ramon Department Records

APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following are brief summaries of the provisions of the Site Lease, the Lease Agreement, the Trust Agreement and the Assignment Agreement. These summaries are not intended to be definitive. Reference is made to the actual documents (copies of which are available from the City) for the complete terms thereof.

DEFINED TERMS

The following terms have the following meanings, notwithstanding that any such terms may be elsewhere defined in this Official Statement. Any terms not expressly defined in this Summary but previously defined in this Official Statement have the respective meanings previously given.

“Assignment Agreement” means the Assignment Agreement dated as of July 1, 2011, between the Authority as assignor and the Trustee as assignee, as originally executed or as thereafter amended under any duly authorized and executed amendments thereto.

“Bond Counsel” means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys of nationally recognized expertise with respect to legal matters relating to obligations the interest on which is excludable from gross income under Section 103 of the Tax Code.

“Business Day” means a day other than a Saturday, Sunday or legal holiday, on which banking institutions are not closed in the State of California, or in any state in which any Office of the Trustee is located.

“Closing Date” means the day when the Certificates, duly executed by the Trustee, are delivered to the original purchaser thereof.

“Federal Securities” means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged; (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

“Fiscal Year” means the twelve-month period beginning on July 1 of any year and ending on June 30 of the next succeeding year, or any other twelve-month period by the City as its fiscal year under written notice filed with the Trustee.

“Interest Payment Date” means December 1, 2011, and each June 1 and December 1 thereafter to and including the final date of maturity of the Certificates.

“Lease Agreement” means the Lease Agreement dated as of July 1, 2011, between the Authority as lessor and the City as lessee of the Leased Property, as originally executed or as thereafter amended under any duly authorized and executed amendments and supplements thereto.

“Lease Payment Date” means, with respect to any Interest Payment Date, the fifteenth calendar day of the month immediately preceding such Interest Payment Date.

“Leased Property” means all of the real property which is more particularly described in Appendix A to the Lease Agreement. If the City exercises its option under Section 3.7 of the Lease Agreement with respect to the substitution of property, or if the City exercises its option under Section 3.8 of the Lease Agreement with respect to the release of property, the term “Leased Property” will thereupon be modified accordingly.

“Net Proceeds” means any insurance proceeds or eminent domain award (including any proceeds of sale to a governmental entity under threat of the exercise of eminent domain powers), paid with respect to the Leased Property, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

“1996 Certificates” means the \$7,555,000 aggregate original principal amount of 1996 Refunding Certificates of Participation (Central Park Expansion Project) dated as of January 1, 1996, evidencing direct, undivided fractional interests of the owners thereof in lease payments which are payable by the City under the 1996 Lease.

“1996 Lease” means the First Amended and Restated Lease Agreement dated as of January 1, 1996, between the Authority as lessor and the City as lessee.

“Office” means the corporate trust office of the Trustee in San Francisco, California, or such other or additional offices as the Trustee may designate in writing to the Authority and the City from time to time as the corporate trust office for purposes of this Trust Agreement except that with respect to presentation of Certificates for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

“Owner”, when used with respect to a Certificate, means the person in whose name the ownership of such Certificate shall be registered on the Registration Books.

“Permitted Encumbrances” means, as of any time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the City may permit to remain unpaid under the Lease; (b) the Lease and the Assignment Agreement; (c) any right or claim of any mechanic, laborer, materialman, supplier or vendor which is secured by a lien on the Leased Property; (d) the exceptions disclosed in the title insurance policy with respect to the Leased Property issued as of the Closing Date by Stewart Guaranty Title Company; and (e) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record and which the City certifies in writing will not materially impair the use of the Leased Property for its intended purposes.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein:

- (a) Federal Securities;
- (b) Obligations of any agency, department or instrumentality of the United States of America which are rated A or better by S&P.
- (c) Interest-bearing deposit accounts (including certificates of deposit) in federal or State of California chartered savings and loan associations or in federal or State of California banks (including the Trustee and its affiliates), provided that: (i) the unsecured obligations of such commercial bank or savings and loan association are rated A or better by S&P; or (ii) such deposits are fully insured by the Federal Deposit Insurance Corporation.
- (d) Commercial paper rated “A-1+” or better by S&P at the time of the purchase thereof.
- (e) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of “A-1+” or better by S&P.
- (f) 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 at least AAAm-G, AAAm or AAm, which funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services.
- (g) Obligations the interest on which is excludable from gross income pursuant to Section 103 of the Internal Revenue Code of 1986, as amended, and which are either (a) rated A or better by S&P, or (b) fully secured as to the payment of principal and interest by Permitted Investments described in clauses (a) or (b).
- (h) Bonds or notes issued by any state or municipality which are rated A or better by S&P.
- (i) The Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

“Registration Books” means the records maintained by the Trustee under the Trust Agreement for the registration of the ownership and transfer of ownership of the Certificates.

“Site Lease” means the Site Lease dated as of July 1, 2011, between the City as lessor and the Authority as lessee of the Leased Property, as originally executed or as

thereafter amended under any duly authorized and executed amendments and supplements thereto.

“S&P” means Standard & Poor’s Corporation, a division of the McGraw Hill Companies, of New York, New York, its successors and assigns.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

“Trust Agreement” means the Trust Agreement, dated as of July 1, 2011, among the City, the Authority and the Trustee, as originally executed or as thereafter amended under any duly authorized and executed amendments and supplements thereto.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., or any successor thereto acting as Trustee hereunder.

“2001 Certificates” means the \$13,970,000 aggregate original principal amount of 2001 Refunding Certificates of Participation dated as of February 1, 2001, evidencing direct, undivided fractional interests of the owners thereof in lease payments which are payable by the City under the 2001 Lease.

“2001 Lease” means the First Amended and Restated Lease Agreement dated as of February 1, 2001, between the Authority as lessor and the City as lessee.

SITE LEASE

Under the Site Lease, the City leases the Leased Property to the Authority for the purpose of enabling the Authority to refinance the 1996 Certificates and the 2001 Certificates through the execution and delivery of the Certificates. The Site Lease is for a term commencing on the Closing Date and extending to the date on which no Certificates remain outstanding under the Trust Agreement, but under any circumstances not later than June 1, 2031. The Authority agrees to pay an amount to the City as rental of the Leased Property thereunder, to be funded on the Closing Date from the proceeds of the Certificates. The City will apply the amount of such rental payment to refinance the 1996 Certificates and the 2001 Certificates in accordance with the Lease and the Trust Agreement. Upon the termination of the Site Lease, the Authority will surrender the Leased Property to the City in the same good order and condition as the Leased Property was in at the time of commencement of the Site Lease, reasonable wear and tear excepted, and all buildings, improvements and structures then existing upon the Leased Property will remain thereon and title thereto will vest in the City for no additional consideration.

LEASE AGREEMENT

Lease of Leased Property

Under the Lease Agreement, the Authority leases the Leased Property back to the City. The Lease Agreement commences on the Closing Date and terminates on the date on which the Certificates are paid or deemed to have been paid in full, except under certain circumstances such as the taking of all or any portion of the Leased Property in eminent domain proceedings. Under any circumstances, the Lease Agreement terminates no later than June 1, 2034.

Lease Payments

The City agrees to pay semiannual Lease Payments, subject to abatement as described below, as the rental for the use and occupancy of the Leased Property under the Lease Agreement. On each Lease Payment Date, the City is required to deposit with the Trustee the full amount of the Lease Payments coming due and payable on the next Interest Payment Date, to the extent required to be paid by the City under the Lease Agreement. Any amount on deposit in the Lease Payment Fund on any Lease Payment Date will be credited towards the payment then required to be deposited by the City with the Trustee.

The City is required to pay the Lease Payments from any source of available funds, subject to the provisions of the Lease Agreement relating to abatement due to damage or eminent domain with respect to the Leased Property. The City agrees to take such actions as may be necessary to include all Lease Payments required to be paid by it under the Lease Agreement in its annual budgets and to appropriate such Lease Payments in each Fiscal Year during the term of the Lease Agreement.

Abatement of Lease Payments

The Lease Payments are subject to abatement under the Lease Agreement during any period in which due to damage or destruction of the Leased Property in whole or in part, due to material title defect in any portion of the Leased Property or due to taking in eminent domain proceedings of the Leased Property in whole or in part, there is substantial interference with the City's use and occupancy of all or any portion of the Leased Property. The amount of such abatement will be determined by the City such that the resulting Lease Payments represent fair consideration for the use and occupancy of the portions of the Leased Property not damaged or destroyed. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Lease Agreement shall continue in full force and effect and the City waives any right to terminate the Lease Agreement by virtue of any such damage and destruction.

Additional Rent

In addition to the Lease Payments, the City agrees to pay when due, as additional rental for the Leased Property, all costs and expenses incurred by the

Authority to comply with the provisions of the Trust Agreement and amounts due and owing to the Trustee.

Title

At all times during the term of the Lease Agreement, the City will hold title to the Leased Property, subject to the provisions of the Site Lease, the Lease Agreement and other Permitted Encumbrances.

Maintenance, Utilities, Taxes and Modifications

The City, at its own expense, has agreed to maintain or cause to be maintained the Leased Property in good repair; the Authority has no responsibility for such maintenance. The City is also obligated to pay all taxes and assessments charged to the Leased Property. The City has the right under the Lease Agreement to remodel the Leased Property and to make additions, modifications and improvements to the Leased Property, so long as those additions, modifications and improvements are of a value which is not substantially less than such value of the Leased Property immediately prior to making the additions, modifications and improvements. The City will not permit any mechanic's or other lien to be established or to remain against the Leased Property, except that the City has the right in good faith to contest any such lien.

Option to Prepay

The City has the option to prepay the Lease Payments or post a security deposit to pay the Lease Payments, in whole or in part, in the amounts and on the dates set forth in the Lease Agreement. The optional prepayment dates and prices have been determined to correspond to the optional prepayment dates and prices applicable to the Certificates under the Trust Agreement. Any security deposit must be in an amount which, together the earnings thereon derived from investment in Federal Securities, is sufficient to pay the Lease Payments (or portion thereof) when due, and must be verified by an independent accountant.

Assignment; Subleases

The Authority has assigned certain of its rights under the Lease Agreement to the Trustee under the Assignment Agreement, including but not limited to its rights to receive the Lease Payments. The City may not assign any of its rights in the Lease Agreement. The City may sublease all or a portion of the Leased Property only under the conditions contained in the Lease Agreement, including the condition that such sublease does not cause the interest component of the Lease Payments to become subject to federal or State of California personal income taxes.

Amendment of Lease Agreement

The Authority and the City may at any time amend or modify any of the provisions of the Lease Agreement, but only: (a) with the prior written consent of the Owners of a majority in aggregate principal amount of the outstanding Certificates; or (b) without the consent of the Trustee or any of the Certificate Owners, but only if such amendment or modification is for any one or more of the following purposes:

- to add to the covenants and agreements of the City contained in the Lease Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power in the Lease Agreement reserved to or conferred upon the City;
- to cure any ambiguity, or cure, correct or supplement any defective provision contained in the Lease Agreement, to conform to the original intention of the City and the Authority;
- to amend any provision thereof relating to the Tax Code, but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest represented by any of the Certificates under the Tax Code, in the opinion of Bond Counsel
- to amend the description of the Leased Property to reflect accurately the property originally intended to be included therein, or to effectuate any substitution of property or any release or property as permitted by the Lease Agreement;
- to obligate the City to pay additional amounts of rental for the use and occupancy of the Leased Property or any portion thereof, but only if (1) such additional amounts of rental are pledged or assigned for the payment of any bonds, notes, leases or other obligations the proceeds of which are applied to finance public improvements of the City, and (2) the City has filed with the Trustee written evidence that the amendments made under this paragraph will not of themselves cause a reduction or withdrawal of any rating then assigned to the Certificates, or
- in any respect whatsoever as the Authority and the City may deem necessary or desirable, if in the opinion of Bond Counsel such modifications or amendments do not materially adversely affect the interests of the Owners of the Certificates.

Events of Default

Each of the following constitutes an event of default under the Lease Agreement:

- (a) Failure by the City to pay any Lease Payment or other payment required to be paid under the Lease Agreement or the Trust Agreement at the time specified in the Lease Agreement or the Trust Agreement, respectively.
- (b) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed in the Lease Agreement or the Trust Agreement, other than as referred to in the preceding clause (a), for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Authority or the Trustee. If the City notifies the Authority or the Trustee that in its reasonable opinion the failure

stated in the notice can be corrected, but not within such 30-day period, such failure will not constitute an event of default if the City commences to cure such failure within such 30-day period and thereafter diligently and in good faith cures such failure in a reasonable period of time.

- (c) Certain events relating to the bankruptcy of the City.

Remedies

Upon the occurrence and continuance of any event of default described above, the Authority has the right to terminate the Lease Agreement or, with or without such termination, re-enter, take possession of and re-let the Leased Property. When the Authority does not elect to terminate the Lease Agreement, the City remains liable to pay all Lease Payments as they come due and liable for damages resulting from such event of default. Any amounts collected by the Authority from the reletting of the Leased Property will be credited towards the City's unpaid Lease Payments. Any net proceeds of re-leasing or other disposition of the Leased Property are required to be deposited in the Lease Payment Fund and applied to Lease Payments in order of payment date.

Under the Assignment Agreement, the Authority assigns all of its rights with respect to remedies in an event of default to the Trustee, so that all such remedies will be exercised by the Trustee and the Certificate Owners as provided in the Trust Agreement.

The Trustee has no right to accelerate Lease Payments and, due to the governmental purposes which are served by the use of the Leased Property, it is unlikely that a court would permit the exercise of the remedies of re-entry, repossession or re-letting.

TRUST AGREEMENT

Trustee

The Trustee is appointed under the Trust Agreement and is authorized to prepare, execute and deliver the Certificates thereunder, and to act as a depository of amounts held thereunder. The Trustee is required to make deposits into and withdrawals from funds, and invest amounts held under the Trust Agreement in accordance with the City's instructions.

Use of Certificate Proceeds

The Trust Agreement creates the Lease Payment Fund, the Costs of Issuance Fund and the Insurance and Condemnation Fund to be held in trust by the Trustee for the benefit of the Certificate Owners.

Lease Payment Fund. There will be deposited in the Lease Payment Fund, when received by the Trustee, all Lease Payments and prepayments thereof. Moneys on deposit in the Lease Payment Fund will be used to pay principal, interest and

prepayment premiums (if any) represented by the Certificates. Any surplus remaining in the Lease Payment Fund after prepayment and payment of all Certificates, or provision for such prepayment or payment having been made to the satisfaction of the Trustee, shall be withdrawn by the Trustee and remitted to the City. Any income, profit or loss on moneys invested in the Lease Payment Fund shall be deposited in or charged to the Lease Payment Fund.

Costs of Issuance Fund. The Trustee will deposit a portion of the proceeds of the Certificates in the Costs of Issuance Fund, to be expended to pay costs of issuance relating to the Certificates. On September 1, 2011, the Trustee shall withdraw all remaining moneys in the Costs of Issuance Fund and deposit such moneys in the Lease Payment Fund, and the Trustee shall thereupon close the Costs of Issuance Fund.

Application of Insurance and Eminent Domain Proceeds

Any Net Proceeds of insurance collected by the City in the event of accident to or destruction of the Leased Property will be paid to the Trustee under the Lease Agreement and deposited by the Trustee promptly upon receipt thereof in the Insurance and Condemnation Fund which is held by the Trustee.

If the City determines and notifies the Trustee in writing of its determination, within 90 days following the date of such deposit, that the replacement, repair, restoration, modification or improvement of such improvements is not economically feasible or in the best interests of the City, then such Net Proceeds will be promptly transferred by the Trustee to the Lease Payment Fund and applied to the prepayment of Lease Payments and the corresponding prepayment of Certificates.

In the event of damage or destruction of the Leased Property in full, such Net Proceeds may be transferred to the Lease Payment Fund to be used to prepay outstanding Certificates only if such Net Proceeds, together with other available moneys, are sufficient to cause the corresponding prepayment of all Lease Payments.) In the event of damage or destruction of the Leased Property in part but not in whole, such Net Proceeds may be transferred to the Lease Payment Fund to be used to prepay outstanding Certificates only if the Lease Payments which result after the corresponding abatement thereof under Section 5.3 of the Lease are sufficient to pay the full amount of principal and interest represented by the Certificates which remain outstanding after such prepayment.

Any Net Proceeds deposited in the Insurance and Condemnation Fund and not applied to prepay the Lease Payments and the Certificates will be applied to replace, repair, restore, modify or improve the Leased Property. Payments will be made by the Trustee for such purpose upon receipt of written requisitions of the City filed with the Trustee. Any balance of the Net Proceeds remaining after the City files a written certificate with the Trustee stating that such work has been completed will be paid to the City.

If all or any part of the Leased Property is taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom will be deposited with the Trustee in the Insurance and Condemnation Fund and will be applied and disbursed by the Trustee either to replace

the Leased Property or prepay the Lease Payments and the Certificates, as set forth in the Trust Agreement.

Investment of Funds

The Trustee is required to invest and reinvest all moneys held under the Trust Agreement, at the written direction of the City, in Permitted Investments maturing not later than the date moneys are expected to be required for expenditure. Any income, profit or loss on such investments shall be deposited in or charged to the respective funds from which such investments were made.

Remedies Upon Event of Default

Exercise of Remedies. Upon the occurrence of an event of default by the City under the Lease Agreement, the Trustee may, and if requested in writing by the Owners of a majority in aggregate principal amount of the Certificates then outstanding after receiving indemnification to its satisfaction the Trustee shall, exercise any and all remedies available at law or under the Lease Agreement; *provided, however*, that notwithstanding anything the Trust Agreement or in the Lease Agreement to the contrary, there shall be no right under any circumstances to accelerate the maturities of the Certificates or otherwise to declare any Lease Payment not then in default to be immediately due and payable.

Limitation on Certificate Owners' Rights. The Trustee is granted the power to control the proceedings in the event of a default for the equal benefit of the Certificate Owners. No Certificate Owner has the right to institute any suit, action or proceeding at law or in equity, unless (a) such Owner has previously notified the Trustee of the occurrence of an event of default, (b) the Owners of a majority in aggregate principal amount of the outstanding Certificates have requested the Trustee in writing to exercise its powers, (c) the Owners have tendered the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in complying with such request and (d) the Trustee has failed to comply with such request for 60 days after receipt of such request and tender of such indemnity.

Application of Amounts Collected. Any amounts collected by the Trustee in an event of default are required to be applied as follows:

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in taking any remedial action with respect thereto, including reasonable compensation to its agents, attorneys and counsel, and including such other necessary costs relating to the administration of the foregoing and to events leading up thereto and any outstanding fees and expenses of the Trustee;

Second, to the payment of the whole amount then owing and unpaid with respect to the Certificates for principal and interest, with interest on the overdue principal and installments of interest at the rate set forth in Section 3.4(c) of the Lease (but such interest on overdue installments of interest shall be paid only to the extent funds are available therefor following payment of principal and interest and interest on overdue principal, as aforesaid), and in case such moneys shall be

insufficient to pay in full the whole amount so owing and unpaid with respect to the Certificates, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

Amendment of Trust Agreement

The Trust Agreement may be amended by agreement among the parties thereto, with the prior written consent of the Owners of a majority in aggregate principal amount of the Certificates then outstanding, for any one or more of the following purposes:

- to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power reserved to the Authority or the City,
- to cure, correct or supplement any ambiguous or defective provision,
- in regard to questions arising under the Trust Agreement, as the parties may deem necessary or desirable and which amendment does not, in the opinion of Bond Counsel, materially adversely affect the interests of the Owners of the Certificates,
- if and to the extent permitted in the opinion of Bond Counsel filed with the Trustee, the City and the Authority, to delete or modify any provisions relating to the exclusion from gross income of interest represented by the Certificates under the Tax Code, or
- to conform to any amendments of the Lease Agreement which are permitted to be made under the terms of the Lease Agreement as described above.

No such amendment may (a) extend the maturity or time of interest payment, or reduce the interest rate, amount of principal or premium payable on, any Certificate without such Owner's consent; (b) reduce the percentage of Owners of Certificates required to consent to any amendment or modification; or (c) modify any of the Trustee's rights or obligations without its consent.

Defeasance

Upon payment of the outstanding Certificates in whole, or upon the deposit of cash or non-callable Federal Securities with the Trustee sufficient with other available funds to retire the obligations represented by such Certificates at or before maturity, all rights thereunder of the Owners of such Certificates and all obligations of the Authority, the Trustee and the City with respect to the Certificates ceases and terminates, except only the obligation of the Trustee to pay or cause to be paid, from Lease Payments paid by or on behalf of the City from funds so deposited, all sums represented thereby when due.

ASSIGNMENT AGREEMENT

The Authority and the Trustee will enter into the Assignment Agreement under which the Authority assigns and sets over to the Trustee, for the benefit of the Owners of the Certificates, substantially all of the Authority's rights under the Lease Agreement (subject to certain exceptions), including the right of the Authority to receive and collect Lease Payments, its right to receive and collect proceeds of condemnation and insurance awards and the right to exercise rights and remedies of the Authority in the Lease Agreement to enforce payments of amounts thereunder. The Trustee accepts such assignment for the purpose of securing the Lease Payments, subject to the provisions of the Trust Agreement.

APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION

July 12, 2011

City Council
City of San Ramon
San Ramon City Hall
2222 Camino Ramon
San Ramon, California 94583

OPINION: \$11,585,000 2011 Refunding Certificates of Participation Evidencing the Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments Made by the City of San Ramon, California to the City of San Ramon Public Financing Authority

Members of the City Council:

We have acted as special counsel to the City of San Ramon, California (the "City"), in connection with the execution and delivery by the City of a Lease Agreement dated as of July 1, 2011 (the "Lease Agreement"), between the City of San Ramon Public Financing Authority (the "Authority") as lessor and the City as lessee. Under a Trust Agreement dated as of July 1, 2011 (the "Trust Agreement"), among the City, the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee thereunder (the "Trustee"), the Trustee has executed and delivered \$11,585,000 aggregate principal amount of 2011 Refunding Certificates of Participation (the "Certificates") evidencing the direct, undivided fractional interests of the owners thereof in lease payments to be made by the City under the Lease Agreement (the "Lease Payments"), which have been assigned by the Authority to the Trustee under an Assignment Agreement dated as of July 1, 2011 (the "Assignment Agreement") between the Authority and the Trustee. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Lease Agreement and the Trust Agreement, and in certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The City is a charter city and municipal corporation duly organized and validly existing under the Constitution and laws of the State of California with the full power to enter into the Lease Agreement and the Trust Agreement and to perform the agreements on its part contained therein.

2. The Lease Agreement and the Trust Agreement have been duly approved by the City and constitute valid and binding obligations of the City enforceable against the City in accordance with their respective terms.

3. The Certificates have been validly executed and delivered by the Trustee under the Trust Agreement and, by virtue of the assignment made under the Assignment Agreement, the owners of the Certificates are entitled to the benefits of the Lease Agreement.

4. The portion of the Lease Payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Tax Code that must be satisfied subsequent to the delivery of the Lease Agreement in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of delivery of the Lease Agreement. We express no opinion regarding other federal tax consequences arising with respect to the Lease Agreement and the Certificates.

5. The portion of the Lease Payments designated as and comprising interest and received by the owners of the Certificates is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Certificates and the enforceability of the Lease Agreement, the Trust Agreement and the Assignment Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in accordance with principles of equity or otherwise in appropriate cases.

Respectfully submitted,

A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of San Ramon (the “City”) in connection with the execution and delivery of its \$11,585,000 aggregate principal amount of 2011 Refunding Certificates of Participation (the “Certificates”). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of July 1, 2011 (the “Trust Agreement”), by and among the City, the City of San Ramon Public Financing Authority (the “Authority”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The City covenants and agrees as follows:

1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Certificates and in order to assist the Participating Underwriter in complying with the Rule.

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. The term “Annual Report” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

Beneficial Owner. The term “Beneficial Owner” means any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Certificates for federal income tax purposes.

EMMA. The term “EMMA” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>.

Fiscal Year. The term “Fiscal Year” means the one-year period ending on the last day of June of each year.

Holder. The term “Holder” means a registered owner of the Certificates.

Listed Events. The term “Listed Events” means any of the events listed in Sections 5(a) and (b) of this Disclosure Certificate.

Official Statement. The term “Official Statement” means the Official Statement dated June 21, 2011 delivered in connection with the Certificates.

Participating Underwriter. The term “Participating Underwriter” means any of the original underwriters of the Certificates required to comply with the Rule in connection with offering of the Certificates.

Rule. The term “Rule” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

3. Provision of Annual Reports.

(a) The City shall provide not later than 270 days following the end of its Fiscal Year (commencing with Fiscal Year 2011) to EMMA an Annual Report relating to the immediately preceding Fiscal Year which is consistent with the requirements of Section 4 of this Disclosure Certificate, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the City is unable to provide to EMMA an Annual Report by the date required in subsection (a), the City shall send to EMMA a notice in the manner prescribed by the Municipal Securities Rulemaking Board.

4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements of the City for the prior Fiscal Year, 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.

(b) Principal amount of the Certificates outstanding.

(c) An update of the information in the following tables in Appendix A to the Official Statement:

1. TABLE 1
2. TABLE 2
3. TABLE 3; and
4. TABLE 4

(d) An update of the information in the tables entitled "Pension Plans" and "Post Employment Healthcare Benefits" in Appendix A to reflect the most recently available contributions, contribution rates, values of plan assets and unfunded liabilities in the Official Statement.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission; provided, that if any document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board; and provided further, that the City shall clearly identify each such document so included by reference.

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 Certificates in a timely manner not more than ten (10) Business Days after the event:

1. principal and interest payment delinquencies;

2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinion or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);
6. tender offers;
7. defeasances;
8. ratings changes; and
9. bankruptcy, insolvency, receivership or similar proceedings.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) 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 Certificates, if material:

1. unless described in Section 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Certificates or other material events affecting the tax status of the Certificates;
2. modifications to the rights of Certificate holders;
3. optional, unscheduled or contingent Certificate prepayments;
4. release, substitution or sale of property securing repayment of the Certificates;
5. non-payment related defaults;
6. the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and
7. appointment of a successor or additional trustee or the change of the name of a trustee.

(c) If the City determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the City shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) Business Days after the event.

6. Customarily Prepared and Public Information. Upon request, the City shall provide to any person financial information regarding the City which is customarily prepared by the City and is publicly available.

7. Termination of Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule.

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 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 notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall not thereby have any obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

10. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Certificates 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 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 to comply with this Disclosure Certificate shall be an action to compel performance.

No Holder or Beneficial Owner of the Certificates may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the City satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the City shall have refused to comply therewith within a reasonable time.

11. 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 initial Dissemination Agent shall be the City. Any Dissemination Agent must be designated in writing by the City and file with the City a written acceptance of such designation.

12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City 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 negligence or willful

misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent (if any), the Participating Underwriter and Holders and Beneficial Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Dated: June 12, 2011

CITY OF SAN RAMON

By: _____
Its: City Manager

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: CITY OF SAN RAMON
Name of Issue: \$11,585,000 2011 Refunding Certificates of Participation
Date of Issuance July 1, 2011

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Certificates as required by the Continuing Disclosure Certificate dated July 12, 2011. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

CITY OF SAN RAMON

By _____

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Certificates, payment of principal, premium, if any, accreted value and interest on the Certificates to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Certificates and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Certificates. The Certificates 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 certificate will be issued for each maturity of the Certificates, 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 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 Certificates 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 Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates 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 Certificates 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 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holding 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 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as prepayments, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates 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.

Prepayment notices shall be sent to DTC. If less than all of the Certificates within a maturity are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be prepaid.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City 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 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Prepayment proceeds, distributions, and dividend payments with respect to the Certificates 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 City or the Trustee, 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, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of prepayment 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 City or the Trustee, 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 Certificates purchased or tendered, through its participant, to the Tender Agent, and shall effect delivery of such securities by causing the Direct Participant to transfer the Participant's interest in the Certificates, on DTC's records, to the Tender Agent. The requirement for physical delivery of Certificates in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Certificates are transferred by Direct Participants or DTC's records and followed by book-entry credit of tendered Certificates to the Tender Agent's DTC account.

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

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

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

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