

NEW ISSUE—FULL BOOK-ENTRY

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

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 interest on the Bonds is excluded from gross income for federal income tax purposes and such interest 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.



\$10,080,000
CITY OF CONCORD
(Contra Costa County, California)
2012 Wastewater Revenue Refunding Bonds

Dated: As of Date of Delivery

Due: February 1, as shown below

The \$10,080,000 2012 Wastewater Revenue Refunding Bonds (the "Bonds") are being issued by the City of Concord, California (the "City"), in fully registered form without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Payments of the principal of, premium, if any, and interest on the Bonds will be made by The Bank of New York Mellon Trust Company, N.A., as trustee for the Bonds (the "Trustee"), to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to DTC participants for subsequent disbursement to the beneficial owners of the Bonds. The Bonds are being issued pursuant to an Indenture of Trust, dated as of October 1, 2012 (the "Indenture"), by and between the City and the Trustee. Interest on the Bonds will be payable semi-annually on each February 1 and August 1, commencing on February 1, 2013.

The Bonds are being issued to provide funds to (a) refund on a current basis, the outstanding City of Concord Certificates of Participation (2004 Wastewater System Improvement Project), delivered to finance improvements to the municipal wastewater system (the "Wastewater System") owned and operated by the City (the "City"), (b) purchase a reserve fund municipal bond insurance policy in lieu of cash funding a reserve fund for the Bonds, and (c) pay expenses of the transaction.

The Bonds are payable from the net revenues (the "Net Revenues") of the Wastewater System, derived primarily from charges and revenues received by the City from the operation of the Wastewater System, less the costs of the operation and maintenance of the Wastewater System. The Net Revenues are pledged, as a first and prior lien thereon, to pay the principal of and premium, if any, and interest on the Bonds and any parity obligations issued or incurred by the City, as described herein (the "Parity Debt"). The City has covenanted to set rates and charges for the service and facilities of the Wastewater System sufficient to provide Net Revenues each year equal to at least 1.15 times the aggregate annual amount of principal of and interest due on the Bonds and all Parity Debt. The City's obligation to pay the principal of and premium, if any, and interest on the Bonds is on a parity with its payment obligation under an installment sale agreement, dated as of October 1, 2007, between the City of Concord Joint Powers Financing Authority and the City, which constitutes existing Parity Debt, together with any additional Parity Debt incurred by the City in the future.

The Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS—Redemption."

NEITHER THE BONDS NOR THE OBLIGATION TO PAY PRINCIPAL OF OR INTEREST THEREON CONSTITUTES A DEBT OR A LIABILITY OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY. THE BONDS ARE SECURED SOLELY BY THE PLEDGE OF NET REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. THE BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE CITY.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES OR YIELDS

CUSIP+ Prefix: 206150

<u>Maturity</u> <u>February 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP+</u> <u>Suffix</u>	<u>Maturity</u> <u>February 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP+</u> <u>Suffix</u>
2013	\$475,000	2.000%	0.350%	AA2	2022	\$610,000	2.250%	2.300%	AK0
2014	490,000	2.000	0.460	AB0	2023	620,000	2.500	2.550	AL8
2015	500,000	1.500	0.600	AC8	2024	635,000	2.625	2.700	AM6
2016	510,000	1.500	0.780	AD6	2025	655,000	2.750	2.800	AN4
2017	515,000	4.000	1.000	AE4	2026	670,000	2.750	2.900	AP9
2018	540,000	4.000	1.280	AF1	2027	690,000	3.000	3.000	AQ7
2019	560,000	4.000	1.620	AG9	2028	705,000	3.000	3.050	AR5
2020	580,000	2.000	1.850	AH7	2029	730,000	3.000	3.100	AS3
2021	595,000	2.000	2.100	AJ3					

The Bonds were sold by competitive bidding on September 18, 2012, to Stifel, Nicolaus & Company, Incorporated at a true interest rate of 2.583258%.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS **NOT** A SUMMARY OF THIS ISSUE OF BONDS. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE PURCHASE OF THE BONDS.

The Bonds are offered when, as and if issued and received by the Underwriter and subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, as Bond Counsel. Certain legal matters will also be passed upon for the City by Quint & Thimmig LLP, San Francisco, California, as Disclosure Counsel. Certain legal matters will be passed upon for the City by the City Attorney. It is anticipated that the Bonds will be delivered in definitive form through DTC on or about October 2, 2012.

Dated: September 18, 2012

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CITY OF CONCORD

1950 Parkside Drive
Concord, CA 94519
(925) 671-3000
<http://www.ci.concord.ca.us>

City Council

Ron Leone, *Mayor*
William D. Shinn, *Vice Mayor*
Tim Grayson, *Councilmember*
Daniel C. Helix, *Councilmember*
Laura M. Hoffmeister, *Councilmember*

City Staff and Officials

Valerie Barone, *Interim City Manager*
Kay Winer, *Interim Assistant City Manager*
Bill Zenoni, *Interim Finance Director*
Linda Lorenzetti, *Treasury Manager*
Thomas J. Wentling, *City Treasurer*
Justin Ezell, *Public Works Director*
Danea Gemmell, *City Engineer*
Mark Coon, Esq., *City Attorney*
Mary Rae Lehman, *City Clerk*

Special Services

Fieldman, Rolapp & Associates
Irvine, California
Financial Advisor

Jones Hall, A Professional Law Corporation
San Francisco, California
Bond Counsel

Quint & Thimmig LLP
San Francisco, California
Disclosure Counsel

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

Grant Thornton LLP
Minneapolis, Minnesota
Verification Agent

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

Estimates and Forecasts. 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.

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

Limited Scope of Information. The City has obtained certain information set forth herein from sources which are believed to be reliable, but such information is neither guaranteed as to accuracy or completeness, nor to be construed as a representation of such by the City. 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 since the date hereof. All summaries of or references to the documents referred to in this Official Statement are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. All capitalized terms used herein, unless noted otherwise, shall have the meanings prescribed in the Indenture.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT SUCH LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANYTIME.

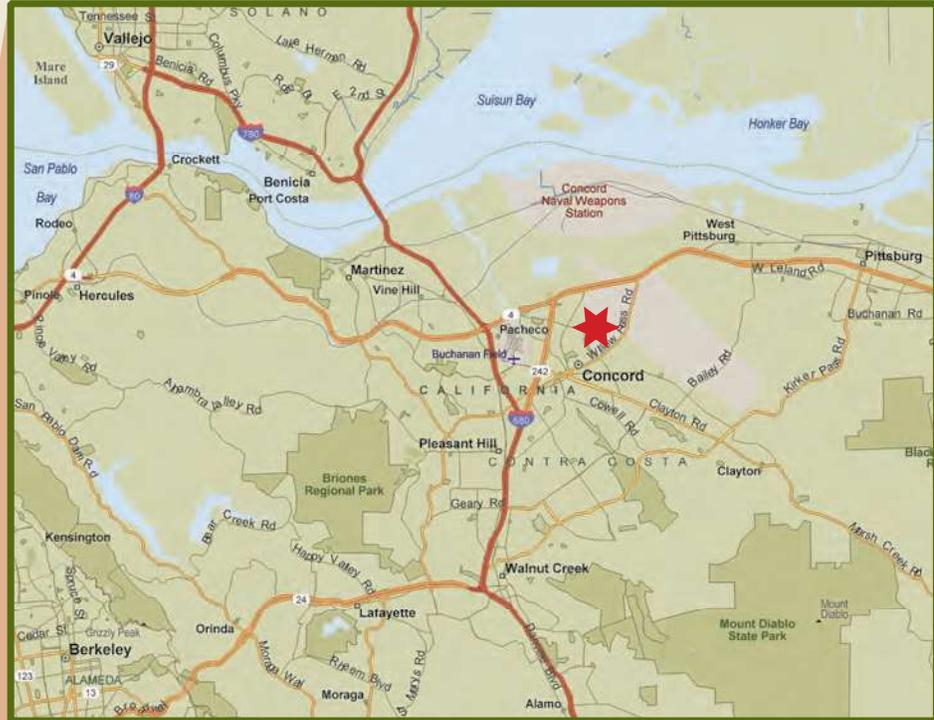
THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

The City maintains a website. Unless specifically indicated otherwise, the information presented on such website is not incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds.

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CONCORD • CALIFORNIA



OFFICIAL STATEMENT

\$10,080,000
CITY OF CONCORD
(Contra Costa County, California)
2012 Wastewater Revenue Refunding Bonds

INTRODUCTION

General

This Official Statement, which includes the cover page and appendices hereto, provides information in connection with the sale of the 2012 Wastewater Revenue Refunding Bonds (the "Bonds"), being issued by the City of Concord, California (the "City"), in the aggregate principal amount of \$10,080,000.

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

Capitalized terms used, but not otherwise defined herein, shall have the meanings assigned thereto as set forth in APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Certain Definitions.

The City of Concord (the "City") is located in north central Contra Costa County (the "County"), approximately 26 miles northeast of San Francisco, and is the largest and most populous of the County's 19 cities. The County is one of nine counties comprising the economic-geographic unit known as the San Francisco Bay Area. The climate is seasonal with an average minimum temperature of 48 degrees, an average maximum temperature of 73 degrees and average rainfall of 17 inches.

The City was incorporated on February 9, 1905 under the general laws of the State of California. The City Council members are elected for overlapping four-year terms. The policies of the City Council are carried out by the appointed City Manager.

See "THE CITY" and APPENDIX E—GENERAL INFORMATION REGARDING THE CITY OF CONCORD.

The Wastewater System

The City's municipal wastewater enterprise (the "Wastewater System") provides wastewater collection and conveyance services to 124,384 residents of the City and to the 10,996 residents of the City of Clayton. Wastewater is conveyed to the Central Contra Costa Sanitary District (the "CCCSD") treatment plant for treatment. See "THE WASTEWATER SYSTEM" herein.

Purpose of the Bonds

The Bonds are being issued to provide funds to (a) refund on a current basis, the outstanding City of Concord Certificates of Participation (2004 Wastewater System Improvement Project) (the "2004 Certificates"), delivered to finance improvements to the municipal wastewater system (the "Wastewater System") owned and operated by the City (the City"), (b) purchase a reserve fund municipal bond insurance policy (the "Reserve Fund Policy") in lieu of cash funding a reserve fund, and (c) pay expenses of the transaction. See "THE REFUNDING PLAN."

Authority for Issuance

The Bonds are authorized pursuant to the provisions of section 53570 *et seq.* of the California Government Code, a resolution adopted by the City Council of the City on September 11, 2012 (the "Resolution"), and an Indenture of Trust, dated as of October 1, 2012 (the "Indenture"), by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

Security for the Bonds

The Bonds are payable from the net revenues (the "Net Revenues") of the Wastewater System, derived primarily from charges and revenues received by the City from the operation of the Wastewater System, less the costs of the operation and maintenance of the Wastewater System. The Net Revenues are pledged, as a first and prior lien thereon, to pay the principal of and premium, if any, and interest on the Bonds and any parity obligations issued or incurred by the City, as described herein (the "Parity Debt").

See "SECURITY FOR THE BONDS—Pledge of Net Revenues."

The City's obligation to pay the principal of and premium, if any, and interest on the Bonds is on a parity with its payment obligation under an installment sale agreement, dated as of October 1, 2007, between the City of Concord Joint Powers Financing Authority and the City (the "2007 Installment Sale Agreement"), which constitutes existing Parity Debt, together with any additional Parity Debt incurred by the City in the future.

In addition, the payment of the principal of and interest on the Bonds will be secured by the Reserve Fund Policy to be issued by Assured Guaranty Municipal Corp. (the "Insurer") on the closing date of the Bonds.

See "SECURITY FOR THE BONDS—Reserve Fund."

Rate Covenant

Under the Indenture, the City has covenanted to set rates and charges for the service and facilities of the Wastewater System sufficient to provide Net Revenues each year equal to at least 1.15 times the aggregate annual amount of principal of and interest due on the Bonds and all Parity Debt. See "SECURITY FOR THE BONDS—Rate Covenant."

Additional Obligations

Additional obligations and bonds issued or incurred on a parity with or subordinate to the Bonds may be issued pursuant to the Indenture provided that certain conditions are met.

See “SECURITY FOR THE BONDS—Limitations on Future Obligations Secured by Net Revenues.”

Payment

Principal of the Bonds will be payable in each of the years and in the amounts set forth on the cover page hereof at the office of the Trustee. Interest on the Bonds will be paid by check or draft of the Trustee mailed by first class mail to the person entitled thereto. See “THE BONDS—General.” Initially, principal of and interest on the Bonds will be payable when due by wire of the Trustee to The Depository Trust Company, New York, New York (“DTC”), which will in turn remit such interest and principal to DTC Participants (as defined herein), which will in turn remit such interest and principal to Beneficial Owners (as defined herein) of the Bonds. See “THE BONDS—Book-Entry Only System.”

Redemption

The Bonds are subject to redemption prior to their stated maturity dates, as provided herein. See “THE BONDS—Optional Redemption.”

Form of Bonds

The Bonds will be dated as of their date of delivery and will be issued in fully registered form, without coupons, in the minimum denominations of \$5,000 or any integral multiple thereof. Any Bond may, in accordance with its terms, be transferred or exchanged, pursuant to the provisions of the Indenture. See “THE BONDS—General.”

Book-Entry System

The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in denominations of \$5,000 or any integral multiple thereof, in book-entry form only. Upon receipt of payments of principal and interest on the Bonds, DTC will in turn remit such principal and interest to the participants in DTC for subsequent disbursement to the beneficial owners of the Bonds. See “THE BONDS—Book-Entry Only System” below and APPENDIX G—BOOK-ENTRY ONLY SYSTEM.

Risks of Investment

The Bonds are repayable only from certain money available to the City from the Wastewater System. For a discussion of some of the risks associated with the purchase of the Bonds, see “RISKS RELATING TO THE BONDS”

NEITHER THE BONDS NOR THE OBLIGATION TO PAY PRINCIPAL OF OR INTEREST THEREON CONSTITUTES A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY. THE BONDS ARE SECURED SOLELY BY THE PLEDGE OF NET REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE.

Tax Matters

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 interest on the Bonds is excluded from gross income for federal income tax purposes and such interest 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.

Continuing Disclosure

The City has covenanted, for the benefit of the owners and beneficial owners of the Bonds, to provide certain financial information and operating data relating to the Wastewater System by not later than nine months following the end of each Fiscal Year (currently June 30), and to provide notices of the occurrence of certain enumerated events. See "CONTINUING DISCLOSURE" herein and APPENDIX D—FORM OF CONTINUING DISCLOSURE CERTIFICATE.

Forward-Looking Statements

This Official Statement, and particularly the information contained under the headings entitled "REFUNDING PLAN," "ESTIMATED SOURCES AND USES OF FUNDS," "SECURITY FOR THE BONDS," "THE WASTEWATER SYSTEM" AND APPENDIX E—GENERAL INFORMATION REGARDING THE CITY OF CONCORD, contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 2000. When used in this Official Statement, the words "estimate," "forecast," "intend," "expect" and similar expressions identify forward-looking statements. 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 City is not obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur. See "RISK FACTORS RELATING TO THE BONDS."

Other Matters

There follow in this Official Statement brief descriptions of the Bonds, the security for the Bonds, the Indenture, the City, the Wastewater System, and certain other information relevant to the issuance of the Bonds. The descriptions and summaries of documents herein do not purport to be comprehensive or definitive, and reference is made to each such document for the complete details of all its respective terms and conditions. All statements herein with respect to such documents are qualified in their entirety by reference to each such document for the complete details of all of their respective terms and conditions. All statements herein with respect to certain rights and remedies are qualified by reference to laws and principles of equity relating to or affecting creditors' rights generally. Copies of the Indenture are available for inspection during business hours at the corporate trust office of the Trustee.

The information and expressions of opinion herein speak only as of the date of this Official Statement and are subject to change without notice. Neither delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including the table of receipts from taxes and other revenues, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial or other affairs of the City. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

Other Information

This Official Statement speaks only as of its date and the information contained herein is subject to change without notice. Copies of the Indenture are available from the City upon written request to the City, 1950 Parkside Drive, Concord, CA 94519, Attention: City Administrator. The City may impose a charge for copying, mailing and handling expenses related to any request for documents.

THE REFUNDING PLAN

A portion of the proceeds from the sale of the Bonds will be deposited into an escrow fund (the “Escrow Fund”) to be created and maintained by The Bank of New York Mellon Trust Company, N.A., as escrow bank (the “Escrow Bank”). A portion of the moneys deposited in the Escrow Fund will be invested in U.S. Treasury Securities—State and Local Government Series (the “SLGS”), so that the interest thereon and the maturing principal thereof, together with uninvested cash, will be sufficient to redeem the outstanding 2004 Certificates in full on November 1, 2012, at a redemption price equal to 102% of the principal amount of 2004 Certificates, including accrued interest with respect to the 2004 Certificates through such date. The mathematical accuracy of the calculation as to the sufficiency of SLGS and cash in the Escrow Fund to meet the payment and redemption requirements of the 2004 Certificates will be verified by Grant Thornton LLP (the “Verification Agent”). See “VERIFICATION OF MATHEMATICAL COMPUTATIONS.”

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds are as follows:

<u>Sources:</u>	
Principal Amount of Bonds	\$10,080,000.00
Plus: Net Original Issue Premium	218,914.75
TOTAL SOURCES	<u><u>\$10,298,914.75</u></u>
 <u>Uses:</u>	
Deposit to Escrow Fund	\$ 9,992,336.17
Deposit to Costs of Issuance Fund (1)	306,578.58
TOTAL USES	<u><u>\$10,298,914.75</u></u>

⁽¹⁾ Costs of Issuance include the underwriter’s discount, legal fees, printing costs, the premium for the Reserve Fund Policy, rating agency fees and other miscellaneous expenses.

DEBT SERVICE REQUIREMENTS

Annual debt service on the Bonds (assuming no redemptions of the Bonds) is presented below.

<u>Maturity (February 1)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 475,000	\$ 88,797.55	\$ 563,797.55
2014	490,000	259,131.26	749,131.26
2015	500,000	249,331.26	749,331.26
2016	510,000	241,831.26	751,831.26
2017	515,000	234,181.26	749,181.26
2018	540,000	213,581.26	753,581.26
2019	560,000	191,981.26	751,981.26
2020	580,000	169,581.26	749,581.26
2021	595,000	157,981.26	752,981.26
2022	610,000	146,081.26	756,081.26
2023	620,000	132,356.26	752,356.26
2024	635,000	116,856.26	751,856.26
2025	655,000	100,187.50	755,187.50
2026	670,000	82,175.00	752,175.00
2027	690,000	63,750.00	753,750.00
2028	705,000	43,050.00	748,050.00
2029	730,000	21,900.00	751,900.00
TOTALS	\$10,080,000	\$2,512,753.91	\$12,592,753.91

THE BONDS

Authority for Issuance

The Bonds are authorized pursuant to the provisions of section 53570 *et seq.* of the California Government Code, a resolution adopted by the City Council of the City on September 11, 2012, and the Indenture.

General Provisions

The Bonds will be dated as of their date of delivery and issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Bond shall have more than one maturity date. The Bonds will mature in the amounts and on the dates, and bear interest at the rates per annum, set forth on the cover page of this Official Statement.

Repayment of the Bonds. Interest on the Bonds will be payable on February 1 and August 1 in each year, beginning February 1, 2013 (each an "Interest Payment Date"), to the person whose name appears on the Bond Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check or draft of the Trustee mailed by first class mail to the Owner or, at the option of any Owner of at least \$1,000,000 aggregate principal amount of the Bonds with respect to which written instructions have been filed with the Trustee prior to the Record Date, by wire transfer, at the address of such Owner as it appears on the Bond Registration Books. In the event there exists a default in payment of interest due on such Interest Payment Date, such interest will be payable on a payment date established by the Trustee to the persons in whose names the Bonds are registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Trustee to the registered Owners of the

Bonds not less than 15 days preceding such special record date. Principal of any Bond will be paid upon presentation and surrender thereof at the Principal Corporate Trust Office of the Trustee in St. Paul, Minnesota. Both the principal of and interest on the Bonds will be payable in lawful money of the United States of America.

The Bonds will bear interest based on a 360-day year comprised of twelve 30-day months from the Interest Payment Date next preceding the date of authentication thereof, unless said date of authentication is an Interest Payment Date, in which event such interest is payable from such date of authentication, and unless said date of authentication is prior to January 15, 2013, in which event such interest is payable from their date of delivery; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond will bear interest from the date to which interest has previously been paid or made available for payment thereon in full.

DTC as Registered Owner. The Bonds will initially be issued in book-entry only form, registered in the name of Cede & Co., as nominee of DTC. Purchasers of the Bonds will not receive certificates representing their interests therein, which will be held at DTC. See "THE BONDS—Book-Entry Only System."

Redemption

Optional Redemption. The Bonds maturing on or before February 1, 2022, are not subject to redemption prior to their respective stated maturities. The Bonds maturing on or after February 1, 2023, are subject to redemption prior to their respective stated maturity dates, at the option of the City, from any source of available funds, in whole or in part, on any date on or after February 1, 2022, at a redemption price equal to the principal amount to be redeemed, plus accrued interest to the date fixed for redemption, without premium.

Notice of Redemption. Unless waived by any Owner of Bonds to be redeemed, notice of any redemption of Bonds shall be given, at the expense of the City, by the Trustee by providing a redemption notice at least 30 days and not more than 60 days prior to the date fixed for redemption to the Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Registration Books; provided, that neither the failure to receive such notice nor any immaterial defect in any notice shall affect the sufficiency of the proceedings for the redemption of the Bonds.

All notices of redemption are required to include (i) the redemption date, (ii) the Redemption Price, (iii) if fewer than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed, (iv) that on the redemption date the Redemption Price will become due and payable with respect to each such Bond or portion thereof called for redemption, and that interest with respect thereto shall cease to accrue from and after said date, and the place or places where such Bonds are to be surrendered for payment of the Redemption Price, which places of payment may include the Principal Corporate Trust Office of the Trustee.

On or prior to any redemption date, the City will deposit with the Trustee an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date.

The City has the right to rescind any notice of the optional redemption of Bonds by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of optional redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called

for redemption, and such cancellation will not constitute an Event of Default. The City and the Trustee have no liability to the Bond Owners or any other party related to or arising from such rescission of notice of redemption. The Trustee will mail notice of such rescission of notice of redemption in the same manner as the original notice of redemption was sent.

Book-Entry Only System

The Bonds will be registered in the name of Cede & Co., as registered owner and nominee of DTC. DTC will act as securities depository for the Bonds so purchased. Individual purchases will be made in book-entry form. One fully registered Bond certificate will be issued for each series and maturity of the Bonds having the same interest rate, in the aggregate principal amount of such maturity and will be deposited with DTC. Purchasers will not receive a certificate representing their beneficial ownership interest in Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bondowners or registered owners will mean Cede & Co. as aforesaid, and will not mean the "Beneficial Owners" of the Bonds. In this Official Statement, the term "Beneficial Owner" will mean the person for whom a DTC Participant acquires an interest in the Bonds. See APPENDIX G—BOOK-ENTRY ONLY SYSTEM.

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest on the Bonds are payable by wire transfer of same day funds by the Trustee to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC Participants for subsequent disbursement to the Beneficial Owners. See APPENDIX G—BOOK-ENTRY ONLY SYSTEM.

SECURITY FOR THE BONDS

The general fund of the City is not liable and the credit or taxing power of the City is not pledged for the payment of the principal of and interest on the Bonds. The Owners of the Bonds may not compel the exercise of the taxing power by the City or the forfeiture of its property. The principal of and interest on the Bonds are not a debt of the City, nor a legal or equitable pledge, charge, lien or encumbrance, upon any of its property, or upon any of its income, receipts, or revenues except the Net Revenues of the Wastewater System.

Pledge of Net Revenues

The Bonds are secured by a first pledge of and lien on all of the Net Revenues on a parity with the 2007 Installment Sale Agreement. In addition, the Bonds are secured by a pledge of all of the moneys in the Debt Service Fund and the Reserve Fund, including all amounts derived from the investment of such moneys. The Bonds and any Parity Debt are equally secured by a pledge, charge and lien upon the Net Revenues and such moneys without priority for series, issue, number or date and the payment of the interest on and principal of the Bonds will be and are secured by an exclusive pledge, charge and lien upon the Net Revenues and such moneys. So long as any of the Bonds are Outstanding, the Net Revenues and such moneys may not be used for any other purpose; except that out of the Net Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by the Indenture.

The Indenture defines "Wastewater System" as the existing wastewater system of the City, comprising any and all facilities, properties and improvements at any time owned, controlled or operated by the City for the collection, treatment, disposal or reuse of wastewater, including sewage treatment plants, intercepting and collecting sewers, outfall sewers, force mains, pumping stations, ejector stations, pipes, valves, machinery and all other

appurtenances necessary, useful or convenient for the collection, treatment, disposal or reuse of sewage, and any necessary lands, rights of way and other real or personal property useful in connection therewith.

The Indenture defines “Net Revenues” as, with respect to any period, an amount equal to all of the Gross Revenues received during such period minus the amount required to pay all Operation and Maintenance Costs becoming payable during such period.

The Indenture defines “Gross Revenues” as all gross income and revenue received by the City from the ownership and operation of the Wastewater System, including, without limiting the generality of the foregoing, (a) all income, rents, rates, fees, connection fees, charges or other moneys derived from the services, facilities and commodities sold, furnished or supplied through the facilities of the Wastewater System, (b) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other moneys to the extent that the use of such earnings and income is not limited by or pursuant to the law relating to the Wastewater System (including interest earnings on the Reserve Fund), (c) the proceeds derived by the City directly or indirectly from the sale, lease or other disposition of a part of the Wastewater System, and (d) all investment earnings credited by the Trustee under the Indenture to the Debt Service Fund; *provided, however*, that the term “Gross Revenues” will not include customers’ deposits or any other deposits subject to refund until such deposits have become the property of the City.

The Indenture defines “Operation and Maintenance Costs” as all expenses and costs of management, operation, maintenance and repair of the Wastewater System, including operating charges payable to the Central Contra Costa Sanitary District, a special district responsible for wastewater collection, treatment and disposal in central Contra Costa County (the “CCCCSD”) for treatment of wastewater transported to the CCCSD, but excluding (i) debt service or other similar payments on Parity Debt or other obligations, a (ii) depreciation and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature; (iii) payments made to the CCCSD which are characterized as “capital costs”; and (iv) any expense classified as discretionary by the City to the operation of the Wastewater System.

In consideration of the acceptance of the Bonds by those who will hold the same from time to time, the Indenture will be deemed to be and will constitute a contract between the City and the Owners from time to time of the Bonds, and the covenants and agreements herein set forth to be performed on behalf of the City will be for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein.

Reserve Fund

There is created under the Indenture a separate fund to be known as the “Reserve Fund” to be held in trust by the Trustee. The Reserve Fund Policy in the Reserve Fund will be held in trust as a reserve for the payment when due of the Debt Service on the Bonds on behalf of the City.

If on any Interest Payment Date the moneys available in the Debt Service Fund do not equal the amount of the Debt Service on the Bonds then coming due and payable, the Trustee will draw on the Reserve Fund Policy and apply the moneys available in the Reserve Fund to make such payments on behalf of the City by transferring the amount necessary for this

purpose to the Debt Service Fund. Upon receipt of any delinquent Debt Service with respect to which moneys have been advanced from the Reserve Fund, such Debt Service will be deposited in the Reserve Fund to the extent of such advance, and used to reimburse the Insurer for the draw made on the Reserve Fund Policy.

The City will repay any draws under the Reserve Fund Policy and pay all related reasonable expenses incurred by the Insurer. Interest will accrue and be payable on such draws and expenses from the date of payment by the Insurer at the Late Payment Rate. "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus 5%, and (ii) the then applicable highest rate of interest with respect to the Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate will be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate will be the publicly announced prime or base lending rate of such national bank as the Insurer will specify.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, "Policy Costs") will commence in the first month following each draw, and each such monthly payment will be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

Amounts in respect of Policy Costs paid to the Insurer will be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Insurer on account of principal due, the coverage under the Reserve Fund Policy will be increased by a like amount, subject to the terms of the Reserve Fund Policy.

All cash and investments in the Reserve Fund will be transferred to the Debt Service Fund for payment of principal and interest with respect to the Bonds before any drawing may be made on the Reserve Fund Policy or any other credit facility credited to the Reserve Fund in lieu of cash ("Credit Facility"). Payment of any Policy Costs will be made prior to replenishment of any such cash amounts. Draws on all Credit Facilities (including the Reserve Fund Policy) on which there is available coverage will be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Fund. Payment of Policy Costs and reimbursement of amounts with respect to other Credit Facilities will be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Fund. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

If the City will fail to pay any Policy Costs in accordance with the requirements of set forth above, the Insurer will be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Indenture, other than (i) acceleration of the maturity of the Bonds or (ii) remedies which would adversely affect owners of the Bonds.

The Trustee will ascertain the necessity for a claim upon the Reserve Fund Policy in accordance with the provisions set forth above and provide notice to the Insurer in accordance with the terms of the Reserve Fund Policy at least five Business Days prior to each date upon which interest or principal is due with respect to the Bonds. The Trustee will give notice to the

Insurer of any failure of the City to make timely payment in full of scheduled Debt Service within two Business Days of the date due.

Receipt, Deposit and Application of Gross Revenues and Net Revenues

The City has previously established the Wastewater Fund, which it will continue to hold and maintain. The City will deposit all Gross Revenues in the Wastewater Fund promptly upon the receipt thereof, and will apply amounts in the Wastewater Fund solely for the uses and purposes set forth herein and for the uses and purposes set forth in any Parity Debt Documents.

Application of Amounts in Wastewater Fund. The City will withdraw amounts on deposit in the Wastewater Fund and apply such amounts at the times and for the purposes, and in the priority, as follows:

(i) **Operation and Maintenance Costs.** The City will apply amounts on deposit in the Wastewater Fund to pay all Operation and Maintenance Costs when due.

(ii) **Debt Service Fund.** In addition to transfers which are required to be made for repayment of any Parity Debt, on or before the 3rd Business Day preceding each Interest Payment Date, so long as any Bonds remain Outstanding, the City will withdraw from the Wastewater Fund and pay to the Trustee for deposit into the Debt Service Fund (which the Trustee will establish and hold in trust hereunder) an amount which, together with other available amounts then on deposit in the Debt Service Fund, is at least equal to the aggregate amount of principal of and interest coming due and payable on the Bonds on such Interest Payment Date.

The Trustee will apply amounts in the Debt Service Fund solely for the purpose of (A) paying the interest on the Outstanding Bonds when due and payable, and (B) paying the principal of the Bonds at the maturity thereof. Upon the payment of all Outstanding Bonds, the Trustee will transfer any moneys remaining in the Debt Service Fund to the City for deposit into the Wastewater Fund.

(iii) **Reserve Fund Policy.** If there has been a draw on the Reserve Fund Policy, the Trustee will promptly notify the City of such fact and the City will promptly (A) withdraw the amount of such draw from available Net Revenues on deposit in the Wastewater Fund, and (B) transfer such amount to the Trustee for payment to the Insurer.

If the amounts on deposit in the Debt Service Fund on any Interest Payment Date are insufficient to pay the principal of and interest on the Bonds then coming due, the Trustee will draw the amount of such insufficiency from the Reserve Fund Policy and transfer it to the Debt Service Fund. On the date on which all Bonds are retired, any moneys then on deposit in the Reserve Fund will be withdrawn by the Trustee and paid to the Insurer.

Other Uses of Wastewater Fund. The City will manage, conserve and apply moneys in the Wastewater Fund in such a manner that all deposits required to be made under this Section and under any Parity Debt Documents will be made at the times and in the amounts so required.

So long as no Event of Default has occurred and is continuing, the City may at any time use and apply moneys in the Wastewater Fund for any one or more of the following purposes:

- (i) the payment of any subordinate obligations or any unsecured obligations;
- (ii) the acquisition and construction of extensions and improvements to the Wastewater System;
- (iii) the redemption of any obligations of the City relating to the Wastewater System; or
- (iv) any other lawful purpose of the City relating to the Wastewater System.

Rate Stabilization Fund

The City has the right at any time to establish a fund (the "Rate Stabilization Fund") to be held by it and administered for the purpose of stabilizing the rates and charges imposed by the City with respect to the Wastewater System. From time to time the City may deposit amounts in the Rate Stabilization Fund, from any source of legally available funds, including but not limited to Net Revenues which are released from the pledge and lien which secures the Bonds and any Parity Debt, as the City may determine.

The City may, but is not required to, withdraw from any amounts on deposit in a Rate Stabilization Fund and deposit such amounts in the Wastewater Fund in any Fiscal Year for the purpose of paying Debt Service coming due and payable in such Fiscal Year. Amounts so transferred from a Rate Stabilization Fund to the Wastewater Fund will constitute Gross Revenues for such Fiscal Year (except as otherwise provided herein), and will be applied for the purposes of the Wastewater Fund. Amounts on deposit in a Rate Stabilization Fund will not be pledged to or otherwise secure the Bonds or any Parity Debt. All interest or other earnings on deposit in a Rate Stabilization Fund will be withdrawn therefrom at least annually and accounted for as Gross Revenues in the Wastewater Fund. The City has the right at any time to withdraw any or all amounts on deposit in a Rate Stabilization Fund and apply such amounts for any lawful purposes of the City.

Rate Covenant

The City covenants in the Indenture that it will prescribe, revise and collect such charges for the services and facilities of the Wastewater System which, after allowances for contingencies and error in the estimates, will produce Gross Revenues sufficient in each Fiscal Year to provide Net Revenues equal to 1.15 times (i) Debt Service on the Bonds coming due and payable during such Fiscal Year, and (ii) all payments required to pay Debt Service on Parity Debt coming due and payable during such Fiscal Year.

Limitations on Future Obligations Secured by Net Revenues

No Obligations Superior to Bonds or Parity Debt. In order to protect further the availability of the Net Revenues and the security for the Bonds and any Parity Debt, the City covenants that it will not issue or incur any additional bonds or other obligations having any priority in payment of principal or interest out of the Net Revenues over the Bonds. Nothing limits or affects the ability of the City to issue or incur (a) Parity Debt, or (b) obligations which are either unsecured or which are secured by an interest in the Net Revenues which is junior and subordinate to the pledge of and lien upon the Net Revenues established under the Indenture.

Parity Debt. The City may issue Parity Debt in such principal amount as it determines, subject to the following conditions precedent:

(i) The City is not in default under the terms of the Indenture;

(ii) Net Revenues, calculated on sound accounting principles, as shown by the books of the City for the latest Fiscal Year or any more recent twelve (12) month period selected by the City ending not more than sixty (60) days prior to the adoption of the resolution pursuant to the Parity Debt Instrument such Parity Debt is issued or incurred, plus, at the option of the City, the Additional Revenues, will have amounted to at least 1.15 times the maximum Debt Service coming due and payable in any future Fiscal Year;

(iii) Interest payments on such Parity Debt will be payable on August 1 and February 1, and principal payments on such Parity Debt will be payable on February 1; and

(iv) So long as the 2007 Installment Sale Agreement remains Outstanding, the City will comply with the parity debt provisions of the 2007 Installment Sale Agreement, including the requirement that a reserve fund shall be created for such issue of Parity Debt.

The City will deliver to the Trustee a Certificate of the City certifying that each of the conditions precedent to the issuance of such Parity Debt set forth above have been satisfied.

THE WASTEWATER SYSTEM

General

The City provides wastewater collection and conveyance services to 124,384 residents of the City and to the 10,996 residents of the City of Clayton for a total of 135,380 residents served. Wastewater is conveyed to the CCCSD treatment plant for treatment.

CCCSD's service area encompasses approximately 141 square miles, serving the cities of Walnut Creek, Pleasant Hill, Lafayette, Orinda, Moraga, western Martinez, Danville, and northern portion of San Ramon, as well as communities in the unincorporated areas of Contra Costa County. The cities of Concord and Clayton are not part of CCCSD, but their wastewater is collected and conveyed by the City, then treated by the CCCSD under a 1974 contract with the City.

CCCSD owns and maintains approximately 1,500 miles of sewer pipeline, ranging in size from 6 inches to 102 inches in diameter, and 18 sewage pumping plants. The main components of the CCCSD's wastewater system are the wastewater treatment plant (the "WWTP") near the Interstate 680/State Route 4 interchange in unincorporated Martinez, a treated effluent outfall to Suisun Bay, and the collection system, of which its existing A-Line Interceptor is a main artery. The WWTP treats and discharges approximately 45 million gallons per day (MGD) of wastewater effluent (treated wastewater) into Suisun Bay. Additionally, CCCSD produces one to two MGD of high quality recycled water for WWTP processes and landscape irrigation.

The WWTP is operated by the use of electricity, natural gas, and landfill gas. Landfill gas from the closed ACME dump is used to run the incinerators and auxiliary boilers, although the available landfill gas is not sufficient to run both at full capacity. Landfill gas accounts for 27% of the gas usage at the plant. Additionally, natural gas provides for 94% of the plant's electrical needs through a cogeneration unit; the other 6% comes from PG&E's electrical grid. The WWTP has the ability to switch between natural gas and electrical power, depending on the variable cost of each power source. Energy prices have a significant impact on the operating costs of the WWTP and on the Wastewater System budget, since the City pays almost one third of the maintenance and operations cost of the WWTP. The City also pays approximately 30% of CCCSD's capital replacement costs as it pertains to rehabilitation and replacement projects for infrastructure and equipment at the WWTP.

The City contracts with the CCCSD for treatment of the City's sewage at the WWTP by paying a share of the maintenance, operation, and capital replacement costs of the WWTP. The City has contracted with CCCSD since 1974 and treatment payments are calculated based on the City's share of CCCSD's total flow.

The City owns and operates approximately 382 miles of 6- to 54-inch diameter collector and trunk sewers. The majority of the sewers are vitrified clay pipe (VCP). Approximately 4 percent are reinforced concrete pipe (RCP) without lining. City staff has defined trunk sewers as mains 12 inches in diameter and larger. Many of the trunk sewers were constructed before 1980. The City's wastewater is conveyed by gravity flow to CCCSD's WWTP. In 1997, City staff found a 24-inch diameter concrete trunk sewer on Monument Boulevard in severely corroded condition due to sulfide gas. The crown of the 24-inch-diameter pipe was completely corroded through at several locations and the City had to perform emergency repair on approximately 2,000 linear feet of the trunk sewer to avoid collapse.

Capital Improvements

In 2000, the engineering firm of Brown and Caldwell ("B&C") performed an assessment on the condition of the City's concrete trunk sewer lines. In 2002, B&C submitted a study that prioritized the City's sewer rehabilitation needs and recommended a phased program to replace or rehabilitate a significant number of these mains over the next 20 years. The 2004 Certificates were delivered to finance the \$12.2 million first phase of rehabilitation. The total program was originally estimated to cost \$48 million, but by competing different trenchless technologies against each other on the first phase, the work ended up costing less than half that amount and was able to expand the scope to include future phases.

Three projects were funded that rehabilitated of more than 10 miles of deteriorated concrete trunk sewer lines using trenchless technology. This method allowed the rehabilitation work to be completed underground, substantially reducing the cost of the work and minimizing the impact on traffic. On December 5, 2006, the Council accepted the improvements for the last of three projects implemented with these funds. In total, fourteen project segments were rehabilitated in the sewer system:

1. Meadow Lane between Blackfield Drive and Robin Lane;
2. Detroit Avenue between Clayton Road and Todd Avenue;
3. Walters Way on the north side of Galindo Woods Apartments from Monument to Detroit;
4. Cowell Road between St. Francis Drive and Loma Vista School;
5. Newhall Park;
6. Clayton Road between Detroit and Sunset, and along Sunset between Clayton Road and Sinclair Avenue;
7. Pine Street between Clayton Road and Detroit Avenue;

8. Walnut Avenue between The Alameda and Farm Bureau Road;
9. Sinclair Avenue from Sunset to The Alameda, and along The Alameda from Sinclair to Walnut Avenue;
10. Farm Bureau Road from Walnut Avenue to Clayton Road, Clayton Road from Farm Bureau to La Vista and La Vista from Clayton Road to Joan Avenue;
11. Olive Drive west across Clayton Road at Newhall Parkway to Boxer Boulevard;
12. Boxer Boulevard south to the section at Newhall Park;
13. Joan Avenue to Bel Air Drive, and crossing Treat Boulevard to Canterbury Drive to Joan and La Vista Avenue;
14. Concord Avenue from Meridian Park Boulevard to the Freeway 680 off ramp near Diamond Boulevard; and
15. Monument Boulevard from Oak Grove to Detroit and along Detroit to Todd.

Certificates of participation were delivered in 2007 to complete the remaining rehabilitation work identified in the B&C study and finance a joint project between the City and CCCSD that replaced the need for some of the project segments around the City's pump station. The A-line Relief Interceptor project constructed a gravity-fed sewer main under Meridian Park Boulevard from Buchanan Fields Golf Course to Galaxy Way. Prior to the A-line project, all sewage flowed to the pump station and then was pumped under Walnut Creek to CCCSD's A-line located just east of I-680. This allowed the pump station to be taken out of service.

In June 2010, City Council approved its 2010-11 budget and added approximately \$700,000 for a total of about \$900,000 annual allocation in a Capital Facility Contingency (CFC) fund to be used to cover any large capital replacement projects to maintain the sewer infrastructure. In prior years, the budget had set aside only \$200,000 annually in the CFC budget, which was deemed inadequate for infrastructure related to a city the size of the City. The \$900,000 CFC budget is based on a 1% reserve replacement reserve account and is based on the value of the City's infrastructure system. In addition in 2012, the City has started the construction on the first phase of an \$8 million capital project to replace clay mains in the downtown area that are undersized or failing. This project is expected to be funded from fund balances on a pay-as-you go basis.

Wastewater System Users

The following table lists the top ten users of the Wastewater System, including their classification of use and their percentage of total use. The top ten users represent only 5.00% of total use and no one user represents more than 0.51% of total use. The primarily residential customer base results in low customer concentration.

**CITY OF CONCORD
WASTEWATER SYSTEM
TEN LARGEST USERS
12 Months Through June 30, 2011**

	Customer	Type of Use	Percent
1.	Killarney Properties	300 Apartments	0.51%
2.	Mt. Diablo Unified School District	30 School Sites	0.51
3.	John Muir Medical Center	Hospital & Medical Campus	0.50
4.	Concord Family Apartments, LP	291 Apartments	0.49
5.	U.S. Coast Guard	289 Dwelling Units	0.49
6.	Concord Gardens Mobile Home Park	260 Mobile Homes + Rec Bldg	0.44
7.	Evilsizor, John L & Mary A	218 Apartments	0.37
8.	Clayton Creek Partnership	208 Apartments	0.35
9.	Concord Homes, Inc.	196 Senior Apartments	0.33
10.	Concord Mobile Home Park	194 Mobile Homes	<u>0.33</u>
			<u>4.32%</u>

Source: City of Concord, Comprehensive Annual Financial Report, dated June 30, 2011.

Sewer Rates

General. The sewer rates for the entire Wastewater System are set by the City and are not subject to review by any state or local governmental agency. In the past, rate changes have been enacted by the City Council based upon the recommendations of staff or a private sewer engineering consultant. The sewer service charges are set by separate City Ordinance under Concord Municipal Code Section 110-32(c).

Current Rates. In June of 2003, in anticipation of the rehabilitation needs of the Wastewater System and additional requirements for operations, maintenance and capital improvements at the CCCSD treatment plant, the City Council implemented the first of several required sewer charge increases. The most recent increase went into effect on July 1, 2011, and increased the basic sewer charge to \$324 per year from \$306 per year. It is anticipated that additional rate increases will be required as future components of the total rehabilitation program are completed. See "Future Increases" below.

The current sewer rates are shown on the following table.

**CITY OF CONCORD
SEWER RATES FOR FISCAL YEAR 2012-13**

Use Classification	Charge
Residential Owners	
Minimum rate for any premises	\$324.00 per year
Each single family dwelling unit	\$324.00 per year
Each unit in a multiple dwelling structure	\$324.00 per year per unit
Mobile home park	\$324.00 per year per space
Commercial Owners ⁽¹⁾	
Minimum rate for any premises	\$324.00 per year
Bowling alleys	\$2.86 per 100 cubic feet
Car washes	\$2.86 per 100 cubic feet
Health studios and gymnasiums	\$2.86 per 100 cubic feet
Hospitals—Convalescent	\$2.86 per 100 cubic feet
Multiple lodging structures	\$2.86 per 100 cubic feet
Laundromats and laundries	\$2.86 per 100 cubic feet
Restaurants	\$5.70 per 100 cubic feet
Restaurants with pretreatment facilities	\$3.24 per 100 cubic feet
Bakeries	Determined individually
All others	\$3.24 per 100 cubic feet
Institutional Owners	
Minimum rate for any premises	\$324.00 per year
Uses other than convalescent hospitals	\$3.24 per 100 cubic feet
Industrial Owners ⁽²⁾	
Minimum rate for any premises	\$324.00 per year
Flow/million gallons	\$2,514.00 per year
Biochemical oxygen demand per thousand pounds	\$591.00 per year
Suspended solid per thousand pounds	\$503.00 per year
Special Discharge Permits, as issued by the District (2)	Determined individually
Special Contractual Agreement	Determined individually

Source: City of Concord.

⁽¹⁾ Charge based upon quantity of water used (in cubic feet).

⁽²⁾ Charge based upon quantity of water used and quality of effluent.

Comparison to Nearby Agencies. The City's sewer charge is the second lowest in the County and 29% lower than the average of the existing annual charges of the nearby sewer treatment agencies, as shown in the following table:

**CITY OF CONCORD
SEWER RATES AS COMPARED TO NEARBY AGENCIES**

<u>Agency</u>	<u>Sewer Charge</u>
Rodeo	\$685
Crockett	632
Oakley (Ironhouse)	592
Richmond	547
Hercules	510
Martinez (Mt View)	491
Livermore	489
Pittsburg (DDSD)	431
Pleasanton	412
Bay Point (DDSD)	389
CCC Unincorporated*	371
Danville*	371
Lafayette*	371
Martinez*	371
Moraga*	371
Orinda*	371
Pleasant Hill*	371
Walnut Creek*	371
Antioch (DDSD)	353
Dublin/San Ramon	345
Concord & Clayton	324
San Pablo (West County)	304

Source: City of Concord.

* Located in the Central Contra Costa Sanitary District Service Area.

Future Increases. In order to meet the future expenditure requirements of the Wastewater System and to have sufficient revenues to pay debt service on future borrowings to complete the planned rehabilitation of the Wastewater System, and based upon its 20 year financial plan, the City contemplates further periodic increases in the annual sewer charge. The future increases are anticipated as shown in the following table although *there is no assurance that such increases will be approved and are subject to Proposition 218 approval process:*

**CITY OF CONCORD
ANTICIPATED SEWER CHARGE INCREASES
(as of Fiscal Year Ending June 30)**

<u>Fiscal Year of Increase</u>	<u>Amount of Increase</u>
2012-2013	—
2013-2014	\$30
2014-2015	30
2015-2016	30
2016-2017	30

Source: City of Concord.

Collection of Sewer Charges

The City's sewer charge is collected by the County on the property tax bill. The County forwards 100% of the sewer charges to the City without reductions for delinquencies pursuant to section 4701-4717 of the California Revenue and Taxation Code (the "Teeter Plan"). Under the Teeter Plan, the County maintains a Tax Loss Reserve Fund for the purpose of paying each taxing entity 100% of the amounts of secured taxes levied. The County has the power to unilaterally discontinue its practice of paying 100% of the tax levy to the City notwithstanding delinquencies and certain assessment appeals on a countywide basis with respect to one or more categories, including for example unitary taxes or special assessment installments. The Teeter Plan may also be discontinued by petition of two-thirds (2/3) of the participant taxing agencies.

Financial Statements

The City's audited financial statements dated October 28, 2011, for the fiscal year ended June 30, 2011, which include the financial results of the Wastewater System, are attached hereto as APPENDIX B—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2011.

Financial Information

The following tables present the City's Wastewater System's Balance Sheet and Statement of Revenues, Expenses and Changes in Retained Earnings prepared by the City from audited financial statements for the fiscal years ended June 30, 2008, through June 30, 2011. The 2012 data is projected.

CITY OF CONCORD SEWER FUND STATEMENT OF NET ASSETS For the Fiscal Years Ended June 30, 2008, through June 30, 2012

ASSETS:	2008	2009	2010	2011	Projected 2012
Current assets:					
Cash with investments	\$30,463,902	\$29,142,573	\$30,972,404	\$31,011,601	\$31,660,370
Cash with fiscal agents	13,019,371	6,937,233	955,088	835,007	54
Account receivable	—	21,054	1,983	4,667	7,342
Interest Receivable	27,524	13,770	5,125	4,409	3,313
Due from other funds	—	—	—	177,972	—
Prepaid items	60	—	—	—	—
Total Current Assets	43,510,857	36,114,630	31,934,600	32,033,656	31,671,079
Non-current assets:					
Advances to other funds	550,000	550,000	3,550,000	3,550,000	3,550,000
Debt issue costs (net of amortization)					
Net OPEB assets					
Capital assets					
Land	334,838	334,838	334,839	334,839	334,839
Construction in progress	2,631,851	12,194,285	12,648,342	328,223	1,315,445
Building and improvements	2,824,944	2,824,944	2,824,944	2,824,944	2,824,944
Machinery and equipment	437,914	237,450	237,450	143,984	112,188
Sewer collection system	196,429,630	196,538,010	196,538,010	209,310,464	209,485,480
Less: accumulated depreciation	(123,106,446)	(126,910,893)	(130,925,856)	(134,974,188)	(139,212,771)
Net capital assets	79,552,731	85,218,634	81,657,729	77,968,266	74,860,125
Total Non-current Assets	80,102,731	85,768,634	85,207,729	81,518,266	78,410,125
Total Assets	123,613,588	121,883,264	117,142,329	113,551,922	110,081,204
LIABILITIES:					
Current Liabilities (payable from current assets)					
Accounts and contracts payable	16,380,152	14,790,365	12,867,535	13,066,339	13,839,787
Accrued liabilities	—	—	9,154	42,310	27,039
Due to other funds	—	—	—	—	—
Compensated absences payable	40,957	196,241	30,863	21,880	21,880
Bond interest payable	407,965	398,637	388,731	378,329	367,145
Capital lease payable	—	—	—	—	—
Certificates of participation	680,000	705,000	730,000	750,000	780,000
Claims payable	—	—	—	—	—
Total Current Liabilities	17,509,074	16,090,243	14,026,283	14,258,858	15,035,852
Noncurrent Liabilities					
Compensated absences payable	177,251	47,154	60,612	70,261	70,261
Advance from other funds	—	—	—	—	—
Capital lease payable	—	—	—	—	—
Certificates of participation	22,935,000	22,230,000	21,500,000	20,750,000	19,970,000
Total Noncurrent liabilities	23,112,251	22,277,154	21,560,612	20,820,261	20,040,261
Total Liabilities	40,621,325	38,367,397	35,586,895	35,079,119	35,076,113
NET ASSETS:					
Invested in Capital Assets, Net of Related Debt	68,957,102	69,220,867	60,382,817	57,303,273	54,110,178
Unrestricted	14,035,161	14,295,000	21,172,617	21,169,530	20,838,874
Total Net Assets Business-Type Activities	\$82,992,263	\$83,515,867	\$81,555,434	\$78,472,803	\$75,005,091

Source: City of Concord Audited Financial Statements, June 30, 2011, except 2012 data which is projected.

**CITY OF CONCORD SEWER FUND
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSET
For the Fiscal Years Ended June 30, 2008, through June 30, 2012**

	2008	2009	2010	2011	Projected 2012
OPERATING REVENUES					
Services fees	\$17,915,613	\$18,296,077	\$18,418,094	\$18,236,674	\$19,359,525
Other	—	—	5,608	1,664	—
Total Operating Revenues	<u>17,915,613</u>	<u>18,296,077</u>	<u>18,423,702</u>	<u>18,238,338</u>	<u>19,359,525</u>
OPERATING EXPENSES					
Operating and maintenance	18,720,336	13,704,022	16,341,482	16,633,905	17,944,484
Depreciation and amortization	3,905,125	4,014,445	4,014,964	4,141,797	4,270,380
Total Operating Expenses	<u>22,625,461</u>	<u>17,718,467</u>	<u>20,356,446</u>	<u>20,775,702</u>	<u>22,214,865</u>
Operating Income (Loss)	<u>(4,709,848)</u>	<u>577,610</u>	<u>(1,932,744)</u>	<u>(2,537,364)</u>	<u>(2,855,339)</u>
NONOPERATING EXPENSES					
Investment income	1,477,216	807,111	919,133	393,620	356,614
Interest Expense	(817,649)	(969,788)	(946,822)	(922,552)	(896,805)
Gain (Loss) from Disposition of Capital Assets	<u>(1,425,365)</u>	<u>—</u>	<u>—</u>	<u>2,961</u>	<u>—</u>
Net Non-operating Revenues (Expenses)	<u>(765,796)</u>	<u>(162,677)</u>	<u>(27,689)</u>	<u>(525,971)</u>	<u>(540,191)</u>
Income (Loss) Before Contributions and Transfers	(5,475,646)	414,933	(1,960,433)	(3,063,335)	(3,395,531)
Contributions	16,120	117,915			
Transfers in					
Transfers out		(9,244)		(19,296)	(72,181)
Changes in net assets	<u>(5,459,526)</u>	<u>523,604</u>	<u>(1,960,433)</u>	<u>(3,082,631)</u>	<u>(3,467,712)</u>
Total net assets-beginning	<u>88,451,789</u>	<u>82,992,263</u>	<u>83,515,867</u>	<u>81,555,434</u>	<u>78,472,803</u>
Total net assets-ending	<u>82,992,263</u>	<u>83,515,867</u>	<u>81,555,434</u>	<u>78,472,803</u>	<u>75,005,091</u>

Source: City of Concord Audited Financial Statements, except 2012 data which is projected.

Historical Operating Results

The following table presents a five year historical comparison of revenues and expenses of the Sewer Fund as taken from the City's audited financial statements. The following table excludes depreciation and interest expense charged to the Sewer Fund and transfers to other funds.

CITY OF CONCORD SEWER FUND HISTORICAL PLEDGED NET REVENUES AND DEBT SERVICE COVERAGE For Fiscal Years Ended June 30, 2008, through June 30, 2012

	Fiscal Years Ended June 30,				
	2008	2009	2010	2011	2012
Gross Revenues					
Service Fees	\$17,634,953	\$17,516,596	\$18,174,264	\$17,924,237	\$19,088,784
Connection Fees	280,660	779,481	243,830	312,437	270,741
Contributions	16,120	117,915	—	—	—
Investment Income	1,477,216	807,111	919,133	393,620	356,614
Total Gross Revenues	<u>\$19,408,949</u>	<u>\$19,221,103</u>	<u>\$19,337,227</u>	<u>\$18,630,294</u>	<u>\$19,716,139</u>
Operation and Maintenance Expenses	<u>\$13,384,062</u>	<u>\$10,684,653</u>	<u>\$12,712,533</u>	<u>\$13,417,715</u>	<u>\$14,925,484</u>
Net Revenues	<u>\$6,024,887</u>	<u>\$8,536,450</u>	<u>\$6,624,694</u>	<u>\$5,212,579</u>	<u>\$4,790,655</u>
Debt Service – 2004 COPs	\$ 824,026	\$ 821,826	\$ 823,614	\$ 823,864	\$ 822,699
Debt Service – 2007 COPs	581,310	873,148	871,833	874,993	872,430
Total Debt Service	<u>\$1,405,336</u>	<u>\$1,694,974</u>	<u>\$1,695,446</u>	<u>\$1,698,856</u>	<u>\$1,695,129</u>
Debt Service Coverage Ratio	4.29x	5.04x	3.91x	3.07x	2.83x
Net Revenues after Debt Service	\$4,619,551	\$6,841,476	\$4,929,248	\$3,513,723	\$3,095,526
Capital Payments to CCCSD	5,336,273	5,485,858	3,628,949	3,216,190	3,019,000
Surplus Net Revenues	<u>\$ (716,722)</u>	<u>\$1,355,618</u>	<u>\$1,300,299</u>	<u>\$ 297,533</u>	<u>\$76,526</u>

Source: City of Concord Audited Financial Statements, except 2012 which is based on budgeted information.

Projected Operating Results

The following is a projection of the revenues and expenses of the Wastewater System for five fiscal years as prepared by the City.

These projections are based upon current circumstances and available information that the City believes to be reasonable. The assumptions may be affected by numerous factors and there can be no assurance that such projections will be achieved. Additional rate increases may become necessary in the future in order for the City to comply with provisions of the Indenture and finance the contemplated expansion and improvements to the Wastewater System.

CITY OF CONCORD SEWER FUND FIVE-YEAR FORECAST OF NET REVENUES AND DEBT SERVICE COVERAGE For Fiscal Years Ending June 30, 2013, through June 30, 2017

	Fiscal Years Ending June 30,				
	2013	2014	2015	2016	2017
Gross Revenues					
Service Fees ⁽¹⁾	\$18,989,475	\$20,688,975	\$22,388,475	\$24,087,975	\$25,787,475
Connection Fees	400,000	400,000	400,000	600,000	600,000
Investment Income/Loan Repayment	326,000	274,000	350,000	264,000	320,000
Total Gross Revenues	<u>\$19,715,475</u>	<u>\$21,362,975</u>	<u>\$23,138,475</u>	<u>\$24,951,975</u>	<u>\$26,707,475</u>
Operation and Maintenance Expenses	<u>\$14,984,358</u>	<u>\$15,473,057</u>	<u>\$16,358,332</u>	<u>\$16,671,411</u>	<u>\$16,810,187</u>
Net Revenues	<u>\$4,731,119</u>	<u>\$5,889,918</u>	<u>\$6,780,143</u>	<u>\$8,280,564</u>	<u>\$9,897,288</u>
Debt Service – 2007 COPs	\$ 824,026	\$ 821,826	\$ 823,614	\$ 823,864	\$ 822,699
Debt Service – 2012 Bonds	563,798	749,131	749,331	751,831	749,181
Total Debt Service	<u>\$1,387,824</u>	<u>\$1,570,957</u>	<u>\$1,572,945</u>	<u>\$1,575,695</u>	<u>\$1,571,880</u>
Debt Service Coverage Ratio	3.41x	3.75x	4.31x	5.26x	6.30x
Net Revenues after Debt Service	\$3,343,295	\$4,318,961	\$5,207,198	\$6,704,869	\$8,325,408
Capital Payments to CCCSD	2,450,000	2,979,000	3,125,000	3,278,000	3,439,000
Surplus Net Revenues	<u>\$ 893,295</u>	<u>\$1,339,961</u>	<u>\$2,082,198</u>	<u>\$3,426,869</u>	<u>\$4,886,408</u>

Source: City of Concord.

⁽¹⁾ Assumes \$30 per year increase in rates in fiscal years 2014-2017.

Other Post Employment Benefits

Substantially all full-time City employees and their eligible dependents are eligible for post-retirement health care benefits under the CalPERS sponsored health plans currently funded during the employees active service. During fiscal year 2008, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes uniform financial reporting standards for employers providing postemployment benefits other than pensions (OPEB). Required disclosures are presented below.

By Council resolution and through agreements with its labor units, the City provides certain health care benefits for retired employees (spouse and dependents are not included) under third-party insurance plans. A summary of eligibility and retiree contribution requirements are shown below by bargaining unit:

The City pays health insurance premiums up to \$551, \$1,106, \$1,432 for a retiree, couple, and family, respectively.

As of June 30, 2011, approximately 346 participants were eligible to receive benefits.

Funding Policy and Actuarial Assumptions. The annual required contribution (ARC) was determined as part of a June 30, 2008 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 7.75% investment rate of return including 3% inflation, (b) 3.25% projected annual salary increase, and (c) 4.5% health care costs inflation increases. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 30 year closed amortization period.

In accordance with the City's budget, the annual required contribution (ARC) is to be funded through out the year as a percentage of payroll. Concurrent with implementing Statement No. 45, the City Council passed a resolution to participate in the California Employers Retirees Benefit Trust (CERBT), an irrevocable trust established to fund OPEB. CERBT is administrated by CalPERS, and is managed by an appointed board not under the control of City Council. This Trust is not considered a component unit by the City and has been excluded from these financial statements. Separately issued financial statements for CERBT may be obtained from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

Funding Progress and Funded Status. Generally accepted accounting principles permit contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such contributions are placed in an irrevocable trust or equivalent arrangement. During the fiscal year ended June 30, 2011, the City contributed \$4,671,001 to the Plan, which represented 15% of \$30,830,000 of covered payroll, including additional funds to CERBT. As a result, the City has recorded the Net OPEB Asset and actual contributions, as presented below:

Annual required contribution (ARC)	\$4,099,000
Interest on Net OPEB asset	593,988
Adjustment to annual required contribution	<u>(775,602)</u>
Annual OPEB cost	<u>3,917,386</u>
Contributions made	
City portions of current year premiums paid	3,171,001
Contributions to CERBT	<u>1,500,000</u>
Total contributions	<u>4,671,001</u>
Change in Net OPEB Asset	753,615
Net OPEB Asset at June 30, 2010	<u>7,844,388</u>
Net OPEB Asset at June 30, 2011	<u>\$8,598,003</u>

Source: City of Concord 2011 Audited Financial Statements.

The actuarial accrued liability (AAL) representing the present value of future benefits, included in the actuarial study dated June 30, 2010, amounted to \$49,254,000 and was unfunded since no assets have been transferred into CERBT as of that date. However, as of June 30, 2011, the City's investment with CERBT along with investment income totaled \$19,093,352 and reduced the unfunded actuarial accrued liability.

The Plan's annual OPEB cost and actual contribution for fiscal years ended June 30, 2009, 2010 and 2011 are set forth below:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
6/30/2009	\$4,748,440	\$6,237,160	131%	\$9,516,723
6/30/2010	\$4,513,591	\$2,841,256	63%	\$7,844,388
6/30/2011	\$3,917,386	\$4,671,001	119%	\$8,598,003

Source: City of Concord 2011 Audited Financial Statements.

The Schedule of Funding Progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the actuarial studies is presented below:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Liability (B)	Unfunded Actuarial Liability (B - A)	Funded Ratio (A/B)	Covered Payroll (C)	Unfunded Actuarial Liability as Percentage of Covered Payroll (B - A)/C
6/30/2006		\$48,085,000	\$48,085,000		\$36,741,000	131%
6/30/2008	\$11,964,000	\$53,927,000	\$41,963,000	22.195%	\$34,281,000	122%
6/30/2010	\$15,418,000	\$49,254,000	\$33,836,000	31.300%	\$30,830,000	110%

Source: City of Concord 2011 Audited Financial Statements.

INVESTMENT OF CITY FUNDS

Revenues collected by the City will be held and invested by the City in accordance with the provisions of the Indenture.

Funds held by the City, including Sewer System moneys, are invested in accordance with the City's Statement of Investment Policy (the "Investment Policy") prepared by the City Treasurer as authorized by section 53601 of the Government Code of California. The Investment Policy is submitted to the 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.

For more information about the City's investment policy, see APPENDIX C—CITY INVESTMENT POLICY.

CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND FEES

Under the California Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. In the past, the voters have exercised this power from time to time, including through the adoption of Propositions 13 and 218.

From time to time other State and local initiative measures could be adopted, affecting the ability of the City to increase revenues and to increase appropriations.

Article XIII A

On June 6, 1978, California voters approved Proposition 13, which added Article XIII A to the California Constitution ("Article XIII A"). Article XIII A limits the maximum ad valorem tax on real property to 1% of full cash value thereof, except that additional ad valorem taxes may be levied to pay debt service on indebtedness approved by voters prior to July 1, 1978 and (as a result of an amendment to Article XIII A approved by California voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters voting on such indebtedness. Article XIII A defines full cash value to mean "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." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the full cash value based in the event of declining property values caused by damage, destruction, or other factors and to provide that there would 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 minor or technical ways.

Article XIII B

Article XIII B of the California State Constitution limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and population. The "base year" for establishing such appropriations limit is the 1978-79 fiscal year and the limit is to be adjusted annually to reflect changes in population and consumer prices. Adjustments in the appropriations limit of an entity may also be made if (i) the financial responsibility for a service is transferred to another public entity or to a private entity, (ii) the financial sources for the provision of services is transferred from taxes to other revenues, or (iii) the voters of the entity approve a change in the limit for a period of time not to exceed four years.

Appropriations subject to Article XIII B generally include the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions and refunds of taxes. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to an entity of government from (i) regulatory licenses, user charges, and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation),

and (ii) the investment of tax revenues. Article XIII B includes a requirement that if an entity's revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. Certain expenditures are excluded from the appropriations limit including payments of indebtedness existing or legally authorized as of January 1, 1979, or of bonded indebtedness thereafter approved by the voters and payments required to comply with court or federal mandates which without discretion require an expenditure for additional services or which unavoidably make the providing of existing services more costly.

Proposition 218

General. On November 5, 1996, California voters approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D to the State Constitution, which affect the ability of local governments to levy and collect both existing and future taxes, assessments, and property-related fees and charges. Proposition 218, which generally became effective on November 6, 1996, changed, among other things, the procedure for the imposition of any new or increased property-related "fee" or "charge," which is defined as "any levy other than an *ad valorem* tax, a special tax or an assessment, imposed by a [local government] upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service" (and referred to in this section as a "property-related fee or charge").

Specifically, under Article XIII D, before a municipality may impose or increase any property-related fee or charge, the entity must give written notice to the record owner of each parcel of land affected by that fee or charge. The municipality must then hold a hearing upon the proposed imposition or increase at least 45 days after the written notice is mailed, and, if a majority of the property owners of the identified parcels present written protests against the proposal, the municipality may not impose or increase the property-related fee or charge.

Further, under Article XIII D, revenues derived from a property-related fee or charge may not exceed the funds required to provide the "property-related service" and the entity may not use such fee or charge for any purpose other than that for which it imposed the fee or charge. The amount of a property-related fee or charge may not exceed the proportional cost of the service attributable to the parcel, and no property-related fee or charge may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question.

In addition, Article XIII C provides that "the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge. The power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments and neither the Legislature nor any local government charter shall impose a signature requirement higher than that applicable to statewide statutory initiatives."

Judicial Interpretation of Proposition 218. After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General opinion initially indicated that fees and charges levied for water and wastewater services would not be considered property-related fees and charges, and thus not subject to the requirements of Article XIII D regarding notice, hearing and protests in connection with any increase in the fees and charges being imposed. However, three recent cases have held that certain types of water and wastewater charges could be subject to the requirements of Proposition 218 under certain circumstances.

In *Richmond v. Shasta Community Services District* (9 Cal. Rptr. 3rd 121), the California Supreme Court addressed the applicability of the notice, hearing and protest provisions of

Article XIII D to certain charges related to water service. In *Richmond*, the Court held that connection charges are not subject to Proposition 218. The Court also indicated in dictum that a fee for ongoing water service through an existing connection could, under certain circumstances, constitute a property-related fee and charge, with the result that a local government imposing such a fee and charge must comply with the notice, hearing and protest requirements of Article XIII D.

In *Howard Jarvis Taxpayers Association v. City of Fresno* (March 23, 2005), the California Court of Appeal, Fifth District, concluded that water, sewer and trash fees are property-related fees subject to Proposition 218 and a municipality must comply with Article XIII D before imposing or increasing such fees. The California Supreme Court denied the City of Fresno's petition for review of the Court of Appeal's decision on June 15, 2005.

In July 2006 the California Supreme Court, in *Bighorn-Desert View Sewer Agency v. Verjil* (39 Cal. 4th 205), addressed the validity of a local voter initiative measure that would have (a) reduced a water agency's rates for water consumption (and other water charges), and (b) required the water agency to obtain voter approval before increasing any existing water rate, fee, or charge, or imposing any new water rate, fee, or charge. The court adopted the position indicated by its statement in *Richmond* that a public water agency's charges for ongoing water delivery are "fees and charges" within the meaning of Article XIII D, and went on to hold that charges for ongoing water delivery are also "fees" within the meaning of Article XIII C's mandate that the initiative power of the electorate cannot be prohibited or limited in matters of reducing or repealing any local tax, assessment, fee or charge. Therefore, the court held, Article XIII C authorizes local voters to adopt an initiative measure that would reduce or repeal a public agency's water rates and other water charges. (However, the court ultimately ruled in favor of the water agency and held that the entire initiative measure was invalid on the grounds that the second part of the initiative measure, which would have subjected future water rate increases to prior voter approval, was not supported by Article XIII C and was therefore invalid.)

The court in *Bighorn* specifically noted that it was not holding that the initiative power is free of all limitations; the court stated that it was not determining whether the electorate's initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay for operating expenses, provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest on any bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due.

Current Practice Regarding Rates and Charges. The City's practice has been to provide public notice of proposed water rate increases through means that include, among others, holding informational presentations at community group meetings, mailings to residential and commercial customers of public hearings on rate increases, and press releases and media campaigns regarding rate increases, followed by public hearings conducted by the City Council. The most recent rate increase was enacted by the City in strict compliance with the procedures mandated by Proposition 218 and *Bighorn*.

Conclusion. It is not possible to predict how courts will further interpret Article XIII C and Article XIII D in future judicial decisions, and what, if any, further implementing legislation will be enacted. Under the *Bighorn* case, local voters could adopt an initiative measure that reduces or repeals the City's rates and charges, though it is not clear whether (and California courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness. There can be no assurance that the courts will not

further interpret, or the voters will not amend, Article XIII C and Article XIII D to limit the ability of local agencies to impose, levy, charge and collect increased fees and charges for wastewater, or to call into question previously adopted wastewater rate increases.

Effect of Proposition 218 on the City; Possible Limitations on Enforcement Remedies.

The general financial condition of the City may be affected by provisions of Article XIII C and Article XIII D. In particular, provisions of Article XIII C (i) require taxes for general governmental purposes to be approved by a majority vote and taxes for specific purposes, even if deposited into the General Fund, to be approved by two-thirds vote, (ii) require any general purpose tax which the City imposed, extended or increased, without voter approval, after December 31, 1994, to be approved by majority vote on November 5, 1998 and (iii) provide that all taxes, assessments, fees and charges are subject to reduction or repeal at any time through the initiative process, subject to overriding constitutional principles relating to the impairment of contracts. Provisions of Article XIII D that affect the ability of the City to fund certain services or programs that it may be required or choose to fund include (i) adding notice, hearing, protest and, in some cases, voter approval requirements to impose, increase or extend certain assessments, fees and charges and (ii) adding stricter requirements for finding individualized benefits associated with such levies.

The ability of the City to comply with its covenants under the Indenture and to generate Net Revenues sufficient to pay the principal of and interest on the Bonds and, therefore, the principal of and interest on the Bonds may be adversely affected by actions and events outside of the control of the City and may be adversely affected by actions taken (or not taken) under Article XIII C or Article XIII D by voters, property owners, taxpayers or payers of assessments, fees and charges. Furthermore, any remedies available to the owners of the Bonds upon the occurrence of an event of default under the Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain. In addition to the possible limitations on the ability of the City to comply with its covenants under the Indenture, the rights and obligations under the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against cities in the State of California.

Based on the foregoing, in the event the City fails to comply with its covenants under the Indenture, including its covenants to generate sufficient Net Revenues, as a consequence of the application of Article XIII C and Article XIII D, or to pay principal of or interest on the Bonds, there can be no assurance that available remedies will be adequate to fully protect the interests of the holders of the Bonds.

Proposition 26

On November 2, 2010, State voters approved Proposition 26 which amended certain sections of Article XIII C. The proposition attempts to define "tax" as used within Article XIII C as "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.” 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.

The foregoing discussion of Proposition 218 and Proposition 26 should not be considered an exhaustive or authoritative treatment of the provisions of such propositions or the possible effects of Proposition 218 and Proposition 26. Interim rulings, final decisions, legislative proposals and legislative enactments affecting Proposition 218 and Proposition 26 may impact the City’s ability to make debt service payments on the Bonds. 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 related to these issues.

Future Initiatives

Articles XIIC, XIID and Proposition 26 were adopted as measures that qualified for the ballot pursuant to California’s initiative process. From time to time other initiatives could be proposed and adopted affecting Net Revenues or the City’s ability to increase its rates for water service. See “Proposition 218” above. The California constitution, Article XIID, Section 5(c), specifically recognizes that any assessment existing on the effective date (of Article XIID) shall be exempt from the procedures and approval process set forth in Article 4, to wit: “....(c) Any assessment the proceeds of which are exclusively used to repay bonded indebtedness of which the failure to pay would violate the Contract Impairment Clause of the Constitution of the United States.”

RISK FACTORS RELATING TO THE BONDS

The following section describes certain special considerations and risk factors affecting the risk of nonpayment or the security for the Bonds. The following discussion is not meant to be an exhaustive or definitive description of the risks associated with a purchase of the Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following special factors regarding the Bonds, together with all other information in this Official Statement, in order to make an informed investment decision with respect to the Bonds. There can be no assurance that other risk factors are not or will not become material in the future.

General

Payment of principal of and interest on the Bonds depends primarily upon the revenues derived from operation of the Wastewater System. Some of the events which could affect the revenues received by the Wastewater System are set forth below. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the Bonds and the order in which the risks are discussed does not necessarily reflect the relative importance of the various risks.

Limited Obligations

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

The City is obligated under the Indenture to make debt service payments solely from Net Revenues. There is no assurance that the City can succeed in operating the Wastewater System such that the Net Revenues in the future will be sufficient for that purpose. See “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND FEES—Articles XIIC and XIID.”

Wastewater System Demand and Growth

There can be no assurance that the local demand for the services provided by the Wastewater System will be maintained at levels described in this Official Statement under the headings “THE WASTEWATER SYSTEM.” Reductions in the level of demand could require an increase in rates or charges in order to produce Net Revenues sufficient to comply with the City’s rate covenant in the Indenture. There can be no assurance that any other entity with regulatory authority over the Wastewater System will not adopt further restrictions on operation of the Wastewater System.

System Expenses

There can be no assurance that the City’s expenses for the Wastewater System will be consistent with the descriptions in this Official Statement. Changes in technology, changes in quality standards, loss of large customers, increased or decreased development, increases in the cost of operation, or other expenses could require increases in rates or charges in order to comply with the City’s rate covenant in the Indenture. See “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND FEES—Articles XIIC and XIID.”

Environmental Laws and Regulations

The Wastewater System is subject to a wide variety of local, State, and federal health and environmental laws. Among the types of regulatory requirements faced by such facilities are air and water quality control requirements. Such regulations, as they may be from time to time amended or subsequently enacted could affect the Net Revenues available to make the debt service payments on the Bonds.

Limited Recourse on Default

Failure by the City to pay debt service on the Bonds constitutes an event of default under the Indenture and the Trustee is permitted to pursue remedies at law or in equity to

enforce the City's obligation to make such payments. Although the Trustee has the right to accelerate the total unpaid principal amount of the debt service on the Bonds, there is no assurance that the City would have sufficient funds to pay the accelerated amounts. See also "Proposition 218" below.

Limitations on Remedies

The ability of the City to comply with its covenants under the Indenture and to generate Net Revenues sufficient to pay principal of and interest with respect to the Bonds may be adversely affected by actions and events outside of the control of the City and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or persons obligated to pay assessments, fees and charges. See "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND FEES—Articles XIIC and XIID." Furthermore, the remedies available to the owners of the Bonds upon the occurrence of an event of default under the Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on remedies contained in the Indenture, the rights and obligations under the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against cities in the State of California. The opinions to be delivered by Bond Counsel concurrently with the issuance of the Bonds will be subject to such limitations and the various other legal opinions to be delivered concurrently with the issuance of the Bonds will be similarly qualified. See APPENDIX F—FORM OF BOND COUNSEL OPINION. If the City fails to comply with its covenants in the Indenture or fails to pay principal of and interest due on the Bonds, there can be no assurance of the availability of remedies adequate to protect the interest of the holders of the Bonds.

Rate Process

The passage of Proposition 218 by the California electorate potentially affects the City's ability to impose future rate increases, and no assurance can be given that future rate increases will not encounter majority protest opposition under Proposition 218. See "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND FEES—Proposition 218" and "—Effect of Proposition 218 and of Possible General Limitations on Enforcement Remedies."

Initiatives

In recent years several initiative measures have been proposed or adopted which affect the ability of local governments to increase taxes and rates. There is no assurance that the electorate or the State legislature will not at some future time approve additional limitations which could affect the ability of the City to implement rate increases which could reduce Net Revenues and adversely affect the security for the Bonds. See "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND FEES—Articles XIIC and XIID."

Bankruptcy

The rights and remedies provided in the Indenture may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California. The various opinions of counsel to be delivered with respect to the Bonds and the Indenture,

including the opinion of Bond Counsel, will be similarly qualified. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners of the Bonds and the City could be prohibited from taking any steps to enforce their rights under the Indenture.

Tax Exemption

The City has covenanted in the Indenture that it will take all actions necessary to assure the exclusion of interest with respect to the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Internal Revenue in the gross income of the Owners thereof for federal tax purposes. See "TAX MATTERS."

Additional Obligations

The Indenture permits the issuance of Bonds secured by Net Revenues on a parity basis or a subordinate basis to the Bonds. Such additional Bonds would increase debt service payable from Net Revenues and could adversely affect debt service coverage with respect to the Bonds. In such event, however, the Rate Covenant will remain in effect. See "SECURITY FOR THE BONDS—Rate Covenant."

Environmental Regulation

The kind and degree of wastewater treatment which is effected through the Wastewater System is regulated, to a large extent, by the federal government and the State of California. Treatment standards set forth in federal and state law control the operations of the Wastewater System and mandate its use of technology. In the event that the federal government, acting through the Environmental Protection Agency, or the State of California, acting through the Department of Health Services, or additional federal or state legislation, should impose stricter water quality standards upon the Wastewater System, the City's expenses could increase accordingly and rates and charges would have to be increased to offset those expenses. It is not possible to predict the direction federal or state regulation will take with respect to drinking water quality standards, although it is likely that both will impose more stringent standards with attendant higher costs.

Natural Disasters

Any natural disaster or other physical calamity, including earthquake, may have the effect of reducing Net Revenues through damage to the Wastewater System and/or adversely affecting the economy of the surrounding area. The Indenture requires the City to maintain insurance or self insurance, but only if and to the extent available from responsible insurers at reasonable rates. In the event of material damage to Wastewater System facilities, there can be no assurance that insurance proceeds will be adequate to repair or replace such facilities. See "THE WASTEWATER SYSTEM."

Secondary Market

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

TAX MATTERS

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 interest on the Bonds is excluded from gross income for federal income tax purposes and such interest 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 Tax Code that must be satisfied subsequent to the issuance of the Bonds. 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 issuance of the Bonds, or may cause the Bonds to not be "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Tax Code.

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond 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 a Bond 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 and original issue premium 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 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of 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 Bonds 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 Bond (said term being the shorter of the Bond'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 Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium Bonds,

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 Bonds.

State Tax Law. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

General. Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds 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 Bonds other than as expressly described above.

Form of Proposed Opinion. The form of the proposed opinion of Bond Counsel is attached as APPENDIX F— FORM OF OPINION OF BOND COUNSEL.

CERTAIN LEGAL MATTERS

Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, will render an opinion with respect to the validity of the Bonds, the form of which opinion is set forth in APPENDIX F—FORM OF OPINION OF BOND COUNSEL. Bond Counsel has assumed no responsibility for the accuracy, completeness or fairness of the Official Statement. Certain legal matters will be passed upon for the City by Quint & Thimmig LLP, San Francisco, California, as Disclosure Counsel. Certain legal matters will be passed upon for the City by Mark Coon, City Attorney. *Payment of the fees and expenses of Bond Counsel and Disclosure Counsel is contingent upon issuance of the Bonds.*

LITIGATION

To the best knowledge of the City, there is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or threatened against the City to restrain or enjoin the authorization, execution or delivery of the Bonds, or the pledge of the Net Revenues or the collection of the payments to be made pursuant to the Indenture, or in any way contesting or affecting validity of the Bonds, the Indenture or the agreement for the sale of the Bonds, or in any way contesting or affecting the transactions described in this Official Statement.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The Verification Agent, upon delivery of the Bonds, will deliver a report of the mathematical accuracy of certain computations, contained in schedules provided to them on behalf of the City, relating to (i) the sufficiency of the anticipated amount of proceeds of the Bonds and other funds available to pay, when due, the principal, whether at maturity or upon prior redemption, interest and redemption premium requirements of the 2004 Certificates and (ii) the “yield” of the deposits in the Escrow Fund and on the Bonds considered by Bond Counsel in connection with the opinion rendered by such firm that the Bonds are not “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

The report of the Verification Agent will include the statement that the scope of their engagement is limited to verifying mathematical accuracy, of the computations contained in

such schedules provided to them, and that they have no obligation to update their report because of events occurring, or data or information coming to their attention, subsequent to the date of their report.

RATING

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), has assigned the rating of "AA" to the Bonds. Such rating reflects only the views of such organization and an explanation of the significance of such ratings may be obtained from it as follows: S&P, 55 Water Street, New York, NY 10041, (212) 438-2124. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

FINANCIAL ADVISOR

The City has retained Fieldman, Rolapp & Associates, Irvine, California, as financial advisor (the "Financial Advisor") in connection with the authorization and delivery of the Bonds. The fees of the Financial Advisor are contingent upon the sale and delivery of the Bonds. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities. The Financial Advisor has assumed no responsibility for the accuracy, completeness or fairness of this Official Statement.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of owners and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Wastewater System by not later than nine months following the end of the City's fiscal year (currently ending June 30) (the "Annual Report"), commencing with the report for the fiscal year ended June 30, 2012, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and the notices of material events will be filed by the City with the Municipal Securities Rulemaking Board through the Electronic Municipal Access (EMMA) System. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized below under the caption APPENDIX D—FORM OF CONTINUING DISCLOSURE CERTIFICATE. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). The City has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of \$10,214,769.93 (which price is equal to the aggregate principal amount of the Bonds, plus net original issue premium of \$218,914.75, less an Underwriter's discount of \$84,144.82). The Underwriter has agreed to purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to the approval of certain legal matters by counsel and certain other conditions.

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APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of the provisions of the Indenture of Trust relating to the Bonds. This summary is not intended to be definitive, and reference is made to the complete document for the terms thereof.

Definitions

Except as otherwise defined in this summary, the terms previously defined in this Official Statement have the respective meanings previously given. In addition, the following terms have the following meanings when used in this summary:

“Additional Revenues” Either or both of the following items may be added to Net Revenues for the purpose of applying the restriction contained in the parity test contained in the Indenture:

(i) An allowance for revenues from any additions to or improvements or extensions of the Wastewater System to be constructed with the proceeds of such additional obligations, and also for Net Revenues from any such additions, improvements or extensions which have been constructed from any source of funds but which, during all or any part of such Fiscal Year, were not in service, all in an amount equal to 70% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period following issuance of the proposed Parity Debt, all as shown by the certificate or opinion of a Financial Consultant employed by the City, may be added to such Net Revenues.

(ii) An allowance for earnings arising from any increase in the charges made for service from the Wastewater System which has become effective prior to the incurring of such additional obligations but which, during all or any part of such Fiscal Year, was not in effect, in an amount equal to 100% of the amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year and any period prior to the incurring of such additional obligations, as shown by the certificate or opinion of a Financial Consultant employed by the City.

“Bond Counsel” means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the City of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

“Bonds” means the City of Concord 2012 Wastewater Revenue Refunding Bonds issued by the City under and pursuant to the Indenture.

“Bond Year” means any twelve-month period commencing on February 2 in a year and ending on the next succeeding February 1, both dates inclusive; except that the first Bond Year commences on the Closing Date and ends on February 1, 2013.

“Business Day” means a day (other than a Saturday or a Sunday) on which banks are not required or authorized to remain closed in the city in which the Office of the Trustee is located.

“CCCSD” means the Central Contra Costa Sanitary District, a special district responsible for wastewater collection, treatment and disposal in central Contra Costa County.

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

“Closing Date” means the date of original issuance and delivery of the Bonds.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the City relating to the authorization, issuance, sale and delivery of the Bonds and the current refunding of the 2004 Installment Payments and the discharge of the 2004 Agreement and the 2004 Certificates, including but not limited to printing expenses, rating agency fees, filing and recording fees, initial fees, expenses and charges of the Trustee and its counsel, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, and any other cost, charge or fee in connection with the original issuance of the Bonds and the current refunding of the 2004 Installment Payments and the discharge of the 2004 Agreement and the 2004 Certificates.

“Debt Service” means, for any period in question, the sum of (i) debt service on the Bonds due and payable in such period; plus (ii) debt service on all Parity Debt due and payable in such period (assuming that the proposed Parity Debt to be issued under the Indenture has in fact been issued).

“Escrow Agreement” means the Escrow Deposit and Trust Agreement dated as of the Closing Date, between the City and the 2004 Trustee, relating to the payment and prepayment of the 2004 Installment Payments and the discharge of the City’s obligations under the 2004 Agreement and the 2004 Certificates.

“Federal Securities” means any of the following which at the time of investment are legal investments under the laws of the State of California for the funds purported to be invested therein: (a) 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); and (b) obligations of any agency, department or instrumentality of the United States of America the timely payment of principal of and interest on which are fully secured or guaranteed by the full faith and credit of the United States of America.

“Financial Consultant” means any consultant or firm of such consultants appointed by the City and who, or each of whom: (a) is judged by the City to have experience in matters relating to the financing of wastewater systems; (b) is in fact independent and not under domination of the City; (c) does not have any substantial interest, direct or indirect, with the City; and (d) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make reports to the City.

“Fiscal Year” means the period commencing on July 1 of each year and terminating on the next succeeding June 30, or such other period as may be established by the City as its official fiscal year period (written notice of which shall be given by the City to the Trustee).

“Gross Revenues” means all gross income and revenue received by the City from the ownership and operation of the Wastewater System, including, without limiting the generality of the foregoing, (a) all income, rents, rates, fees, connection fees, charges or other moneys derived from the services, facilities and commodities sold, furnished or supplied through the facilities of the Wastewater System, (b) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other moneys to the extent that the use of such earnings and income is not limited by or pursuant to the law relating to the Wastewater System (including interest earnings on the Reserve Fund), (c) the proceeds derived by the City directly or indirectly from the sale, lease or other disposition of a part of the Wastewater System as permitted under the Indenture, and (d) all investment earnings credited by the Trustee under the Indenture to the Debt Service Fund; *provided, however*, that the term “Gross Revenues” shall not include customers’ deposits or any other deposits subject to refund until such deposits have become the property of the City.

“Indenture” means the Indenture of Trust, dated as of October 1, 2012, by and between the City and the Trustee.

“Independent Accountant” means any accountant or firm of such accountants appointed and paid by the City, and who, or each of whom (a) is in fact independent and not under domination of the City; (b) does not have any substantial interest, direct or indirect, with the City; and (c) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make annual or other audits of the books of or reports to the City.

“Maximum Annual Debt Service” means, as of the date of any calculation, the maximum amount of Debt Service on the Outstanding Bonds and all outstanding Parity Debt for the current or any future Fiscal Year.

“Net Revenues” means, for any period, an amount equal to all of the Gross Revenues received during such period minus the amount required to pay all Operation and Maintenance Costs becoming payable during such period.

“Office” means, with respect to the Trustee, the corporate trust office of the Trustee at the address set forth in the Indenture, or at such other or additional offices as may be specified by the Trustee in writing to the City; except that for purposes of payment, redemption, exchange, transfer, surrender and cancellation of Bonds, such term means the corporate trust office of the Trustee in Los Angeles, California.

“Operation and Maintenance Costs” means all expenses and costs of management, operation, maintenance and repair of the Wastewater System, including operating charges payable to CCCSD for treatment of wastewater transported to the CCCSD, but excluding (i) debt service or other similar payments on Parity Debt or other obligations, (ii) depreciation and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature; (iii) payments made to the CCCSD which are characterized as “capital costs”; and (iv) any expense classified as discretionary by the City to the operation of the Wastewater System.

“Outstanding”, when used as of any particular time with reference to Bonds, means all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the City has been discharged in accordance with the Indenture; (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture; and (d) Bonds which are required to be disregarded and not deemed Outstanding under the Indenture.

“Owner”, when used with respect to any Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

“Parity Debt” means the 2007 Installment Sale Agreement and all bonds, notes, loan agreements, installment sale agreements, leases or other obligations of the City payable from and secured by a pledge of and lien on any of the Net Revenues issued or incurred on a parity with the Bonds under the Indenture.

“Parity Debt Documents” means, with respect to any issue of Parity Debt, the agreement, indenture of trust, resolution or other instrument authorizing the issuance of such Parity Debt.

“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 (provided that the Trustee shall be entitled to rely upon any investment directions from the City as conclusive certification to the Trustee that the investments described therein are so authorized under the laws of the State of California):

- (a) Federal Securities;

- (b) obligations of any federal agency which either (a) represent full faith and credit of the United States of America, or (b) are rated "AA" or better by S&P;
- (c) U.S. dollar denominated deposit accounts federal funds and banker's acceptances with domestic commercial banks, which may include the Trustee, its parent holding company, if any, and their affiliates, which have a rating on their short term certificates of deposit on the date of purchase of "A" or better by S&P, maturing no more than 360 days after the date of purchase, provided that ratings on holding companies are not considered as the rating of the bank;
- (d) commercial paper which is rated at the time of purchase in the single highest classification, "A" or better by S&P, and which matures not more than 270 calendar days after the date of purchase;
- (e) investments in a money market fund, including those of an affiliate of the Trustee, rated in the highest short-term rating category by S&P, including such funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services or for which the Trustee or an affiliate of the Trustee serves as investment administrator, shareholder servicing agent and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to the Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee;
- (f) investment agreements with financial institutions whose long-term general credit rating is A or better from S&P, by the terms of which the Trustee may withdraw funds if such rating falls below "A"; and
- (g) the Local Agency Investment Fund of the State of California, created under Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

"Rate Stabilization Fund" means the fund (if any) by that name established and held by the City under the Indenture.

"Record Date" means, with respect to any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date.

"Registration Books" means the books maintained by the Trustee under the Indenture for the registration and transfer of ownership of the Bonds.

"Request of the City" means a request in writing signed by the Mayor, the City Manager or the Finance Director of the City, or any other officer of the City duly authorized by the City Council for that purpose.

"Reserve Fund Policy" means the Municipal Bond Debt Service Reserve Insurance Policy issued by the Reserve Fund Policy Provider on the Closing Date with respect to the Bonds for credit to the Reserve Fund.

"Reserve Fund Policy Provider" means Assured Guaranty Municipal Corp., and its successors and assigns.

“Reserve Requirement” means, as of the date of calculation, an amount equal to the lesser of: (i) Maximum Annual Debt Service on the Bonds; (ii) ten percent (10%) of the original principal amount of the Bonds; or (iii) 125% of average annual Debt Service on the Bonds.

“Supplemental Indenture” means any indenture, agreement, resolution or other instrument duly adopted or executed in accordance with the Indenture.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the Closing Date or 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.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., as trustee for the Bonds.

“2004 Agreement” means the Installment Sale Agreement dated as of February 1, 2004 between the City and the Authority.

“2004 Certificates” means the Certificates of Participation (2004 Wastewater System Improvement Project) executed and delivered under the 2004 Trust Agreement in the aggregate principal amount of \$12,605,000, currently outstanding in the principal amount of \$9,695,000.

“2004 Installment Payments” means semiannual installment payments which the City is obligated to make under the 2004 Agreement.

“2004 Trust Agreement” means the Trust Agreement dated as of February 1, 2004 among the 2004 Trustee, the City and the Authority.

“2004 Trustee” means The Bank of New York Mellon Trust Company, N.A., as successor trustee for the 2004 Certificates.

“2007 Certificates” means the Certificates of Participation (2007 Wastewater System Improvement Project) executed and delivered under the 2007 Trust Agreement in the aggregate principal amount of \$12,820,000.

“2007 Installment Sale Agreement” means the Installment Sale Agreement dated as of October 1, 2007 between the City and the Authority, executed and delivered in the original principal amount of \$12,820,000.

“2007 Trust Agreement” means the Trust Agreement dated as of October 1, 2007 among the Trustee, the City and the Authority.

“Wastewater Fund” means the fund established and held by the City with respect to the Wastewater System for the deposit of Gross Revenues.

“Wastewater System” means any and all facilities now existing or hereafter acquired or constructed which are owned, controlled or operated by the City for the collection, treatment, disposal or reuse of wastewater, including sewage treatment plants, intercepting and collecting sewers, outfall sewers, force mains, pumping stations, ejector stations, oxidation ponds, pipes, valves, machinery and all other appurtenances necessary, useful or convenient for the collection, treatment, purification, reclamation or disposal of sewage, and any necessary lands, rights of way and other real or personal property useful in connection therewith.

Establishment of Funds and Accounts; Flow of Funds

Costs of Issuance Fund. A portion of the proceeds of the Bonds will be deposited by the Trustee in the Costs of Issuance Fund on the Closing Date. The moneys in the Costs of Issuance Fund will be disbursed to pay costs of issuing the Bonds and other related financing costs from time to time upon receipt of written requests of the City. On March 1, 2013, or upon the earlier

request of the City, all amounts remaining in the Costs of Issuance Fund will be transferred by the Trustee to the Debt Service Fund to be applied to pay a portion of the interest next coming due and payable on the Bonds.

Deposit and Application of Gross Revenues. The City has previously established the Wastewater Fund, which the City agrees to continue to hold and maintain for the purposes and uses set forth in the Indenture. All of the Gross Revenues will be deposited by the City immediately upon receipt in the Wastewater Fund. Amounts in the Wastewater Fund will be applied solely for the uses and purposes set forth in the Indenture and in any Parity Debt Documents. The City is required to withdraw amounts on deposit in the Wastewater Fund and apply such amounts at the times and for the purposes, and in the priority, as follows:

- (a) *Operation and Maintenance Costs.* The City shall apply amounts on deposit in the Wastewater Fund to pay all Operation and Maintenance Costs when due.
- (b) *Debt Service Fund.* On or before the 7th Business Day preceding each Interest Payment Date, so long as any Bonds remain Outstanding, the City shall withdraw from the Wastewater Fund and pay to the Trustee for deposit into the Debt Service Fund (which the Trustee shall establish and hold in trust) an amount which, together with other available amounts then on deposit in the Debt Service Fund, is at least equal to the aggregate amount of principal of and interest coming due and payable on the Bonds on such Interest Payment Date.

The Trustee shall apply amounts in the Debt Service Fund solely for the purpose of (i) paying the interest on the Outstanding Bonds when due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity), and (ii) paying the principal of the Bonds at the maturity thereof. Upon the payment of all Outstanding Bonds, the Trustee shall transfer any moneys remaining in the Debt Service Fund to the City for deposit into the Wastewater Fund.

- (c) *Reserve Fund Policy.* If there has been a draw on the Reserve Fund Policy, the Trustee shall promptly notify the City of such fact and the City shall promptly (A) withdraw the amount of such draw from available Net Revenues on deposit in the Wastewater Fund, and (B) transfer such amount to the Trustee for payment to the Reserve Fund Policy Provider.

If the amounts on deposit in the Debt Service Fund on any Interest Payment Date are insufficient to pay the principal of and interest on the Bonds then coming due, the Trustee shall draw the amount of such insufficiency from the Reserve Fund Policy and transfer it to the Debt Service Fund. On the date on which all Bonds are retired, any moneys then on deposit in the Reserve Fund will be withdrawn by the Trustee and paid to the Reserve Fund Policy Provider.

The City is required to manage, conserve and apply moneys in the Wastewater Fund in such a manner that all deposits required to be made as provided above, and under any Parity Debt Documents, will be made at the times and in the amounts so required. So long as no Event of Default has occurred and is continuing, the City may at any time use and apply moneys in the Wastewater Fund for any one or more of the following purposes:

- (a) the payment of any subordinate obligations or any unsecured obligations;
- (b) the acquisition and construction of extensions and improvements to the Wastewater System;

- (c) the redemption of any of the Bonds or any other obligations of the City relating to the Wastewater System; or
- (d) any other lawful purpose of the City relating to the Wastewater System.

Establishment of Rate Stabilization Fund

The City has the right at any time to establish a fund to be held by it and administered in accordance with the Indenture, for the purpose of stabilizing the rates and charges imposed by the City with respect to the Wastewater System. From time to time the City may deposit amounts in the Rate Stabilization Fund, from any source of legally available funds, including but not limited to Net Revenues which are released from the pledge and lien which secures the Bonds and any Parity Debt, as the City may determine.

The City may, but is not required to, withdraw amounts on deposit in a Rate Stabilization Fund and deposit such amounts in the Wastewater Fund in any Fiscal Year for the purpose of paying Debt Service coming due and payable in such Fiscal Year. Amounts so transferred from a Rate Stabilization Fund to the Wastewater Fund shall constitute Gross Revenues for such Fiscal Year (except as otherwise provided in the Indenture), and shall be applied for the purposes of the Wastewater Fund. Amounts on deposit in a Rate Stabilization Fund shall not be pledged to or otherwise secure the Bonds or any Parity Debt. All interest or other earnings on deposits in a Rate Stabilization Fund shall be withdrawn therefrom at least annually and accounted for as Gross Revenues in the Wastewater Fund. The City has the right at any time to withdraw any or all amounts on deposit in a Rate Stabilization Fund and apply such amounts for any lawful purposes of the City.

Investment of Funds

All moneys in the Wastewater Fund may be invested by the City from time to time in any securities in which the City may legally invest funds subject to its control. All moneys in any of the funds or accounts held by the Trustee under the Indenture will be invested by the Trustee solely in Permitted Investments as directed by the City in advance of the making of such investments.

Obligations purchased as an investment of moneys in any fund or account will be deemed to be part of such fund or account. All interest or gain derived from the investment of amounts in any of the funds or accounts held by the Trustee under the Indenture will be retained in the respective fund or account from which such investment was made; except that the Trustee shall deposit all interest or gain from the investment of amounts in the Reserve Fund in the Debt Service Fund to the extent not required to cause the balance in the Reserve Fund to equal the Reserve Requirement.

Rates and Charges

Under the Indenture, the City covenants to maintain a certain level of Revenues in each Fiscal Year. These covenants are described above in this Official Statement.

Sale or Eminent Domain of Wastewater System

The City covenants that the Wastewater System will not be encumbered, sold, leased, pledged, any charge placed thereon, or otherwise dispose of, as a whole or substantially as a whole if such encumbrance, sale, lease, pledge, charge or other disposition would materially impair the ability of the City to pay the principal of or interest on the Bonds or any Parity Debt, or would materially adversely affect its ability to comply with the terms of the Indenture or any Parity Debt Documents. The City will not enter into any agreement which impairs the operation of the Wastewater System or any part of it necessary to secure adequate Revenues to pay the Bonds and any Parity Debt, or which otherwise would impair the rights of the Bond Owners with respect to the Net Revenues.

If any substantial part of the Wastewater System is sold, the payment therefor will either (a) be used for the acquisition or construction of improvements and extensions or replacement facilities or (b) be applied to redeem the Bonds or any Parity Debt in accordance with the Indenture, and the related Parity Debt Documents.

Any amounts received as awards as a result of the taking of all or any part of the Wastewater System by the lawful exercise of eminent domain, if and to the extent that such right can be exercised against such property of the City, will either (a) be used for the acquisition or construction of improvements and extension of the Wastewater System, or (b) be applied to redeem the Bonds or any Parity Debt in accordance with the Indenture and the related Parity Debt Documents.

Insurance

The City agrees at all times to maintain with responsible insurers all such insurance on the Wastewater System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to the Wastewater System. If any useful part of the Wastewater System is damaged or destroyed, such part must be restored to usable condition. All amounts collected from insurance against accident to or destruction of any portion of the Wastewater System will be used to repair or rebuild such damaged or destroyed portion of the Wastewater System, and to the extent not so applied, will be applied to redeem the Bonds or any Parity Debt in accordance with the Indenture and the related Parity Debt Documents. The City will also maintain, with responsible insurers, worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the City, the Trustee and the Owners of the Bonds.

Covenants of the City

Payment of Bonds. The City agrees to punctually pay or cause to be paid the interest and principal to become due with respect to all of the Bonds in strict conformity with the terms of the Bonds and of the Indenture, and will faithfully observe and perform all of the conditions, covenants and requirements of the Indenture.

Records and Accounts. The City agrees that it will keep proper books of record and accounts of the Wastewater System, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the Wastewater System. Said books shall, upon reasonable request, be subject to the inspection of the Trustee and the Owners of not less than 10% of the Outstanding Bonds or their representatives authorized in writing.

The City further agrees that it will cause the books and accounts of the Wastewater System to be audited annually by an Independent Accountant and will make available for inspection by the Bond Owners at the Office of the Trustee, upon reasonable request, a copy of the report of such Independent Accountant.

Operation of Wastewater System. The City agrees to operate the Wastewater System in an efficient and economical manner and to operate, maintain and preserve the Wastewater System in good repair and working order.

Tax Covenants. The City will not take, nor permit nor suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of any of the Bonds which would cause any of the Bonds to be "arbitrage bonds" or "private activity bonds" within the meaning of the Tax Code. The City will not take, nor permit nor suffer any action to be taken which would cause the Bonds to be "federally guaranteed" within the meaning of the Tax Code. The City will calculate or cause to be calculated all amounts of excess investment earnings with respect to the Bonds which are required to be rebated to the United States of America, pay such amounts when due and retain such records relating thereto pursuant to the Tax Code.

Amendment of Indenture

The Indenture may be modified or amended at any time by a supplemental indenture with the written consents of the Owners of a majority in aggregate principal amount of the Bonds then outstanding. No such modification or amendment may (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the City to pay the principal or interest at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) permit the creation by the City of any mortgage, pledge or lien upon the Gross Revenues or the Net Revenues superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as expressly permitted by the Indenture), or reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

The Indenture may also be modified or amended at any time by a supplemental indenture, without the consent of any Bond Owners, to the extent permitted by law, but only for any one or more of the following purposes:

- (a) to add to the covenants and agreements of the City contained in the Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power therein reserved to or conferred upon the City; or
- (b) to cure any ambiguity, or to cure, correct, supplement any defective provision contained in the Indenture, or in any other respect whatsoever as the City deems necessary or desirable, provided under any circumstances that such modifications or amendments do not materially adversely affect the interests of the Owners of the Bonds, in the opinion of Bond Counsel filed with the City and the Trustee; or
- (c) to provide for the issuance of any Parity Debt, and to provide the terms and conditions under which such Parity Debt may be issued, including but not limited to the establishment of special funds and accounts relating to such Parity Debt and any other provisions relating solely to such Parity Debt; or
- (d) to amend any provision of the Indenture to assure the exclusion from gross income of interest on the Bonds for federal income tax purposes under the Tax Code, in the opinion of Bond Counsel filed with the City and the Trustee.

Events of Default

Events of Default Defined. The following events constitute events of default under the Indenture:

- (a) Failure to pay any installment of the principal of any Bonds when due, whether at maturity as therein expressed, by acceleration or otherwise.
- (b) Failure to pay any installment of interest on the Bonds when due.
- (c) Failure by the City to observe and perform any of the other covenants, agreements or conditions on its part contained in the Indenture or in the Bonds, if such failure has continued for a period of 60 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the City by the Trustee; *provided, however*, that if in the reasonable opinion of the City the default stated in the notice can be corrected, but not within such 60 day period, such failure will not constitute an event of default under the Indenture if the City institutes

corrective action within such 60 day period and thereafter diligently and in good faith cures such failure in a reasonable period of time.

- (d) Certain events relating to the insolvency or bankruptcy of the City.
- (e) The occurrence and continuation of an event of default under and as defined in any Parity Debt Documents.

Remedies. Upon the occurrence and during the continuance of any event of default, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Bonds at the time outstanding shall, (a) upon notice in writing to the City, declare the principal of all of the Bonds then outstanding, and the interest accrued thereon, to be due and payable immediately, and (b) exercise any other remedies available to the Trustee and the Bond Owners in law or at equity to enforce the rights of the Bond Owners under the Indenture.

Immediately upon becoming aware of the occurrence of an Event of Default, but in no event later than five Business Days following becoming aware of such occurrence, the Trustee shall give notice of such Event of Default to the City by telephone confirmed in writing. Such notice shall also state whether the principal of the Bonds has been declared to be or have immediately become due and payable. With respect to any Event of Default described in clauses (a) or (b) above the Trustee shall, and with respect to any Event of Default described in clause (c) above the Trustee in its sole discretion may, also give such notice to the Bond Owners, which shall include the statement that interest on the Bonds shall cease to accrue from and after the date, if any, on which the Trustee declares the Bonds to become due and payable under the preceding paragraph (but only to the extent that principal and any accrued, but unpaid, interest on the Bonds is actually paid on such date).

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds has been so declared due and payable, and before any judgment or decree for the payment of the moneys due has been obtained or entered, the City shall deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest at an interest rate of 10% per annum, and the reasonable fees and expenses of the Trustee, including fees and expenses of its attorneys, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) has been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the City and to the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment extends to or affects any subsequent default, or impairs or exhausts any right or power consequent thereon.

Application of Funds Upon Acceleration. If an Event of Default has occurred and is continuing, all amounts received by the Trustee under any of the provisions of the Indenture will be applied by the Trustee as follows and in the following order:

- (a) *First*, to the payment of any fees, costs and expenses incurred by the Trustee to protect the interests of the Owners of the Bonds and payment of the fees, costs and expenses of the Trustee (including fees and expenses of its counsel) incurred in and about the performance of its powers and duties under the Indenture, together with interest on all such amounts advanced by the Trustee at the maximum rate permitted by law; and
- (b) *Second*, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with interest on such overdue amounts to the respective rates of interest borne by those Bonds, , and in case such moneys are insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal

and interest on overdue amounts without preference or priority among such interest, principal and interest on overdue amounts ratably to the aggregate of such interest, principal and interest on overdue amounts.

Limitation on Bond Owners' Right to Sue. No Owner of any Bond has the right to institute any suit, action or proceeding at law or in equity, for any remedy under the Indenture, unless (a) such Owner has previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding have requested the Trustee in writing to exercise its powers under the Indenture; (c) said Owners have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee has failed to comply with such request for a period of 60 days after such written request has been received by the Trustee and said tender of indemnity is made to the Trustee.

Defeasance of Bonds and Discharge of Indenture

The City may pay and discharge the indebtedness on any or all of the outstanding Bonds in any one or more of the following ways:

- (a) by paying or causing to be paid the principal of and interest on the Bonds, as and when the same become due and payable;
- (b) by irrevocably depositing with the Trustee or an escrow bank, in trust, at or before maturity, an amount of cash which, together with the available amounts then on deposit in the funds and accounts established under the Indenture, in the opinion or report of an Independent Accountant to be fully sufficient to pay such Bonds, including all principal and interest; or
- (c) by irrevocable depositing with the Trustee or an escrow bank, in trust, Federal Securities in such amount as an Independent Accountant determines will, together with the interest to accrue thereon and available amounts then on deposit in any of the funds and accounts established under the Indenture, to be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal and interest) at or before maturity; or
- (d) by purchasing such Bonds prior to maturity and tendering such Bonds to the Trustee for cancellation.

Upon such payment, and notwithstanding that any Bonds have not been surrendered for payment, the pledge of the Net Revenues and other funds provided for in the Indenture with respect to such Bonds, and all other obligations of the City under the Indenture and all other obligations of the Trustee and the City with respect to such Bonds shall cease and terminate, except only the obligations of the City to provide continuing disclosure pursuant to the Continuing Disclosure Certificate, the obligation of the Trustee to transfer and exchange Bonds under the Indenture, the obligation of the City to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon from amounts so deposited with the Trustee for such purpose and the obligations of the City to compensate and indemnify the Trustee pursuant to the Indenture. Any funds thereafter held by the Trustee, which are not required for said purposes, will be paid over to the City.

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APPENDIX B

**COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE
CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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City of Concord, California

Fiscal Year Ended June 30, 2011

Comprehensive Annual Financial Report



www.ci.concord.ca.us

CITY OF CONCORD, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2011

Prepared by

Finance Department

Margaret Lefebvre
Director of Finance

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City of Concord

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CITY OF CONCORD ORGANIZATIONAL MISSION STATEMENT

(Adopted January 31, 1996)

Our mission is to join with our community to make Concord a city of the highest quality. We do this by providing responsive, cost effective and innovative local government services.

OUR VISION FOR THE FUTURE

- ⊞ We will be a customer based, performance driven, results oriented organization, focused on finding the answer, solving the problem, and achieving positive outcomes.
- ⊞ We will partner with the Concord community to maximize resources, deliver high quality services, and be recognized as setting the standard for excellence.
- ⊞ We will be trustworthy guardians of the public's resources.
- ⊞ We will make Concord a premier business location.
- ⊞ We will collaborate to provide "seamless" services that benefit both our external and internal customers, streamlining our work processes and removing barriers wherever they arise.
- ⊞ We will accept the challenge of change and be committed to continually enhancing the safety, environment, quality of life, and economic vitality of our community.
- ⊞ We will constantly look for new and better ways to deliver services. We will seek to be innovative, take reasonable risks, learn from our mistakes and always strive for excellence.
- ⊞ We will welcome diversity in our community and our work place.
- ⊞ We will conduct our work in an atmosphere of trust, respect and courtesy with open doors and open communication for our customers and each other.
- ⊞ We will provide ethical, dynamic and effective leadership, establish clear direction and priorities, and model the mission and values in support of our common Vision.
- ⊞ We will be accountable for our performance and our organization's success, and be recognized for our achievements.



ORGANIZATIONAL VALUES

☞ ***Integrity and Trust***

We say what we mean and mean what we say. We honor our word and keep our commitments. We are worthy of the public's and each other's trust.

☞ ***Commitment to Service***

We put our customers first. We respond to our internal customers and treat them with the same courtesy and respect as our external customers. We facilitate, enable, and problem-solve.

☞ ***Partnerships***

We place a high value on building partnerships with members of our community to assure we understand their needs and continue to deliver the services they desire in the most effective manner possible.

☞ ***Innovation and Continuous Improvement***

We strive for excellence in the quality and productivity of our work. We create a work environment in which we look for new solutions and experiment with innovative ways to do things - even if they don't always work the first time. We recognize the need to be dynamic in meeting the community's changing needs. Each and every employee is given the opportunity to develop and grow.

☞ ***Performance Accountability***

We set measurable performance goals which support the priorities of the City and our individual work groups. We are given the necessary authority, training and resources to enable us to achieve these goals. Performance reviews are conducted in a timely and effective manner. Employee advancement and other incentives are based on performance. We are proud of the professionalism, competency and dedication that exist throughout the organization.

☞ ***Long Range Planning***

We conduct long range strategic and financial planning to maximize service delivery and build the economic stability of the City. We practice sound fiscal management to protect the public's resources.

☞ ***Team Work***

We respect each other as individuals, and we take the time and effort to show it. Although certain positions have more decision-making authority, we treat all members of the organization with the same consideration for their ideas and concerns. We really listen to, and give each other honest feedback. We recognize partnerships among work groups and employees as essential to effectively maximizing resources and delivering high quality services.

☞ ***Individual Worth and Diversity***

We recognize and appreciate the uniqueness of each individual. We value the contribution made and the synergy created by different experiences and perspectives. We are committed to treating each and every person within the organization and the larger community with respect and dignity.



CORPORATE GOALS

Adopted June 23, 1998

- Goal 1** Continue to make Concord a desirable place to live, work, and raise a family.
- Goal 2** Be responsive to the needs of Concord citizens, maintain a high level of customer satisfaction, and provide quality public information and outreach.
- Goal 3** Promote and improve Concord as a premier location for existing, expanding, and new businesses.
- Goal 4** Ensure a balanced budget for a ten-year planning period with adequate replacement funds for buildings and equipment.
- Goal 5** Preserve and enhance the livability of Concord's residential neighborhoods with opportunities for a broad range of housing options.
- Goal 6** Offer an array of recreation, leisure, and cultural events and programs to meet the needs of citizens of all ages, with an emphasis on the well-being of youth.
- Goal 7** Maintain a safe and efficient traffic circulation system.
- Goal 8** Have Concord be among the safest cities of comparable size in California and have citizens feel safe in their homes, places of work, and throughout the City.
- Goal 9** Maintain City parks, recreation facilities, streets, buildings, and other infrastructure to meet high standards of condition and appearance.
- Goal 10** Guide Concord's development according to the General Plan and manage physical resources based on sound environmental principles.

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City of Concord
Finance Department
1950 Parkside Drive MS/06
Concord, CA 94519-2578
Fax (925) 671-3353

Telephone (925) 671-3192



CITY COUNCIL
Laura M. Hoffmeister, Mayor
Ronald E. Leone, Vice Mayor
Timothy S. Grayson
Daniel C. Helix
William D. Shinn

Mary Rae Lehman, City Clerk
Thomas J. Wentling, City Treasurer

Daniel E. Keen, City Manager

December 1, 2011

Honorable Mayor and City Council
City of Concord

In accordance with the Municipal Code, Chapter 2, Article IV, Section 2-223 of the City of Concord, we are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Concord for the fiscal year ended June 30, 2011. The City's independent auditor, Maze & Associates, Certified Public Accountants, has issued an unqualified ("clean") opinion on the City of Concord's financial statements. However, the Auditor's have included a special emphasis paragraph discussing the uncertain future of the Redevelopment Agency due to the State measures passed in June 2011. The measures affect all redevelopment agencies in California and the issue is not unique to Concord. The independent auditor's report is located on page 1 of the financial section of this report.

The CAFR was prepared by the City's Finance Department in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standard Board (GASB). Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. We believe the data is presented in a manner designed to set forth fairly the financial position and results of operations of the City as measured by the financial activity of its various funds; and that disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it. Further discussion of the accounting policies used by the City is found in the notes to the financial statements.

The City of Concord is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget's Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Information related to this single audit, including a schedule of federal expenditures of federal awards, the independent auditor's report on internal control and compliance with applicable laws and regulations are included in a separately issued single audit report.

City of Concord

Reporting Entity

The agencies included in the reporting entity are: the City of Concord, the Redevelopment Agency of the City of Concord; the Concord Sanitary Sewer Services, Inc.; the City of Concord Retirement System and the City of Concord Joint Powers Financing Authority.

The financial statements for the California Public Entity Insurance Authority, the Concord Senior Citizens Club, the Friends of Camp Concord, Concord Plaza Tower, Inc., and the Concord Pleasant Hill Aquatic Foundation are not included as they are administered by boards separate from and independent of the City.

Internal Controls

In developing and enhancing the City's accounting system, significant consideration is given to the adequacy of the City's system of internal accounting controls. Internal controls are designed to provide reasonable assurance regarding the safeguarding of assets against the loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived, and that the evaluation of costs and benefits requires estimates and judgments by management.

Concord's History

The first inhabitants of the valley were a small tribe of the Chupcan Indians. In the 1700's early Spanish explorers became the first outsiders to cross the area, upon receipt of the "Monte Del Diablo" land grant in 1834. The 17,921 acre land grant covered the majority of the valley and was used for cattle operations. Don Salvio's grand adobe, which is still located in downtown Concord, became the business, social and cultural center of the region. In 1868, Don Salvio Pacheco, his son, Don Fernando Pacheco, and his son-in-law, Don Francisco Galindo, created a new town at the center of their Rancho. They called their new town Todos Santos (All Saints) and in 1869 offered lots free of charge to merchants and residents. Within months after Todos Santos had been recorded as the official town name, "Concord" was heralded by the Contra Costa Gazette as the actual name. By 1879 a population of 300 was reported. It would double by February 1905, when incorporation of the "Town of Concord" was approved by a two-vote margin.

It would take 35 years for the population to double again. Concord began World War II with a high school, a modern hospital, five churches, two railroads, a fine library, a nationally recognized central plaza, two cinemas, a full-service downtown commercial area, tree lined streets, comfortable homes and a population of 1,400. The war years brought expansion to the area because of the proximity of naval operations. The postwar years began a population boom. By 1948, the population had grown to 6,500.

Located 29 miles east of San Francisco, Concord now is the largest city in the Contra Costa County with a population of 122,676. The City covers 31.13 square miles and provides a full range of services including police protection, recreational activities, community development, street improvements and maintenance services. Over the last 20 years, Concord has become a major job center in Contra Costa County and it is the County's strongest retail location. Concord offers the amenities that many businesses require for success. Here, business-friendly government policies, outstanding Class A office space values, numerous industrial parks and excellent transportation combine with favorable home prices, an educated workforce and a dynamic retail environment to create ideal conditions for business to expand and make Concord a premier business location.

The City's commitment to families and to the community fosters a high quality of life with attractive residential neighborhoods, abundant recreation and entertainment for all ages. Concord, the city where "Families Come First," is a community of friendly neighborhoods with an excellent park system, convenient shopping, large preserves of open space, and an exciting downtown. Concord's housing mix offers affordable home and rental prices that are among the most favorable in the Bay area, allowing residents to live where they work and play. An extensive transportation system, including easy freeway access, two BART stations, bus services and a local private aviation airport, makes Concord's location convenient to the Bay area.

Profile of the Government

Concord is a General Law city, formed under the State legislative process and structured under provisions of the California Constitution. Its governing body, the City Council, is comprised of five elected members, who serve "at-large" rather than by district, each for four-year terms. City voters also elect a City Treasurer who serves a four-year term.

Municipal elections are held in November of the even-numbered years. Council terms overlap, with three Council members elected one year and the other two elected two years later. Each year, the Council selects one of its members to serve as Mayor and another as Vice Mayor. The City Council also serves as the Redevelopment Agency Board.

Concord is operated under the Council-Manager form of government. The Council hires the City Manager, who is then responsible for all management functions of the City, including the development of the budget, delivery of services, hiring of personnel and implementation of capital projects. The City Council also directly hires the City Attorney who serves as the City's primary legal advisor.

Budgetary Control

The Concord Municipal Code requires the City Manager to present the Annual Operating Budget to the City Council for approval. The City Council has adopted a number of Policy & Procedures, including Budget and Fiscal Policies; Budget Preparation; Budget Appropriation and Transfer Controls, which provide direction in the development of the Annual Operating Budget. The City Manager has also authorized several Administrative Directives which further clarify budget policies, processes and related controls.

The annual budget kickoff meeting is conducted in November. City Departments prepare their budgets in November and December for review by the Budget Committee in January and February. The Budget Committee is comprised by the City Manager, Assistant City Manager, Director of Finance and the Budget Officer. All budget changes and recommendations are finalized in March. The proposed budget document is prepared in April and provided to the City Council. A budget workshop is conducted with the City Council in May and the City Council conducts two public hearings on the budget in June. Budget adoption occurs at the final public hearing in June.

Ultimate budgetary control resides at the fund level; however, the City has adopted a number of budgetary appropriation and transfer procedures to provide strong internal controls while encouraging improved accountability and administrative responsiveness. All budgetary transfers require Director of Finance review and approval. All transfers of appropriations affecting Personnel Services (wages & benefits) require Director of Human Resources and City Manager review and approval. Additionally, all transfers between funds and between departments require City Manager or City Council review and approval.

All project appropriation transfers require City Manager approval. Transfers in excess of \$20,000 require City Council approval. The City Council must approve all new appropriations with the exception of money received for specific purposes (e.g. Developer Contributions) where the appropriation and revenue received are of equal value. Special revenue budget appropriations based on funds provided by grants, donations or contributions require City Manager and City Council approval.

Long Range Financial Planning

In 1995 the City of Concord implemented Ten-Year Financial Planning to realize its vision as "trustworthy guardians of the public's resources" and its mission to be "a cost effective government". Most importantly, it has been effectively used to attain financial stability for the City. Ten-Year Financial Planning requires that the City Manager annually present balanced Ten-Year financial plans for all major funds including the General Fund, Special Revenue Funds, Capital Improvement Funds, Proprietary Funds and also for the Redevelopment Agency. Twenty-Year financial information is presented for both the Sewer Fund and the Redevelopment Agency. Twenty-Five Year financial information is presented for Post Retirement Healthcare Benefits. The Ten-Year Plan also requires adequate replacement funds for buildings, vehicles, and equipment. The Ten-Year Plan projections include all projected sources of revenue and all projected expenditures including salaries, benefits, materials, services and capital improvement projects. Each year all plans are revisited, and assumptions are evaluated and updated.

The Ten-Year Financial Planning Program has many benefits over typical single year budgeting. It enables the City to foresee potential problems early, giving the organization time to respond and take action before a problem develops. It enables the City to determine whether today's decisions can be supported tomorrow. The long term financial impact and affordability of labor proposals can be more easily analyzed. Ten-Year Planning also increases the accountability to stakeholders by explicitly communicating the anticipated financial status of the City over a 10 year period.

Major Initiatives and Events

The Community Development Department preserved 48 affordable housing units by providing \$300,000 for rehabilitation of the Riley Court Apartments.

The Community Emergency Response Team (CERT) created a Neighborhood Team Captain class and organized eleven neighborhoods to be disaster ready.

The City entered into an agreement with Chevron Energy Solutions Company (ESCO) to conduct a comprehensive energy audit and to identify improvements that will save energy, water and operational expenses at several facilities. As a result of this audit a plan was developed for several projections including street lighting retrofits and a solar photovoltaic system at Concord Community Park.

The Public Works and Engineering Department was successful in attaining over \$3.8 million in grants for various projects.

In an effort to conserve water without losing beauty, the grass in the street medians was replaced with new flowering shrubs and plants which thrive with low-water use and are better able to withstand drought. The irrigation system was also upgraded. This project was a winner of the California Park & Recreation Society's 2010 Award of Excellence for Maintenance, Management and Operations.

For the thirtieth year in a row, Concord was recognized as a "Tree City U.S.A." by the National Arbor Day Foundation. This national award honors Concord's commitment to its community forest. The Park Services maintain 1,080 acres of open space and 379 acres of developed parkland.

Economic Condition and Outlook

The National and State economies reflect unprecedented challenges in a time of major changes in the traditional ways in which money and credit are used. The financial markets have been struggling to overcome problems related to collapse in the global financial system and the subprime mortgage market, high unemployment rate and the economic recession. Virtually every sector of the economy has experienced negative trends. As these downward trends have rippled throughout the world economy, the City of Concord is not exempt. The declining real estate values, property and sales tax revenues over the past few years have placed fiscal constraints on the City that are expected to last several years. Fortunately, though, the trend seems to be leveling out, albeit at a new, lower level. General Fund revenues increase 3% or \$1.9 million from the prior year because of the use tax approved and enacted by the citizens of Concord (discussed below). The City's assessed valued decreased 1.5% from the prior year.

During Fiscal Year 2010-11, the City continued its plan to bring the City's budget back into balance with additional cost reductions made up of employee concessions, reduction of programs, continued mandatory furloughs. Key City services, including public safety and maintenance of public facilities and infrastructure, still continue to receive high priority, but reductions have affected these programs also.

In an effort to forestall additional budget reductions in the near future, the City Council authorized a measure to be placed on the November 2, 2010 ballot for a temporary use tax of 0.5% for five years, beginning April 1, 2011. The voters of the City of Concord approved Measure Q which allows the City time both for the economy to begin to recover and for staff to resolve the remaining structural deficit of approximately \$4 million. One of the provisions of the ballot measure is for the establishment of an oversight committee to review the City's plans and use for the funds. The Measure Q Committee reviewed the Preliminary Operating Budget for FY 2011-12 and will review the Comprehensive Annual Financial Report (this document) for the Fiscal Year ended June 30, 2011.

Despite financial market volatility, the City of Concord has fared comparatively well, though we anticipate that revenues will reflect little or no growth. Our diversified economy, strong job base, diverse sales tax base, successful efforts to retain and attract new businesses and the City's ten-year financial planning policy, have contributed to the City's financial stability and leave the City comparatively well positioned to face the challenges ahead. While development has slowed, Concord's reductions are more moderate than the decline experienced by cities which have been in a more aggressive pattern of expansion.

The City's ability to sustain a vibrant local economy to insure future fiscal strength will continue to depend on the City's ability to attract the business community and to balance business and residential needs to the benefit of both. The City's past success in attracting and retaining successful businesses has not been coincidental. Concord devotes considerable energy to providing a variety of services and programs to attract new quality businesses as well as help existing companies to achieve sustained growth. The City's Economic Vitality Strategy promotes partnerships among businesses, merchants, residents, community groups and City Departments to anticipate needs and solve problems when they occur. The Strategy guides City policy to enable Concord to provide efficient and timely local services to maximize a new company's success. Concord's award winning One-Stop Permit Center at City Hall provides expedient permit processing, cuts red tape, cuts construction costs and enables developers to open earlier and produce revenue sooner. Concord's Business Retention Program offers a variety of services to assist the retention and expansion of Concord businesses. The program enhances Concord's relationship with businesses by strengthening communication, providing education workshops and assisting with site selection and permit facilitation.

While the projected success in the development area eventually points to a positive outlook, the City is facing the same uncertainties as other agencies in the State, including the rise in cost for salaries and benefits including retirement, health insurance, workers compensation, as well as the continuing State budget crisis. For over 20 years, the State legislature has been taking local tax dollars that local governments use to provide vital services like fire protection, law enforcement, healthcare, parks and libraries. The State has taken more than \$40 billion from cities, counties and special districts in the last 15 years. The State justified these diversions as "temporary" that would lapse when the economy improved, however, as the economy has improved the State has continued to increase spending and the revenues have not been returned to local agencies.

Although the passage of Proposition 1A in 2004 has restored some predictability to our budget, it was not a guarantee that cities will not experience cash flow impacts due to future loans to the State. The State suspended Proposition 1A with regard to Redevelopment in Fiscal Year 2010-11, taking approximately \$1.2 million from the Redevelopment Agency.

In the November, 2010, election, the voters of California overwhelmingly passed Proposition 22 which further protected local revenues both of the City and of the Redevelopment Agency. Unfortunately, the State continues to face structural budget shortfalls, and for FY 2011-12 has virtually ignored the wishes of the population and has again taken local funds to deal with their shortfall. The State has not yet dealt with its structural financial issues and continues to rely on a number of one-time solutions and gimmicks rather than focusing on aligning ongoing revenue with ongoing program expenditure to fix their structural deficit.

The November, 2010, election also included a local, City of Concord, temporary ½ cent use tax measure. Fortunately the citizens of the City have realized the measures taken on behalf of the City to reign in costs and to preserve resources. Measure Q passed with a 56% approval. The use tax became effective April 1, 2011, thus providing three months of revenue to Fiscal Year 2010-2011. The collection and use of these funds are subject to an oversight committee, tasked by the City Council to ensure that the funds are used for the stated purpose of preventing further reductions to services and replenishing the City's reserves. The tax sunsets in five years.

On June 28, 2011, the State of California adopted ABx1 26 and ABx1 27 which dissolve all Redevelopment Agencies in the State and replaces them with an alternative voluntary redevelopment program. A lawsuit was filed to challenge these new laws with a decision expected in mid-January, 2012. Should the state prevail in this lawsuit, the impact of these changes will be significant upon the City of Concord as a whole and on the Redevelopment Agency in particular. This activity on the part of the State is further evidence that it is unable to resolve its structural deficit by making the hard decisions to align ongoing revenue with ongoing expenditure.

Reserves

To address the financial uncertainties discussed above, the City maintains General Fund Reserves and contingencies to total not less than 15% of operating expenditures. Given the effects of the recession which have affected all entities, both governmental and private, reserves have been used significantly in the past three years. In accordance with the foresight of the City Council, the original requirement of 30% reserves and contingencies has been temporarily reduced to 15% with the admonition that a return to 30% as soon as possible is desired.

As of June 30, 2011, the available liquid General Fund Reserves totaled approximately \$8 million, approximately 11% of actual General Fund Operating Expenditures. This balance compares favorably with the original 4.9% balance projected at the adoption of the FY 2010-2011 budget and has benefited from one quarter's receipts of the Measure Q use tax.

Cash Management

Cash temporarily idle during the year was invested, in accordance with the City of Concord's adopted Investment Policy, in U.S. Government and Agency Securities, Corporate Notes, Commercial Paper, Money Market and Mutual Funds, and the California State Local Agency Investment Fund. As of June 30, 2011, maturity of the investments ranged from 0 days to 4 years with an average maturity of 455 days. The effective yield on investments was 1.38%. Interest rates on new investments continued to fall during the past year. Investment income also included gains in the fair market value of investments. Increases in fair market value during the current year, however, do not mean that these gains will be realized unless the investments are sold before maturity. The City of Concord holds investments to maturity, thus gains due to changes in the fair market value should not be realized unless the investment is sold. The City of Concord's Investment Policy is certified by the Association of Public Treasurers, U.S. & Canada.

Risk Management

The City is a member of California State Association of Counties - Excess Insurance Authority (CSAC-EIA). The coverage has a self-insured limit of \$500,000 for Workers' Compensation; and \$500,000 to a maximum of \$35 million for general liability.

The City provides fully-insured health plans through the Public Employees Retirement System, a fully-insured dental and life insurance program, an Employee Assistant Program (EAP), and a self-insured short term and long term disability program through Reliance Standard Life Insurance Company.

Pension Plan and Other Post-Employment Benefits

The City participates in two distinct retirement funds. The City entered the California Public Employee Retirement System (PERS) beginning with Fiscal Year 1993-94. On June 28, 1999, Concord funded prior service credit in PERS for all the current employees. PERS is a multiple-employer public employees defined benefit pension plan for safety and non-safety personnel. PERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and their beneficiaries.

The City of Concord Retirement System (CCRS) is a closed plan and is a single employer defined benefit pension plan covering all full time employees of the City who retired or left service prior to June 28, 1999. Participants are divided into two primary groups for coverage: general employees and safety employees. Funding for the CCRS is administered by Public Agency Retirement Services (PARS).

The City of Concord also provides post-retirement health benefits for its retired employees and their eligible dependents. At the end of the fiscal year, there were 346 retired employees and their dependents receiving these benefits which are currently financed on a pay as you go basis. A funding plan has been developed and incorporated into the City's Ten-Year Plan to fund the City's obligation for Other Post Employment Benefits (OPEB) as identified in the Governmental Accounting Standards Board (GASB) Statement 45.

Awards

This is the nineteenth consecutive year that the City of Concord has been recognized for excellence in financial reporting. This year's Comprehensive Annual Financial Report (CAFR) has again been submitted to the Government Finance Officers Association (GFOA) for evaluation. I believe the June 30, 2011 CAFR exceeds the high standards set by the previous year's report. Suggestions by the GFOA for further improvement of the CAFR have been included in this report. The fact that GFOA continues to present the Finance Department with this award is especially gratifying.

Acknowledgments

I wish to express my appreciation to the entire staff of the Finance Department whose dedication and efficiency are responsible for the preparation of this report in a timely and accurate manner. Without their hard work, the prompt submission of this report would not have been possible. Credit also must be given to the Mayor, City Council and the City Manager for their support in maintaining the highest standards of professionalism in the management of the City of Concord's finances.

Respectfully submitted,



Margaret Lefebvre
Director of Finance



PRINCIPAL OFFICERS (June 30, 2011)

Elected Officials



Mary Rae Lehman
City Clerk



Left to right: **William Shinn** (Council Member), **Ron Leone** (Vice Mayor), **Laura M. Hoffmeister** (Mayor), **Tim Grayson** (Council Member) and **Dan Helix** (Council Member)



Thomas J. Wentling
City Treasurer

Executive Team



Daniel E. Keen
City Manager



Valerie Barone
Assistant City Manager



Guy Swanger
Chief of Police



Joan Carrico
Director of
Parks & Recreation



Kathy Ito
Director of
Human Resources



Craig Labadie
City Attorney



Margaret Lefebvre
Director of
Finance



Ron Puccinelli
Director of
Information Technology



Michael Wright
Concord Reuse
Project Director



Elected Officials
 Appointive Advisory Boards,
 Committees or Commissions

The People of the City of Concord

City Treasurer
 Assessment Districts
 Bond Service
 Deposits
 Investments

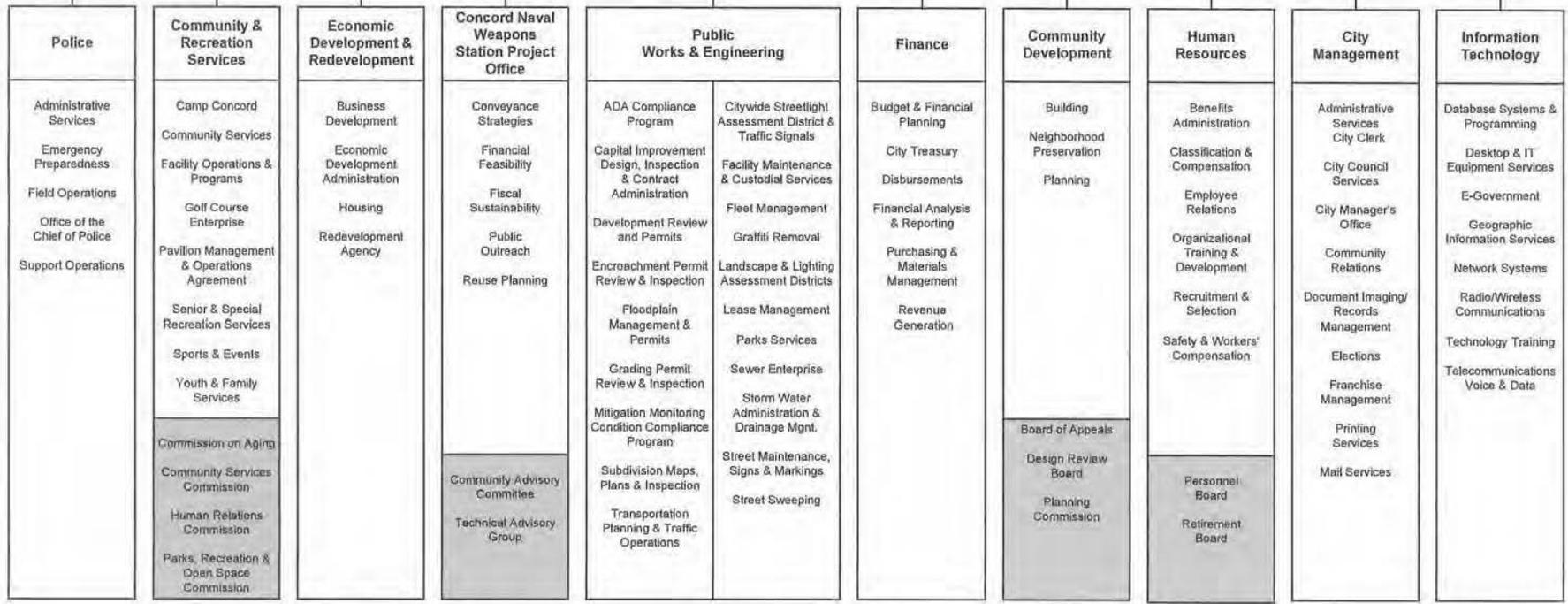
City Council/Redevelopment Agency
 Mayor and Four Council Members

City Attorney
 Claims Processing
 Legal Council to City Council, Commissions & Committees
 Liability Defense
 Municipal Code Violation Prosecution
 Ordinances, Resolutions, Contracts

City Manager

City Clerk
 Council Proceedings
 Municipal Elections
 Oaths
 Public Notices

Assistant City Manager



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Concord California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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.



Linda C. Sandison

President

Jeffrey R. Emer

Executive Director

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Independent Auditors' Report

The Honorable Mayor and Members of the City Council
City of Concord, California

ACCOUNTANCY CORPORATION
3478 Buskirk Ave. - Suite 215
Pleasant Hill, California 94523
(925) 930-0902 - FAX (925) 930-0135
maze@mazeassociates.com
www.mazeassociates.com

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Concord as of and for the year ended June 30, 2011, as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly in all material respects the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Concord at June 30, 2011 and the respective changes in the financial position and cash flows where applicable thereof and the respective budgetary comparisons for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

As disclosed in Note 19, the State of California adopted ABx1 26 on June 28, 2011, which suspends all new redevelopment activities except for limited specified activities as of that date and dissolves redevelopment agencies effective October 1, 2011. The State simultaneously adopted ABx1 27 which allows redevelopment agencies to avoid dissolution by opting into an "alternative voluntary redevelopment program" requiring specified substantial annual contributions to local schools and special districts. These conditions raise substantial doubt about the Agency's ability to continue as a going concern. However, on August 11, 2011, the California Supreme Court issued an Order in *CRA v. Matosantos*, which, as modified by the Court on August 17, partially stays implementation of ABx1 26 and ABx1 27, although the partial stay leaves in effect the section of ABx1 26 that suspends all new redevelopment activities. As a result, the accompanying financial statements have been prepared assuming that the Agency will continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with Government Auditing Standards, we have also issued our report dated October 28, 2011 on our consideration of the City of Concord'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.

As of July 1, 2010, the City adopted the provision of Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*. As discussed in Note 9 to the financial statements, the provisions of this statement affect the classification of fund balances reported in the financial statements.

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

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

The statistical information listed in the Table of Contents was not audited by us and we do not express an opinion on this information.

Mozel & Associates

October 28, 2011



MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Concord issues its financial statements in the format prescribed by the provisions of Government Accounting Standards Board Statement 34 *"Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"* (GASB 34). GASB 34 requires the City to provide this overview of its financial activities for the fiscal year, which should be read in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

FISCAL 2011 FINANCIAL HIGHLIGHTS

Financial highlights of the year include the following:

Government-Wide

- The City's total net assets were \$796 million at June 30, 2011, down \$16 million from the prior year. Of this total, \$716 million were governmental assets and \$80 million were business-type assets.
- Government-Wide governmental revenues include program revenues of \$36 million and general revenues of \$70 million for a total of \$106 million, up \$3 million from the prior year's total.
- Total Government-Wide governmental expenses were \$119 million, a decrease of \$5 million from the prior year.
- Government-Wide business-type revenues were \$20 million while expenses were \$23 million.

Fund Level

- Governmental Fund balances increased \$8 million in fiscal 2011.
- Governmental Fund revenues increased to \$107 million in fiscal 2011, up \$4 million from the prior year.
- Governmental Fund expenditures decreased to \$107 million in fiscal 2011, down \$19 million from the prior year.
- General Fund revenues of \$67 million reflected an increase of \$2 million in fiscal 2011.
- General Fund expenditures of \$69 million reflected a decrease of \$5 million when compared to the prior year.
- The net transfers in reflected in the General Fund totaled \$13 million for fiscal 2011 compared with net transfers of \$9 million out for fiscal 2010.
- General Fund balance of \$17 million at June 30, 2011 increased \$11 million from fiscal 2010.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

This Comprehensive Annual Financial Report is in five parts:

1. Introductory section, which includes the Transmittal Letter and general information;
2. Management's Discussion and Analysis (this part);
3. The Basic Financial Statements, which include the Government-Wide and the Fund financial statements, along with the Notes to these financial statements;
4. Supplemental Information for Non-Major Governmental Funds and Internal Service Funds; and
5. Statistical information and other schedules.

THE BASIC FINANCIAL STATEMENTS

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

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

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

The Fund Financial Statements report the City's operations in more detail than the Government-Wide Statements and focus primarily on the short-term activities of the City's General Fund and other Major Funds. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

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

The fiduciary statements provide financial information about the activities of the Concord Retirement System Pension Trust Fund, for which the City acts solely as agent.

The Government-Wide Financial Statements

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

- **Governmental Activities** - All of the City's basic services are considered to be Governmental Activities, including General Government; Public Safety; Public Works; Planning and Economic Development; Building, Engineering and Neighborhood Services; and Community and Recreation Services. These services are supported by general City revenues such as taxes, and by specific program revenues such as developer fees.
- The City's Governmental Activities include the activities of two separate legal entities: the Redevelopment Agency of the City of Concord and the City of Concord Joint Powers Financing Authority. The City is financially accountable for these entities.
- **Business-Type Activities** - The City's two enterprise activities, the sewer and the golf course, are reported here. Unlike governmental services, these services are supported by charges paid by users based on the amount of the service they use. The City's Business-Type Activities include the activities of an additional separate legal entity, the Concord Sanitary Sewer Services Inc., which is inactive as of 2002.

Government-Wide Financial Statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the City as a whole.

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of the City's most significant funds, called Major Funds. The concept of major funds and the determination of which funds are major funds were established by GASB 34 and replace the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-Major Funds summarized and presented in a single column. Subordinate schedules present the detail of these Non-Major Funds. Major Funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of City's activities.

In the City's case, the Redevelopment Agency Fund and the General Reimbursable Projects Fund are the only Major Governmental Funds in addition to the General Fund.

Fund Financial Statements include Governmental, Enterprise, and Internal Service Funds as discussed below.

Governmental Fund Financial Statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

Enterprise and Internal Service Fund Financial Statements are prepared on the full accrual basis, as in the past, and include all their assets and liabilities, current and long-term.

Since the City's Internal Service Funds provide goods and services only to the City's Governmental and Business-Type Activities, their activities are reported only in total at the Fund level. Internal Service Funds may not be Major Funds because their revenues are derived from other City Funds. These revenues are eliminated in the Government-Wide Financial Statements and any related profits or losses are returned to the Activities that created them, along with any residual net assets of the Internal Service Funds.

Comparisons of Budget and Actual financial information are presented only for the General Fund, as required by GASB 34.

Fiduciary Statements

The City's fiduciary activities are reported in the separate Statement of Fiduciary Net Assets and the Pension Trust Fund Statement of Changes in Plan Net Assets. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its own operations. The Pension Trust Fund consists of the City of Concord Retirement System, a separate legal entity.

FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

The analyses reflected below focus on the net assets (Table 1) and changes in net assets (Table 2) of the City as a whole. The information summarizes the Citywide Statement of Net Assets and Statements of Activities stated more fully in the Financial Section of this report.

**Table 1: Primary Government Net Assets
As of June 30, 2011 and 2010 (Dollars in Millions)**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Cash and Investments	\$86.6	\$83.2	\$32.1	\$32.2	\$118.7	\$115.4
Other Assets	57.4	55.0	3.1	2.9	60.5	57.9
Capital Assets	686.1	700.4	81.1	85.0	767.2	785.4
Total Assets	830.1	838.6	116.3	120.1	946.4	958.7
Long-Term Debt Outstanding	83.5	80.2	22.9	23.8	106.4	104.0
Other Liabilities	30.7	29.4	13.6	13.4	44.3	42.8
Total Liabilities	114.2	109.6	36.5	37.2	150.7	146.8
Net Assets:						
Invested in Capital Assets, Net of Debt	622.7	619.0	59.4	62.5	682.1	681.5
Restricted	81.6	86.5			81.6	86.5
Unrestricted	11.6	23.5	20.4	20.4	32.0	43.9
Total Net Assets	\$715.9	\$729.0	\$79.8	\$82.9	\$795.7	\$811.9

**Table 2: Primary Government Changes in Governmental Net Assets
For the Years Ended June 30, 2011 and 2010 (Dollars in Millions)**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
EXPENSES						
General Government	\$11.4	\$12.5			\$11.4	\$12.5
Public Safety	43.1	43.0			43.1	43.0
Public Works & Engineering	37.6	32.8			37.6	32.8
Community Development	15.8	20.6			15.8	20.6
Community & Recreation Services	7.2	9.8			7.2	9.8
Interest on Long-Term Debt	3.9	5.3			3.9	5.3
Sewer			\$21.7	\$21.3	21.7	21.3
Golf Course			1.3	1.3	1.3	1.3
Total Expenses	119.0	124.0	23.0	22.6	142.0	146.6
REVENUES						
Program Revenues:						
Charges for Services	20.8	17.1	19.5	19.7	40.3	36.8
Operating Contributions and Grants	6.1	5.5			6.1	5.5
Capital Grants	8.6	10.6	0.0	0.0	8.6	10.6
Total Program Revenues	35.5	33.2	19.5	19.7	55.0	52.9
General Revenues:						
Taxes:						
Property Taxes	27.1	27.9			27.1	27.9
Sales Taxes	24.6	23.4			24.6	23.4
Other Taxes	9.2	8.9			9.2	8.9
Motor Vehicle in Lieu	8.8	8.8			8.8	8.8
Investment Earnings	0.6	0.8	0.4	0.9	1.0	1.7
Miscellaneous Revenues and Transfers	0.1	0.1	0.0	0.1	0.1	0.2
Total General Revenues	70.4	69.9	0.4	1.0	70.8	70.9
Total Revenues	105.9	103.1	19.9	20.7	125.8	123.8
Change in Net Assets before Transfers	(13.1)	(20.9)	(3.1)	(1.9)	(16.2)	(22.8)
Transfers	0.0	0.0	0.0	0.0	0.0	0.0
Change in Net Assets	(13.1)	(20.9)	(3.1)	(1.9)	(16.2)	(22.8)
Beginning Net Assets	729.0	749.9	82.9	84.8	811.9	834.7
Ending Net Assets	\$715.9	\$729.0	\$79.8	\$82.9	\$795.7	\$811.9

The analyses below focus on the net assets and changes in net assets of the City's Governmental Activities (Table 3, 4 and 5) and Business-Type Activities (Table 6 and 7) presented in the Citywide Statement of Net Assets and Statement of Activities that follow.

Governmental Activities

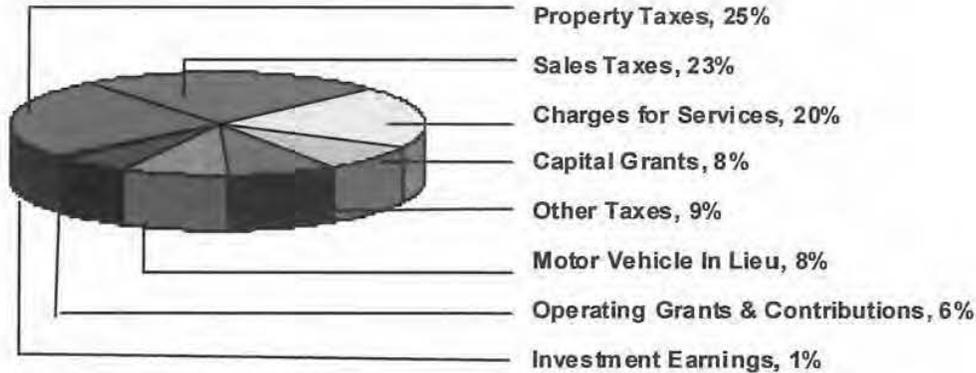
Table 3: Governmental Net Assets
As of June 30, 2011 and 2010 (Dollars in Millions)

		Governmental Activities	
		2011	2010
Cash and Investments		\$86.6	\$83.2
Other Assets		57.4	55.0
Capital Assets		686.1	700.4
	Total Assets	830.1	838.6
Long-Term Debt Outstanding		83.5	80.2
Other Liabilities		30.7	29.4
	Total Liabilities	114.2	109.6
Net Assets:			
Invested in Capital Assets, Net of Debt		622.7	619.0
Restricted		81.6	86.5
Unrestricted		11.6	23.5
	Total Net Assets	\$715.9	\$729.0

The City's net assets from Governmental Activities decreased \$15.4 million to \$713.6 million in 2011. This decrease in the Changes in Net Assets reflected in the Statement of Activities, as shown in Table 3, is discussed below:

- Cash and investments increased \$3.4 million due to an increase in cash flow from major revenue sources.
- Capital assets, net of depreciation charges, decreased \$14.3 million. Improvements and additions to infrastructure and equipment were more than offset by the normal annual depreciation charges.
- Long-term debt increased \$3.3 million as the city entered into a lease purchase agreement with Chevron Energy Services Company in the amount of \$8,384,040 while making scheduled payments on existing debt.
- Other assets, net of other liabilities, increased \$1.3 million due primarily to the timing of short term receivables and payables and an increase in the Net OPEB asset.
- Net assets invested in capital assets, net of related debt, increased \$3.7 million.
- Restricted net assets decreased \$4.9 million as net assets restricted for Capital Projects increased \$9.7 million and net assets restricted for Community Development Projects and Debt Service decreased \$14.5 million.
- Unrestricted net assets reflect the resources that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements. Unrestricted net assets decreased \$11.9 million.

Governmental Activities - Sources of Revenues
 For the Year Ended June 30, 2011 (see Table 4)



As the Sources of Revenues Chart above shows, 25% or \$27.1 million of the City's fiscal 2011 governmental activities revenue came from property taxes, and approximately 23% or \$24.6 million came from sales taxes. The remaining 51% came primarily from four sources - charges for services, capital grants, motor vehicle in lieu, and other taxes.

Governmental Activities - Functional Expenses
 For the Year Ended June 30, 2011 (see Table 4)



The Functional Expenses Chart above includes only current year expenses, which are discussed in detail below. Public Safety accounted for \$44.5 million or 37% of expenses, while Public Works & Engineering accounted for \$38.0 million or 31% of expenses, followed by Community Development which accounted for \$15.9 million or 13% of expenses. The remaining 19% were spread fairly evenly among General Government; Community and Recreation Services; and interest expense.

The expenses reflected above do not include capital outlay, which is now added to the City's capital assets on the Government-Wide Financial Statements. In 2011, the City's capital assets declined a net of \$14.3 million, as discussed above, due to annual depreciation, which offset the additions made. The details of the changes in capital assets are discussed on page 14.

The Statement of Activities presents program revenues and expenses and general revenues in detail. All these are elements in the Changes in Governmental Net Assets summarized below:

Table 4: Changes in Governmental Net Assets
For the Years Ended June 30, 2011 and 2010 (Dollars in Millions)

	Governmental Activities	
	2011	2010
EXPENSES		
General Government	\$11.4	\$12.5
Public Safety	43.1	43.0
Public Works & Engineering	37.6	32.8
Community Development	15.8	20.6
Community and Recreation Services	7.2	9.8
Interest on Long-Term Debt	3.9	5.3
Total Expenses	119.0	124.0
REVENUES		
Program Revenues:		
Charges for Services	20.8	17.1
Operating Contributions and Grants	6.1	5.5
Capital Grants	8.6	10.6
Total Program Revenues	35.5	33.2
General Revenues:		
Taxes:		
Property Taxes	27.1	27.9
Sales Taxes	24.6	23.4
Other Taxes	9.2	8.9
Motor Vehicle in Lieu	8.8	8.8
Investment Earnings	0.6	0.8
Miscellaneous Revenues	0.1	0.1
Total General Revenues	70.4	69.9
Total Revenues	105.9	103.1
Change in Net Assets before Transfers	(13.1)	(20.9)
Transfers	0.0	0.0
Change in Net Assets	(\$13.1)	(\$20.9)

The expense of Governmental Activities totaled \$119.00 million in fiscal 2011, reflecting a \$5.00 million decrease from the prior year. Increases in Public Works & Engineering and Public Safety were offset by decreases in Community Development, Community and Recreation Services and General Government.

Total Governmental Activities revenues increased \$2.8 million in fiscal 2011. The increase in revenue reflects a \$3.7 million increase in Charges for Services which offset a decrease of \$2.0 million in Capital Grants and Contributions.

Governmental Activities

Table 5 presents the net expense of each of the City's programs. Net expense is defined as total program cost offset by revenues generated by those specific activities. In the City's case, the net expenses of several programs varied significantly from the total expense above. Overall, program revenues reduced program expenses by an average of 29% of total expenses. The City's program revenues include developer fees, plan check fees, building inspection fees, traffic fines, recreation fees, police fees, grants, assessment revenues and other charges for services.

Table 5: Governmental Activities
As of June 30, 2011 and 2010 (Dollars in Millions)

	Net (Expense) Revenue from Services	
	2011	2010
General Government	(\$10.4)	(\$11.6)
Public Safety	(41.3)	(40.9)
Public Works & Engineering	(20.0)	(13.1)
Community Development	(7.6)	(16.8)
Community & Recreation Services	(0.3)	(3.1)
Interest on Long-Term Debt	(3.9)	(5.3)
Total	(\$83.5)	(\$90.8)

Business-Type Activities

The net assets of Business-Type Activities decreased to \$79.8 million in fiscal 2011, down \$3.1 million from the prior year. Of this total, \$78.5 million were reflected in the Sewer Fund and \$1.4 million were reflected in the Golf Course Fund.

Table 6: Business-Type Activities Net Assets
As of June 30, 2011 and 2010 (Dollars in Millions)

	Business-Type Activities	
	2011	2010
Cash and Investments	\$32.1	\$32.2
Other Assets	3.1	2.9
Capital Assets	81.1	85.0
Total Assets	116.3	120.1
Long-Term Debt Outstanding	22.9	23.8
Other Liabilities	13.6	13.4
Total Liabilities	36.5	37.2
Net Assets:		
Invested in Capital Assets, Net of Debt	59.4	62.5
Unrestricted	20.4	20.4
Total Net Assets	\$79.8	\$82.9

Table 7: Changes in Business-Type Activities Net Assets
As of June 30, 2011 and 2010 (Dollars in Millions)

	Business-Type Activities	
	2011	2010
Net Revenues from Business-Type Activities:		
Sewer Fund	(\$3.4)	(\$2.9)
Golf Course Fund	(0.1)	0.0
General Revenues:		
Investment Earnings	0.4	0.9
Others	0.0	0.1
Transfers	0.0	0.0
Total	(\$3.1)	(\$1.9)

The sewer fund generated \$18.2 million of revenues in fiscal 2011, reflecting a \$0.2 million decrease in service fees over the prior year. Operating expenses increased by \$0.4 million to \$20.8 million. As a result, the Sewer fund experienced a \$2.5 million operating loss for the year attributable to the City's support of capital project for treatment at the Central Contra Costa Sanitary District. The Golf Course Enterprise reflected a nominal gain in fiscal year 2011.

THE CITY'S FUND FINANCIAL STATEMENTS

Governmental Funds

At June 30, 2011, the City's governmental funds reported combined fund balances of \$87.4 million, an \$8.1 million increase when compared with last year's combined fund balance of \$79.3 million. The Redevelopment Agency fund balance decreased \$13.6 million, but was made up by an increase in the general fund of \$10.9 million and the general reimbursable projects fund of 9.1.

Governmental fund revenues increased \$4.2 million this year to total \$106.6 million. General Fund revenues increased \$1.9 million. Redevelopment Agency revenues decreased \$0.7 million. General Reimbursable Project revenues increased \$6.4 million. Other Governmental fund revenues decreased \$3.4 million.

Governmental expenditures decreased \$19.0 million this year to total \$106.7 million. General Fund expenditures decreased \$4.5 million. Redevelopment Agency expenditures decreased \$5.1 million. General Reimbursable Project expenditures increased \$4.8 million. Other Governmental fund expenditures decreased \$14.2 million.

Other Financing Sources (Uses) reflect transfers among the various funds in the City. During fiscal 2011, the General Fund received transfers in of approximately \$13.8 million primarily from the Redevelopment Agency to fund operating cost and debt service.

Proprietary Funds

Enterprise Fund net assets totaled \$79.8 million at the end of the fiscal year, a decrease of \$3.1 million. Enterprise operating revenues were \$19.5 million this year, down 0.3 from last year. Enterprise Fund operating expenses were \$22.0 million this year, up \$0.4 million from the prior year.

ANALYSES OF MAJOR GOVERNMENTAL FUNDS

General Fund

General Fund revenues totaled \$66.7 million, reflecting an increase of \$1.9 million over the prior fiscal year, due primarily to revenue from the voter-approved Measure Q sales tax. Actual revenues were \$1.9 million above the budgeted amounts because of the new Measure Q sales tax.

Property taxes stayed relatively flat from prior year, with a \$0.1 million decrease. Sales tax, excluding Measure Q funds, had a nominal increase of \$0.1 million. The City received one quarter's worth of Measure Q sales tax for fiscal year 2011. \$2.1 million was received from this new revenue sources.

General Fund expenditures decreased \$4.5 million due to continuing efforts to balance expenditures with reduced revenues. Public Works expenditures decreased \$1.3 million to a total of \$8.5 million in fiscal 2011.

At June 30, 2011 the General Fund fund balance totaled \$17.0 million, reflecting an increase of \$10.9 million. The ending fund balance consisted of \$2.1 million categorized as nonspendable; \$11.4 million in restricted funds; \$0.4 of the total fund balance was assigned; and \$3.1 million was unassigned.

Redevelopment Agency

This fund accounts for all activities of the Redevelopment Agency, including property tax increment and other Redevelopment Agency revenues; the portion of property tax increment required under California law to be set aside to fund low and moderate income housing expenditures; the accumulation of funds to pay debt service on the Agency's 2004 tax allocation bonds and the refunding lease agreement; and capital projects in the Redevelopment Agency's project areas.

The fund's revenues were \$16.2 million in fiscal 2011, a decrease of \$0.7 million. Property tax increment revenues decreased to \$16.9 million which were offset by pass-through payments totaling \$1.2 million.

Fund expenditures were \$15.1 million in fiscal 2011, a decrease of \$5.1 million from prior year, and consisted of \$8.3 million in development and \$6.5 million in debt.

The Redevelopment Agency fund balance decreased \$13.6 million primarily as a result of transfers to the general fund to fund operating costs and debt services.

The fund's fiscal year end fund balance of \$44.4 million may be used only for redevelopment purposes. This full amount is restricted primarily for future capital projects. As such this fund balance is not available for unrestricted expenditure.

The State of California Legislature has enacted two laws, AB1X 26 and AB1X 27, which dissolve Redevelopment Agencies as of October 1, 2011, and allow entities to participate in a "Voluntary" Redevelopment Agency plan which provides a greater share of property tax increment to the State and to other agencies within each County. A lawsuit was filed with the California Supreme Court on July 18, 2011, by the California Redevelopment Association challenging the validity of these actions. The Court has issued a partial stay of ABX1 26 and a full stay of AB1X 27, with a decision expected no later than January 15, 2012. As a result, it is possible that the Redevelopment Agency or its successor will be reconfigured. This issue is more fully discussed in Note 19 below.

General Reimbursable Projects Fund

This fund tracks capital project costs that are reimbursable from grants and charges to job specific projects.

The fund's revenues were \$10.5 million in fiscal 2011, an increase of \$6.4 million, primarily due to an increase in capital projects activity and reimbursement from grantors.

Fund expenditures were \$9.5 million in fiscal 2011, an increase of \$4.8 million.

The fund balances at fiscal year end increased \$9.1 million to \$7.5 million.

Other Governmental Funds

These funds are not presented separately in the Basic Financial Statements, but are individually presented as Supplemental Information.

Proprietary Funds**Sewer Fund**

Net assets of the Sewer Fund decreased by \$3.1 million in fiscal 2011. At June 30, 2011, the Fund's Net Assets were \$78.5 million, of which \$57.3 million was invested in capital assets. \$21.2 million of the Fund's Net Assets were unrestricted at June 30, 2011.

Golf Course Fund

Golf Course revenues decreased slightly but remained at \$1.3 million in fiscal 2011 while operating expenses remained flat. Net assets stayed at \$1.4 million.

CAPITAL ASSETS

GASB 34 requires the City to record all its capital assets, including infrastructure, in its financial statements. Infrastructure includes roads, bridges, signals and similar assets used by the entire population.

In accordance with GASB 34, in fiscal 2002, the City recorded the cost of all its infrastructure assets and computed the amount of accumulated depreciation for these assets based on their original acquisition dates. At the end of fiscal 2011 the cost of infrastructure and other capital assets recorded on the City's financial statements was as shown in Table 8 below:

Table 8: Capital Assets
For the Years Ended June 30, 2011 and 2010 (Dollars in Millions)

	Balance at June 30, 2011	Balance at June 30, 2010
Governmental Activities		
Land	\$16.0	\$16.3
Construction in Progress	4.0	3.3
Ground Improvements	15.7	14.3
Buildings and Improvements	77.3	78.0
Machinery and Equipment	10.9	8.6
Vehicles	8.1	8.2
Streets	425.0	421.7
Sidewalks	47.0	45.5
Storm Drains/Catch Basins	443.3	443.3
Street Lights	2.5	1.2
Traffic Signals	25.7	25.5
Less: Accumulated Depreciation	(389.5)	(365.5)
Governmental Activity Capital Assets, Net	\$686.0	\$700.4
Business-Type Activities		
Land	\$0.4	\$0.4
Construction in Progress	0.3	13.1
Buildings and Improvements	8.7	8.2
Machinery and Equipment	0.3	0.4
Sewer Lines	209.3	196.5
Less: Accumulated Depreciation	(137.9)	(133.6)
Business-Type Activity Capital Assets, Net	\$81.1	\$85.0

The principal additions to governmental capital assets in fiscal 2011 were focused on infrastructure, including streets, sidewalks and street lights. Business-Type Activities experienced an increase in sewer lines but net capital assets decreased due to increased accumulated depreciation. Further detail on capital assets, current year additions and construction in progress can be found in Note 7.

The City depreciates all its capital assets over their estimated useful lives, as required by GASB 34. The purpose of depreciation is to spread the cost of a capital asset over the years of its useful life so that an allocable portion of the cost of the asset is borne by all users. Additional information on depreciable lives may be found in Note 7.

DEBT ADMINISTRATION

The City made all scheduled repayments of existing debt. Each of the City's debt issues is discussed in detail in Note 8 to the Financial Statements. In addition, during the year ended June 30, 2011, the City entered into a lease purchase agreement with Chevron Energy Services Company in the amount of \$8.4 million. At June 30, 2011, the City's debt was comprised of the following issues:

Table 9: Outstanding Debt
As of June 30, 2011 and 2010 (Dollars in Millions)

	June 30, 2011	June 30, 2010	Net Change
Governmental Activity Debt:			
Revenue Bonds:			
1993 Lease Revenue Bonds, 2.70 - 5.25%, due 8/1/19	\$1.4	\$1.8	(\$0.4)
1995 Lease Revenue Bonds, 6.33 - 8.24%, due 8/1/20	4.0	4.6	(0.6)
2001 Lease Revenue Bonds, 4.00 - 5.13%, due 3/1/23	6.5	6.9	(0.4)
Tax Allocation Bonds:			
Tax Allocation Refunding Bonds, Series 2004			
3.90 - 5.05%, due 7/1/25	57.2	60.9	(3.7)
Less deferred amount on refunding	(2.0)	(2.4)	0.4
Certificates of Participation:			
ABAG 41 - Centre Concord, 4.00 - 5.00%, due 8/1/18	0.1	0.2	(0.1)
Refunding Lease Agreement			
3.60%, due 9/2/13	4.6	5.1	(0.5)
Lease Purchase Agreement			
4.75%, due 6/30/27	8.4	0.0	8.4
Notes Payable:			
3.00%, due 9/2/13	1.3	2.4	(1.1)
Special Assessment with City Commitment:			
Assessment District #80	0.0	0.1	(0.1)
Assessment District #81	0.0	0.1	(0.1)
Capital Lease:			
Key Government Finance, 4.65%, due 10/15/11	0.2	0.5	(0.3)
Motorola Safety Radio, 3.03%, due 12/1/16	1.1	0.0	
Cisco VOIP Equipment, 3.95%, due 7/9/14	0.3	0.0	
Hubb Systems Mobile Digital Computers, 4.75%, due 7/9/14	0.3	0.0	
Color Hybrid Multi-Function Printer Equipment, 5.5%, due 11/1/18	0.1	0.0	0.1
Total Governmental Activity Debt	\$83.5	\$80.2	\$1.6
Business-Type Activity Debt:			
Enterprise Long Term Debt:			
2004 Certificates of Participation, Wastewater System Improvements, 2.00 - 4.63%, due 2/1/29	\$10.1	\$10.5	(\$0.4)
2007 Certificates of Participation, Wastewater System Improvements, 3.75 - 4.50%, due 2/1/32	11.4	\$11.8	(\$0.4)
ABAG 41 Certificates of Participation, Diablo Creek Golf Course, 4.00 - 5.00%, due 8/1/18	1.4	1.5	(0.1)
Total Business-Type Activity Debt	\$22.9	\$23.8	(\$0.9)

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

The economy of the City and its major initiatives for the coming year are discussed in detail in the accompanying Transmittal Letter.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Comprehensive Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. Questions about this Report should be directed to the Finance Department, at 1950 Parkside Drive, Concord, CA 94519-2578.

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STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

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

The Statement of Net Assets reports the difference between the City's total assets and the City's total liabilities, including all the City's capital assets and all its long-term debt. The Statement of Net Assets summarizes the financial position of all the City's Governmental Activities in a single column, and the financial position of all the City's Business-Type Activities in a single column; these columns are followed by a Total column that presents the financial position of the entire City.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds. Since the City's Internal Service Funds service these Funds, their activities are consolidated with Governmental Activities, after eliminating inter-fund transactions and balances. The City's Business-Type Activities include all its Enterprise Fund activities.

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

The Statement of Activities presents the City's expenses first, listed by program, and follows these with the expenses of its Business-Type Activities. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each governmental and business-type program. The City's general revenues are then listed in the Governmental Activities or Business-type Activities column, as appropriate, and the Change in Net Assets is computed and reconciled with the Statement of Net Assets.

Both these Statements include the financial activities of the City and the City of Concord Redevelopment Agency, City of Concord Joint Powers Financing Authority, Concord Sanitary Sewer Services, Inc., and the City of Concord Retirement System, which are legally separate but are component units of the City because they are controlled by the City, which are financially accountable for the component units' activities.

CITY OF CONCORD
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments (Note 3)	\$67,880,054	\$31,011,601	\$98,891,655
Cash with Fiscal Agents (Note 3)	18,755,174	1,087,355	19,842,529
Receivables (Net of Allowances for Uncollectibles):			
Accounts	3,598,390	52,125	3,650,515
Due from Other Governments	8,686,694		8,686,694
Interest	303,304	4,409	307,713
Loans and Notes, Net of Reserves (Note 5)	25,752,665		25,752,665
Employee Computer Loans (Note 6)	5,611		5,611
Inventories	69,085		69,085
Prepaid Items and Other Assets	199,429	46,314	245,743
Internal Balances (Note 4)	(2,966,687)	2,966,687	
Land Held for Redevelopment (Note 1)	11,416,332		11,416,332
Investment in Joint Venture (Note 16)	1,729,715		1,729,715
Net OPEB Asset (Note 13)	8,598,003		8,598,003
Capital Assets (Note 7):			
Land and Construction In Progress	20,059,790	723,405	20,783,195
Depreciable Capital Assets, Net of Accumulated Depreciation	666,011,289	80,439,316	746,450,605
Total Assets	<u>830,098,848</u>	<u>116,331,212</u>	<u>946,430,060</u>
LIABILITIES			
Accounts, Deposits and Contracts Payable	4,531,577	13,069,357	17,600,934
Accrued Liabilities	3,585,505	44,772	3,630,277
Interest Payable	1,635,422	405,288	2,040,710
Refundable Deposits	3,969,061		3,969,061
Unearned Revenue	678,205		678,205
Net Pension Obligation (Note 10):			
Due in More Than One Year	3,564,816		3,564,816
Compensated Absences (Note 1)			
Due in One Year	2,169,337	21,880	2,191,217
Due in More Than One Year	1,597,726	70,261	1,667,987
Claims Payable (Note 15):			
Due in One Year	2,700,450		2,700,450
Due in More Than One Year	6,253,475		6,253,475
Long-Term Debt (Note 8):			
Due in One Year	6,421,502	805,000	7,226,502
Due in More Than One Year	77,128,423	22,070,000	99,198,423
Total Liabilities	<u>114,235,499</u>	<u>36,486,558</u>	<u>150,722,057</u>
NET ASSETS (Note 9)			
Invested in Capital Assets, Net of Related Debt	622,638,976	59,412,890	682,051,866
Restricted for:			
Capital Projects	24,849,948		24,849,948
Debt Service	6,251,014		6,251,014
Community Development Projects	50,537,982		50,537,982
Total Restricted Net Assets	<u>81,638,944</u>		<u>81,638,944</u>
Unrestricted Net Assets	<u>11,585,429</u>	<u>20,431,764</u>	<u>32,017,193</u>
Total Net Assets	<u>\$715,863,349</u>	<u>\$79,844,654</u>	<u>\$795,708,003</u>

See accompanying notes to financial statements

CITY OF CONCORD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities:							
General Government	\$11,349,674	\$911,046			(\$10,438,628)		(\$10,438,628)
Public Safety	43,122,959	1,589,312	\$248,303		(41,285,344)		(41,285,344)
Public Works & Engineering	37,629,109	8,491,639	2,725,656	\$6,438,144	(19,973,670)		(19,973,670)
Community Development	15,777,443	6,786,730	1,414,438		(7,576,275)		(7,576,275)
Community & Recreation Services	7,207,017	3,068,375	1,682,742	2,131,875	(324,025)		(324,025)
Interest on Long-Term Debt	3,936,497				(3,936,497)		(3,936,497)
Total Governmental Activities	119,022,699	20,847,102	6,071,139	8,570,019	(83,534,439)		(83,534,439)
Business-Type Activities:							
Sewer	21,695,293	18,238,338				(\$3,456,955)	(3,456,955)
Golf Course	1,305,929	1,250,804				(55,125)	(55,125)
Total Business-Type Activities	23,001,222	19,489,142				(3,512,080)	(3,512,080)
Total	\$142,023,921	\$40,336,244	\$6,071,139	\$8,570,019	(83,534,439)	(3,512,080)	(87,046,519)
General Revenues:							
Taxes							
Property Taxes					27,138,018		27,138,018
Sales Taxes					24,585,811		24,585,811
Motor Vehicle In Lieu, Unrestricted					8,843,361		8,843,361
Transient Occupancy Taxes					1,391,107		1,391,107
Business License Taxes					3,347,429		3,347,429
Other Taxes					4,438,806		4,438,806
Investment Earnings					635,145	397,390	1,032,535
Miscellaneous Revenues					33,834	38,161	71,995
Transfers (net)					19,296	(19,296)	
Total General Revenues					70,432,807	416,255	70,849,062
Change in Net Assets					(13,101,632)	(3,095,825)	(16,197,457)
Net Assets - Beginning					728,964,981	82,940,479	811,905,460
Net Assets - Ending					\$715,863,349	\$79,844,654	\$795,708,003

See accompanying notes to financial statements

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FUND FINANCIAL STATEMENTS

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

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City in fiscal 2011. Individual non-major funds may be found in the Supplemental section.

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The major revenue sources for this Fund are property taxes, sales taxes, unrestricted revenues from the State, charges for services, and interest income. Expenditures are made for public safety, most street work and other services not required to be accounted for in another fund.

Redevelopment Agency – The Redevelopment Agency Fund accounts for all activities of the Agency, including 1) tax increment allocations set aside for the purpose of increasing or improving housing for low-income residents; 2) the accumulation of property taxes for payment of interest and principal on the Redevelopment Agency tax allocation bonds issued in 1988, 1993 and 2004; 3) capital projects connected with downtown redevelopment funded by property tax increment revenues.

General Projects Fund - This fund accounts for all general capital improvement projects not funded from proprietary funds.

CITY OF CONCORD
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2011

	General	Redevelopment Agency	General Projects	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and Investments (Note 3)	\$14,768,630	\$14,043,003	\$682,447	\$16,420,962	\$45,915,042
Cash with Fiscal Agents (Note 3)		8,423,610	8,063,574	2,267,990	18,755,174
Receivables (Net of Allowances for Uncollectibles):					
Accounts	2,284,501	55,198	367,025	880,987	3,587,711
Due from Other Governments	5,249,698		2,214,825	1,222,171	8,686,694
Interest	260,632	35,943			296,575
Due from Other Funds (Note 4)	1,406,366				1,406,366
Loans and Notes (Note 5)		22,945,224		2,807,441	25,752,665
Employee Computer Loans (Note 6)	5,611				5,611
Inventories	69,085				69,085
Prepaid Items and Other Assets	22,577	4,950	149		27,676
Advances to Other Funds (Note 4)	1,703,233	3,000,000		477,000	5,180,233
Land Held for Redevelopment (Note 1)	11,416,332				11,416,332
Investment in Partnership (Note 16)		1,729,715			1,729,715
Total Assets	\$37,186,665	\$50,237,643	\$11,328,020	\$24,076,551	\$122,828,879
LIABILITIES:					
Accounts, Deposits and Contracts Payable	\$4,142,910		\$273,351	\$115,316	\$4,531,577
Accrued Liabilities	2,942,802	101,928	118,645	440,738	3,604,113
Due to Other Funds (Note 4)				214,689	214,689
Refundable Deposits	3,969,061				3,969,061
Deferred Revenue	541,481	5,705,034	3,474,586	3,356,915	13,078,016
Advances from Other Funds (Note 4)	8,550,000			1,450,133	10,000,133
Total Liabilities	20,146,254	5,806,962	3,866,582	5,577,791	35,397,589
FUND BALANCES:					
Fund Balances: (Note 9)					
Nonspendable	13,466,838	4,950	149		13,471,937
Restricted		44,425,731	7,461,289	17,118,722	69,005,742
Assigned	443,832			1,546,816	1,990,648
Unassigned	3,129,741			(166,778)	2,962,963
TOTAL FUND BALANCES	17,040,411	44,430,681	7,461,438	18,498,760	87,431,290
Total Liabilities and Fund Balances	\$37,186,665	\$50,237,643	\$11,328,020	\$24,076,551	\$122,828,879

See accompanying notes to financial statements

CITY OF CONCORD
 Reconciliation of the
 GOVERNMENTAL FUNDS - BALANCE SHEET
 with the
 STATEMENT OF NET ASSETS
 JUNE 30, 2011

TOTAL FUND BALANCES – TOTAL GOVERNMENTAL FUNDS \$87,431,290

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

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds. 686,071,079

ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS

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

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

Cash and Investments	21,965,012
Accounts Receivable	10,679
Interest Receivable	6,729
Prepaid Items	171,753
Advance to Other Funds	2,000,000
Net OPEB Asset	8,598,003
Due to Other Funds	(1,338,464)
Claims Payable	(8,953,925)

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities. 12,580,055

LONG-TERM ASSETS AND LIABILITIES

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

Long-Term Debt	(85,622,110)
Loss on Refunding of Bond Issue	2,072,185
Interest Payable	(1,635,422)
Non-Current Portion of Accrued Liabilities	(7,493,515)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$715,863,349

See accompanying notes to financial statements

CITY OF CONCORD
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	General	Redevelopment Agency	General Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes					
Property	\$11,393,346	\$16,897,662		\$3,562,370	\$31,853,378
Less Tax Increment Pass Through Payment		(851,108)			(851,108)
Less Tax Increment Rebate		(346,800)			(346,800)
In Lieu Property Tax - VLF	8,268,752				8,268,752
Sales	17,650,864				17,650,864
Measure Q	2,143,513				2,143,513
Sales Tax In Lieu	4,791,434				4,791,434
Transient Occupancy	1,391,107				1,391,107
Franchises	4,438,806				4,438,806
Business License	3,347,429				3,347,429
Licenses and Permits	1,194,147			34,209	1,228,356
Intergovernmental	939,964		\$10,320,009	8,380,559	19,640,532
Charges for Services	6,782,831			22,771	6,805,602
Fines, Forfeitures and Penalties	775,197		171,250		946,447
Parks and Recreation	2,692,712				2,692,712
Use of Money and Property	211,982	305,048	3,090	1,080,863	1,600,983
Special Assessment Collections				1,851	1,851
Other	684,553	173,492	5,074	151,351	1,014,470
Total Revenues	<u>66,706,637</u>	<u>16,178,294</u>	<u>10,499,423</u>	<u>13,233,974</u>	<u>106,618,328</u>
EXPENDITURES					
Current					
General Government	10,500,718		27,420		10,528,138
Public Safety	40,106,984		308,179		40,415,163
Public Works & Engineering	8,510,769	1,643,981	3,108,339	7,245,812	20,508,901
Community Development	3,799,918	6,695,671	5,048,803	83,317	15,627,709
Community & Recreation Services	5,580,991		781,151	1,002,248	7,364,390
Capital Outlay		269,400	275,613	2,005,612	2,550,625
Debt Service:					
Principal		3,739,000		2,006,000	5,745,000
Interest and Fiscal Charges	59,449	2,744,454		845,554	3,649,457
Refund to Property Owners				248,938	248,938
Bond Issuance Costs				50,600	50,600
Total Expenditures	<u>68,558,829</u>	<u>15,092,506</u>	<u>9,549,505</u>	<u>13,488,081</u>	<u>106,688,921</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,852,192)</u>	<u>1,085,788</u>	<u>949,918</u>	<u>(254,107)</u>	<u>(70,593)</u>
OTHER FINANCING SOURCES (USES)					
Issuance of Debt (Note 8)			8,384,040		8,384,040
Transfers In (Note 4)	13,816,643		231,260	2,299,499	16,347,402
Transfers (Out) (Note 4)	(1,022,893)	(14,666,609)	(456,726)	(338,001)	(16,484,229)
Total Other Financing Sources (Uses)	<u>12,793,750</u>	<u>(14,666,609)</u>	<u>8,158,574</u>	<u>1,961,498</u>	<u>8,247,213</u>
NET CHANGE IN FUND BALANCES	10,941,558	(13,580,821)	9,108,492	1,707,391	8,176,620
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	6,098,853	58,011,502	(1,647,054)	16,791,369	79,254,670
FUND AT END OF PERIOD	<u>\$17,040,411</u>	<u>\$44,430,681</u>	<u>\$7,461,438</u>	<u>\$18,498,760</u>	<u>\$87,431,290</u>

See accompanying notes to financial statements

CITY OF CONCORD
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2011

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$8,176,620

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

CAPITAL ASSETS TRANSACTIONS

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

The capital outlay and other expenditures are therefore added back to fund balance	7,803,593
Retirements of capital assets are deducted from fund balance	(285,600)
Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of \$3,702,663 which has already been allocated to serviced funds.)	(20,879,703)

LONG TERM DEBT PROCEEDS AND PAYMENTS

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

Repayment of debt principal is added back to fund balance	5,745,000
Repayment of loan payable is added back to fund balance	1,125,579
Amortization of loss on refunding is deducted from fund balance	(296,027)
Proceeds from long-term debt are deducted from fund balance	(8,384,040)
Interest accrued to principal is deducted from fund balance	(17,827)

ACCRUAL OF NON-CURRENT ITEMS

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

Long-Term Compensated Absences and pension costs	(1,385,087)
Deferred Revenue	(782,237)
Interest Payable	77,414

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds. The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with Governmental Funds is reported with governmental activities, because they service those activities.

Change in Net Assets - All Internal Service Funds, less contributions from Governmental Funds	(3,999,317)
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (\$13,101,632)

see accompanying notes to financial statements

CITY OF CONCORD
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes				
Property	\$10,842,000	\$10,842,000	\$11,393,346	\$551,346
In Lieu Property Tax VLF	7,938,000	7,938,000	8,268,752	330,752
Sales	16,168,000	16,168,000	17,650,864	1,482,864
Measure Q			2,143,513	2,143,513
Sales Tax In Lieu	6,676,000	6,676,000	4,791,434	(1,884,566)
Transient Occupancy	1,800,000	1,800,000	1,391,107	(408,893)
Franchises	4,445,000	4,445,000	4,438,806	(6,194)
Business License	3,158,000	3,158,000	3,347,429	189,429
Licenses and Permits	1,214,799	1,214,799	1,194,147	(20,652)
Intergovernmental	687,500	687,500	939,964	252,464
Charges for Services	6,823,055	6,823,055	6,782,831	(40,224)
Fines, Forfeitures and Penalties	1,096,392	1,096,392	775,197	(321,195)
Parks and Recreation	2,899,059	2,899,059	2,692,712	(206,347)
Use of Money and Property	646,100	646,100	211,982	(434,118)
Other	374,562	374,562	684,553	309,991
Total Revenues	<u>64,768,467</u>	<u>64,768,467</u>	<u>66,706,637</u>	<u>1,938,170</u>
EXPENDITURES:				
Current				
General Government:				
Council	355,136	355,136	365,283	(10,147)
Manager	2,584,939	2,654,216	2,408,895	245,321
Attorney	1,181,458	1,181,469	1,107,130	74,339
Human Resources	1,341,260	1,379,711	1,072,952	306,759
Finance	5,848,685	6,087,347	5,546,458	540,889
Total General Government	<u>11,311,478</u>	<u>11,657,879</u>	<u>10,500,718</u>	<u>1,157,161</u>
Public Safety	41,588,399	41,773,740	40,106,984	1,666,756
Public Works & Engineering	8,895,731	8,971,542	8,510,769	460,773
Community Development	3,837,980	3,849,660	3,799,918	49,742
Community & Recreation Services	5,488,278	5,516,951	5,580,991	(64,040)
Interest and Fiscal Charges			59,449	(59,449)
Total Expenditures	<u>71,121,866</u>	<u>71,769,772</u>	<u>68,558,829</u>	<u>3,210,943</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(6,353,399)</u>	<u>(7,001,305)</u>	<u>(1,852,192)</u>	<u>5,149,113</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	171,581	295,047	13,816,643	13,521,596
Transfers (Out)	50,910	(658,456)	(1,022,893)	(364,437)
Total Other Financing Sources (Uses)	<u>222,491</u>	<u>(363,409)</u>	<u>12,793,750</u>	<u>13,157,159</u>
NET CHANGE IN FUND BALANCE	<u>(\$6,130,908)</u>	<u>(\$7,364,714)</u>	<u>10,941,558</u>	<u>\$18,306,272</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>6,098,853</u>	
FUND BALANCE AT END OF YEAR			<u>\$17,040,411</u>	

See accompanying notes to financial statements

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PROPRIETARY FUNDS

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

The concept of *major funds* extends to Proprietary Funds. GASB 34 does not provide for the disclosure of budget vs. actual comparisons regarding proprietary funds. The City reports all Enterprise Funds as major funds:

Sewer Fund. To account for activities associated with sewage transmission and treatment.

Golf Course Fund. To account for activities associated with the development, operation and maintenance of the Diablo Creek Golf Course.

CITY OF CONCORD
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2011

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Sewer	Golf Course	Totals	
ASSETS:				
Current Assets:				
Cash and Investments (Note 3)	\$31,011,601		\$31,011,601	\$21,965,012
Cash with Fiscal Agents (Note 3)	835,007	\$252,348	1,087,355	
Accounts Receivable	4,667	47,458	52,125	10,679
Interest Receivable	4,409		4,409	6,729
Due From Other Funds (Note 4)	177,972		177,972	
Prepaid Items		8,500	8,500	171,753
Total Current Assets	<u>32,033,656</u>	<u>308,306</u>	<u>32,341,962</u>	<u>22,154,173</u>
Non-Current Assets:				
Advances to Other Funds (Note 4)	3,550,000		3,550,000	2,000,000
Debt Issue Costs (Net of Amortization)		37,814	37,814	
Net OPEB Asset (Note 13)				8,598,003
Capital Assets (Note 7):				
Land	334,839	60,343	395,182	
Construction In Progress	328,223		328,223	673,155
Buildings and Improvements	2,824,944	5,876,042	8,700,986	73,131,749
Machinery and Equipment	143,984	136,177	280,161	19,087,526
Sewer Collection System	209,310,464		209,310,464	
Less: Accumulated Depreciation	(134,974,188)	(2,878,107)	(137,852,295)	(45,769,544)
Net Capital Assets	<u>77,968,266</u>	<u>3,194,455</u>	<u>81,162,721</u>	<u>47,122,886</u>
Total Non-Current Assets	<u>81,518,266</u>	<u>3,232,269</u>	<u>84,750,535</u>	<u>57,720,889</u>
Total Assets	<u>113,551,922</u>	<u>3,540,575</u>	<u>117,092,497</u>	<u>79,875,062</u>
LIABILITIES:				
Current Liabilities-(Payable from Current Assets):				
Accounts and Contracts Payable	13,066,339	3,018	13,069,357	
Accrued Liabilities	42,310	2,462	44,772	161,636
Due To Other Funds (Note 4)		31,185	31,185	1,338,464
Compensated Absences Payable (Note 1)	21,880		21,880	116,393
Bond Interest Payable (Note 8)	378,329	26,959	405,288	5,185
Capital Lease Payable (Note 8)				579,312
Certificates of Participation (Note 8)	750,000	55,000	805,000	
Claims Payable (Note 15)				2,700,450
Total Current Liabilities	<u>14,258,858</u>	<u>118,624</u>	<u>14,377,482</u>	<u>4,901,440</u>
Noncurrent Liabilities:				
Compensated Absences Payable (Note 1)	70,261		70,261	147,491
Advance from Other Funds (Note 4)		730,100	730,100	
Capital Lease Payable (Note 8)				1,456,491
Claims Payable (Note 15)				6,253,475
Certificates of Participation (Note 8)	20,750,000	1,320,000	22,070,000	
Total Noncurrent Liabilities	<u>20,820,261</u>	<u>2,050,100</u>	<u>22,870,361</u>	<u>7,857,457</u>
Total Liabilities	<u>35,079,119</u>	<u>2,168,724</u>	<u>37,247,843</u>	<u>12,758,897</u>
NET ASSETS: (Note 9):				
Invested in Capital Assets, Net of Related Debt	57,303,273	2,109,617	59,412,890	45,087,083
Unrestricted	21,169,530	(737,766)	20,431,764	22,029,082
Total Net Assets Business-Type Activities	<u>\$78,472,803</u>	<u>\$1,371,851</u>	<u>\$79,844,654</u>	<u>\$67,116,165</u>

See accompanying notes to financial statements

CITY OF CONCORD
 PROPRIETARY FUNDS
 STATEMENT OF REVENUE, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Sewer	Golf Course	Totals	
OPERATING REVENUES				
Service Fees	\$18,236,674		\$18,236,674	
Charges for Services				\$16,401,700
Golf Course Fees and Charges		\$1,220,494	1,220,494	
Claims Settlement				750,000
Other	1,664	30,310	31,974	112,669
Total Operating Revenues	<u>18,238,338</u>	<u>1,250,804</u>	<u>19,489,142</u>	<u>17,264,369</u>
OPERATING EXPENSES				
Operating and Maintenance	16,633,905	1,083,790	17,717,695	8,869,494
Cost of Sales and Services				2,391,499
Depreciation and Amortization	4,141,797	154,617	4,296,414	3,702,663
Retirement and Other Benefits				1,500,000
Claims and Judgments				4,743,234
Total Operating Expenses	<u>20,775,702</u>	<u>1,238,407</u>	<u>22,014,109</u>	<u>21,206,890</u>
Operating Income (Loss)	<u>(2,537,364)</u>	<u>12,397</u>	<u>(2,524,967)</u>	<u>(3,942,521)</u>
NON-OPERATING REVENUES (EXPENSES):				
Investment Income	393,620	3,770	397,390	282,377
Interest Expense	(922,552)	(67,522)	(990,074)	(24,548)
Gain (Loss) from Disposition of Capital Assets	2,961		2,961	(504,585)
Other		38,161	38,161	
Net Non-Operating Revenues (Expenses)	<u>(525,971)</u>	<u>(25,591)</u>	<u>(551,562)</u>	<u>(246,756)</u>
Income (Loss) Before Contributions and Transfers	<u>(3,063,335)</u>	<u>(13,194)</u>	<u>(3,076,529)</u>	<u>(4,189,277)</u>
Contributions				69,633
Transfer In (Note 4)				686,196
Transfer Out (Note 4)	<u>(19,296)</u>		<u>(19,296)</u>	<u>(530,073)</u>
Change in Net Assets	<u>(3,082,631)</u>	<u>(13,194)</u>	<u>(3,095,825)</u>	<u>(3,963,521)</u>
Total Net Assets - Beginning	<u>81,555,434</u>	<u>1,385,045</u>	<u>82,940,479</u>	<u>71,079,686</u>
Total Net Assets - Ending	<u>\$78,472,803</u>	<u>\$1,371,851</u>	<u>\$79,844,654</u>	<u>\$67,116,165</u>

See accompanying notes to financial statements

CITY OF CONCORD
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Sewer	Golf Course	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$18,235,654	\$1,279,507	\$19,515,161	\$17,345,709
Payments to Suppliers	(15,203,399)	(1,023,702)	(16,227,101)	(8,392,106)
Payments to Employees	(1,197,880)	(61,295)	(1,259,175)	(5,039,182)
Claims paid				(4,726,094)
Net Cash Provided by (Used for) Operating Activities	<u>1,834,375</u>	<u>194,510</u>	<u>2,028,885</u>	<u>(811,673)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Borrowings of Advances From/To Other Funds	(177,972)	31,185	(146,787)	1,338,464
Transfers In				686,196
Transfers (Out)	(19,296)		(19,296)	(530,073)
Cash Flows from Non-Capital Financing Activities	<u>(197,268)</u>	<u>31,185</u>	<u>(166,083)</u>	<u>1,494,587</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets	(449,373)	(7,852)	(457,225)	(3,211,608)
Proceeds From the Issuance of Debt				2,351,261
Principal Paid on Debt, Bond Maturities	(730,000)	(145,000)	(875,000)	(827,996)
Interest and Fiscal Charges Paid	(932,954)	(73,492)	(1,006,446)	(20,837)
Cash Flows from Capital and Related Financing Activities	<u>(2,112,327)</u>	<u>(226,344)</u>	<u>(2,338,671)</u>	<u>(1,709,180)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	394,336	3,770	398,106	286,851
Cash Flows from Investing Activities	<u>394,336</u>	<u>3,770</u>	<u>398,106</u>	<u>286,851</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(80,884)	3,121	(77,763)	(739,415)
Cash and Investments at Beginning of Period	31,927,492	249,227	32,176,719	22,704,427
Cash and Investments at End of Period	<u>\$31,846,608</u>	<u>\$252,348</u>	<u>\$32,098,956</u>	<u>\$21,965,012</u>
NON-CASH TRANSACTIONS:				
Contributions and Transfers of Capital Assets, Net				<u>\$69,633</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	(\$2,537,364)	\$12,397	(\$2,524,967)	(\$3,942,521)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Other Non-Operating Revenue		38,161	38,161	
Depreciation and Amortization	4,141,797	154,617	4,296,414	3,702,663
Change in Assets and Liabilities:				
Receivables, Net	(2,684)	(9,456)	(12,142)	81,340
Prepaid Expenses		(8,500)	(8,500)	(102,144)
Net OPEB Asset				(753,615)
Accounts Payable	198,804		198,804	(2,509)
Accrued Liabilities	33,822	7,293	41,115	180,475
Self Insurance Claims Payable				24,638
Net Cash Provided by (Used for) Operating Activities	<u>\$1,834,375</u>	<u>\$194,510</u>	<u>\$2,028,885</u>	<u>(\$811,673)</u>

See accompanying notes to financial statements

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FIDUCIARY FUNDS

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

CITY OF CONCORD
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011

	City of Concord Retirement System Pension Trust
ASSETS:	
Cash and Investments (Note 3)	
Money Market Funds	\$685,788
Corporate Debt Instruments	10,090,971
California Local Agency Investment Fund	1,315,374
Federal Agencies	4,346,241
Municipal Bonds	726,763
Pooled Investments	2,718,586
U.S. Treasury Notes	2,750,815
Common Stock	11,453,199
Mutual Funds	8,610,154
	42,697,891
Total Cash and Investments	42,697,891
Receivables (Net of Allowances for Uncollectibles):	
Interest	1,561
	1,561
Total Assets	42,699,452
NET ASSETS:	
Employee Retirement System	\$42,699,452

See accompanying notes to the financial statements

CITY OF CONCORD
PENSION TRUST FUNDS
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	City of Concord Retirement System Pension Trust
ADDITIONS	
Contributions	
Employer	<u>\$287,623</u>
Total Contributions	<u>287,623</u>
Investment Income	4,524,997
Less Management Expenses	<u>(201,775)</u>
Net Investment Income	<u>4,323,222</u>
Total Additions	<u>4,610,845</u>
DEDUCTIONS	
Retirement and Other Benefits	<u>5,507,066</u>
Total Deductions	<u>5,507,066</u>
NET DECREASE IN NET ASSETS	(896,221)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Beginning of Year	<u>43,595,673</u>
End of Year	<u><u>\$42,699,452</u></u>

See accompanying notes to the financial statements

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NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Concord was incorporated in 1905 and operates under the Council-Manager form of government. The City provides the following services: public safety (police services and building inspection), highways and streets, sewer collection, recreation services, public improvements, planning and zoning, redevelopment and general administration services.

The financial statements and accounting policies of the City of Concord conform with generally accepted accounting principles applicable to governments. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

Reporting Entity

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

The City's component units which are described below are all blended.

The **Redevelopment Agency of the City of Concord** was formed in March 1973 for the purpose of renovating designated areas within the City limits. The City Council sits as the Governing Board of the Agency, which is a component unit of the City and is accounted for in the fund established by the City. The Agency adopted the Redevelopment Plan in November 1974. The Plan established the Central Concord Redevelopment Project, which includes approximately 670 acres in the City's Central Business District. Subsequent annexations have increased the Redevelopment Project Areas to 1,072 acres. Most recently, during FY 2010-2011, the Concord Community Reuse Redevelopment Project was added. This area includes all land within the boundaries of the inland portion of the former Concord Naval Weapons Station base area and certain parcels adjacent to the Base Area commonly known as the City-owned portion of the Diablo Creek Golf Course, the Coast Guard Property and the North Concord BART station property.

The **City of Concord Joint Powers Financing Authority** is a nonprofit corporation organized by the City of Concord and the Concord Redevelopment Agency under the laws of the State of California. The Authority was organized to provide financial assistance to the City by financing real and personal properties and improvements for the benefit of the residents of the City and surrounding areas. Administrative and related normal business expenses incurred in the day-to-day operations of the Authority are provided by the City. Such expenses are insignificant to the Authority's operations. The Authority obtains financing for City and Agency sponsored projects using leases signed by the City or Agency as collateral. The amounts of the leases are calculated to provide sufficient resources to repay the debt incurred to finance the projects.

Concord Sanitary Sewer Services, Inc. was formed to finance the acquisition, construction and improvement of sewer facilities in the City of Concord. The facilities were constructed in accordance with the City's specifications on City property leased back to the City for a rental sufficient to meet the debt service obligations of the underlying bonds. The lease agreement expired in fiscal year 2001-2002 and all bonds were fully paid and retired, at which time title to the sewer facilities transferred to the City and remaining surplus funds were distributed to the City. Concord Sanitary Sewer Services, Inc. is currently inactive.

The **City of Concord Retirement System** is governed by the City's Retirement System Ordinance, Article II, Chapter 8 of the City of Concord Municipal Code, and is used to account for contributions and investment income restricted to pay retirement and death benefits of general and police employees. The Plan's benefit provisions are frozen and retirement and death benefit payments are restricted to eligible employees who retired or left the City of Concord eligible for a pension prior to June 28, 1999. Contribution provisions are established by the City Council. Eligibility, actuarial interest rates, administration and certain other tasks are the responsibility of the Retirement Board established by the above ordinance. Financial statements for the above component units can be obtained from the City of Concord, 1950 Parkside Drive, Concord, CA 94519.

The financial statements exclude the California Public Entity Insurance Authority, the Concord Plaza Tower Inc., the Concord Pleasant Hill Aquatic Foundation, the Concord Senior Citizens Club, and the Friends of Camp Concord, as they are administered by boards separate from and independent of the City.

Basis of Presentation

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

Government-wide Statements: The Statement of Net Assets and the Statement of Activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Operating* expenses result from the cost of providing those services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as *nonoperating* revenues and expenses. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Major Funds

The City's major governmental and business-type funds are identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type.

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

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

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The major revenue sources for this Fund are property taxes, sales taxes, unrestricted revenues from the State, charges for services and interest income. Expenditures are made for public safety, public works and other services not required to be accounted for in another fund.

Redevelopment Agency – The Redevelopment Agency Fund accounts for all activities of the Agency, including 1) tax increment allocations set aside for the purpose of increasing or improving housing for low-income residents; 2) the accumulation of property taxes for payment of interest and principal on the Redevelopment Agency tax allocation bonds issued in 1988, 1993, and 2004; and 3) capital projects connected with downtown redevelopment funded by property tax increment revenues.

General Projects Fund – This fund accounts for all general capital improvement projects not funded from proprietary funds.

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

Sewer Fund - To account for activities associated with sewage collection, transmission and treatment.

Golf Course Fund – To account for activities associated with the development, operation and maintenance of the Diablo Creek Golf Course.

The City also reports the following fund types:

Internal Service Funds – These funds account for workers' compensation costs, non-reimbursable portion of insurance claims, post-retirement health care benefits, City facilities' maintenance expenses, maintenance and replacement costs of City licensed vehicles, motorized equipment, and technology equipment; all of which are provided to other departments on a cost-reimbursement basis.

Fiduciary Funds - Fiduciary Funds account for assets held by the City as trustee agent for other governmental units, private organizations or individuals. The City of Concord Retirement System Pension Trust Fund, the only Fiduciary Fund of the City, accounts for accumulation of resources to be used for retirement annuity payments at appropriate amounts and times in the future.

Basis of Accounting

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

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable and available*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. General capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as *other financing sources*.

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

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

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

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include accumulated unpaid vacation, sick pay and other employee amounts which are recognized as expenditures to the extent they have matured, and principal and interest on general long-term debt which is recognized when due. Financial resources usually are appropriated in other funds for transfer to a debt service fund in the period in which maturing debt principal and interest must be paid. Such amounts thus are not current liabilities of the debt service fund, as their settlement will not require expenditure of existing fund assets.

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

Land Held for Redevelopment

In March 2011, the Agency, acting in accordance with Health and Safety Code Sections 33220 and 33430, entered into a Real Property Transfer and Cooperative Agreement with the City whereby the Agency conveyed all of its real property to the City. Under the Agreement, the City will use the property for redevelopment purposes consistent with the California Redevelopment Law and to implement and carry out the Redevelopment Plan for the Central Concord Project Area. The conveyance has been recorded as a transfer to the City during fiscal 2010-11.

As a result of the transaction discussed above, as of June 30, 2011 the City held the following properties for resale or redevelopment:

- a) During fiscal year 2009 the Agency purchased six parcels of land located in the downtown area to assist in implementing the Agency's Strategic Plan.
- b) A parcel of land held by the Agency was purchased in fiscal year 2007 which will be held for resale for future development projects.
- c) A parcel of land held by the Agency was purchased in fiscal year 2004 which is to be sold in the future for redevelopment projects.

- d) A parcel of land was purchased in fiscal year 2002 which is to be sold in the future for the Town Center Project.
- e) One property purchased in fiscal year 2001 which is to be sold for the purpose of constructing a new hotel in downtown Concord.
- f) Two parcels consisting of land and buildings purchased for redevelopment into an auto sales center in fiscal year 1989. In fiscal year 2006, the Agency sold 3.8 acres of one of the parcels to a developer. During fiscal year 2009, the Agency sold the other parcel for \$170,000.
- g) During the year ended June 30, 1999, the Agency purchased a parcel which is to be sold in the future for development projects.
- h) Five properties purchased between 1982-1987 which are being held for resale for future development projects.

Inventory and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items in governmental funds are equally offset by a fund balance reserve which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

Property Taxes and Special Assessment Revenue

The County of Contra Costa levies, bills and collects property taxes for the City; the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year.

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

Compensated Absences

In governmental funds, Compensated Absences (unpaid vacation and sick leave) are recorded as expenditures in the year paid, as it is the City's policy to liquidate any unpaid vacation or sick leave at June 30 from future resources rather than currently available expendable resources. The City's liability for Compensated Absences is determined annually. For all governmental funds, amounts expected to be paid out for permanent liquidation are recorded as fund liabilities; the long term portion is recorded in the Statement of Net Assets.

Compensated Absences are included in accrued liabilities. Compensated Absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund. Compensated Absences are accounted for by Proprietary funds as expenditures in the year earned. The changes in Compensated Absences of governmental and business-type activities were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$3,820,921	\$91,475	\$3,912,396
Additions	2,896,853	39,829	2,936,682
Payments	(2,950,711)	(39,163)	(2,989,874)
Ending Balance	<u>\$3,767,063</u>	<u>\$92,141</u>	<u>\$3,859,204</u>
Due in One Year	<u>\$2,169,337</u>	<u>\$21,880</u>	<u>\$2,191,217</u>

Use of Estimates

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

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

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

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of separate resolutions for the City and for the Redevelopment Agency.
4. The City Manager is authorized to transfer budgeted amounts from one program, department or account to another within the same fund. All transfers of appropriations affecting Personnel Service type accounts require the Director of Human Resources and City Manager approval. Expenditures may not legally exceed budgeted appropriations at the fund level without City Council approval.
5. The City is required to adopt an annual operating budget on or before June 30 for all funds. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various funds. The City Council may amend the budget during the fiscal year.
6. All governmental fund type annual operating budgets are adopted on a basis consistent with generally accepted accounting principles except for capital outlay expenditures for Special Revenue Funds, which are budgeted on a project time frame rather than an annual basis.

7. All governmental fund type annual operating budgets are adopted on a basis consistent with generally accepted accounting principles except for capital outlay expenditures for Special Revenue Funds which are budgeted on a project time frame rather than on an annual basis, in conjunction with #6 above.

Encumbrances

Encumbrance accounting is employed as an extension of formal budgetary integration in the governmental funds. Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

Appropriation Lapses

Unexpended appropriations lapse at year end unless budgeted on a project basis.

NOTE 3 - CASH AND INVESTMENTS

The City's dependence on property tax receipts, which are received semi-annually, requires it to maintain significant cash reserves to finance operations during the remainder of the year. The City pools cash from all sources and all funds except Cash with Fiscal Agents so that it can be safely invested at maximum yields. Individual funds are able to make expenditures at any time during the year.

Policies

All investments are carried at fair value and as a general rule investment income is allocated among funds on the basis of average monthly cash and investment balances in these funds. Interest income on certain investments is allocated based on the source of the investment and legal requirements which apply.

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

Cash and investments are used in preparing proprietary fund statements of cash flows because these assets are highly liquid and are expended to liquidate liabilities arising during the year.

Classification

Cash and investments are classified in the financial statements as shown below at June 30, 2011:

<i>City:</i>	Governmental Funds	Enterprise Funds	Internal Service Funds	Total
Cash and investments available for City operations	\$45,915,042	\$31,011,601	\$21,965,012	\$98,891,655
Cash and investments with fiscal agents	18,755,174	1,087,355		19,842,529
Total cash and investments	<u>\$64,670,216</u>	<u>\$32,098,956</u>	<u>\$21,965,012</u>	<u>\$118,734,184</u>
 <i>Retirement Trust Funds:</i>				
Cash and investments				<u>\$42,697,891</u>

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

The City of Concord operates its investment activities under the prudent man rule. This affords the City a broad spectrum of investment opportunities as long as the investment is deemed prudent and is allowable under current statutes of the State of California. The City is authorized to invest in the following types of instruments, and the table also identifies certain provisions of the California Government Code, or the City's investment policy where it is more restrictive:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Bills, Bonds and Notes	5 years		None	None
Obligations issued by United States Government Agencies	5 years		None	None
Bankers Acceptances	180 days		30%	30%
Commercial Paper	270 days	A1/P1/F1	25% (A)	10%
Negotiable Certificates of Deposit	5 years	A	30%	None
Medium Term Corporate Notes	5 years	A	30% (A)	None
Money Market Mutual Funds	N/A	Top rating category	5%	10%
California Local Agency Investment Fund (LAIF)	N/A		None	\$50 Mil/account
Time Certificates of Deposit	5 years		30%	10%
Derivative Securities (B)	5 years		None	None

- (A) Total combined corporate debt (Commercial Paper and Medium Term Notes) may not exceed 30% of the cost value of the portfolio.
- (B) Investments in derivative securities will be made using the Prudent Investor Rule and will be limited to federal agency callable issues.

Under the City's Investment Policy, investments not described above are ineligible investments. In addition, the City may not invest any funds in inverse floaters, range notes, or interest only strips that are derived from a pool of mortgages in accordance with the California Government Code. With the exception of callable federal agency securities, any security that derives its value from another asset or index is prohibited. In addition, the City may not invest any funds in any security that could result in zero interest accrual if held to maturity.

Investments Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
Federal Agency Securities(a)	5 years	AAA
State of California Local Agency Investment Fund		
Commercial Paper	270 days	A1/P1/F1
Negotiable Certificate of Deposits	180 days	
Bank Deposits		FDIC insured
US Government Treasury Obligations		
State/ Local Obligations		AAA
Federal Securities		
Corporate Notes		AAA
Repurchase Agreements		AAA
Money Market Mutual Funds		AAA
Investment Agreements		AAA

- (a) For the ABAG 41 Certificates of Participation, the investments in federal agency securities may not exceed 10% of the investment amount.

Retirement System Authorized Investments

The System's investment policy authorizes the System to invest in financial instruments in three broad investment categories: equity, fixed income, and real estate. These financial instruments can include, but are not limited to, corporate bonds, commercial paper, U.S. government securities, common and preferred stock, real estate investment trusts, and mutual funds. Fixed income investments may include bonds and commercial paper in order to provide added flexibility in managing the fixed income portfolio.

The asset allocation ranges for the plan are as follows:

	Target Mix	Allocation Ranges	
		Minimum	Maximum
Large/Medium Cap Domestic Equity	30%	20%	45%
International Equity	7.5	2	15
Small Cap Equity	7.5	2	15
Domestic Real Estate	0	0	10
Domestic Fixed Income	50	40	60
Cash	5	0	20

Interest Rate Risk

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

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

City and Fiscal Agents:

Investment Type:	Remaining Maturity (in Months)				Total
	12 months or Less	13 to 24 Months	25 to 36 Months	Over 36 Months	
U.S. Government Agencies	\$25,140,090	\$2,054,600	\$5,082,260	\$5,036,150	\$37,313,100
Medium Term Corporate Notes	2,041,590		1,942,108	2,117,510	6,101,208
LAIF	52,935,372				52,935,372
Held by bond trustee:					
Money Market Funds					
(U.S. Securities)	17,813,039				17,813,039
U.S. Treasury Notes	1,239,549	492,009			1,731,558
LAIF	297,932				297,932
Total	\$99,467,572	\$2,546,609	\$7,024,368	\$7,153,660	116,192,209
Cash deposits with banks and on hand					2,541,975
Total Cash and Investments					\$118,734,184

Retirement Trust Funds:

	Remaining Maturity (in Months)				Total
	12 months or Less	13 to 24 Months	25 to 60 Months	Over 60 Months	
Investment Type:					
Money Market Mutual Funds	\$822,883				\$822,883
Corporate Debt Instruments		\$749,730	\$3,263,980	\$6,077,261	10,090,971
LAIF	1,315,374				1,315,374
Federal Agency Securities		254,260	566,020	3,525,961	4,346,241
Municipal Bonds				726,763	726,763
Pooled Investments	2,718,586				2,718,586
U S Treasury Notes			662,347	2,088,468	2,750,815
Total	\$4,856,843	\$1,003,990	\$4,492,347	\$12,418,453	22,771,633
Non-Maturing Investments:					
Common Stock					11,453,199
Mutual Funds					8,473,059
Total Cash and Investments					\$42,697,891

The City and the Retirement System are participants in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2011, these investments have an average maturity of 237 days.

Money market funds and mutual funds are available for withdrawal on demand and at June 30, 2011, have an average maturity of 20 to 49 days.

Fair value of Investments

GASB Statement 31 requires governments to present investments at fair value. The City adjusts the carrying value of its investment to reflect the fair value at each fiscal year-end, and it includes the effect of this adjustment in income for that fiscal year. At June 30, 2011, the cost of investments was \$396,095 less than the City's fair market value. The City has included the following net increases in the fair value of investments in income as follows: \$40,607 in General Fund, \$191,862 in the Sewer Enterprise Fund, and \$177,669 in all other funds. The Redevelopment Agency had a \$31,308 decrease. The City holds investments to maturity.

At June 30, 2011, the cost of the Retirement System's investments was \$17,371 less than the City's fair market value.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2011 for each investment type as provided by Standard & Poor's for the City's investments and Moody's for the Retirement System.

City and Fiscal Agents:

Investment Type	AAA / AAAm	AA+ / AA / AA-	Total
U.S. Government Agencies	\$37,313,100		\$37,313,100
Medium Term Corporate Notes	4,059,618	\$2,041,590	6,101,208
Money Market Funds - (U.S. Securities)	17,813,039		17,813,039
Totals	\$59,185,757	\$2,041,590	61,227,347
<i>Exempt from rating:</i>			
U.S. Treasury Notes			1,731,558
<i>Not rated:</i>			
LAIF			53,233,304
Total Investments			\$116,192,209

Retirement Trust Funds:

Investment Type	Aaa / Aaam	Aa1 / Aa2 / Aa3	A1 / A2 / A3	Baa1 / Baa2 / Baa3	Ba1 / Ba2 / Ba3	Total
Money Market Mutual Funds	\$822,883					\$822,883
Medium Term Corporate Notes	2,309,233	\$1,256,305	\$3,139,731	\$3,249,813	\$135,889 *	10,090,971
U.S. Government Agencies	4,346,241					4,346,241
Municipal Bonds		\$529,805	\$196,958			726,763
Totals	\$7,478,357	\$1,786,110	\$3,336,689	\$3,249,813	\$135,889	15,986,858
<i>Exempt from rating:</i>						
U S Treasury Notes						2,750,815
<i>Not rated:</i>						
LAIF						1,315,374
Common Stock						11,453,199
Mutual Funds						8,473,059
Pooled Investments						2,718,586
Total Investments						\$42,697,891

* Investment had a Moody's rating of Ba3 and an S&P rating of AAA as of June 30, 2011.

On August 5, 2011, Standard & Poor's Ratings Services (S&P) lowered its long-term credit rating on the United States of America from AAA to AA+. At the same time, S&P affirmed its A-1+ short-term rating on the United States of America.

On August 8, 2011, S&P lowered its issuer credit ratings and related issue ratings on ten of twelve Federal Home Loan Banks (FHLBs) and the senior debt issued by the FHLB System from AAA to AA+. S&P also lowered the ratings on the senior debt issued by the Federal Farm Credit Banks (FFCB) from AAA to AA+, and lowered the senior issue ratings on Fannie Mae (FNMA) and Freddie Mac (FHLMC) from AAA to AA+. The A subordinated debt rating and the C rating on the preferred stock of these entities remained unchanged. Finally, S&P affirmed the short-term issue ratings for these entities at A-1+. As of June 30, 2011, the City's investments in these agencies that were subject to the downgrade were as follows: FHLB \$15,154,447, FFCB \$11,086,420, FNMA \$6,049,682 and FHLMC \$5,022,551. Also as of June 30, 2011, the City's Retirement System's investments in these agencies that were subject to the downgrade were as follows: FHLB \$254,260, FNMA \$2,032,202 and FHLMC \$2,059,778.

Concentration of Credit Risk

Investments in the securities of any individual issuer, other than U. S. Treasury securities, mutual funds, and external investment fund that represent 5% or more of total Entity-wide investments are as follows at June 30, 2011:

City and Fiscal Agents:

Fund	Issuer	Type of Investments	Amount
Entity Wide:			
	Federal Home Loan Bank	Federal Agency Securities	\$15,154,447
	Federal Farm Credit Bank	Federal Agency Securities	11,086,420
	Federal National Mortgage Association	Federal Agency Securities	6,049,682

NOTE 4 - INTERFUND TRANSACTIONS

Current Interfund Balances

Current Interfund balances arise out of short term cash flow needs and are due from one fund to another, all of which are expected to be repaid in the normal course of business. At June 30, 2011 the interfund balances are as follows:

DUE TO OTHER FUNDS	DUE FROM OTHER FUNDS	AMOUNT
Assessment District		
Debt Service Fund	Sewer Enterprise Fund	\$177,972
Monument Community Partnership		
Special Revenue Fund	General Fund	36,717
Golf Course Enterprise Fund	General Fund	31,185
Post-Retirement Health Care Benefits Funds		
Internal Service Fund	General Fund	1,338,464
		<u>\$1,584,338</u>

Long-Term Interfund Advances

At June 30, 2011 the funds below had made the following advances:

Fund Receiving Advance	Fund Making Advance	Amount of Advance
General Fund	Redevelopment Agency Fund	\$3,000,000 (a)
	Sewer Enterprise Fund	3,000,000 (a)
	Sewer Enterprise Fund	550,000 (b)
	Worker's Compensation Fund	2,000,000 (a)
Golf Course Enterprise Fund	General Fund	730,100 (c)
Special Developers		
Capital Projects Fund	General Fund	973,133 (d)
Maintenance District		
Special Revenue Fund	Traffic Systems Management Special Revenue Fund	477,000 (e)
		<u>\$10,730,233</u>

- (a) This **General Fund** advance was made during fiscal year 2009-2010 to fund the retirement of \$8.2 million of the 1995 Lease Revenue Bonds. The advance bears interest at the LAIF rate plus 0.5% to be paid on a quarterly basis. As a result of this nonrecurring long-term advance, the City is no longer obligated to pay 8.24% interest on the retired bonds. The General Fund will repay these advances annually starting no later than fiscal year 2014-2015, with a final payment expected in fiscal year 2030 and will pay approximately \$1.9 million in interest over the life of the repayment.
- (b) This **General Fund** advance will be repaid in installments starting in fiscal year 2021 and bears no interest.
- (c) The **Golf Enterprise Fund** advance was made during fiscal years 2007 and 2008 and will be factored into the next 10 year budget plan and repaid as business improves within the regional golf market.
- (d) The **Special Developers Fund** advance will be repaid in installments starting in fiscal year 2013 and bears interest of 3% as described in the City's Capital Improvement Program 10 year plan.
- (e) The **Maintenance Districts Fund** advance will be repaid in 6 annual payments beginning in fiscal year 2012 and bears interest from 3.5 - 5%.

Transfers between funds

With Council approval, resources may be transferred from one City fund to another without a requirement for repayment. Transfers between funds during the fiscal year ended June 30, 2011 were as follows:

<u>Fund Receiving Transfers</u>	<u>Fund Making Transfers</u>	<u>Purpose</u>	<u>Amount Transferred</u>
General Fund	Redevelopment Agency Fund	To Fund Operating Costs and Debt Service To Transfer Land held for Redevelopment	\$1,985,369 11,416,332
General Fund	Redevelopment Agency Fund	To Fund Anticipated Costs Per Budget	24,119
General Fund	General Reimbursable Projects Capital Projects Fund	To Fund Capital Projects	123,466
General Fund	Maintenance Districts Special Revenue Fund	To Fund Administrative and General Services	215,780
General Fund	Traffic System Management Special Revenue Fund	To Fund Operating Costs	573
General Fund	Housing & Community Service Special Revenue Fund	To Fund Operating Costs	26,884
General Fund	Special Developers Capital Projects Fund	To Fund Anticipated Costs Per Budget	4,824
General Fund	Sewer Enterprise Fund	To Fund Anticipated Costs Per Budget	19,296
General Reimbursable Projects	General Fund	To Fund Capital Projects	140,000
General Reimbursable Projects	State Gas Tax Special Revenue Fund	To Fund Capital Projects	22,830
General Reimbursable Projects	Intergovernmental Capital Projects Fund	To Fund Capital Projects	57,146
General Reimbursable Projects	Building Maintenance Internal Service Fund	To Fund Capital Projects	11,284
Special Revenue Funds:			
Maintenance Districts	General Fund	To Fund Administrative and General Services	215,780
Debt Service Funds:			
Police Facilities Revenue Bonds	Redevelopment Agency Fund	To Fund Debt Service	507,397
Parking Structure Revenue Bonds	Redevelopment Agency Fund	To Fund Debt Service	733,392
ABAG	General Fund	To Fund Debt Service	97,747
Refunding Lease Agreement	Liability Claims Internal Service Fund	To Fund Debt Service	418,789
Energy Lease Bank of America	General Reimbursable Projects Capital Projects Fund	To Fund Costs of Debt Issuance	316,430
Capital Projects Fund:			
Special Developers	Intergovernmental Capital Projects Fund	To Fund Capital Projects	9,964
Internal Service Funds:			
Risk Management/Liability	Workers' Compensation Internal Service Fund	To Fund Anticipated Costs Per Budget	100,000
Equipment Replacement Fund	General Fund	To Fund Anticipated Costs Per Budget	569,366
Equipment Replacement Fund	General Reimbursable Projects Capital Projects Fund	To Fund Capital Projects	11,756
Building Maintenance	General Reimbursable Projects Capital Projects Fund	To Fund Capital Projects	5,074
Total Transfers			<u>\$17,033,598</u>

Transfers Between the City and the Agency

With Board and Council approval, transfers are made between the City and the Agency to reimburse the entity which has made an expenditure on behalf of another entity. In fiscal 2011, the General Capital Projects Fund transferred \$3,182,730 to the City to fund capital projects and operations. The Low and Moderate Income Housing Special Revenue Fund transferred \$67,547 to the City to pay for operational costs associated with the Agency's affordable housing activities.

As discussed in note 1f and 7, the Agency conveyed all of its Land Held for Redevelopment in the amount of \$11,416,332 and capital assets in the amount of \$21,798,811 to the City.

Redevelopment Reimbursement Agreements

In February 2011, under the provisions of Health and Safety Code section 33220, the City agreed to aid and cooperate with the Agency by implementing the planning, undertaking, construction or operation of redevelopment projects and the Agency agreed to reimburse it for costs incurred. During fiscal 2010-11, the Agency reimbursed the City \$539,662 and \$3,960,645, for low/mod and other activities, respectively.

Internal Balances

Internal balances represent the net interfund receivables and payable remaining after the elimination of all such balances within governmental and business-type activities.

Note 5 – Loans, Notes Receivable and Development Agreement

The City and Agency engage in programs designed to encourage business enterprises or construction or improvement in low-to-moderate income housing or other projects. Under these programs, grants or loans are provided under favorable terms to businesses, home-owners or developers who agree to spend these funds in accordance with the City's terms. Although these loans and notes are expected to be repaid in full, their balance has been offset by deferred revenue. They are not expected to be collected during fiscal year 2012. These loans and notes were comprised of the following at June 30, 2011:

Housing Assistance	\$374,050
Housing Conservation	3,437,605
Downtown Revitalization and Low and Moderate Income Housing Rehabilitation	14,928,338
Lakeside Apartments	2,910,684
Detroit Avenue Apartments	615,000
Virginia Lane	3,135,282
Lehmer's Investment Company	143,373
California Automotive Retailing Group	208,333
Total loans and notes receivable	<u>\$25,752,665</u>

Housing Assistance

This program provides housing assistance to Concord residents through a variety of housing programs.

Housing Conservation

This program involves loans made to rehabilitate housing within the City of Concord which are funded by Community Development Block Grant and Redevelopment Agency monies.

Downtown Revitalization and Low and Moderate Income Housing Rehabilitation

Low and no interest loans are made by the Redevelopment Agency to provide businesses assistance for rehabilitating buildings in the downtown area and to businesses or individuals for the rehabilitation of housing within the City of Concord owned and/or occupied by persons of low and moderate income. Included in these loans, is one loan amounting to \$17,163 which was made to a current employee loan to a former employee was fully repaid during the fiscal year.

Lakeside Apartments

The City and the Agency entered into a \$3,433,945 loan agreement with Lakeside Apartments, L.P. for the acquisition and rehabilitation of Lakeside apartments. An additional loan of \$283,000 was made in fiscal year 2007 which brings the loan to \$3,716,945. Of the \$283,000, \$110,000 is funded by Community Development Block Grants, \$93,000 is funded by Redevelopment Agency, and \$80,000 is funded by California State EAGR funds. The outstanding balance of the loan bears interest at a rate of 1% per annum. The Agency expects the loan to be repaid on November 5, 2058.

Detroit Avenue Apartments

The City entered into a \$600,000 loan agreement with Standard Housing Company for the acquisition and rehabilitation of a ten-unit apartment complex. The outstanding balance of the loan bears interest at a rate of 3% per annum. The payment of interest commenced on July 1, 2005 and is due monthly in the amount of \$1,500. The Agency expects the loan to be repaid on April 30, 2014.

Virginia Lane

In June 1999, the City and the Agency entered into a \$1,984,200 loan agreement with Virginia Lane Limited Partnership for the rehabilitation of Golden Glen and Maplewood Apartments. An additional loan of \$450,000 was made in fiscal year 2007 which brings the loan to \$2,434,200. Of the \$450,000, \$100,000 is funded by Community Development Block Grant funds and \$350,000 is funded by Cal FHA funds. The outstanding balance of the loan bears interest at a rate of 3% per annum. The repayments on the loan shall be made from residual receipts. The Agency expects the loan to be repaid on March 2, 2061.

Lehmer Investment Company Development Agreement

In August 2008, the City and the Agency entered into a \$170,000 loan agreement with Lehmer Investment Company for the purchase of the Agency's parking lot at 1925 Market Street. The outstanding balance of the loan bears interest at a rate of 3% per annum. Subsequently, the loan agreement was amended in July 2009 to extend the payment terms. The monthly interest payments began August 2010. The Agency expects the loan to be repaid on August 28, 2012.

Fry's Electronics Development Agreement

The Agency entered into a \$3,900,000 loan agreement with Fry's Electronics to provide assistance with rehabilitation of the building and surrounding site improvements. The substance of the agreement is that Fry's will be paid a portion of future sales tax revenues produced by the development. These payments are conditioned on the generation of annual sales tax revenues by the development of at least \$500,000 per year, adjusted annually for inflation, and the Agency is not required to use any other resources to pay these amounts. Beginning with the year that the sales tax collections first exceed the threshold, the Agency has agreed to pay Fry's compound interest of 7% on the loan principal balance not yet disbursed to Fry's, however the calculation of this annual interest due is limited to the lesser of the actual calculation or the principal amount of the loan disbursed to Fry's in that year. The loan will be forgiven after ten calendar years as long as the building remains operated by Fry's Electronics. In addition, the Agency has entered into an agreement with the City under which the City has agreed to annually reimburse the Agency for any amounts that it has paid to Fry's, but that reimbursement is subordinated to the City's other obligations.

During fiscal year 2011, sales tax collections exceeded the threshold, therefore the Agency disbursed \$57,134 to Fry's in accordance with the terms of the agreement. At June 30, 2011, the remaining portion of sales tax revenues subject to reimbursement was \$3.9 million plus interest at 7%. The agreement terminates in 2019, regardless of whether the entire loan amount has been disbursed.

California Automotive Retailing Group Development Agreement

In July 2009 the Agency entered into a \$250,000 interest free loan agreement with California Automotive Retailing Group to rehabilitate and improve an existing automotive dealership site at 1330 Concord Avenue. Monthly payments of \$2,083 for 120 months started on October 1, 2009. The Agency expects the loan to be repaid on September 1, 2019.

NOTE 6 – EMPLOYEE COMPUTER LOANS

All full-time City employees who have completed their probationary period are eligible to obtain a loan up to \$3,000 with a 4% interest rate to purchase a computer. All requests for loans are subject to review and approval by the Information Technology Department. Equipment purchased must be compatible with the City's computer equipment. Repayment of these loans is handled through payroll deductions which are spread over the life of the loan, not to exceed three years. Employees must pay off any outstanding balance of their loans upon ending employment with the City. As of June 30, 2011, 14 employees had \$5,611 in loans due to the City. The program was discontinued effective August 15, 2009, with no new loans being issued.

NOTE 7 - CAPITAL ASSETS

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

The City has recorded all its public domain (infrastructure) capital assets, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems in the government-wide financial statements.

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

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

	<u>Useful Lives</u>	<u>Capitalization Threshold</u>
Ground improvements	25-33 Years	\$100,000
Buildings and improvements	25-33 Years	100,000
Machinery and equipment	5-10 Years	7,500
Vehicles	5-10 Years	7,500
Streets	30 Years	100,000
Sidewalks	50 Years	100,000
Storm drains/catch basins	100 Years	100,000
Traffic signals	30 Years	100,000
Sewer lines	40-50 Years	100,000

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital Asset Additions and Retirements

Capital asset transactions and balances comprise the following at June 30, 2011:

	Balance at June 30, 2010	Additions	Retirements	Transfers	Balance at June 30, 2011
Governmental Activities					
Capital assets not being depreciated:					
Land	\$16,311,196		(\$285,600)		\$16,025,596
Construction in progress	3,310,126	\$2,169,495		(\$1,445,427)	4,034,194
Total capital assets not being depreciated	19,621,322	2,169,495	(285,600)	(1,445,427)	20,059,790
Capital assets being depreciated:					
Ground improvements	14,326,592			1,393,631	15,720,223
Buildings and improvements	78,033,719		(702,348)		77,331,371
Machinery and equipment	8,573,227	2,377,361	(63,868)	51,796	10,938,518
Vehicles	8,238,019	309,621	(398,631)		8,149,009
Streets	421,645,465	3,375,305			425,020,770
Sidewalks	45,502,576	1,466,899			46,969,475
Storm drains/catch basins	443,300,205	7,864			443,308,069
Street Lights	1,196,000	1,274,193			2,470,193
Traffic Signals	25,529,304	122,808			25,652,112
Total capital assets being depreciated	1,046,345,107	8,934,051	(1,164,847)	1,445,427	1,055,559,738
Less accumulated depreciation for:					
Ground improvements	(7,900,086)	(383,192)			(8,283,278)
Buildings and improvements	(30,172,382)	(2,256,872)	143,255		(32,285,999)
Machinery and equipment	(6,731,476)	(1,080,538)	63,868		(7,748,146)
Vehicles	(7,254,674)	(478,772)	398,631		(7,334,815)
Streets	(196,820,212)	(14,111,104)			(210,931,316)
Sidewalks	(18,673,621)	(924,720)			(19,598,341)
Storm drains/catch basins	(82,877,775)	(4,433,041)			(87,310,816)
Traffic Signals	(14,925,877)	(853,024)			(15,778,901)
Street Lights	(215,734)	(61,103)			(276,837)
Total accumulated depreciation	(365,571,837)	(24,582,366)	605,754		(389,548,449)
Governmental activity capital assets, net	\$700,394,592	(\$13,478,820)	(\$844,693)		\$686,071,079
Business-Type Activities					
Capital assets not being depreciated:					
Land	\$395,182				\$395,182
Construction in progress	13,132,621	\$454,785		(\$13,259,183)	328,223
Total capital assets not being depreciated	13,527,803	454,785		(13,259,183)	723,405
Capital assets being depreciated:					
Buildings and improvements	8,214,257			486,729	8,700,986
Machinery and equipment	373,627		(\$93,466)		280,161
Sewer lines	196,538,010			12,772,454	209,310,464
Total capital assets being depreciated	205,125,894		(93,466)	13,259,183	218,291,611
Less accumulated depreciation for:					
Buildings and improvements	(4,630,459)	(230,892)			(4,861,151)
Machinery and equipment	(364,632)	(1,845)	93,466		(273,011)
Sewer lines	(128,659,657)	(4,058,476)			(132,718,133)
Total accumulated depreciation	(133,654,748)	(4,291,013)	93,466		(137,852,295)
Business-type activity capital assets, net	\$84,998,949	(\$3,836,228)			\$81,162,721

In March 2011, the Agency, acting in accordance with Health and Safety Code Sections 33220 and 33430, entered into a Real Property Transfer and Cooperative Agreement with the City whereby the Agency conveyed all of its real property to the City. Under the Agreement, the City will use the property for redevelopment purposes consistent with the California Redevelopment Law and to implement and carry out the Redevelopment Plan for the Central Concord Project Area. The conveyance has been recorded as a transfer to the City during fiscal 2010-11.

Construction in progress comprised the following at June 30, 2011:

	<u>TOTAL PROJECT AUTHORIZATION</u>	<u>EXPENDED TO DATE June 30, 2011</u>
Governmental Activities:		
Meadow Homes Pool	\$1,749,134	\$557,312
Replace HVAC various buildings	2,318,000	233,105
Downtown Streetscape & Lighting	945,000	150,121
Citywide Entry Signage	1,219,629	
Back up Pump Concord Community Pool	1,176,054	242,135
Miscellaneous Projects	4,925,199	2,851,521
Total Governmental Activities	<u>12,333,016</u>	<u>4,034,194</u>
Business-Type Activities:		
Sanitary Sewer Upgrade - Downtown	2,000,000	151,682
Holbrook Creek	100,000	54,318
Citywide Entry Signage	1,000,000	114,223
Replace HVAC various buildings	8,000	8,000
Total Business-Type Activities	<u>3,108,000</u>	<u>328,223</u>
Total	<u>\$15,441,016</u>	<u>\$4,362,417</u>

Substantially all the project authorization amounts above are represented by signed contracts and have been recorded as encumbrances.

Depreciation Allocation – Governmental Activities

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

Governmental Activities	
Public Works	\$20,879,703
Internal Service Funds	3,702,663
Total	<u>\$24,582,366</u>

NOTE 8 - LONG-TERM DEBT

Description and Activity

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

The City's governmental activities long-term debt is recorded only in the government-wide financial statements. This debt will be repaid only out of governmental funds but is not accounted for in these funds because this debt does not require an appropriation or expenditure in this accounting period.

In governmental fund types, debt discounts and issuance costs are recognized in the current period. Debt discounts and issuance costs incurred by proprietary fund types are deferred and amortized over the term of the debt using the bonds-outstanding method, which approximates the effective interest method.

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

Current Year Transactions and Balances

	Repayment Source	June 30, 2010	Additions	Retirements	June 30, 2011	Current Portion
Governmental Activity Debt:						
Revenue Bonds:						
1993 Lease Revenue Bonds, 2.70- 5.25%, due 08/01/13	a	\$1,810,000		\$420,000	\$1,390,000	\$440,000
1995 Performing Arts Lease Revenue Bonds, 6.33- 8.24%, due 08/01/20	b	4,610,000		610,000	4,000,000	560,000
2001 Lease Revenue Bonds, 4.0-5.13% due 03/01/23	a	6,925,000		395,000	6,530,000	415,000
Tax Allocation Bonds:						
Tax Allocation Refunding Bonds, Series 2004 3.9-5.05%, due 07/01/25	c	60,895,000		3,690,000	57,205,000	3,835,000
Less deferred amount on refunding	c	(2,366,212)		(296,027)	(2,072,185)	
Certificates of Participation:						
ABAG 41 - Centre Concord 4.0-5.0%, due 8/01/18	d	185,000		90,000	95,000	95,000
Refunding Lease Agreement						
3.6%, due 09/01/19	e	5,073,500		428,000	4,645,500	373,500
Lease Purchase Agreement						
4.75% due 6/30/27	f		\$8,384,040		8,384,040	123,690
Notes Payable:						
3%, due 09/02/13	g	2,444,519	17,827	1,125,579	1,336,767	
Assessment Districts, with City obligation:						
#80, 6.00%, due 09/02/10	h	50,000		50,000		
#81, 6.00%, due 09/01/10	h	62,000		62,000		
Capital Lease:						
Key Government Finance, 4.65% due 9/15/12	i	512,538		342,822	169,716	147,545
Motorola Safety Radio, 3.03% due 12/01/16	j		1,279,294	199,522	1,079,772	166,804
Cisco VOIP Equipment, 3.95% due 7/09/14	i		441,698	95,523	346,175	81,437
Hubb Systems Mobile Digital Computers, 4.75% due 4/1/13	i		502,703	175,219	327,484	160,031
Color Hybrid Multi-Function Printer Equipment, 5.5% due 11/01/18	i		127,566	14,910	112,656	23,495
Total Government Activity Debt		<u>\$80,199,345</u>	<u>\$10,753,128</u>	<u>\$7,402,548</u>	<u>\$83,549,925</u>	<u>\$6,421,502</u>
Business-Type Activity Debt:						
2004 Certificates of Participation - Wastewater System Improvement, 2.0-4.63%, due 2/01/29	j	\$10,475,000		\$385,000	\$10,090,000	\$395,000
2007 Certificates of Participation - Wastewater System Improvement, 3.75-4.50%, due 2/01/32	j	11,755,000		345,000	11,410,000	355,000
ABAG 41 Certificates of Participation - Diablo Creek Golf Course, 4.0-5.0%, due 8/01/18	d	1,520,000		145,000	1,375,000	55,000
Total Business Type Activity Debt		<u>\$23,750,000</u>		<u>\$875,000</u>	<u>\$22,875,000</u>	<u>\$805,000</u>

Repayments on the above debt are made from the following sources:

- Lease revenue received by the Redevelopment Agency Capital Projects Fund.
- Lease revenues received by Live Nation and from general & operating revenues.
- Incremental property taxes received by the Redevelopment Agency Capital Projects Fund.
- General and operating revenues available for lease payment in the ABAG Debt Service Fund and Golf Course Enterprise Fund.
- Redevelopment Agency and General Fund revenues.
- Savings from the energy efficiency improvements.
- Notes payable received by the Housing and Community Services Special Revenue Fund. Included is \$950,000 in principal and the remaining balance is interest.
- Special assessments received in the Assessment District Debt Service Fund.
- Operating revenues available for lease payment in the Information Technology Replacement Internal Service Fund.
- Operating revenues received by the Sewer Enterprise Fund.

Debt Service Requirements

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

For the Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2012	\$6,421,502	\$3,935,930	\$805,000	\$972,786
2013	6,530,721	3,579,366	940,000	942,243
2014	7,884,789	3,285,555	975,000	906,086
2015	6,750,498	2,964,924	1,015,000	867,076
2016	6,445,817	2,667,572	1,055,000	825,604
2017 - 2021	31,758,363	8,604,647	5,515,000	5,040,870
2022 - 2026	19,327,990	2,593,132	6,005,000	2,297,375
2027 - 2031	502,430	11,933	5,765,000	879,544
2032			800,000	36,000
Total	85,622,110	\$27,643,059	\$22,875,000	\$12,767,584
Reconciliation of long-term debt:				
Less unamortized deferred amount on refunding	(2,072,185)			
Total	\$83,549,925			

The City's bond indentures contain significant limitations and restrictions regarding annual debt service requirements, maintenance of and flow of monies through various restricted accounts and minimum revenue bond coverages. City management believes the City is in compliance with all such indenture requirements.

Revenue Bonds

On September 9, 1993 the City of Concord Joint Powers Financing Authority issued the 1993 Lease Revenue Bonds in the principal amount of \$9,700,000, bearing interest at rates ranging from 2.7% to 5.25%, due August 1, 2013. The Bonds are collateralized by revenue received from the City by the Authority under the lease agreement and by the Authority's interest in the site and facilities lease. Proceeds from the Bonds were used to finance a portion of the Police Facilities Project leased by the City from the Redevelopment Agency. The Redevelopment Agency has agreed to reimburse the City for these lease payments. On June 24, 2010 the City entered into a Refunding Lease Agreement and the proceeds were used to retire \$3,520,000 of the bonds.

On August 1, 1995 the City of Concord Joint Powers Financing Authority issued Lease Revenue Bonds in the principal amount of \$18,700,000, bearing interest at rates ranging from 6.33% to 8.24% due August 1, 2020. The Bonds are collateralized by revenue received from the City by the Authority under the Concord Pavilion lease agreement and by the Authority's interest in the site and facilities lease. Proceeds from the Bonds were used to repay the Concord Performing Arts Center Authority's 1973 Revenue Bonds, due in 1999, and partially finance the renovation and expansion of Concord Pavilion which is leased by the City from the Authority.

On September 21, 2009 the City issued a tender offer for the 1995 Performing Arts Lease Revenue Bonds for up to \$8.5 million. As a result the City purchased \$8.235 million of the bonds at an 8% premium and made a payment to retire that portion of the bonds. As a result of this transaction, the City has lowered its interest liability from 8.24% to bondholders to LAIF plus 0.5% interest to other funds in the City.

On April 4, 2001 the City of Concord Joint Powers Financing Authority issued Lease Revenue Bonds in the principal amount of \$9,580,000, bearing interest at rates ranging from 4.0% to 5.13% due March 1, 2023. The Bonds are collateralized by revenue received from the City by the Authority under the Civic Center and Corporation Yard lease agreement and by the Authority's interest in the site and facilities lease. Proceeds from the Bonds were used to finance the design and construction, and to equip and landscape a new three-level, 432-space parking structure which is leased by the City from the Authority. The Redevelopment Agency has agreed to reimburse the City for these lease payments.

Tax Allocation Bonds (TABs) Outstanding

Tax Allocation Bonds were issued in 2004 by the Redevelopment Agency to defease and retire the 1988 Current Interest Term Bonds, 1993 Senior Current Interest Term Bonds, and the 1993 Subordinate Term Bonds. Interest payments on the 2004 TABs are payable semi-annually on January 1 and July 1. The 2004 TABs are special obligations of the Agency and are secured by the Agency's tax increment revenues. The TABs are secured by a surety bond issued by AMBAC Assurance which declared bankruptcy in November 2010. The Agency has not obtained a replacement surety as of June 30, 2011.

The pledge of future tax increment revenues ends upon repayment of the \$75,842,223 in remaining debt service on the Redevelopment Agency's Tax Allocation Bonds which is scheduled to occur in 2026. As disclosed in the originating offering documents, pledged future tax increment revenues are expected to provide coverage over debt service of 1.63 over the life of the long term debt. For fiscal year 2011 tax increment revenues amounted to \$16,897,662 which represented coverage of 2.66 over the \$6,354,172 in debt service.

Certificates of Participation

On July 1, 1998, the City issued \$3,560,000 of Certificates of Participation (COPs) to fund Diablo Creek Golf Course improvements and to defease \$810,000 of outstanding ABAG XXIII Certificates of Participation. Proceeds from the COPs were placed in an irrevocable trust to provide for the future debt service payments on the defeased COPs. The defeased COPs were called December 1, 1998. The COPs bear interest at 4.0% - 5.0% and are due August 1, 2018. Principal payments are due annually on August 1. Interest payments are due semi-annually on February 1 and August 1.

On February 1, 2004 the City of Concord Joint Powers Financing Authority issued Certificates of Participation (COPs) in the principal amount of \$12,605,000, bearing interest at rates ranging from 2.0% to 4.625% due February 1, 2029. Proceeds from the COPs were used to finance the first phase of wastewater system capital improvement projects.

On October 18, 2007, the City Concord Joint Powers Financing Authority issued Certificates of Participation (COPs) in the principal amount of \$12,820,000, bearing interest rates ranging from 3.75% to 4.50%. Proceeds from the COPs were used to fund the next phase of the wastewater system improvement project to install pipelines from the Concord pump station to the intersection of Meridian Park Boulevard and Galaxy Way. Principal is payable annually on February 1 and interest is payable semi-annually February 1 and August 1 through 2032.

Under related installment agreements, the City remits installments to the Authority which are used to repay debt service on the 2004 and 2007 COPS. The City has pledged Wastewater System Net Revenues defined as gross revenues less operating and maintenance expenses, to be used to make required installments. The pledge of future Net Revenues ends upon repayment of the \$33,959,593 million in remaining debt service on the COPS which is scheduled to occur in 2033. As disclosed in the originating offering documents, projected net revenues are expected to provide coverage over debt service of 3.40 over the life of the bonds. For fiscal year 2011, Wastewater System Revenues including operating revenues and non-operating interest earnings amounted to \$18,631,958 and maintenance and operating costs amounted to \$16,633,905 Net Revenues available for debt service amounted to \$1,998,053 which represented coverage of 1.2 over the \$1,662,954 in debt service.

Refunding Lease Agreement

On June 24, 2010 the City entered into a Refunding Lease Agreement in the amount of \$5,075,000. The proceeds from the Agreement were used to retire a portion of the outstanding 1993 Lease Revenue Bonds and to fully repay the 1999 Judgment Obligation Bonds. The Agreement bears interest at 3.6% and is due semi-annually on March 1 and September 1. Principal payments are due annually on September 1 until September 1, 2019.

Lease Purchase Agreement

On January 25, 2011 the City entered into a lease purchase agreement with Chevron Energy Service Company in the amount of \$8,384,040. The proceeds from the agreement are used reduce citywide utility costs by making energy efficiency improvements. The agreement bears interest at 4.75% and is due semi-annually on June 1 and December 1. Principal payments are due semi-annually on June 1 and December 1 until December 1, 2026.

Notes Payable

The City entered into two loan agreements with California Housing Finance Agency (CHFA); \$1,000,000 was used for a loan to Lakeside apartments (see Note 5), and \$1,600,000 is to be used for the Detroit Avenue Apartments loan (see Note 5) and a Multifamily Acquisition and Rehabilitation Loan Program. As of June 30, 2007, the City had drawn down \$1,950,000 from the loans, and the remaining \$650,000 will not be drawn down. The CHFA funds bear interest at a 3.0% simple rate and all payments of principal and interest are deferred for a ten year period. During the fiscal year ending June 30, 2011, the City paid off the Lakeside portion of the note.

Capital Leases

On September 15, 2007, and October 15, 2007 the City entered into lease agreements in the amount of \$1,250,352 and \$126,870, respectively with Key Government Finance, Incorporated, to acquire equipment for network upgrades. The City agreed to pay the leases in monthly payments for \$27,013 and \$2,893, respectively, for 48 months. Since the leases are in essence a financing agreement, the cost of the equipment and the amount of the lease have been included in the City's financial statements.

On November 30, 2010, the City entered into a lease agreement in the amount of \$1,279,294 for the purchase of radio subscriber units for the Police Department. The City agreed to pay the lease in annual payments for \$250,609 for seven years. Since the lease is in essence a financing agreement, the cost of the equipment and the amount of the lease has been included in the City's financial statements.

On July 13, 2010, the City entered into a lease agreement in the amount of \$441,698 for the purchase of Voice over internet protocol (VOIP) equipment. The lease bears interest at 3.95% and is due annually on July 9 annually. The principal payment is due annually on July 9 until July 9, 2014.

On May 27, 2011, the City entered into a lease agreement in the amount of \$502,703 for the purchase of mobile digital computers. The lease bears interest at 4.55% and is due annually on April 1. The principal payment is due annually on April 1 until April 1, 2013.

On September 30, 2010, the City entered into a lease agreement in the amount of \$127,566 for hybrid color multi-function printer equipment. The lease bears interest at 5.5% monthly and the City agreed to pay the leases in monthly payments for \$2,462 for 5 years.

Special Assessment District Debt with City Obligation

Special assessment districts within the City have issued debt repayable out of special assessments levied on property in each respective district. Under the terms of the special assessment bond indentures, the City is obligated to be the purchaser of last resort of property on which any delinquent special assessments have been levied and it therefore has reflected this debt as a liability in the accompanying financial statements. At June 30, 2011 all these districts were in compliance with the requirements of their respective debt covenants. Both of the outstanding special assessment bonds were fully repaid during the fiscal year ended June 30, 2011.

The City has an arrangement with Contra Costa County under which the County collects and remits all special assessments levied by the Districts. The County remits the entire amount levied and is responsible for collecting delinquent amounts; it retains any interest and penalties it collects. Taxes collected during the fiscal year ended June 30, 2011 were sufficient to meet all debt service obligations of the Special Assessment Districts.

NOTE 9 – NET ASSETS AND FUND BALANCES

Net Assets are measured on the full accrual basis, while Fund Balance is measured on the modified accrual basis.

Net Assets

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

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

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

Unrestricted describes the portion of Net Assets which are not restricted as to use.

The City's fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which requires the City to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

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

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

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

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Council or its designee and may be changed at the discretion of the City Council or its designee. This category includes encumbrances; Nonspendables, when it is the City's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

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

Detailed classifications of the City's Fund Balances, as of June 30, 2011, are below:

Fund Balance Classifications	General Fund	Capital Projects		Other Governmental Funds	Total
		Redevelopment Agency	General Projects		
Nonspendables:					
Items not in spendable form:					
Prepaid Expenses	\$22,577	\$4,950	\$149		\$27,676
Notes Receivable	5,611				5,611
Advance	1,953,233				1,953,233
Inventories	69,085				69,085
Land Held for Redevelopment	11,416,332				11,416,332
Total Nonspendable Fund Balances	13,466,838	4,950	149		13,471,937
Restricted for:					
Debt Service				\$5,528,671	5,528,671
Redevelopment		44,425,731		687,390	45,113,121
Transportation				3,733,334	3,733,334
Development Services				7,169,327	7,169,327
Capital Projects			7,461,289		7,461,289
Total Restricted Fund Balances		44,425,731	7,461,289	17,118,722	69,005,742
Assigned to:					
Capital Projects	443,832			1,546,816	1,990,648
Total Assigned Fund Balances	443,832			1,546,816	1,990,648
Unassigned:					
General fund	3,129,741				3,129,741
Other governmental fund deficit residuals				(166,778)	(166,778)
Total Unassigned Fund Balances	3,129,741			(166,778)	2,962,963
Total Fund Balances	\$17,040,411	\$44,430,681	\$7,461,438	\$18,498,760	\$87,431,290

The Assessment Districts Debt Service Fund had deficit fund balance of \$166,778 which is expected to be eliminated by future revenue.

Minimum Fund Balance Policy

To address financial uncertainties, the City's policy is to maintain General Fund reserves and contingencies to total not less than 15% of operating expenditures. Given the effects of the recession which have affected all entities, both governmental and private, reserves have been used significantly in the past three years. In accordance with the foresight of the City Council, the original requirement of 30% reserves and contingencies has been temporarily reduced to 15% with the admonition that a return to 30% as soon as possible is desired.

As of June 30, 2011, the General Fund Fund Balance, excluding non-spendable assets, totaled \$3.6 million, representing 5% of actual General Fund Operating Expenditures, which compares favorably with the original 4.9% balance projected at the adoption of the FY 2010-2011 budget and has benefited from one quarter's receipts of the Measure Q use tax.

Encumbrances

The City uses an encumbrance system as an extension of normal budgetary accounting for governmental funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as restricted, committed or assigned fund balance, depending on the classification of the resources to be used to liquidate the encumbrance, since they do not constitute expenditures or liabilities. Outstanding encumbrances at year-end are automatically reappropriated for the following year. Unencumbered and unexpended appropriations lapse at year-end. Encumbrances outstanding as of June 30, 2011 were as listed below:

	<u>Amount</u>
Governmental Funds:	
General Fund	\$394,856
State Gas Tax Special Revenue Fund	188,039
Storm Water Management Special Revenue Fund	8,932
Special Developers Capital Projects Fund	39,146
General Reimbursable Capital Projects Fund	7,452,091
Inter Governmental Capital Projects Fund	354,863
Total	<u>\$8,437,927</u>

Note 10 - CITY OF CONCORD RETIREMENT SYSTEM PLAN

Plan Description and Provisions

The Retirement System is a closed plan and is a single employer defined benefit pension plan covering all full-time employees of the City retired prior to June 28, 1999 or who left the employment of the City eligible for a pension. Participants are divided into two primary groups for coverage: general employees and police employees. Membership in the Retirement System comprised the following at June 30, 2011:

Retirees and beneficiaries currently receiving benefits	223
Vested terminated employees	<u>73</u>
Total participants	<u>296</u>

On July 1, 1994 the City converted to the Public Employees Retirement System (PERS) as described in Note 11.

Eligibility, administration, actuarial interest rates and certain other tasks are the responsibility of the Retirement Board. The Retirement Board consists of ten members, selected as follows: the Mayor, City Manager, City Attorney, Director of Human Resources, Director of Finance and one representative from each of the five employee organizations.

During the year ended June 30, 1999 \$56,300,000 was transferred from the Retirement System to PERS to purchase prior years' service credit for its active vested employees.

The Retirement System provides retirement and death benefits for general and police employees as well as disability benefits for police employees. General employees are eligible for retirement benefits at age 50, provided the employee has completed 20 years of service or has accumulated contributions in excess of \$500 and was employed before June 30, 1990 or has completed 5 years of service and was terminated after July 1, 1991. Sworn police employees are eligible for retirement at age 50, provided the employee has completed 20 years of service or has accumulated contributions exceeding \$500. Retirement benefits are determined based on the employee's length of service, highest one-year compensation upon retirement, and age at retirement.

Funding Status and Progress

The actuarial accrued liability was determined as part of an actuarial valuation at June 30, 2011. Significant actuarial assumptions used in determining the actuarial accrued liability include: (a) a rate of return on the investment of present and future assets of 6.50% per year compounded annually, (b) inflation rate of 3.5% (c) annual post-retirement increases at 2% per year. Required contributions are determined using the entry age normal actuarial cost method and are made on a level dollar basis. The plan is amortized using the CalPERS Mortality Table on a 25 year closed basis.

For actuarial purposes, the value of the Plan's assets was determined to be fair value.

Audited annual financial statements and ten-year trend information are available from City of Concord, 1950 Parkside Drive, Concord, CA 94519.

Contribution Requirements and Contributions Made

Prior to June 21, 1993 (see Note 11) contributions were made to the Retirement System by both the City and the employee participants. City contributions were actuarially determined annually to provide the Retirement System with assets sufficient to pay basic benefits not provided for by employees' contributions. All general employees were required to contribute 6%, and all police employees were required to contribute 8% of their base salary (decreased by a Social Security allowance) to the Retirement System. The City is funding the Unfunded Actuarial Accrued Liability with an additional 1% contribution of eligible employee salaries.

The City contributed 4% to 8% of this percentage on behalf of general employees, depending upon job classification, and all of the contribution for sworn police employees.

The City maintains a program of death and disability benefits financed wholly by employer premium payments under a group term life insurance policy and group long-term disability insurance policy.

Generally accepted accounting principles permit contributions to be treated as Pension assets and deducted from the Actuarial Accrued Liability when such contributions are placed in an irrevocable trust or equivalent arrangement. During the fiscal year ended June 30, 2011, the City has calculated and recorded the Net Pension Obligation, representing the difference between the ARC and contributions, as presented below:

Fiscal Year	Annual Pension Cost	Actual Employer Contribution	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
6/30/2009	\$2,416,000	\$539,895	22%	\$1,031,105
6/30/2010	2,385,555	1,312,385	55%	2,104,275
6/30/2011	1,748,164	287,623	16%	3,564,816

The City's Net Pension Obligation (NPO) is recorded in the Statement of Net Assets and is calculated as follows:

Annual required contribution (ARC)	\$1,810,295
Interest on Net Pension Obligation	94,692
Adjustment to annual required contribution	(156,823)
Annual Pension Cost	<u>1,748,164</u>
Contributions made:	
City portions of current year premiums paid	(287,623)
Total contributions	<u>(287,623)</u>
Change in Net Pension Obligation	1,460,541
Net Pension Obligation at June 30, 2010	<u>2,104,275</u>
Net Pension Obligation at June 30, 2011	<u><u>\$3,564,816</u></u>

Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due and an indication of whether all required contributions have been made. Assumptions used to compile data presented below are the same as those described above. The actuarial value of the Plan's assets was determined to be its fair value.

Schedule of funding status is as follows (in thousands):

Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL)	Percentage AAL Funded	Unfunded (Overfunded) AAL	Annual Covered Payroll	Unfunded (Overfunded) AAL Covered Payroll
2005	\$51,593	\$69,185	74.57%	\$17,211	*N/A	*N/A
2007	51,199	83,912	61.02%	32,713	*N/A	*N/A
2011	43,596	65,271	66.79%	21,675	*N/A	*N/A

*Plan was closed in 1999, therefore there is no covered payroll

Note 11 - CITY OF CONCORD EARLY RETIREMENT PLANS

Plan Description and Provisions

On September 1, 2009 the City adopted a sole employer defined benefit plan to provide supplemental retirement benefit payments to eligible employees in addition to the benefit payments the employees will receive from the California Public Employees Retirement System (CalPERS).

The City joined Public Agency Retirement Services (PARS) and participates in two plans, the Supplementary Retirement Plan and the Excess Benefit Plan. The Excess Benefit Plan consists of the highly compensated members and the Supplementary Plan includes all other eligible employees. To be eligible to participate in the plan the employee must have been classified as a Miscellaneous or Safety employee of the City as of June 1, 2009, be at least 50 years of age as of September 1, 2009, have completed at least 5 years of employment with the City as of September 1, 2009, have terminated employment with the City on or before August 31, 2009, have applied for benefits under this plan and must have concurrently retired under CalPERS on or before September 1, 2009 and remains in retired status under CalPERS. A member is considered fully vested upon meeting the eligibility requirements listed above. Benefits payments are based on seven percent of an employee's annual base pay as of June 1, 2009.

As of June 30, 2011, there were 65 members participating in these plans.

Audited annual financial statements and ten-year trend information are available from City of Concord, 1950 Parkside Drive, Concord, CA 94519.

Contribution Requirements

The City established a plan within the PARS Trust. The cost of funding the Plan including management fees is roughly equivalent to one year of an employee's salary for each participating employee. The City has been funding the Plan over a period of 5 years, choosing to buy annuities to fund the Plan, self fund, or use some combination of both. The City is using general fund salary savings to fund the Plan. At this time, staff proposes to assume a 5-year funding schedule with the first year being self-funded.

NOTE 12 - PENSION PLAN

CalPERS Safety and Miscellaneous Employees Pension Plans

On June 21, 1993 the City joined the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee retirement system which acts as a common investment and administrative agent for participating member employers.

The City joined PERS on a prospective basis and participates in two plans, the Safety (Police) Employees Plan and the Miscellaneous Employees Plan. All qualified permanent and probationary employees are eligible to participate. CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS; the City must contribute these amounts.

The Plans' provisions and benefits in effect at June 30, 2011, are summarized as follows:

	SAFETY	MISCELLANEOUS
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50
Monthly benefits, as a % of annual salary	3%	2-2.5%
Required employee contribution rates	9%	8%
Required employer contribution rates	24.501%	15.305%
Actuarially required contributions	\$5,689,172	\$3,863,366

The City's policy and labor contracts require the City to pay all PERS contributions for sworn safety employees (Police) and 4%-8% for miscellaneous employees.

CalPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the City must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability. The City does not have a net pension obligation since it pays these actuarially required contributions monthly. Annual Pension Costs, representing the payment of all contributions required by CALPERS, for the last three fiscal years were as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<i>Safety Plan</i>			
June 30, 2009	\$5,718,435	100%	\$0
June 30, 2010	5,610,292	100%	0
June 30, 2011	5,689,172	100%	0
<i>Miscellaneous Plan</i>			
June 30, 2009	\$5,498,759	100%	\$0
June 30, 2010	4,280,938	100%	0
June 30, 2011	3,863,366	100%	0

CalPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.75% is assumed, including inflation at 3.00%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a rolling thirty year basis. Investment gains and losses are accumulated as they are realized and approximately seven percent of the net balance is amortized annually.

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The Plans' actuarial value (which differs from market value) and funding progress over the most recently available past three years, are set forth below at their actuarial valuation date of June 30:

Safety Plan:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Asset	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
2007	\$110,144,025	\$89,655,672	\$20,488,353	81.4%	\$14,869,004	137.8%
2008	122,529,175	98,582,205	23,946,970	80.5%	16,275,513	147.1%
2009	138,664,961	106,195,024	32,469,937	76.6%	17,453,149	186.0%

Miscellaneous Plan:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Asset	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
2007	\$116,003,479	\$97,759,057	\$18,244,422	84.3%	\$22,182,982	82.2%
2008	125,880,536	106,792,527	19,088,009	84.8%	23,538,205	81.1%
2009	142,753,938	113,571,126	29,182,812	79.6%	23,623,292	123.5%

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

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

	2009	
	Safety	Miscellaneous
Beginning Balance	\$99,845,583	\$108,239,601
Receivables for Service Buybacks	(14,827)	(75,763)
Contributions Received	5,762,205	5,859,812
Benefits and Refunds Paid	(3,802,795)	(5,075,027)
Transfers and Miscellaneous Adjustments	968	(14,037)
Investment Return	(24,233,551)	(26,283,169)
Expected Actuarial Value of Assets	\$77,557,583	\$82,651,417
Market Value of Assets	\$77,557,583	\$82,651,417
Actuarial Value of Assets	\$106,195,024	\$113,571,126

During the fiscal year ended June 30, 1999 the City transferred \$56,300,000 from the Concord Retirement System to PERS to purchase prior years' service credit for its active vested employees.

Social Security

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

All of the City's employees are covered under Social Security, which requires these employees and the City to each contribute 6.2% of the employees' pay. Total contributions to Social Security during the year ended June 30, 2011 amounted to \$3,880,265 of which the City paid half.

NOTE 13 – OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS

Substantially all full-time City employees and their eligible dependents are eligible for post-retirement health care benefits under the CalPERS sponsored health plans currently funded during the employees active service. During fiscal year 2008, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes uniform financial reporting standards for employers providing postemployment benefits other than pensions (OPEB). Required disclosures are presented below.

By Council resolution and through agreements with its labor units, the City provides certain health care benefits for retired employees (spouse and dependents are not included) under third-party insurance plans. A summary of eligibility and retiree contribution requirements are shown below by bargaining unit:

The City pays health insurance premiums up to \$551, \$1,106, \$1,432 for a retiree, couple, and family, respectively.

As of June 30, 2011, approximately 346 participants were eligible to receive benefits.

Funding Policy and Actuarial Assumptions

The annual required contribution (ARC) was determined as part of a June 30, 2008 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 7.75% investment rate of return including 3% inflation, (b) 3.25% projected annual salary increase, and (c) 4.5% health care costs inflation increases. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 30 year closed amortization period.

In accordance with the City's budget, the annual required contribution (ARC) is to be funded throughout the year as a percentage of payroll. Concurrent with implementing Statement No. 45, the City Council passed a resolution to participate the California Employers Retirees Benefit Trust (CERBT), an irrevocable trust established to fund OPEB. CERBT is administrated by CalPERS, and is managed by an appointed board not under the control of City Council. This Trust is not considered a component unit by the City and has been excluded from these financial statements. Separately issued financial statements for CERBT may be obtained from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

Funding Progress and Funded Status

Generally accepted accounting principles permits contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such contributions are placed in an irrevocable trust or equivalent arrangement. During the fiscal year ended June 30, 2011, the City contributed \$4,671,001 to the Plan which represented 15% of \$30,830,000 million of covered payroll, including additional funds to CERBT. As a result, the City has recorded the Net OPEB Asset, representing the difference between the ARC, the amortization of the Net OPEB Asset and actual contributions, as presented below:

Annual required contribution (ARC)	\$4,099,000
Interest on Net OPEB asset	593,988
Adjustment to annual required contribution	(775,602)
Annual OPEB cost	<u>3,917,386</u>
Contributions made:	
City portions of current year premiums paid	3,171,001
Contributions to CERBT	<u>1,500,000</u>
Total contributions	<u>4,671,001</u>
Change in Net OPEB Asset	753,615
Net OPEB Asset at June 30, 2010	<u>7,844,388</u>
Net OPEB Asset at June 30, 2011	<u><u>\$8,598,003</u></u>

The actuarial accrued liability (AAL) representing the present value of future benefits, included in the actuarial study dated June 30, 2010, amounted to \$49,254,000 million and was unfunded since no assets had been transferred into CERBT as of that date. However, as of June 30, 2011, the City's investment with CERBT along with investment income totaled \$19,093,352 and reduced the unfunded actuarial accrued liability.

The Plan's annual OPEB cost and actual contributions for fiscal years ended June 30, 2009, 2010 and 2011 are set forth below:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
6/30/2009	\$4,748,440	\$6,237,160	131%	\$9,516,723
6/30/2010	4,513,591	2,841,256	63%	7,844,388
6/30/2011	3,917,386	4,671,001	119%	8,598,003

The Schedule of Funding Progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the actuarial studies is presented below:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded Actuarial Accrued Liability (B - A)	Funded Ratio (A/B)	Covered Payroll (C)	Unfunded Actuarial Liability as Percentage of Covered Payroll [(B - A)/C]
6/30/2006		\$48,085,000	\$48,085,000		\$36,741,000	131%
6/30/2008	\$11,964,000	53,927,000	41,963,000	22.19%	34,281,000	122%
6/30/2010	15,418,000	49,254,000	33,836,000	31.30%	30,830,000	110%

NOTE 14 – DEFERRED COMPENSATION PLAN

City employees may defer a portion of their compensation under City sponsored Deferred Compensation Plans created in accordance with Internal Revenue Code Section 457 and 401K. Under these plans, participants are not taxed on the deferred portion of their compensation until distributed to them; distribution may be made only at termination, retirement, death or in an emergency as defined by the Plans.

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

NOTE 15 – RISK MANAGEMENT AND INSURANCE

Insurance Risk Pool

In July 2003, the City joined the California State Association of Counties - Excess Insurance Authority (CSAC-EIA), a joint powers authority. CSAC-EIA provides coverage against the following types of loss risks, including commercial insurance coverage, under the terms of a joint-powers agreement with the City and several other cities and governmental agencies as follows:

Type of Coverage (Deductible)	Coverage Limits
General Liability (\$500,000)	\$35,000,000
Workers' Compensation (\$500,000)	Statutory
All Risk Property Including Flood (\$10,000 per occurrence all risk and \$25,000 flood)	\$602,500,000
Earthquake (5% with a \$100,000 minimum)	\$50,000,000

CSAC-EIA was established for the purpose of creating a risk management pool for all California public entities. CSAC-EIA is governed by a Board of Directors consisting of representatives of its member public entities.

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

Audited financial statements for CSAC-EIA are available from CSAC-EIA at 75 Iron Point Circle, Folsom, CA 95630.

The City is self-insured for auto physical damage claims.

For the year ended June 30, 2010, 2009 and 2008, the amount of settlements did not exceed insurance coverage.

Uninsured Claims Payable

The City provides for the uninsured portion of claims and judgments in its Risk Management (general liability and auto physical damage) and Workers' Compensation Internal Service Funds. Claims and judgments, including a provision for claims incurred but not reported, are recorded when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable.

The City's liability for uninsured claims is limited to worker's compensation, general liability and auto physical damage claims, as discussed above, which are reported at their present value using expected future investment yield assumptions ranging from 3 percent. In addition, the general liability claims are based on an eighty percent confidence level. The undiscounted worker's compensation claims totaled \$8,944,000 and undiscounted general liability claims totaled \$1,356,183 at June 30, 2011.

The change in the claims liabilities, including claims incurred but not reported are based on independent actuarial studies and were computed as follows for the years ended June 30:

	WORKERS COMPENSATION INTERNAL SERVICE FUND	RISK MANAGEMENT/ LIABILITY INTERNAL SERVICE FUND	TOTAL 2011	TOTAL 2010
Beginning balance	\$7,253,000	\$1,676,287	\$8,929,287	\$7,121,010
Liability for current fiscal year claims	734,238		734,238	484,684
Change in liability for prior fiscal year claims and claims incurred but not reported (IBNR)	1,540,687	2,492,947	4,033,634	5,493,469
Claims paid	(2,274,925)	(2,468,309)	(4,743,234)	(4,169,876)
Ending balance	\$7,253,000	\$1,700,925	\$8,953,925	\$8,929,287
Current portion	\$1,883,922	\$816,528	\$2,700,450	\$2,852,977

Health Care

The City provides its employees with a choice of five different medical insurance plans through CalPERS. The City pays the premium up to \$1,479 per month per employee. The City also provides its employees with Dental Insurance paying premiums up to \$195 per month per employee. The City also provides long-term disability and life insurance to its employees.

NOTE 16 – JOINT VENTURE**Salvio Grant Land Joint Venture**

The Salvio Grant Land Joint Venture was formed in 1985 as an equal partnership by the Redevelopment Agency and a local non-profit corporation to lease certain land for low-income/elderly housing. The Heritage Building was constructed on that land by Plaza Towers Associates, which leases the land from the Partnership under a lease which terminates in 2040.

The Joint Venture had no debt at the end of its fiscal year, December 31, 2010 the Redevelopment Agency's equity in the Partnership's assets was \$1,729,715 at that date and its share of the Partnership's net income for the year then ended was \$154,211. The City made no monetary contributions to the partnership during the year. Financial statements for the Partnership can be obtained from the Concord Redevelopment Agency, 1950 Parkside Drive, Concord, CA 94519.

NOTE 17 – SUPPLEMENTAL EDUCATIONAL REVENUE AUGMENTATION FUND (SERAF)

The State of California adopted AB26 4X in July 2009 which directs that a portion of the incremental property taxes received by redevelopment agencies, based on the property taxes received in fiscal year 2006-07, be paid instead to the County supplemental educational revenue augmentation fund (SERAF) in fiscal years 2009-10 and 2010-11. The State Department of Finance determines each agency's SERAF payment by November 15 of each year, and payments are due by May 10 of the applicable year.

The Agency made its first SERAF payment in fiscal year 2009-10. The Agency's obligation due May 10, 2011 was \$1,239,872. The Agency can use any legally available funds to make the SERAF payment. The obligation to make the SERAF payment is subordinate to obligations to repay bonds. However, if the Agency fails to make the full SERAF payment, the Agency may not encumber or expend future funds other than to pay pre-existing indebtedness, contractual obligations and 75% of the amount expended on Agency administration for the preceding fiscal year until the SERAF is paid in full.

NOTE 18 – COMMITMENTS AND CONTINGENCY

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

The City participates in several Federal and State grant programs. These programs have been audited through the fiscal year ended June 30, 2011 by the City's independent accountants in accordance with the provisions of the Federal Single Audit Act Amendments of 1996 and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

NOTE 19 – PROPOSED DISSOLUTION OF REDEVELOPMENT AGENCIES

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, which suspends all new redevelopment activities except for limited specified activities as of that date and dissolves redevelopment agencies effective October 1, 2011. The State simultaneously adopted ABx1 27 which allows redevelopment agencies to avoid dissolution by the City opting into an “alternative voluntary redevelopment program” requiring specified substantial annual contributions to local schools and special districts. Concurrently with these two measures, the State passed various budget and trailer bills that are related and collectively constitute the Redevelopment Restructuring Acts. If all sponsoring communities were to opt-in to the voluntary program, these contributions amount to an estimated \$1.7 billion for fiscal year 2012 and an estimated \$400 million in each succeeding year. If the City fails to make the voluntary program payment, the Agency would become subject to the dissolution provisions of ABx1 26.

On July 18, 2011, the California Redevelopment Association, the League of California Cities and others challenged the validity and constitutionality of ABx1 26 and 27 to the California Supreme Court on numerous grounds, including that the acts violate certain provisions of the California Constitution. On August 11, 2011 the California Supreme Court issued an Order, under which, as modified on August 17, 2011, the California Supreme Court agreed to hear the case and issued a partial stay of ABx1 26 and ABx1 27. The stay did not include the section of ABx1 26 that suspends new redevelopment activities. It is anticipated that the Court will render its decision before January 15, 2012, the date the first voluntary program payment is due.

The suspension provisions of ABx1 26 prohibit all redevelopment agencies from a wide range of activities, including incurring new indebtedness or obligations, entering into or modifying agreements or contracts, acquiring or disposing of real property, taking actions to adopt or amend redevelopment plans and other similar actions, except actions required by law or to carry out existing enforceable obligations, as defined in ABx1 26. During the suspension period, an agency is required to prepare an Enforceable Obligation Payment Schedule no later than August 29, 2011, that allows it to continue to pay existing obligations. The Agency adopted its Enforceable Obligation Payment Schedule on August 23, 2011.

In addition, ABx1 26 directs the State Controller to review the activities of all redevelopment agencies to determine whether an asset transfer between an agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the legislation purports to require the State Controller to order the asset returned to the redevelopment agency. The State Controller’s Office has not yet provided any information about the timing or the process for this statewide asset transfer review.

The Agency’s redevelopment activities are currently subject to the Supreme Court Order described above. These facts indicate that, depending on the outcome of the California Redevelopment Association’s challenge to ABx1 26 and 27 before the Supreme Court, there is a possibility the Agency may not continue as a going concern through 2012. The continuation of the Agency will initially depend upon whether the Supreme Court rules in favor of the petitioners in *CRA v. Matosantos*. There are three possible consequences to the Agency from a decision of the Supreme Court, when it is rendered:

1. If the Supreme Court determines that both ABx1 26 and ABx1 27 are valid, then the City, which has already acted to opt-in to the alternative voluntary redevelopment program, will likely ratify that action. Going forward, the City would be required to make annual payments to the County Auditor-Controller and the Agency would no longer be subject to the suspension provisions. It is anticipated that the City's annual remittances would be reimbursed by the Agency from tax increment revenues of Central Concord Project Area. The State Department of Finance calculated the City's Voluntary Program payment for fiscal year 2012 to be \$6,184,135. The City filed an appeal of that amount in accordance with the provisions of Health and Safety Code Section 34194(b)(2)(L). On October 14, 2011, the City received a response from the State Department of Finance with a partial approval of the appeal. The City's payment was reduced to \$5,849,170. The City will likely continue to seek additional reduction in the amount of the payment.
2. If the Supreme Court determines that both ABx1 26 and ABx1 27 are valid and the City decides not to make the required payments under ABx1 27, or if the Supreme Court determines that ABx1 26 is valid, but ABx1 27 is not valid, the Agency would be subject to the suspension provisions of ABx1 26 and would be dissolved in accordance with such provisions. Any transfers of Agency assets subsequent to January 1, 2011 to the City, including those discussed in Notes 1F, 6 and 7, that were not obligated to third parties or encumbered may be subject to the State Controller's review discussed above. Upon dissolution, all assets and obligations of the Agency would be transferred to a successor agency.
3. If the Supreme Court determines that both ABx1 26 and ABx1 27 are invalid, the Agency would no longer be subject to the suspension provisions and would continue in existence under California Redevelopment Law as it existed prior to the enactment of ABx1 26 and ABx1 27.

As of October 28, 2011, the Supreme Court has not ruled on the case and the Agency is subject to the suspension provisions as discussed above.

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NON-MAJOR FUNDS

State Gas Tax Fund. To account for revenue apportioned to the City from State-collected gasoline taxes and expended for construction and maintenance of City streets.

Maintenance Districts Fund. To account for revenue from property tax and annual assessments against property owners and expended for their share of the City's cost for maintenance in the areas of the service provided.

Art in Public Places Fund. To account for fees applied to new construction and expended for the purchase and installation of art objects in the City.

Traffic System Management Fund. To account for monies from in-lieu parking fees, to be expended for traffic management facilities.

Housing Assistance Program Fund. To account for monies from the Concord Redevelopment Agency and developers' contributions to be expended for low-income housing loans.

Housing and Community Services Fund – To account for monies received from the Department of Housing and Urban Development and expended for development of jobs and suitable housing for low-income residents.

Storm Water Management Fund. To account for activities necessary to comply with the Federal Clean Water Act.

Monument Community Partnership Fund. To account for capital projects resulting from the partnership between the Contra Costa First 5 children and Monument community partnership.

Police Facilities Revenue Bonds Fund. To account for accumulation of property taxes for payment of interest and principal on the Police Facility lease revenue bonds.

Parking Structure Revenue Bonds Fund. To account for accumulation of property taxes for payment of interest and principal on the Parking Structure lease revenue bonds.

ABAG Fund. To account for transfers of revenue from the General Fund for payment of interest and principal on Association of Bay Area Governments (ABAG) certificates of participation.

Performing Arts Revenue Bonds Fund. To account for the accumulation of revenue provided by Bill Graham Presents for payment of interest and principal on the Pavilion lease revenue bonds issued in 1995.

Assessment Districts Fund. To account for accumulation of special assessment taxes for payment of special assessment bond interest and principal.

Refunding Lease Agreement Fund. To account for a lease agreement issued to refinance and retire the Police Facilities Revenue Bonds and the Judgment Obligation Bonds.

Energy Lease Fund. To account for a lease agreement issued to finance several energy conservation projects throughout the City.

Special Developers Fund. To account for capital projects within the City funded by various fees collected from developers.

Inter-Governmental Capital Projects Fund. To account for approved capital projects funded from other governmental agencies.

CITY OF CONCORD
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2011

	SPECIAL REVENUE FUNDS					
	State Gas Tax	Maintenance Districts	Art in Public Places	Traffic System Management	Housing Assistance Program	Housing and Community Services
ASSETS:						
Cash and Investments	\$2,910,068	\$3,552,595	\$124,651	\$21,243	\$501,945	\$1,969,802
Cash with Fiscal Agents						
Receivables, Net						
Accounts Receivable						5,539
Due from Other Governments	370,076					377,959
Loans and Notes					202,179	2,605,262
Advances to Other Funds				477,000		
Total Assets	<u>\$3,280,144</u>	<u>\$3,552,595</u>	<u>\$124,651</u>	<u>\$498,243</u>	<u>\$704,124</u>	<u>\$4,958,562</u>
LIABILITIES AND FUND BALANCE:						
Liabilities:						
Accounts, Deposits and Contracts Payable	\$2,140					\$39,114
Accrued Liabilities	42,913	\$10,219				359,342
Due to Other Funds						
Deferred Revenue					\$16,734	2,461,986
Advance from Other Funds		477,000				
Total Liabilities	<u>45,053</u>	<u>487,219</u>			<u>16,734</u>	<u>2,860,442</u>
Fund Balance						
Nonspendable						
Restricted	3,235,091	3,065,376	\$124,651	\$498,243	687,390	2,098,120
Assigned						
Unassigned						
Total Fund Balances (Deficit)	<u>3,235,091</u>	<u>3,065,376</u>	<u>124,651</u>	<u>498,243</u>	<u>687,390</u>	<u>2,098,120</u>
Total Liabilities and Fund Balances	<u>\$3,280,144</u>	<u>\$3,552,595</u>	<u>\$124,651</u>	<u>\$498,243</u>	<u>\$704,124</u>	<u>\$4,958,562</u>

DEBT SERVICE FUNDS

Storm Water Management	Monument Community Partnership	Police Facilities Revenue Bonds	Parking Structure Revenue Bonds	ABAG	Performing Arts Revenue Bonds	Assessment Districts	Refunding Lease Agreement	Energy Lease
\$2,516,944		\$197,342	\$752,907	\$65,537	\$755,826 986,373	\$11,194		\$139 265,831
	\$37,305							
<u>\$2,516,944</u>	<u>\$37,305</u>	<u>\$197,342</u>	<u>\$752,907</u>	<u>\$65,537</u>	<u>\$1,742,199</u>	<u>\$11,194</u>		<u>\$265,970</u>
\$12,816								
	\$36,717					\$177,972		
<u>12,816</u>	<u>36,717</u>					<u>177,972</u>		
2,504,128	588	\$197,342	\$752,907	\$65,537	\$1,742,199			\$265,970
						(166,778)		
<u>2,504,128</u>	<u>588</u>	<u>197,342</u>	<u>752,907</u>	<u>65,537</u>	<u>1,742,199</u>	<u>(166,778)</u>		<u>265,970</u>
<u>\$2,516,944</u>	<u>\$37,305</u>	<u>\$197,342</u>	<u>\$752,907</u>	<u>\$65,537</u>	<u>\$1,742,199</u>	<u>\$11,194</u>		<u>\$265,970</u>

(Continued)

CITY OF CONCORD
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2011

	<u>CAPITAL PROJECTS FUNDS</u>		
	<u>Special Developers</u>	<u>Inter- Governmental</u>	<u>Total Non-Major Governmental Funds</u>
ASSETS:			
Cash and Investments	\$2,526,741	\$1,529,814	\$16,420,962
Cash with Fiscal Agents			2,267,990
Receivables, Net			
Accounts Receivable		838,143	880,987
Due from Other Governments		474,136	1,222,171
Loans and Notes			2,807,441
Advances to Other Funds			477,000
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$2,526,741</u>	<u>\$2,842,093</u>	<u>\$24,076,551</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts, Deposits and Contracts Payable	\$1,787	\$72,275	\$115,316
Accrued Liabilities	5,005	10,443	440,738
Due to Other Funds			214,689
Deferred Revenue		878,195	3,356,915
Advance from Other Funds	973,133		1,450,133
	<u> </u>	<u> </u>	<u> </u>
	979,925	960,913	5,577,791
Fund Balance			
Nonspendable			
Restricted		1,881,180	17,118,722
Assigned	1,546,816		1,546,816
Unassigned			(166,778)
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances (Deficit)	<u>1,546,816</u>	<u>1,881,180</u>	<u>18,498,760</u>
	<u>\$2,526,741</u>	<u>\$2,842,093</u>	<u>\$24,076,551</u>

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CITY OF CONCORD
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	SPECIAL REVENUE FUNDS					
	State Gas Tax	Maintenance Districts	Art in Public Places	Traffic System Management	Housing Assistance Program	Housing and Community Services
REVENUES:						
Taxes		\$1,492,770				
Licenses and Permits						
Intergovernmental	\$3,130,762					\$1,902,053
Charges for Services					\$22,771	
Use of Money and Property	42,360	60,153	\$2,211	\$450	(13,957)	34,974
Special Assessment Collections						
Other	27,641				4,500	36,362
Total Revenues	<u>3,200,763</u>	<u>1,552,923</u>	<u>2,211</u>	<u>450</u>	<u>13,314</u>	<u>1,973,389</u>
EXPENDITURES:						
Current:						
Public Works & Engineering	1,204,397	1,026,314		6,429		
Community Development					19,578	63,739
Community & Recreation Services						581,240
Capital Outlay		224,000	5,999			848,044
Debt Service						
Principal Repayment						
Interest and Fiscal Charges						
Refund to Property Owners						
Bond Issuance Costs						
Total Expenditures	<u>1,204,397</u>	<u>1,250,314</u>	<u>\$5,999</u>	<u>6,429</u>	<u>19,578</u>	<u>1,493,023</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,996,366</u>	<u>302,609</u>	<u>(3,788)</u>	<u>(5,979)</u>	<u>(6,264)</u>	<u>480,366</u>
OTHER FINANCING SOURCES (USES):						
Transfers In		215,780				
Transfers (Out)	(22,830)	(215,780)		(573)		(26,884)
Total Other Financing Sources (Uses)	<u>(22,830)</u>			<u>(573)</u>		<u>(26,884)</u>
Net Change in Fund Balances	1,973,536	302,609	(3,788)	(6,552)	(6,264)	453,482
Fund Balances at the Beginning of Period	<u>1,261,555</u>	<u>2,762,767</u>	<u>128,439</u>	<u>504,795</u>	<u>693,654</u>	<u>1,644,638</u>
FUND BALANCES (DEFICIT) AT END OF PERIOD	<u>\$3,235,091</u>	<u>\$3,065,376</u>	<u>\$124,651</u>	<u>\$498,243</u>	<u>\$687,390</u>	<u>\$2,098,120</u>

DEBT SERVICE FUNDS

Storm Water Management	Monument Community Partnership	Police Facilities Revenue Bonds	Parking Structure Revenue Bonds	ABAG	Performing Arts Revenue Bonds	Assessment Districts	Refunding Lease Agreement	Energy Lease
\$2,069,600								
	\$369,107							
28,588		\$27	\$7,428	(\$593)	\$814,208	(\$2,890) 1,851	\$498	\$140
67								
<u>2,098,255</u>	<u>369,107</u>	<u>27</u>	<u>7,428</u>	<u>(593)</u>	<u>814,208</u>	<u>(1,039)</u>	<u>498</u>	<u>140</u>
1,616,285								
	369,107							
1,531								
		420,000	395,000	90,000	610,000	112,000	379,000	
		88,531	346,521	6,149	357,700	5,125	41,528	
						248,938		50,600
<u>1,617,816</u>	<u>369,107</u>	<u>508,531</u>	<u>741,521</u>	<u>96,149</u>	<u>967,700</u>	<u>366,063</u>	<u>420,528</u>	<u>50,600</u>
480,439		(508,504)	(734,093)	(96,742)	(153,492)	(367,102)	(420,030)	(50,460)
		507,397	733,392	97,747			418,789	316,430
		507,397	733,392	97,747			418,789	316,430
480,439		(1,107)	(701)	1,005	(153,492)	(367,102)	(1,241)	265,970
<u>2,023,689</u>	<u>588</u>	<u>198,449</u>	<u>753,608</u>	<u>64,532</u>	<u>1,895,691</u>	<u>200,324</u>	<u>1,241</u>	
<u>\$2,504,128</u>	<u>\$588</u>	<u>\$197,342</u>	<u>\$752,907</u>	<u>\$65,537</u>	<u>\$1,742,199</u>	<u>(\$166,778)</u>		<u>\$265,970</u>

(Continued)

CITY OF CONCORD
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	<u>CAPITAL PROJECTS FUNDS</u>		Total Non-Major Governmental Funds
	Special Developers	Inter - Governmental	
REVENUES:			
Taxes			\$3,562,370
Licenses and Permits	\$34,209		34,209
Intergovernmental		\$2,978,637	8,380,559
Charges for Services			22,771
Use of Money and Property	50,435	56,831	1,080,863
Special Assessment Collections			1,851
Other	82,781		151,351
	<u>167,425</u>	<u>3,035,468</u>	<u>13,233,974</u>
EXPENDITURES:			
Current:			
Public Works & Engineering	276,007	3,116,380	7,245,812
Community Development			83,317
Community & Recreation Services	51,901		1,002,248
Capital Outlay	119,581	806,457	2,005,612
Debt Service			
Principal Repayment			2,006,000
Interest and Fiscal Charges			845,554
Refund to Property Owners			248,938
Bond Issuance Costs			50,600
	<u>447,489</u>	<u>3,922,837</u>	<u>13,488,081</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(280,064)</u>	<u>(887,369)</u>	<u>(254,107)</u>
OTHER FINANCING SOURCES (USES):			
Transfers In	9,964		2,299,499
Transfers (Out)	(4,824)	(67,110)	(338,001)
	<u>5,140</u>	<u>(67,110)</u>	<u>1,961,498</u>
Net Change in Fund Balances	<u>(274,924)</u>	<u>(954,479)</u>	<u>1,707,391</u>
Fund Balances at the Beginning of Period	1,821,740	2,835,659	16,791,369
FUND BALANCES (DEFICIT) AT END OF PERIOD	<u>\$1,546,816</u>	<u>\$1,881,180</u>	<u>\$18,498,760</u>

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CITY OF CONCORD
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	STATE GAS TAX			MAINTENANCE DISTRICTS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES:						
Property Taxes				\$1,507,404	\$1,492,770	(\$14,634)
Licenses and Permits						
Intergovernmental	\$1,996,000	\$3,130,762	\$1,134,762			
Charges for Current Services						
Use of Money and Property	27,000	42,360	15,360	43,403	60,153	16,750
Other		27,641	27,641			
Total Revenues	<u>2,023,000</u>	<u>3,200,763</u>	<u>1,177,763</u>	<u>1,550,807</u>	<u>1,552,923</u>	<u>2,116</u>
EXPENDITURES:						
Current:						
Public Works & Engineering	1,591,243	1,204,397	386,846	1,427,000	1,026,314	400,686
Community Development						
Community & Recreation Services						
Debt Service						
Principal Repayment						
Interest and Fiscal Charges						
Total Expenditures	<u>1,591,243</u>	<u>1,204,397</u>	<u>386,846</u>	<u>1,427,000</u>	<u>1,026,314</u>	<u>400,686</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>431,757</u>	<u>1,996,366</u>	<u>1,564,609</u>	<u>123,807</u>	<u>526,609</u>	<u>402,802</u>
OTHER FINANCING SOURCES (USES):						
Transfers In				216,436	215,780	(656)
Transfers (Out)		(22,830)	(22,830)	(215,780)	(215,780)	
Total Other Financing Sources (Uses)		<u>(22,830)</u>	<u>(22,830)</u>	<u>656</u>		<u>(656)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>431,757</u>	<u>1,973,536</u>	<u>1,541,779</u>	<u>124,463</u>	<u>526,609</u>	<u>402,146</u>
Adjustment to Budgetary Basis:						
Capital Outlay					(224,000)	
Fund Balances at Beginning of Year	<u>1,261,555</u>	<u>1,261,555</u>		<u>2,762,767</u>	<u>2,762,767</u>	
Fund Balances at End of Year	<u>\$1,693,312</u>	<u>\$3,235,091</u>	<u>\$1,541,779</u>	<u>\$2,887,230</u>	<u>\$3,065,376</u>	<u>\$402,146</u>

ART IN PUBLIC PLACES			TRAFFIC SYSTEM MANAGEMENT			HOUSING ASSISTANCE PROGRAM		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$2,000	\$2,211	\$211	\$4,000	\$450	(\$3,550)	\$2,750	\$22,771	\$20,021
						7,500	(13,957)	(21,457)
							4,500	\$4,500
<u>2,000</u>	<u>2,211</u>	<u>211</u>	<u>4,000</u>	<u>450</u>	<u>(3,550)</u>	<u>10,250</u>	<u>13,314</u>	<u>3,064</u>
			44,646	6,429	38,217	41,201	19,578	21,623
			<u>44,646</u>	<u>6,429</u>	<u>38,217</u>	<u>41,201</u>	<u>19,578</u>	<u>21,623</u>
<u>2,000</u>	<u>2,211</u>	<u>211</u>	<u>(40,646)</u>	<u>(5,979)</u>	<u>34,667</u>	<u>(30,951)</u>	<u>(6,264)</u>	<u>24,687</u>
			<u>(4,000)</u>	<u>(573)</u>	<u>3,427</u>			
			<u>(4,000)</u>	<u>(573)</u>	<u>3,427</u>			
2,000	2,211	211	(44,646)	(6,552)	38,094	(30,951)	(6,264)	24,687
	(5,999)							
<u>128,439</u>	<u>128,439</u>		<u>504,795</u>	<u>504,795</u>		<u>693,654</u>	<u>693,654</u>	
<u>\$130,439</u>	<u>\$124,651</u>	<u>\$211</u>	<u>\$460,149</u>	<u>\$498,243</u>	<u>\$38,094</u>	<u>\$662,703</u>	<u>\$687,390</u>	<u>\$24,687</u>

(Continued)

CITY OF CONCORD
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	HOUSING AND COMMUNITY SERVICES			STORM WATER MANAGEMENT		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES:						
Property Taxes				\$1,957,330	\$2,069,600	\$112,270
Licenses and Permits	\$5,000		(\$5,000)			
Intergovernmental	1,103,867	\$1,902,053	798,186			
Charges for Current Services	75,000		(75,000)			
Use of Money and Property		34,974	34,974	29,000	28,588	(412)
Other	5,685	36,362	\$30,677		67	67
Total Revenues	1,189,552	1,973,389	783,837	1,986,330	2,098,255	111,925
EXPENDITURES:						
Current:						
Public Works & Engineering				1,807,327	1,616,285	191,042
Community Development	91,003	63,739	27,264			
Community & Recreation Services	565,047	581,240	(16,193)			
Debt Service						
Principal Repayment						
Interest and Fiscal Charges						
Total Expenditures	656,050	644,979	11,071	1,807,327	1,616,285	191,042
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	533,502	1,328,410	794,908	179,003	481,970	302,967
OTHER FINANCING SOURCES (USES):						
Transfers In	43,346		(43,346)			
Transfers (Out)	(31,645)	(26,884)	4,761			
Total Other Financing Sources (Uses)	11,701	(26,884)	(38,585)			
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	545,203	1,301,526	756,323	179,003	481,970	302,967
Adjustment to Budgetary Basis:						
Capital Outlay		(848,044)			(1,531)	
Fund Balances at Beginning of Year	1,644,638	1,644,638		2,023,689	2,023,689	
Fund Balances at End of Year	\$2,189,841	\$2,098,120	\$756,323	\$2,202,692	\$2,504,128	\$302,967

MONUMENT COMMUNITY PARTNERSHIP			POLICE FACILITIES REVENUE BONDS			ABAG		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
	\$369,107	\$369,107						
\$2,000		(2,000)		\$27	\$27		(\$593)	(\$593)
<u>2,000</u>	<u>369,107</u>	<u>367,107</u>		<u>27</u>	<u>27</u>		<u>(593)</u>	<u>(593)</u>
373,065	369,107	3,958						
			\$469,000	420,000	49,000	\$90,000	90,000	
			168,083	88,531	79,552	6,484	6,149	335
<u>373,065</u>	<u>369,107</u>	<u>3,958</u>	<u>637,083</u>	<u>508,531</u>	<u>128,552</u>	<u>96,484</u>	<u>96,149</u>	<u>335</u>
<u>(371,065)</u>		<u>371,065</u>	<u>(637,083)</u>	<u>(508,504)</u>	<u>128,579</u>	<u>(96,484)</u>	<u>(96,742)</u>	<u>(258)</u>
				507,397	507,397		97,747	97,747
				507,397	507,397		97,747	97,747
(371,065)		371,065	(637,083)	(1,107)	635,976	(96,484)	1,005	97,489
588	588		198,449	198,449		64,532	64,532	
<u>(\$370,477)</u>	<u>\$588</u>	<u>\$371,065</u>	<u>(\$438,634)</u>	<u>\$197,342</u>	<u>\$635,976</u>	<u>(\$31,952)</u>	<u>\$65,537</u>	<u>\$97,489</u>

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INTERNAL SERVICE FUNDS

Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis.

The concept of major funds does not extend to internal service funds because they do not do business with outside parties. GASB Statement 34 requires that for the Statement of Activities, the net revenues or expenses of each internal service fund be eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Assets.

However, internal service funds are still presented separately in the Fund financial statements, including the funds below.

Worker's Compensation Fund. To account for workers' compensation expenses. This fund is financed by fees charged to the City departments.

Risk Management/Liability Fund. To account for the non-reimbursable portion of insurance claims.

Post-Retirement HealthCare Benefit Fund. To account for the contributions and benefits paid in relation to the Post-Retirement Health Care Program.

Fleet Maintenance/Replacement Fund. To accumulate resources to fund the replacement of City licensed vehicles and motorized equipment.

Information Technology Replacement Fund. To accumulate resources to fund the replacement of computers and software for City staff.

Building Maintenance Fund. To accumulate resources required to maintain City facilities.

CITY OF CONCORD
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF NET ASSETS
JUNE 30, 2011

	Workers' Compensation	Risk Management/ Liability	Post-Retirement Healthcare Benefit	Fleet Maintenance/ Replacement	Information Technology Replacement
ASSETS					
Current Assets:					
Cash and Investments	\$6,006,844	\$1,955,665	\$180,399	\$3,578,200	\$7,251,547
Accounts Receivable	2,854			7,825	
Interest Receivable			137		4,904
Prepaid Items					171,753
Total Current Assets	6,009,698	1,955,665	180,536	3,586,025	7,428,204
Advances to Other Funds	2,000,000				
Net OPEB Asset			8,598,003		
Capital Assets:					
Buildings and Improvements				8,149,010	10,938,516
Equipment				45,588	362,379
Construction In Progress				8,194,598	11,300,895
Less: Accumulated Depreciation				(7,334,814)	(7,748,146)
Net Capital Assets				859,784	3,552,749
Total Assets	8,009,698	1,955,665	8,778,539	4,445,809	10,980,953
LIABILITIES					
Current Liabilities					
Accrued Liabilities	3,609			25,298	79,456
Due to Other Funds			1,338,464		
Compensated Absences Payable				30,009	45,066
Capital Lease Payable					579,312
Bond Interest Payable					5,185
Claims Payable	1,883,922	816,528			
Total Current Liabilities	1,887,531	816,528	1,338,464	55,307	709,019
Non-Current Liabilities					
Compensated Absences Payable				14,411	71,232
Capital Lease Payable					1,456,491
Claims Payable	5,369,078	884,397			
Total Liabilities	7,256,609	1,700,925	1,338,464	69,718	2,236,742
NET ASSETS					
Invested in Capital Assets, net of related debt				859,784	1,516,946
Unrestricted	753,089	254,740	7,440,075	3,516,307	7,227,265
Total Net Assets	\$753,089	\$254,740	\$7,440,075	\$4,376,091	\$8,744,211

<u>Building Maintenance</u>	<u>Total</u>
\$2,992,357	\$21,965,012
	10,679
1,688	6,729
	<u>171,753</u>
<u>2,994,045</u>	<u>22,154,173</u>
	2,000,000
	<u>8,598,003</u>
73,131,749	73,131,749
	19,087,526
265,188	673,155
<u>73,396,937</u>	<u>92,892,430</u>
<u>(30,686,584)</u>	<u>(45,769,544)</u>
<u>42,710,353</u>	<u>47,122,886</u>
<u>45,704,398</u>	<u>79,875,062</u>
53,273	161,636
	1,338,464
41,318	116,393
	579,312
	5,185
	<u>2,700,450</u>
<u>94,591</u>	<u>4,901,440</u>
61,848	147,491
	1,456,491
	<u>6,253,475</u>
<u>156,439</u>	<u>12,758,897</u>
42,710,353	45,087,083
<u>2,837,606</u>	<u>22,029,082</u>
<u>\$45,547,959</u>	<u>\$67,116,165</u>

CITY OF CONCORD
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	Workers' Compensation	Risk Management/ Liability	Post-Retirement Healthcare Benefit	Fleet Maintenance/ Replacement	Information Technology Replacement
OPERATING REVENUES					
Charges for Services	\$2,836,188	\$1,032,631	\$1,592,667	\$2,619,471	\$5,216,733
Claims Settlement		750,000			
Other			68,482	44,187	
Total Operating Revenues	<u>2,836,188</u>	<u>1,782,631</u>	<u>1,661,149</u>	<u>2,663,658</u>	<u>5,216,733</u>
OPERATING EXPENSES					
Operations and Maintenance	92,830		62,558	1,816,768	4,250,103
Cost of Sales and Services			2,391,499		
Depreciation				478,772	1,080,539
Retirement and Other Benefits			1,500,000		
Claims and Judgments	<u>2,274,925</u>	<u>2,468,309</u>			
Total Operating Expenses	<u>2,367,755</u>	<u>2,468,309</u>	<u>3,954,057</u>	<u>2,295,540</u>	<u>5,330,642</u>
Operating Income (Loss)	<u>468,433</u>	<u>(685,678)</u>	<u>(2,292,908)</u>	<u>368,118</u>	<u>(113,909)</u>
NON-OPERATING REVENUE (EXPENSES)					
Interest Income	88,747	(7,417)	3,609	67,030	88,660
Interest Expense					(24,548)
Gain (Loss) from Sale of Capital Assets				28,447	42,064
Total Non-Operating Revenue	<u>88,747</u>	<u>(7,417)</u>	<u>3,609</u>	<u>95,477</u>	<u>106,176</u>
Income (Loss) Before Contributions	557,180	(693,095)	(2,289,299)	463,595	(7,733)
Contributions				15,841	53,792
Transfers In		100,000			581,122
Transfers Out	<u>(100,000)</u>	<u>(418,789)</u>			
Change in Net Assets	457,180	(1,011,884)	(2,289,299)	479,436	627,181
Net Assets Beginning	<u>295,909</u>	<u>1,266,624</u>	<u>9,729,374</u>	<u>3,896,655</u>	<u>8,117,030</u>
Net Assets Ending	<u>\$753,089</u>	<u>\$254,740</u>	<u>\$7,440,075</u>	<u>\$4,376,091</u>	<u>\$8,744,211</u>

<u>Building Maintenance</u>	<u>Total</u>
\$3,104,010	\$16,401,700
	750,000
	112,669
<u>3,104,010</u>	<u>17,264,369</u>
2,647,235	8,869,494
	2,391,499
2,143,352	3,702,663
	1,500,000
	4,743,234
<u>4,790,587</u>	<u>21,206,890</u>
<u>(1,686,577)</u>	<u>(3,942,521)</u>
41,748	282,377
	(24,548)
<u>(575,096)</u>	<u>(504,585)</u>
<u>(533,348)</u>	<u>(246,756)</u>
(2,219,925)	(4,189,277)
	69,633
5,074	686,196
<u>(11,284)</u>	<u>(530,073)</u>
(2,226,135)	(3,963,521)
<u>47,774,094</u>	<u>71,079,686</u>
<u>\$45,547,959</u>	<u>\$67,116,165</u>

CITY OF CONCORD
INTERNAL SERVICE FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

	Workers' Compensation	Risk Management/ Liability	Post-Retirement Healthcare Benefit	Fleet Maintenance/ Replacement	Information Technology Replacement
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers	\$2,840,570	\$1,851,588	\$1,661,149	\$2,671,196	\$5,216,733
Payments to Suppliers			(3,207,672)	(1,239,123)	(2,630,982)
Payments to Employees	(82,539)		(1,500,000)	(560,989)	(1,630,625)
Claims Paid	(2,282,423)	(2,443,671)			
Net Cash Provided by (Used for) Operating Activities	475,608	(592,083)	(3,046,523)	871,084	955,126
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Borrowings of Advances From/To Other Funds			1,338,464		
Transfer In/ (Out)		100,000			581,122
Transfer In/ (Out)	(100,000)	(418,789)			
Cash Flows from Non-Capital Financing Activities	(100,000)	(318,789)	1,338,464		581,122
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and Construction of Capital Assets				(310,921)	(2,635,497)
Proceeds From the Issuance of Debt					2,351,261
Principal Paid on Debt, Bond Maturities					(827,996)
Interest and Fiscal Charges Paid					(20,837)
Cash Flows from Capital and Related Financing Activities				(310,921)	(1,133,069)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Received	88,747	(7,417)	3,525	67,030	91,664
Cash Flows from Investing Activities	88,747	(7,417)	3,525	67,030	91,664
Net Increase (Decrease) in Cash and Cash Equivalents	464,355	(918,289)	(1,704,534)	627,193	494,843
Cash and Investments at Beginning of Period	5,542,489	2,873,954	1,884,933	2,951,007	6,756,704
Cash and Investments at End of Period	\$6,006,844	\$1,955,665	\$180,399	\$3,578,200	\$7,251,547
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Operating Income (Loss)	\$468,433	(\$685,678)	(\$2,292,908)	\$368,118	(\$113,909)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation				478,772	1,080,539
Change in Assets and Liabilities:					
Receivables, Net	4,382	68,957		7,538	
Prepaid Expenses					(102,144)
Net OPEB Asset			(753,615)		
Accounts Payable				(937)	
Accrued Liabilities	2,793			17,593	90,640
Self Insurance Claims Payable		24,638			
Net Cash Provided by (Used for) Operating Activities	\$475,608	(\$592,083)	(\$3,046,523)	\$871,084	\$955,126
Non-cash Contributions and Transfers of Fixed Assets, Net				\$15,841	\$53,792

<u>Building Maintenance</u>	<u>Total</u>
\$3,104,473	\$17,345,709
(1,314,329)	(8,392,106)
(1,265,029)	(5,039,182)
	(4,726,094)
<u>525,115</u>	<u>(811,673)</u>
	1,338,464
5,074	686,196
<u>(11,284)</u>	<u>(530,073)</u>
<u>(6,210)</u>	<u>1,494,587</u>
(265,190)	(3,211,608)
	2,351,261
	(827,996)
	(20,837)
<u>(265,190)</u>	<u>(1,709,180)</u>
<u>43,302</u>	<u>286,851</u>
<u>43,302</u>	<u>286,851</u>
297,017	(739,415)
<u>2,695,340</u>	<u>22,704,427</u>
<u>\$2,992,357</u>	<u>\$21,965,012</u>
(\$1,686,577)	(\$3,942,521)
2,143,352	3,702,663
463	81,340
	(102,144)
	(753,615)
(1,572)	(2,509)
69,449	180,475
	24,638
<u>\$525,115</u>	<u>(\$811,673)</u>
<u></u>	<u>\$69,633</u>

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STATISTICAL TABLES AND OTHER SCHEDULES (UNAUDITED)

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

Financial Trends

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

- Net Assets by Component
- Changes in Net Assets
- Fund Balance of Governmental Funds
- Changes in Fund Balance of Governmental Funds

Revenue Capacity

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

- Assessed and Estimated Actual Value of Taxable Property
- Property Tax Rates, All Overlapping Governments
- Principal Property Taxpayers
- Property Tax Levies and Collections

Debt Capacity

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

- Ratio of Outstanding Debt by Debt
- Computation of Direct and Overlapping Debt
- Computation of Legal Bonded Debt Margin
- Sewer Revenue Bonds Coverage
- Bond Debt Pledged Revenue Coverage - Tax Allocation Bonds

Demographic and Economic Information

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

- Demographic and Economic Statistics
- Principal Employers

Operating Information

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

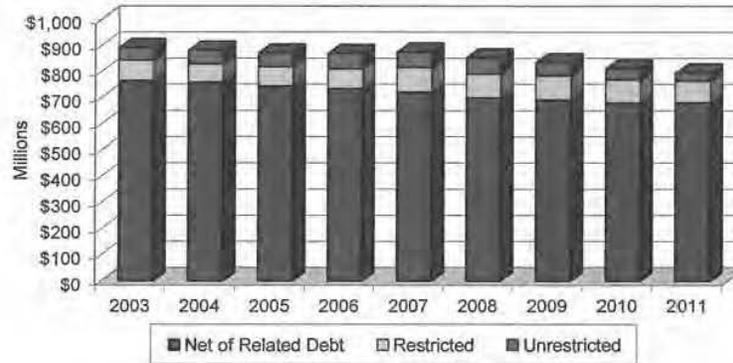
- Full-Time Equivalent (FTE) City Government Employees by Function
- Operating Indicators by Function/Program
- Capital Asset Statistics by Function/Program

Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in 2002; Schedules presenting government-wide information include information beginning in that year.

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Table 1: Net Assets by Component
Last Nine Fiscal Years (Accrual Basis of Accounting)



	Fiscal Year Ended June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities									
Invested in Capital Assets,									
Net of Related Debt	\$679,488,292	\$677,663,295	\$664,630,378	\$656,737,995	\$649,269,154	\$630,495,335	\$622,560,100	\$618,923,952	\$622,638,976
Restricted	78,093,485	69,730,092	73,086,978	75,036,355	93,999,338	89,429,887	88,890,688	86,518,109	81,638,944
Unrestricted	35,920,211	37,373,061	39,968,088	44,689,818	42,186,355	48,764,823	38,436,086	23,522,920	11,585,429
Total Governmental Activities Net Assets	\$793,501,988	\$784,766,448	\$777,685,444	\$776,464,168	\$785,454,847	\$768,690,045	\$749,886,874	\$728,964,981	\$715,863,349
Business-Type Activities									
Invested in Capital Assets,									
Net of Related Debt	\$86,301,125	\$81,904,364	\$79,789,175	\$77,720,525	\$72,124,314	\$70,374,727	\$71,320,355	\$62,496,479	\$59,412,890
Restricted									
Unrestricted	11,600,088	14,317,386	13,760,715	15,757,201	17,775,509	14,119,883	13,520,168	20,444,000	20,431,764
Total Business-Type Activities Net Assets	\$97,901,213	\$96,221,750	\$93,549,890	\$93,477,726	\$89,899,823	\$84,494,610	\$84,840,523	\$82,940,479	\$79,844,654
Primary Government									
Invested in Capital Assets,									
Net of Related Debt	\$765,789,417	\$759,567,659	\$744,419,553	\$734,458,520	\$721,393,468	\$700,870,062	\$693,880,456	\$681,420,431	\$682,051,866
Restricted	78,093,485	69,730,092	73,086,978	75,036,355	93,999,338	89,429,887	88,890,688	86,518,109	81,638,944
Unrestricted	47,520,299	51,690,447	53,728,803	60,447,019	59,961,864	62,884,706	51,956,248	43,966,920	32,017,193
Total Primary Government Net Assets	\$891,403,201	\$880,988,198	\$871,235,334	\$869,941,894	\$875,354,670	\$853,184,655	\$834,727,392	\$811,905,460	\$795,708,003

Table 2: Changes in Net Assets
Last Nine Fiscal Years (Accrual Basis of Accounting)

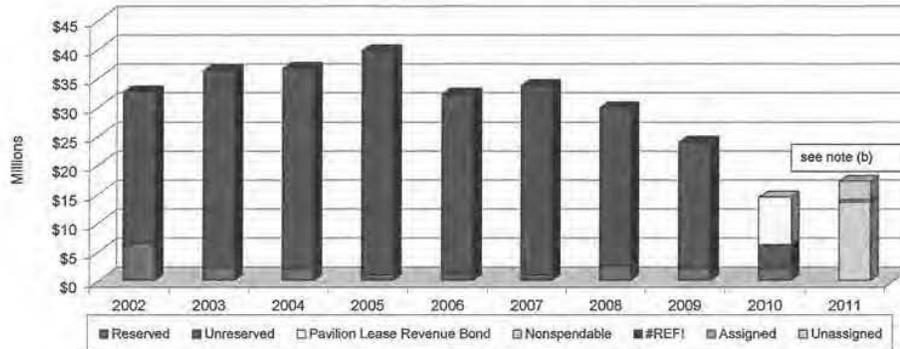
	Fiscal Year Ended June 30,				
	2003	2004	2005	2006	2007
Expenses					
Governmental Activities:					
General Government	\$10,820,036	\$11,500,179	\$9,622,634	\$11,142,712	\$13,090,236
Public Safety	30,129,478	32,490,241	36,466,365	37,585,077	39,002,036
Public Works & Engineering	28,573,939	29,048,534	34,904,128	34,976,572	35,491,488
Community Development	3,884,615	5,710,011	5,087,871	4,836,179	5,065,830
Building, Engineering & Neighborhood Services	5,281,208	5,563,100	5,690,780	7,239,616	9,313,264
Community & Recreation Services	13,473,690	14,439,500	8,771,302	7,820,034	8,230,319
Interest on Long Term Debt	7,700,863	5,214,110	6,340,280	5,919,742	5,700,631
Total Governmental Activities Expenses	99,863,820	103,965,675	104,883,340	109,519,932	115,893,804
Business-Type Activities:					
Sewer	15,756,172	16,536,922	17,880,681	16,850,426	20,803,448
Golf Course	1,856,460	1,831,742	1,774,805	1,635,059	1,769,623
Total Business-Type Activities Expenses	17,612,632	18,368,664	19,655,486	20,485,485	22,573,071
Total Primary Government Expenses	\$117,476,460	\$122,334,339	\$124,538,826	\$130,005,427	\$138,466,875
Program Revenues					
Governmental Activities:					
Charges for Services:					
General Government	\$499,199	\$151,645	\$237,121	\$1,025,936	\$883,778
Public Safety	1,620,643	1,612,896	1,484,683	1,371,870	1,642,445
Public Works & Engineering	3,467,007	3,669,880	6,712,375	4,814,755	4,964,185
Community Development	323,332	1,628,316	1,567,764	4,903,145	4,492,293
Building, Engineering & Neighborhood Services	2,787,941	2,427,260	2,703,914	2,957,954	2,694,636
Community & Recreation Services	2,992,000	2,999,927	3,390,454	2,706,210	3,015,576
Operating Grants and Contributions	7,255,523	7,311,503	6,456,722	6,825,581	8,100,031
Capital Grants and Contributions	6,417,819	9,659,289	4,392,944	14,452,119	7,755,904
Total Governmental Activities Program Revenues	25,363,464	29,460,716	26,947,977	39,057,572	33,549,048
Business-Type Activities:					
Charges for Services:					
Sewer Wastewater	14,130,952	14,518,522	14,735,514	17,130,440	15,968,289
Golf Course	1,863,948	1,814,642	1,672,696	1,556,405	1,602,581
Capital Grants and Contributions		311,643		689,253	233,662
Total Business-Type Activities Program Revenue	15,994,900	16,645,007	16,408,210	19,376,098	17,804,532
Total Primary Government Program Revenues	\$41,358,364	\$46,105,723	\$43,356,187	\$58,433,670	\$51,353,580
Net (Expense)/Revenue					
Governmental Activities	(\$74,500,364)	(\$74,504,959)	(\$77,935,363)	(\$70,462,360)	(\$82,344,756)
Business-Type Activities	(1,617,732)	(1,723,657)	(3,247,276)	(1,109,397)	(4,768,539)
Total Primary Government Net Expense	(\$76,118,096)	(\$76,228,616)	(\$81,182,639)	(\$71,571,757)	(\$87,113,295)
General Revenues and Other Changes in Net Assets					
Governmental Activities:					
Taxes:					
Property Taxes	\$21,865,693	\$22,436,555	\$21,710,942	\$23,202,025	\$26,151,765
Sales Taxes	27,564,127	27,817,974	28,313,462	27,219,549	28,574,582
Motor Vehicle In-Lieu	7,177,764	5,689,008	9,466,201	9,064,920	9,266,868
Transient Occupancy Taxes	1,630,746	1,628,836	1,629,388	1,836,002	2,057,241
Business License Taxes	2,836,339	2,815,574	3,153,959	3,107,600	3,218,553
Other Taxes	2,950,503	3,256,347	3,368,778	3,347,905	3,853,558
Grants & Contributions Not Restricted to Specific Programs					
Investment Earnings	3,830,034	2,160,336	3,147,879	2,962,518	4,218,014
Miscellaneous Revenues	86,938	55,193	74,071	59,733	
Transfers	(5,203)	9,596	(40,321)		
Gain (Loss) on Sale of Land	819,435			(1,559,168)	11,994,854
Total Governmental Activities	69,756,376	65,769,419	70,854,359	69,241,084	91,335,435
Business-Type Activities:					
Investment Earnings	445,058	53,790	535,095	1,037,233	1,190,636
Miscellaneous Revenues					
Transfers	5,203	(9,596)	40,321		
Total Business-Type Activities	450,261	44,194	575,416	1,037,233	1,190,636
Total Primary Government	\$69,206,637	\$65,813,613	\$71,429,775	\$70,278,317	\$92,526,071
Change in Net Assets					
Governmental Activities	(\$5,741,986)	(\$8,735,540)	(\$7,081,004)	(\$1,221,276)	\$8,990,679
Business-Type Activities	(1,167,471)	(1,679,463)	(2,671,860)	(72,164)	(3,577,903)
Total Primary Government	(\$6,909,457)	(\$10,415,003)	(\$9,752,864)	(\$1,293,440)	\$5,412,776

Note:

(a) In Fiscal Year 2010, Building, Engineering & Neighborhood Services was reorganized into Public Works & Engineering Department, and Planning & Economic Department was reorganized into Community Development Department.

Fiscal Year Ended June 30,			
2008	2009	2010 (a)	2011
\$13,275,497	\$12,738,632	\$12,443,084	\$11,349,674
42,367,364	45,291,048	43,000,455	43,122,959
36,554,748	36,454,843	32,833,186	37,629,109
6,530,424	10,579,123	20,627,408	15,777,443
12,291,176	6,571,713		
9,484,383	9,463,315	9,810,082	7,207,017
5,521,049	5,213,438	5,266,740	3,936,497
126,024,641	126,312,112	123,980,955	119,022,699
24,868,475	18,688,255	21,303,268	21,695,293
1,601,983	1,679,995	1,323,074	1,305,929
26,470,458	20,368,250	22,626,342	23,001,222
\$152,495,099	\$146,680,362	\$146,607,297	\$142,023,921
\$782,744	\$986,501	\$594,633	\$911,046
1,499,727	1,672,348	1,805,170	1,589,312
2,575,986	5,847,684	8,425,897	8,491,639
3,281,902	2,390,462	2,917,141	6,786,730
777,091	3,363,813		
3,287,962	3,492,087	3,332,979	3,068,375
6,188,496	4,715,761	5,519,453	6,071,139
8,768,985	10,512,437	10,573,237	8,570,019
27,162,893	32,961,093	33,168,510	35,488,260
17,915,613	18,296,077	18,423,702	18,238,338
1,535,148	1,422,154	1,326,167	1,250,804
79,419	117,915		
19,530,180	19,836,146	19,749,869	19,489,142
\$46,693,073	\$52,797,239	\$52,918,379	\$54,977,402
(\$98,861,746)	(\$63,351,019)	(\$90,812,445)	(\$63,534,439)
(6,940,278)	(532,104)	(2,876,473)	(3,512,080)
(\$105,802,026)	(\$63,883,123)	(\$93,688,918)	(\$67,046,519)
\$30,269,864	\$29,034,866	\$27,916,258	\$27,138,018
27,325,370	24,253,987	23,370,649	24,585,811
9,759,831	9,625,635	8,797,365	8,843,361
2,193,085	1,710,768	1,427,813	1,391,107
3,157,176	3,262,762	3,324,011	3,347,429
3,991,357	4,128,526	4,097,706	4,438,806
5,346,348	2,300,008	842,470	635,145
53,915	247,697	114,280	33,834
	(16,401)		19,296
82,096,946	74,547,848	69,890,552	70,432,807
1,485,065	809,161	913,934	397,390
50,000	52,450	62,500	38,161
	16,401		(19,296)
1,535,065	878,012	976,434	416,255
\$83,632,011	\$75,425,860	\$70,866,986	\$70,849,062
(\$16,764,802)	(\$18,803,171)	(\$20,921,893)	(\$13,101,632)
(5,405,213)	345,908	(1,900,039)	(3,095,625)
(\$22,170,015)	(\$18,457,263)	(\$22,821,932)	(\$16,197,451)

**Table 3: Fund Balance of Governmental Funds
Last Ten Fiscal Years (Modified Accrual Basis of Accounting)**



	Fiscal Year Ended June 30,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Reserved	\$6,462,821	\$2,202,408	\$1,864,192	\$947,419	\$1,032,824	\$665,652	\$2,410,669	\$1,995,403	\$1,856,472	
Unreserved	25,989,185	33,917,725	34,649,045	38,634,501	31,015,852	32,675,265	27,326,524	21,806,296	4,242,381	
Nonspendable										\$15,466,839 (c)
Assigned										443,832 (c)
Unassigned										3,129,741 (c)
Total General Fund	\$32,452,006	\$36,120,133	\$36,513,237	\$39,581,920	\$32,048,676	\$33,540,917	\$29,737,393	\$23,801,699	\$6,098,853	\$17,040,411 (a)
All Other Governmental Funds										
Reserved	\$50,368,878	\$51,894,833	\$43,743,972	\$42,067,866	\$38,193,568	\$43,184,063	\$39,242,159	\$47,495,499	\$50,688,540	
Unreserved	25,139,797	19,814,981	19,254,338	24,195,977	28,085,810	39,569,440	37,211,245	28,301,328	22,487,277	
Nonspendable										3,099 (c)
Restricted										69,005,742 (c)
Assigned										1,546,816 (c)
Unassigned										(166,778) (c)
Total All Other Governmental Funds	\$75,508,675	\$71,709,814	\$62,998,310	\$66,283,843	\$66,279,378	\$82,753,503	\$76,453,404	\$75,796,827	\$73,155,817	\$70,388,879

Notes:

- (a) The change in total fund balance for the General Fund and Other Governmental Funds is explained in Management's Discussion and Analysis.
- (b) The fund balance attributable to the interfund payable created by the purchase and retirement of \$8.24 million of Lease Revenue Bonds for the Pavilion has been included above for reporting purposes. It does not affect General Fund assets available for operations.
- (c) Fund balances are classified in accordance with GASB 54 effective in 2011.

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**Table 4: Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years (Modified Accrual Basis of Accounting)**

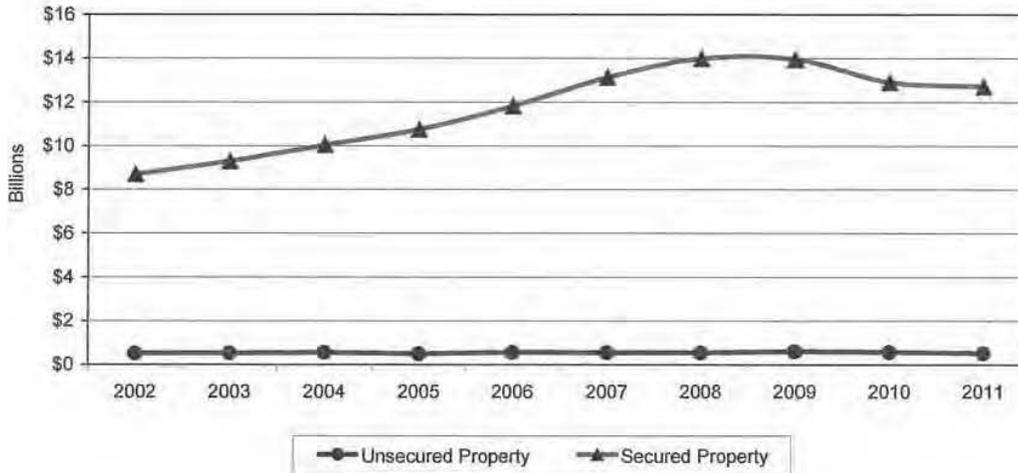
	Fiscal Year Ended June 30,				
	2002	2003	2004	2005(a)	2006(a)
Revenues					
Taxes	\$57,826,527	\$60,693,494	\$61,735,974	\$62,108,412	\$70,913,489
Licenses and Permits	3,468,079	2,539,529	3,291,112	3,138,724	4,877,758
Intergovernmental	13,965,410	16,115,511	16,209,022	18,659,169	10,647,688
Charges for Services	6,234,680	5,502,226	6,088,123	6,399,020	7,130,622
Fines, Forfeitures and Penalties	719,477	645,723	738,476	717,015	897,435
Parks and Recreation	2,079,835	2,143,019	2,117,718	2,420,106	2,585,962
Use of Money and Property	7,303,139	5,457,259	3,749,005	4,740,989	5,371,381
Special Assessment Collections	648,564	628,420	587,663	99,623	75,021
Other	545,261	687,006	855,196	758,718	713,853
Total Revenues	92,790,972	94,412,187	95,372,289	99,041,776	103,213,209
Expenditures					
Current:					
General Government	10,062,672	10,935,855	11,719,382	9,422,828	11,056,922
Public Safety	26,920,521	28,889,785	30,197,506	35,687,725	37,384,952
Public Works & Engineering	10,347,913	9,327,836	9,400,460	15,292,558	14,830,313
Building, Engineering & Neighborhood Serv	4,871,229	5,349,636	5,441,037	5,716,968	5,009,679
Community Development	5,129,842	3,740,770	7,081,755	4,749,351	7,357,162
Community & Recreation Services	10,065,069	12,196,418	12,936,943	6,682,215	7,428,161
Non-Departmental					
Capital Outlay	18,496,739	14,917,505	8,515,838	6,555,700	5,602,918
Debt Service:					
Principal Repayment	4,818,000	5,117,000	5,293,000	4,554,000	4,655,000
Interest and Fiscal Charges	6,905,805	6,837,478	8,356,499	3,950,417	5,326,328
Refund to Property Owners		156,691	55,955	41,453	326,836
Total Expenditures	97,617,790	97,468,974	98,998,375	92,653,215	98,978,271
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,826,818)	(3,056,787)	(3,626,086)	6,388,561	4,234,938
Other Financing Sources (Uses)					
Transfers In	2,787,097	7,244,083	2,014,711	5,461,790	4,204,776
Transfers (Out)	(6,757,401)	(5,204,465)	(1,952,059)	(5,526,805)	(14,418,255)
Refunding Bonds Issued			72,310,000		
Proceeds from Debt Issuance			1,569,330	30,670	
Proceeds from Sale of Property		886,435			
Bond Issuance Premium			407,090		
Payments to Refunded Bond Escrow			(79,041,386)		
Total Other Financing Sources (Uses)	(3,970,304)	2,926,053	(4,692,314)	(34,345)	(10,213,479)
Special Item					
Loss on Sale of Property					(1,559,168)
Total Special Item					(1,559,168)
Net Change in Fund Balances	(\$8,797,122)	(\$130,734)	(\$8,318,400)	\$6,354,216	(\$7,537,709)
Debt Service as a Percentage of Non-Capital Expenditures					
	14.8%	14.5%	15.1%	9.9%	10.7%

Note:

(a) The City underwent reorganization during 2005, 2006 and 2010.

	Fiscal Year Ended June 30,				
	2007	2008	2009	2010 (a)	2011
Revenues					
Taxes	\$78,285,780	\$78,204,323	\$75,189,694	\$72,007,902	\$72,687,375
Licenses and Permits	3,073,607	1,599,886	3,552,003	1,964,480	1,228,356
Intergovernmental	10,335,065	8,265,305	12,366,551	15,089,721	19,640,532
Charges for Services	7,182,525	6,343,372	7,289,449	6,632,428	6,805,602
Fines, Forfeitures and Penalties	989,426	1,055,807	1,108,677	1,021,931	946,447
Parks and Recreation	2,678,282	3,006,184	2,869,639	2,895,408	2,692,712
Use of Money and Property	5,943,217	5,968,313	4,102,165	1,908,565	1,600,983
Special Assessment Collections	72,524	65,610	67,052	65,201	1,851
Other	701,526	613,023	786,340	805,294	1,014,470
Total Revenues	109,261,952	105,121,823	107,331,570	102,390,930	106,618,328
Expenditures					
Current:					
General Government	12,633,576	12,678,872	11,984,808	11,997,158	10,528,138
Public Safety	38,587,496	40,285,037	42,843,522	41,359,307	40,415,163
Public Works & Engineering	15,508,044	17,060,398	15,956,198	15,237,733	20,508,901
Building, Engineering & Neighborhood Serv	5,028,829	6,408,585	6,298,643		
Community Development	10,046,844	11,385,205	8,142,528	18,282,245	15,627,709
Community & Recreation Services	7,828,837	8,745,778	8,806,329	8,721,242	7,364,390
Non-Departmental					
Capital Outlay	5,947,842	7,822,286	11,589,152	7,997,002	2,550,625
Debt Service:					
Principal Repayment	4,586,000	4,852,000	5,024,000	16,878,000	5,745,000
Interest and Fiscal Charges	5,133,210	4,952,854	4,860,812	5,226,724	3,700,057
Refund to Property Owners		34,431			248,938
Total Expenditures	105,300,678	114,225,446	115,505,992	125,699,411	106,688,921
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,961,274	(9,103,623)	(8,174,422)	(23,308,481)	(70,593)
Other Financing Sources (Uses)					
Transfers In	2,608,732	3,733,972	5,557,868	16,335,469	16,347,402
Transfers (Out)	(6,248,494)	(4,733,972)	(4,071,296)	(18,444,344)	(16,484,229)
Refunding Bonds Issued					
Proceeds from Debt Issuance	350,000		95,579	5,073,500	8,384,040
Proceeds from Sale of Property	17,294,854				
Bond Issuance Premium					
Payments to Refunded Bond Escrow					
Total Other Financing Sources (Uses)	14,005,092	(1,000,000)	1,582,151	2,964,625	8,247,213
Special Item					
Loss on Sale of Property					
Total Special Item					
Net Change in Fund Balances	\$17,966,366	(\$10,103,623)	(\$6,592,271)	(\$20,343,856)	\$8,176,620
Debt Service as a Percentage of Non-Capital Expenditures	9.8%	9.2%	9.3%	18.8%	9.6%

Table 5: Assessed and Estimated Actual Value of Taxable Property Last Ten Fiscal Years



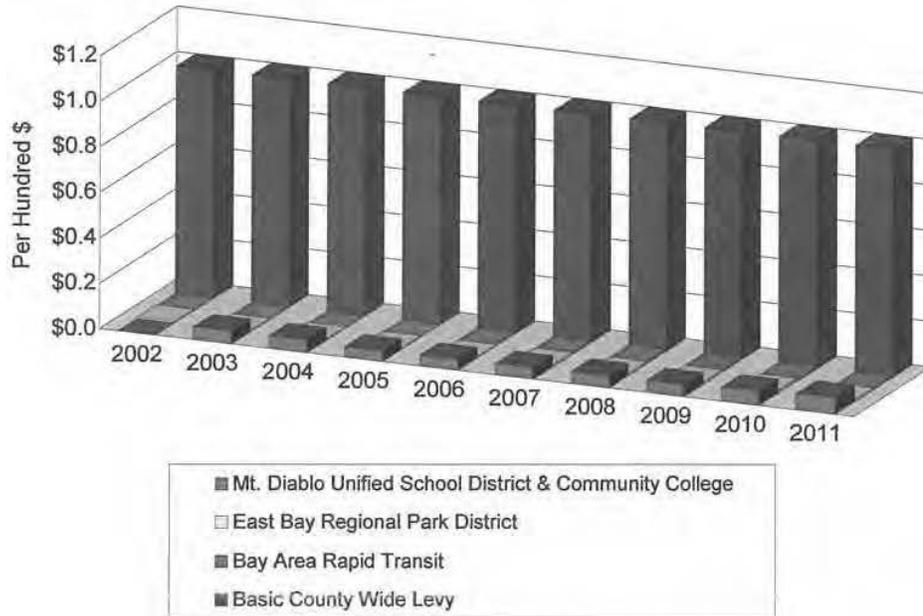
Fiscal Year	City Property	Redevelopment Agency Property	Total Real Secured Property	Unsecured Property	Total Assessed (a)	Estimated Full Market (a)	Total Direct Tax Rate (b)
2002	\$7,142,630,996	\$1,035,491,209	\$8,178,122,205	\$520,828,043	\$8,698,950,248	\$8,698,950,248	1%
2003	7,671,737,081	1,094,128,597	8,765,865,678	537,720,228	9,303,585,906	9,303,585,906	1%
2004	8,341,081,601	1,144,591,474	9,485,673,075	560,749,296	10,046,422,371	10,046,422,371	1%
2005	9,069,533,622	1,180,661,137	10,250,194,759	508,157,337	10,758,352,096	10,758,352,096	1%
2006	10,026,955,409	1,222,314,892	11,249,270,301	576,005,523	11,825,275,824	11,825,275,824	1%
2007	11,205,538,297	1,365,259,358	12,570,797,655	567,282,828	13,138,080,483	13,138,080,483	1%
2008	11,966,162,328	1,479,908,386	13,446,070,714	556,719,852	14,002,790,566	14,002,790,566	1%
2009	11,759,802,414	1,589,385,967	13,349,188,381	615,317,575	13,964,505,956	13,964,505,956	1%
2010	10,676,324,483	1,654,064,090	12,330,388,573	580,130,554	12,910,519,127	12,910,519,127	1%
2011	10,609,494,213	1,579,978,885	12,189,473,098	524,036,274	12,713,509,372	12,713,509,372	1%

Notes:

- (a) The State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of no more than two percent annually, plus any local over-rides. These values are considered to be full market values.
- (b) California cities do not set their own direct tax rate. The State Constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area. The City of Concord encompasses more than 15 tax rate areas.

Source: Contra Costa County Auditor-Controller's Office, Certificate of Assessed Valuations

Table 6: Property Tax Rates, All Overlapping Governments Last Ten Fiscal Years



<u>Fiscal Year</u>	<u>Basic County Wide Levy</u>	<u>Bay Area Rapid Transit</u>	<u>East Bay Regional Park District</u>	<u>Mt. Diablo Unified School District & Community College</u>	<u>Total</u>
2002	1.0000		0.0065		1.0065
2003	1.0000		0.0057	0.0563	1.0620
2004	1.0000		0.0057	0.0563	1.0620
2005	1.0000		0.0057	0.0453	1.0510
2006	1.0000	0.0048	0.0057	0.0465	1.0570
2007	1.0000	0.0050	0.0085	0.0489	1.0624
2008	1.0000	0.0076	0.0080	0.0532	1.0688
2009	1.0000	0.0090	0.0100	0.0521	1.0711
2010	1.0000	0.0057	0.0108	0.0619	1.0784
2011	1.0000	0.0031	0.0084	0.0733	1.0848

Note: The above ratios are expressed as dollars assessed per \$100 of assessed valuations.

Source: Contra Costa County Auditor-Controller's Office

Table 7: Principal Property Taxpayers
Current Year and Nine Years Ago

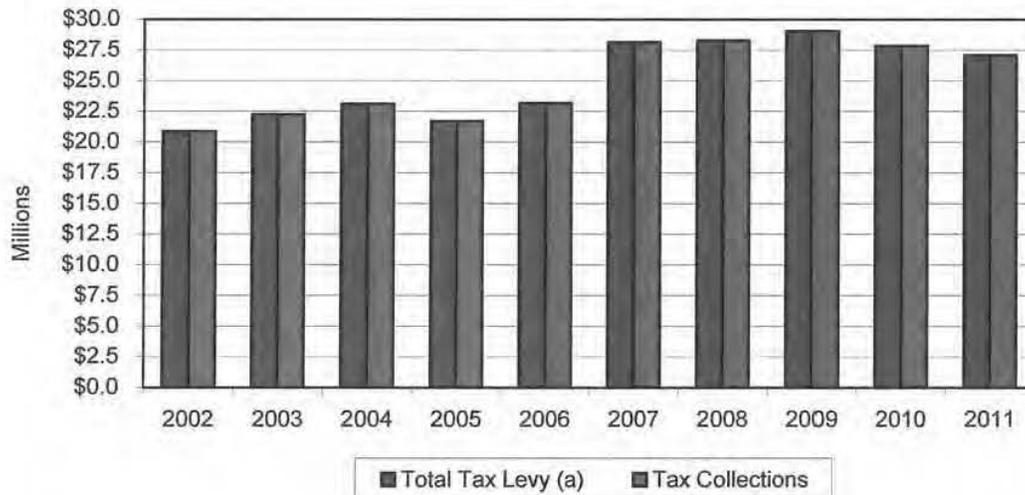
	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2010-11 Assessed Value</u>	<u>2010-11 Projected Revenue (a)</u>
1.	Bank of America*	Office Building	\$178,036,451	\$1,780,365
2.	Taubman Land Associates LLC	Regional Mall	161,456,531	1,614,565
3.	Chevron USA*	Office Building	122,625,457	1,226,255
4.	Sierra Pacific Properties, Inc.*	Office Building	101,099,302	1,010,993
5.	Transwestern Concord Corp. Center	Office Building	100,740,675	1,007,407
6.	Rreef America REIT II Corp.	Office Building	98,889,937	988,899
7.	Seecon Financial & Construction Co.	Office Building	81,269,752	812,698
8.	Concord Airport Plaza Associates*	Office Building	66,697,646	666,976
9.	Clayton Valley Shopping Center	Shopping Center	63,016,952	630,170
10.	EQR & Legacy Partners LLC	Apartments	52,214,258	522,143
	Total		<u>\$1,026,046,961</u>	<u>\$10,260,470</u>

Notes:

(a) Projected Revenue is calculated using 1% Basic County Wide Levy Rate.

* In the Top 10 for 2001-2002.

Source: California Municipal Statistics, Inc.

**Table 8: Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year	Total Tax Levy (a)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2002	\$20,874,360	\$20,874,360	100.0000%		\$20,874,360	100.0000%
2003	22,268,670	22,268,670	100.0000%		22,268,670	100.0000%
2004	23,117,284	23,117,284	100.0000%		23,117,284	100.0000%
2005	21,710,945	21,710,945 (b)	100.0000%		21,710,945	100.0000%
2006	23,202,024	23,202,024 (b)	100.0000%		23,202,024	100.0000%
2007	28,151,765	28,151,765 (b)	100.0000%		28,151,765	100.0000%
2008	28,304,789	28,304,789 (b)	100.0000%		28,304,789	100.0000%
2009	29,074,531	29,074,531 (b)	100.0000%		29,074,531	100.0000%
2010	27,872,031	27,872,031 (b)	100.0000%		27,872,031	100.0000%
2011	27,093,100	27,093,100 (b)	100.0000%		27,093,100	100.0000%

Notes:

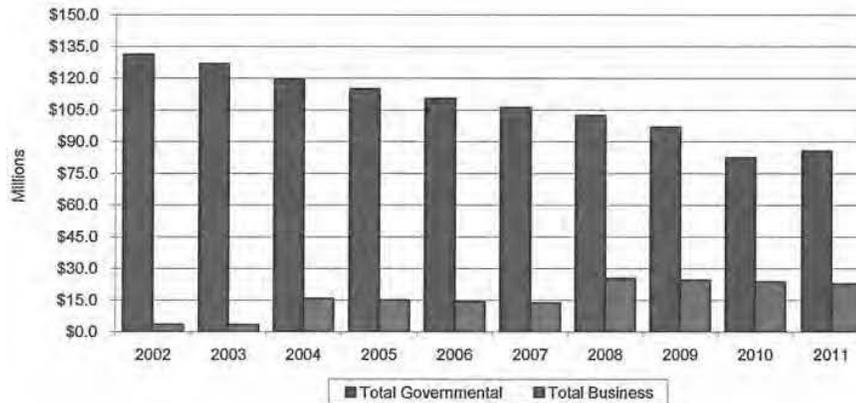
Current tax collections beginning in 1993 have been reduced by a mandatory tax reallocation imposed by the State of California.

(a) During fiscal year 1995, the County began providing the City 100% of its tax levy under an agreement which allows the County to keep all interest and delinquency charges collected.

(b) Tax collections in fiscal year 2005 to 2011 are net of pass-thru payment and Educational Revenue Augmentation Fund withholding.

Source: City of Concord Finance Department

**Table 9: Ratio of Outstanding Debt by Type
Last Ten Fiscal Years (Dollars in Millions)**



Fiscal Year	Governmental Activities									Total
	Revenue Bonds	Tax Allocation Bonds	Certificates of Participation	Judgment Obligation Bonds	Refunding Lease Agreement	Special Assessment Debt	Notes Payable	Capital Lease	Lease Purchase Agreement	
2002	\$34.7	\$89.6	\$0.7	\$4.2		\$2.0				\$131.2
2003	33.7	87.1	0.7	3.9		1.4				126.8
2004	32.7	80.0	0.6	3.7		0.9	\$1.6			119.5
2005	31.6	77.4	0.6	3.4		0.5	1.6			115.1
2006	30.4	74.3	0.5	3.2		0.3	1.7			110.4
2007	29.2	71.2	0.5	2.9		0.3	2.1			106.2
2008	27.9	68.0	0.4	2.5		0.2	2.3	\$1.2		102.5
2009	26.6	64.4	0.3	2.2		0.1	2.4	0.8		96.8
2010	13.3	60.9	0.2		\$5.1	0.1	2.4	0.5		82.5
2011	11.9	57.2	0.1		4.7		1.3	2.0	\$8.4	85.6

Fiscal Year	Business-Type Activities				Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
	Certificates of Participation	Golf Equipment Lease Obligation	Notes Payable	Total			
2002	\$2.5	\$0.2	\$0.9	\$3.6	\$134.8	4.05%	\$1,087.67
2003	2.4	0.1	0.9	3.4	130.2	3.89%	1,044.48
2004	14.9		1.0	15.9	135.4	4.04%	1,084.45
2005	14.4		0.7	15.1	130.2	3.74%	1,043.29
2006	13.9		0.5	14.4	124.8	3.67%	1,002.93
2007	13.5		0.2	13.7	119.9	3.37%	957.64
2008	25.4			25.4	127.9	3.46%	1,033.32
2009	24.6			24.6	121.4	3.29%	974.33
2010	23.8			23.8	106.3	2.89%	844.56
2011	22.9			22.9	108.5	2.89%	884.44

Notes:

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

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

Sources City of Concord Finance Department

State of California, Department of Finance (population)

U.S. Department of Commerce, Bureau of the Census (income)

**Table 10: Computation of Direct and Overlapping Debt
As of June 30, 2011**

2010-11 Assessed Valuation			<u>\$12,179,871,230</u>
Adjusted Assessed Valuation			<u>\$10,597,431,628</u>
	Net Debt	Percentage Applicable to City of	Amount Applicable to City of
Overlapping Tax and Assessment Debt	Outstanding	Concord	Concord
Bay Area Rapid Transit District	\$413,865,000	2.435%	\$10,077,613
Contra Costa Community College District	237,095,000	8.491%	20,131,736
Mt. Diablo Unified School District	319,325,057	40.382%	128,949,845
Mt. Diablo Unified School District Community Facilities District No. 1	56,445,000	40.382%	22,793,620
East Bay Regional Park District	153,990,000	3.774%	5,811,583
Contra Costa County Reassessment District	2,495,000	7.513%	187,449
Total Overlapping Tax and Assessment Debt	<u>\$1,183,215,057</u>		<u>\$187,951,846</u>
Direct and Overlapping General Fund Obligation Debt			
City of Concord General Fund Obligations	13,390,000	100.000%	13,390,000
Contra Costa County General Fund Obligations	319,867,903	8.456%	27,048,030
Contra Costa County Pension Obligations	399,840,000	8.456%	33,810,470
Contra Costa County Fire Protection District Pension Obligations	116,240,000	18.866%	21,929,838
Contra Costa Community College District Certificates of Participation	925,000	8.491%	78,542
Total Gross Direct and Overlapping General Fund Obligation Debt	<u>\$850,262,903</u>		<u>\$96,256,881</u>
Less: Contra Costa County self supporting obligations			<u>10,252,908</u>
Total Net Direct and Overlapping General Fund Obligation Debt			<u>\$86,003,973</u>
Gross Combined Total Debt			<u>\$284,208,726</u>
Net Combined Total Debt			<u>\$273,955,818 (a)</u>
Ratio to 2010-11 Assessed Valuation			
Total Overlapping Tax and Assessment Debt	1.54%		
Ratios to 2010-11 Adjusted Assessed Valuation			
Total Direct Debt	0.13%		
Gross Combined Total Debt	2.68%		
Net Combined Total Debt	2.59%		

Note:

(a) 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.

Table 11: Computation of Legal Bonded Debt Margin
As of June 30, 2011 (Dollars in Thousands)

Assessed Valuation:			
	Secured Property Assessed Value, Net of Exempt Real Property	\$12,713,509	
	Bonded Debt Limit (15% of Assessed Value) (a)		\$1,907,026
Amount of Debt Subject to Limit:			
	Total Bonded Debt	\$0	
	Less Tax Allocation Bonds and Sales Tax Revenue Bonds, Certificate of Participation Not Subject to Limit	0	
	Amount of Debt Subject to Limit		0
	Legal Bonded Debt Margin		\$1,907,026

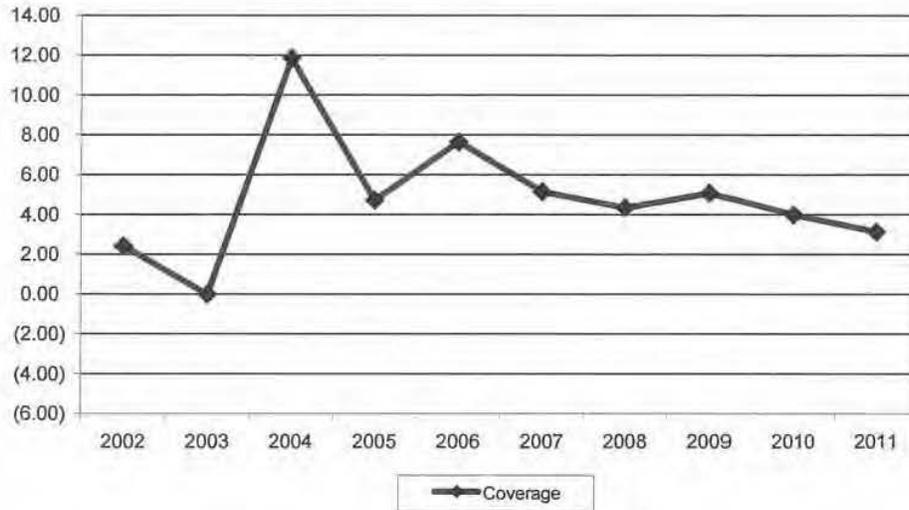
Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to the Limit as a Percentage of Debt Limit
2002	\$1,304,843	0	\$1,304,843	0.00%
2003	1,395,530	0	1,395,530	0.00%
2004	1,506,963	0	1,506,963	0.00%
2005	1,613,753	0	1,613,753	0.00%
2006	1,690,397	0	1,690,397	0.00%
2007	1,887,236	0	1,887,236	0.00%
2008	2,100,419	0	2,100,419	0.00%
2009	2,094,676	0	2,094,676	0.00%
2010	1,936,578	0	1,936,578	0.00%
2011	1,907,026	0	1,907,026	0.00%

Note:

- (a) California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value.

Source: City of Concord Finance Department

**Table 12: Sewer Revenue Bonds Coverage
Last Ten Fiscal Years**

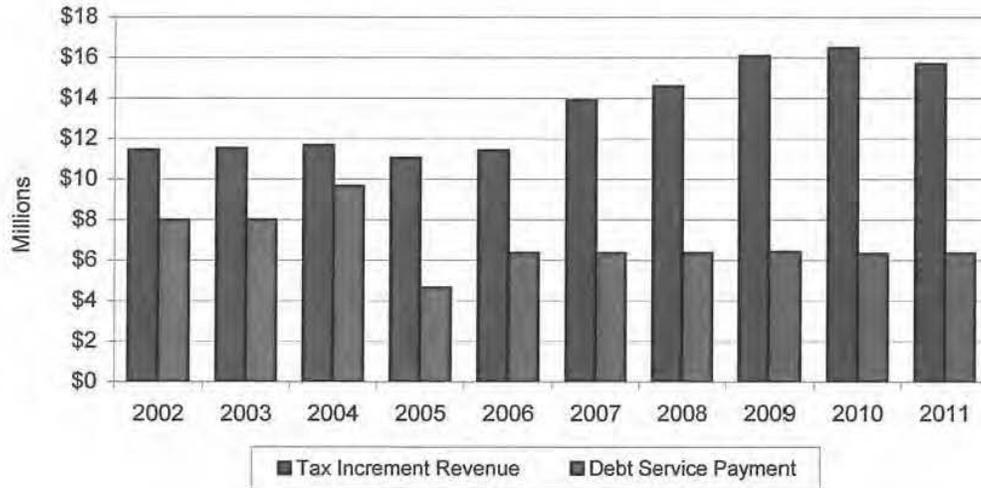


Fiscal Year	Gross Revenue (a)	Operating Expenses (b)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2002	\$12,559,526	\$11,470,818	\$1,088,708	\$450,000	-	\$450,000	2.42
2003	14,581,213	11,719,429	2,861,784	-	-	-	-
2004	14,572,312	12,309,611	2,262,701	-	190,709	190,709	11.86
2005	15,270,609	11,448,079	3,822,530	330,000	479,632	809,632	4.72
2006	18,157,899	11,901,646	6,256,253	345,000	472,193	817,193	7.66
2007	17,104,858	12,843,396	4,261,462	355,000	471,126	826,126	5.16
2008	19,392,829	13,384,062	6,008,767	780,000	600,827	1,380,827	4.35
2009	19,103,188	10,684,653	8,418,535	680,000	979,116	1,659,116	5.07
2010	19,342,835	12,712,533	6,630,302	705,000	956,729	1,661,729	3.99
2011	18,634,919	13,417,715	5,217,204	730,000	932,954	1,662,954	3.14

Notes: (a) Includes all Wastewater Operating Revenues, Non-Operating Interest Revenue, Connection Fees and Other Non-Operating Revenue.
 (b) Includes all Wastewater Operating Expenses less Capital Improvement Expense, Depreciation and Interest.

Source: City of Concord Annual Financial Statements

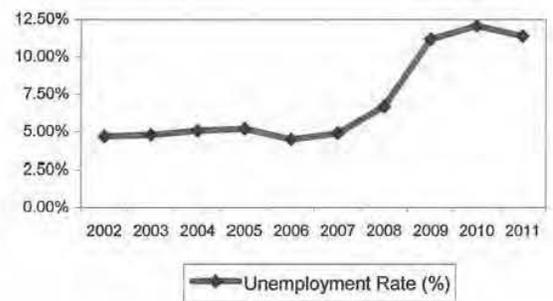
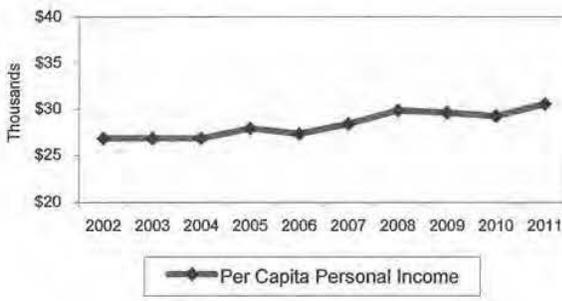
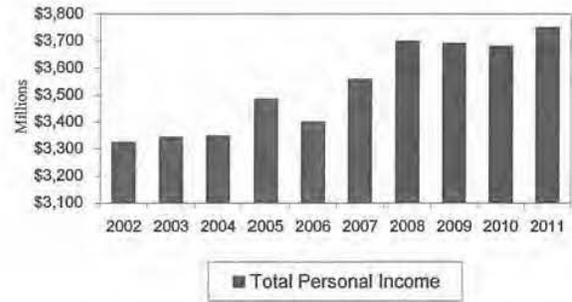
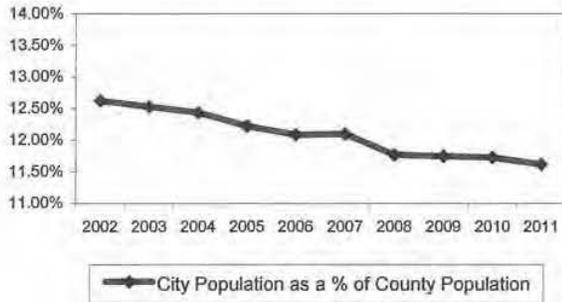
Table 13: Bonded Debt Pledged Revenue Coverage, 1988, 1993 & 2004 Tax Allocation Bonds Last Ten Fiscal Years



Fiscal Year	Tax Increment Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2002	\$11,458,517	\$3,580,000	\$4,421,029	\$8,001,029	1.43
2003	11,545,583	3,620,000	4,396,812	8,016,812	1.44
2004	11,693,425	3,665,000	6,013,235	9,678,235	1.21
2005	11,058,396	2,950,000	1,716,712	4,666,712	2.37
2006	11,428,431	3,220,000	3,155,171	6,375,171	1.79
2007	13,904,384	3,265,000	3,102,146	6,367,146	2.18
2008	14,598,613	3,390,000	2,986,571	6,376,571	2.29
2009	16,086,969	3,530,000	2,899,771	6,429,771	2.50
2010	16,492,512	3,540,000	2,808,771	6,348,771	2.60
2011	15,699,754	3,690,000	2,664,171	6,354,171	2.47

Source: City of Concord Annual Financial Statements

**Table 14: Demographic and Economic Statistics
Last Ten Fiscal Years**



Fiscal Year	City Population	Total Personal Income	Per Capita Personal Income	Unemployment Rate	Contra Costa County Population	City Population % of County
2002	123,935	\$3,324,533,759	\$26,825	4.7%	981,600	12.63%
2003	124,655	3,343,847,628	26,825	4.8%	994,900	12.53%
2004	124,856	3,349,239,416	26,825	5.1%	1,003,800	12.44%
2005	124,798	3,484,323,723	27,920	5.2%	1,020,898	12.22%
2006	124,436	3,400,903,754	27,331	4.5%	1,029,377	12.09%
2007	125,203	3,559,134,392	28,427	4.9%	1,034,874	12.10%
2008	123,776	3,699,669,661	29,890	6.7%	1,051,674	11.77%
2009	124,599	3,692,159,331	29,632	11.2%	1,060,435	11.75%
2010	125,864	3,681,648,000	29,251	12.1%	1,073,055	11.73%
2011	122,676	3,750,984,044	30,576	11.4%	1,056,064	11.62%

Sources: State of California, Department of Finance
The HdL Companies

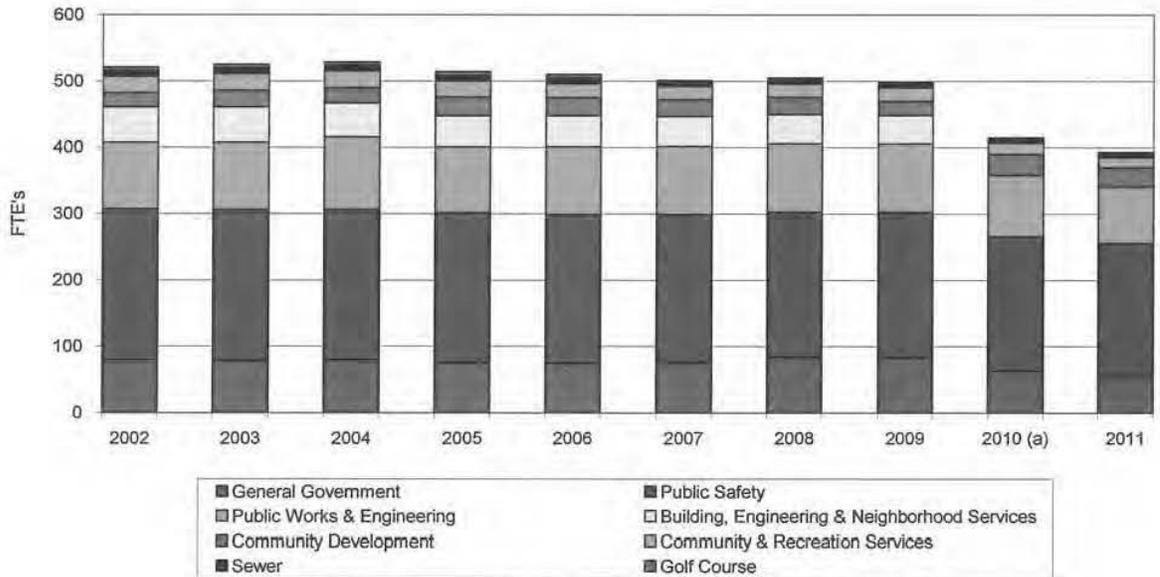
**Table 15: Principal Employers
Calendar Year 2011**

<u>Employer</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Mt. Diablo Unified School District	4,320	1	7.0%
Bank of America Technology Center	2,500	2	4.1%
Wells Fargo Credit Center	1,500	3	2.4%
John Muir Medical Center	1,100	4	1.8%
Chevron Corporation	950	5	1.5%
PG & E	950	6	1.5%
Conco Cement	549	7	0.9%
Safeway	460	8	0.8%
Adecco Employment Services	400	9	0.7%
Macy's Concord	400	10	0.7%
Subtotal	<u>13,129</u>		<u>21.4%</u>
Total City Day Population	<u>61,300</u>		

Note: Information about Principal Employers was not available prior to 2005-06.

Source: City of Concord Planning and Economic Development Department

Table 16: Full-Time Equivalent (FTE) City Government Employees by Function Last Ten Fiscal Years



Function	Fiscal Year										
	2002	2003	2004	2005	2006	2007	2008	2009	2010 (a)	2011	
General Government	80	79	80	76	75	76	84	83	63	56	
Public Safety	227	227	226	226	224	223	219	220	203	200	
Public Works & Engineering	101	102	110	99	102	103	103	103	92	85	
Building, Engineering & Neighborhood Services	53	53	51	47	47	45	44	43			
Community Development	21	25	23	28	27	25	26	21	32	29	
Community & Recreation Services	25	25	25	24	21	20	20	20	17	15	
Sewer	9	9	9	9	9	9	9	9	8	8	
Golf Course	5	5	5	5	5						
Total	521	525	529	514	510	501	505	499	415	393	

Source: City of Concord Adopted Budget

Note:

(a) In Fiscal Year 2010, Building, Engineering & Neighborhood Services was reorganized into Public Works & Engineering Department; and Planning & Economic Department was reorganized into Community Development Department.

**Table 17: Operating Indicators by Function/Program
Last Ten Fiscal Years**

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety										
Police:										
Number of Public Contacts	31,504	23,638	21,053	21,198	19,522	18,304	17,693	17,845	23,657	25,740
Police Calls for Service (a)	54,490	55,148	57,341	59,404	55,808	53,793	49,309	54,480	53,780	93,201
Law Violations:										
Part I Crimes	N/A	641	634	650	772	1,237	6,223	5,817	4,992	4,210
Physical Arrests (Adult and Juvenile)	N/A	3,368	3,803	3,550	3,331	4,081	3,758	4,504	3,903	3,642
Parking Violations	4,919	5,237	5,042	7,745	11,741	10,042	10,400	17,132	13,299	8,670
Public Works										
Street Resurfacing (millions of square feet)	4	11	6	7	8	6	6	7	2	1
Potholes Repaired	381	231	30	86	513	115	162	437	496	410
Culture and Recreation										
Community Services:										
Recreation Class Participants	N/A	3,143	2,970	2,977	4,089	5,030	5,299	4,826	3,935	3,534
Senior Center Activity/Event Participants	N/A	N/A	8,544	10,835	11,930	11,935	17,039	19,486	10,033	14,974
Human Services/Club Activity Participants	N/A	N/A	66,456	66,557	92,519	83,322	90,332	93,192	59,028	50,111
Library:										
Volumes in Collection (thousands)	79,503	79,880	79,240	80,653	80,155	87,089	92,413	96,462	92,703	91,984
Total Volumes Borrowed (thousands)	252,395	260,252	280,906	275,550	294,227	285,227	308,978	339,671	356,034	341,719
Wastewater										
Storm Drain Inlets	N/A	N/A	N/A	N/A	5,581	5,600	5,678	5,712	5,712	5,712
Sewer Overflows	N/A	47	24	21	26	16	12	19	17	16
Average Daily Pumping (millions of gallons)	12.24	12.26	12.24	11.28	14.01	12.36	13.53	10.75	9.00	(b)

Notes: N/A denotes information not available.

(a) Due to downsizing and closure of field offices, data was tracked differently in 2011 and includes more types of calls resulting in higher numbers than previous years.

(b) Pump station eliminated in 2011.

Source: City of Concord

**Table 18: Capital Asset Statistics by Function/Program
Last Ten Fiscal Years**

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety										
Police Stations	4	4	4	4	4	4	4	4	2	1
Police Patrol Units (black and whites)	58	58	58	58	58	58	58	57	57	57
Public Works										
Miles of Streets	301	301	301	305	305	305	305	305	308	308
Street Lights	1,441	1,493	1,657	7,978	8,124	8,125	8,179	8,216	8,216	8,216
Traffic Signals	130	130	141	141	141	142	153	154	155	155
Culture and Recreation										
Community Services:										
City Parks	18	18	18	18	18	18	18	18	18	18
City Parks Acreage	379	379	379	379	379	379	379	379	379	379
Playgrounds	14	14	14	14	14	15	15	18	18	18
City Trails	7	7	7	7	7	7	8	8	8	8
Miles of City Trails	18	18	18	18	18	18	19	19	19	19
Roadway Landscaping Acreage	41	41	48	48	48	48	52	52	52	52
Regional Park Acreage	94,740	95,509	96,141	97,134	97,565	97,912	98,880	98,895	103,862	109,969
Regional Park Facilities:										
Golf Courses (18 holes)	1	1	1	1	1	1	1	1	1	1
Banquet Facility	4	4	4	4	4	4	4	4	4	4
Historic House	3	3	3	3	3	3	3	3	3	3
Community Gardens	3	3	3	3	3	3	3	3	3	3
Community Centers	2	2	2	2	2	2	2	2	2	2
Senior Centers	1	1	1	1	1	1	1	1	1	1
Sports Centers	1	1	1	1	1	1	1	1	1	1
Performing Arts Centers	1	1	1	1	1	1	1	1	1	1
Swimming Pools	2	2	2	2	2	2	2	2	2	2
Tennis Courts	15	15	15	15	15	15	15	15	15	15
Baseball/Softball Diamonds	9	9	9	9	9	9	9	9	9	9
Soccer/Football Fields	8	8	8	8	8	8	8	8	8	8
Library:										
City Libraries	1	1	1	1	1	1	1	1	1	1
Wastewater										
Sewer Lines (miles)	405	383	405	384	384	384	383	383	383	383

Note: N/A denotes information is not available.

Source: City of Concord

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MUNICIPAL DEBT CONTINUING DISCLOSURE

City of Concord Joint Powers Financing Authority **Lease Revenue Bonds (Concord Pavilion) Series 1995**

- | | |
|--|-----------------|
| a. Summary of Revenues & Expenditures and Changes in Fund Balances | (Table 1) |
| b. Principal Amount of Bonds Outstanding | (CAFR, page 56) |

City of Concord Joint Powers Financing Authority **Lease Revenue Bonds (Concord Avenue Parking Structure) Series 2001**

- | | |
|--|------------------|
| a. Balance in the Parking Structure Revenue Fund | (Table 2) |
| b. Balance in the Other Funds and Accounts Held by the City or the Trustee | (Table 3) |
| c. Principal Amount of Bonds Outstanding | (Table 4) |
| d. Taxable Sales Transactions | (Table 5) |
| e. Taxable Sales Transactions by Type of Business | (Table 6) |
| f. Adopted and Final Budgets for Unrestricted General Fund | (Table 7) |
| g. Summary of Revenues, Expenditures and Changes in Fund Balances | (Table 8) |
| h. City's Pooled Investment Portfolio | (Table 9) |
| i. General Fund - Tax Revenues by Source | (CAFR, page 26) |
| j. Assessed Value of Taxable Property | (CAFR, page 108) |
| k. Largest Local Secured Property Taxpayers | (CAFR, page 110) |
| l. Tax Levies and Collections | (CAFR, page 111) |

City of Concord **Certificates of Participation (ABAG 41)**

- | | |
|---|------------------|
| a. Adopted and Final Budgets for Unrestricted General Fund | (Table 7) |
| b. Summary of Revenues, Expenditures and Changes in Fund Balances | (Table 8) |
| c. City's Pooled Investment Portfolio | (Table 9) |
| d. General Fund – Tax Revenue by Source | (CAFR, page 26) |
| e. Assessed Value of Taxable Property | (CAFR, page 108) |
| f. Summary of Investments | (CAFR, page 42) |
| g. Principal Amount of Bonds Outstanding | (CAFR, page 56) |
| h. Outstanding Debt and Lease Obligations | (CAFR, page 56) |
| i. Annual Contribution to Public Employees Retirement System | (CAFR, page 67) |

City of Concord Joint Powers Financing Authority **Certificates of Participation (2004 Wastewater System Improvement Project)** **Certificates of Participation (2007 Wastewater System Improvement Project)**

- | | |
|---|------------------|
| a. Ten Largest Users of the Wastewater System | (Table 10) |
| b. Sewer Rates | (Table 11) |
| c. Debt Service Coverage Ratio | (CAFR, page 115) |
| d. Principal Amount of Bonds Outstanding | (CAFR, page 56) |

Redevelopment Agency of the City of Concord
(Central Concord Redevelopment Project) Tax Allocation Refunding Bonds Series 2004

- | | | |
|----|--|------------------|
| a. | Historical Taxable Values and Tax Increment Revenues | (Table 12) |
| b. | Largest Property Taxpayers by Assessed Value and Revenue | (Table 13) |
| c. | Annual Assessed Value Appeals | (Table 14) |
| d. | Tax Revenue Collection | (CAFR, page 116) |
| e. | Principal Amount of Bonds Outstanding | (CAFR, page 56) |

**City of Concord Joint Powers Financing Authority
Lease Revenue Bonds (Concord Pavilion) Series 1995**

**Table 1: Summary of Revenues & Expenditures and Changes in Fund Balances
Last Five Fiscal Years**

	Fiscal Year Ended June 30,				
	2007	2008	2009	2010	2011
REVENUES:					
Debt Contribution	\$1,698,279	\$1,382,810	\$1,402,201	\$1,100,507	\$800,507
Operating Revenues					
Nonoperating Income	149,580	179,478	141,768	196,179	309,013
Total Revenues	1,847,859	1,562,288	1,543,969	1,296,686	1,109,520
EXPENDITURES:					
Debt Service	1,786,642	1,784,418	1,782,514	10,474,620	967,702
Operating Expenditures					
Nonoperating Expenditures	104,703	125,008	61,126	269,516	104,657
Total Expenditures	1,891,345	1,909,426	1,843,640	10,744,136	1,072,359
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(43,486)	(347,138)	(299,671)	(9,447,450)	37,161
OTHER FINANCING SOURCES (USES):					
Transfers In		577,067	335,133	1,482,788	
Transfers (Out)					
Total Other Financing Sources (Uses)	0	577,067	335,133	1,482,788	0
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(\$43,486)	\$229,929	\$35,462	(\$7,964,662)	\$37,161
Fund Balance at Beginning of Year	1,080,064	1,036,578	1,266,507	1,301,969	(6,662,693)
Fund Balance at End of Year	1,036,578	1,266,507	1,301,969	(6,662,693)	(6,625,532)

Note: In fiscal year 2010, the City purchased \$8.24 million of lease revenue bonds to lower the annual debt service costs.

Source: City of Concord Financial Statements

**City of Concord Joint Powers Financing Authority
Lease Revenue Bonds (Concord Avenue Parking Structure) Series 2001**

**Table 2: Balance in the Parking Structure Revenue Fund
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Use of Money and Property</u>	<u>Principal Retirement</u>	<u>Interest, Fiscal Charges and Cost of Issuance</u>	<u>Proceeds from Debt Issuance</u>	<u>Transfers, Net</u>	<u>Ending Fund Balance</u>
2002	\$14,126	\$0	(\$428,808)	\$0	\$331,110	\$745,725
2003	10,038	(290,000)	(459,112)	0	734,971	741,622
2004	3,988	(300,000)	(447,751)	0	745,337	743,196
2005	14,516	(310,000)	(434,325)	0	735,620	749,007
2006	26,822	(325,000)	(420,539)	0	721,679	751,969
2007	30,488	(335,000)	(405,554)	0	709,568	751,471
2008	15,340	(350,000)	(394,341)	0	714,418	736,888
2009	34,883	(365,000)	(378,224)	0	723,041	751,588
2010	10,399	(380,000)	(362,862)	0	734,483	753,608
2011	7,428	(395,000)	(346,521)	0	733,392	752,907

Source: City of Concord Financial Statements

**City of Concord Joint Powers Financing Authority
Lease Revenue Bonds (Concord Avenue Parking Structure) Series 2001**

**Table 3: Balance in the Other Funds and Accounts Held by the City or the Trustee
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Use of Money and Property</u>	<u>Proceeds from Debt Issuance</u>	<u>Transfers, Net</u>	<u>Capital Outlay</u>	<u>Ending Fund Balance</u>
2002	\$145,118	\$0	\$47,120	\$5,618,783	\$686,320
2003	11,393	0	31	518,057	179,687
2004	0	0	0	0	179,687
2005	67,646	0	(247,333)	0	0
2006	0	0	0	0	0
2007	0	0	0	0	0
2008	0	0	0	0	0
2009	0	0	0	0	0
2010	0	0	0	0	0
2011	0	0	0	0	0

Source: City of Concord Financial Statements

**City of Concord Joint Powers Financing Authority
Lease Revenue Bonds (Concord Avenue Parking Structure) Series 2001**

**Table 4: Principal Amount of Bonds Outstanding
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Principal Retired</u>	<u>Principal Outstanding</u>
2002		\$9,580,000
2003	\$290,000	9,290,000
2004	300,000	8,990,000
2005	310,000	8,680,000
2006	325,000	8,355,000
2007	335,000	8,020,000
2008	350,000	7,670,000
2009	365,000	7,305,000
2010	380,000	6,925,000
2011	395,000	6,530,000

Source: City of Concord Financial Statements

**City of Concord Joint Powers Financing Authority
Lease Revenue Bonds (Concord Avenue Parking Structure) Series 2001**

**Table 5: Taxable Sales Transactions
Last Ten Calendar Years**

<u>Calendar Year</u>	<u>Number of Permits</u>	<u>Taxable Sales Transactions</u>
2001	3,281	\$2,230,072,000
2002	3,354	2,426,439,000
2003	3,388	2,575,981,000
2004	3,400	2,566,498,000
2005	3,651	2,641,740,100
2006	3,559	2,566,273,900
2007	3,530	2,516,666,300
2008	3,460	2,356,818,900
2009	3,399	2,089,936,000
2010	3,388	2,050,987,900

Sources: California State Board of Equalization
The HdL Companies

**City of Concord Joint Powers Financing Authority
Lease Revenue Bonds (Concord Avenue Parking Structure) Series 2001**

**Table 6: Taxable Sales Transactions by Type of Business
Calendar Year 2010 (Dollars in Thousands)**

<u>Type of Business</u>	<u>Number of Permits</u>	<u>Taxable Sales Transactions</u>
Autos and Transportation	376	\$483,598
Building and Construction	200	258,437
Business and Industry	850	204,681
Food and Drugs	138	109,567
Fuel and Service Stations	52	143,265
General Consumer Goods	1,427	686,232
Restaurants and Hotels	343	165,592
Transfers & Unidentified	2	(385)
Total Outlets	<u>3,388</u>	<u>\$2,050,988</u>

Sources: California State Board of Equalization
The HdL Companies

**City of Concord Joint Powers Financing Authority
Lease Revenue Bonds (Concord Avenue Parking Structure) Series 2001
Certificates of Participation (ABAG 41)**

**Table 7: Adopted and Final Budgets for Unrestricted General Fund
Fiscal Years 2010-11 and 2011-12**

	2010-11 Adopted General Fund Budget	2010-11 Final General Fund Budget	2011-12 Adopted General Fund Budget
REVENUES:			
Taxes	\$51,027,000	\$51,027,000	\$60,749,759
Licenses and Permits	1,214,799	1,214,799	1,291,005
Intergovernmental	687,500	687,500	650,500
Charges for Current Services	9,722,114	9,722,114	9,578,982
Fines and Forfeitures	1,096,392	1,096,392	1,037,238
Use of Money and Property	646,100	646,100	649,080
Other	374,562	374,562	772,619
Total Revenues	64,768,467	64,768,467	74,729,183
EXPENDITURES:			
Current:			
Salaries and Benefits	50,784,190	50,979,190	51,973,472
Operating Expenditures	10,163,057	10,615,962	9,173,770
Fixed Charges	10,174,619	10,174,619	9,006,215
Total Expenditures	71,121,866	71,769,771	70,153,457
Excess (Deficiency) of Revenues Over Expenditures	(6,353,399)	(7,001,304)	4,575,726
OTHER FINANCING SOURCES (USES):			
Transfers In	171,581	295,047	1,951,103
Transfers (Out)	50,910	(658,456)	(1,263,797)
Total Other Financing Sources (Uses)	222,491	(363,409)	687,306
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(6,130,908)	(7,364,713)	5,263,032
Fund Balance at Beginning of Year	10,360,001	6,098,853	6,235,001
Fund Balance at End of Year	\$4,229,093	(\$1,265,860)	\$11,498,033

Sources: City of Concord Financial Statements and Adopted Budget

**City of Concord Joint Powers Financing Authority
Lease Revenue Bonds (Concord Avenue Parking Structure) Series 2001
Certificates of Participation (ABAG 41)**

**Table 8: Summary of Revenues, Expenditures and Changes in Fund Balances
Last Ten Fiscal Years**

	Fiscal Year Ended June 30,				
	2002	2003	2004	2005	2006
REVENUES:					
Taxes	\$43,116,810 (1)	\$45,827,687	\$46,721,417	\$47,698,542	\$56,102,956
Licenses and Permits	1,772,720	1,728,767	1,540,358	1,538,066	1,671,153
Intergovernmental	9,502,433	9,576,061	9,123,025	9,742,965	1,403,045
Charges for Current Services	5,495,808	5,396,382	6,057,346	6,112,694	7,016,914
Fines and Forfeitures	514,190	454,200	583,533	671,137	787,598
Parks and Recreation	2,079,835	2,143,019	2,117,718	2,420,106	2,585,962
Use of Money and Property	2,446,186	1,228,700	618,363	1,166,428	1,465,897
Other	200,872	156,503	335,466	198,408	332,986
Total Revenues	65,128,854	66,511,319	67,097,226	69,548,346	71,366,511
EXPENDITURES:					
Current:					
General Government	10,006,177	10,876,499	11,659,213	8,791,670	10,331,725
Public Safety	26,736,545	28,687,140	29,977,656	35,442,623	36,860,686
Public Works & Engineering	3,170,375	2,678,363	2,744,650	7,889,828	8,315,970
Building, Engineering & Neighborhood Services	2,092,787	1,665,332	1,307,734	1,303,665	4,691,323
Community Development	3,717,847	3,907,888	4,457,583	4,946,941	1,513,787
Community & Recreation Services	9,664,763	11,556,586	12,615,468	5,669,750	5,767,138
Non-Departmental					
Capital Outlay	5,743,841	7,973,788	4,403,253	0	0
Total Expenditures	61,132,335	67,345,596	67,165,557	64,044,477	67,480,629
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,996,519	(834,277)	(68,331)	5,503,869	3,885,882
OTHER FINANCING SOURCES (USES):					
Transfers In		5,713,804	560,018	837,530	694,061
Transfers (Out)	1,556,452	(2,097,835)	(98,583)	(3,272,716)	(12,113,187)
Sale of Fixed Assets	(4,108,346)	886,435	0	0	0
Total Other Financing Sources (Uses)	(2,551,894)	4,502,404	461,435	(2,435,186)	(11,419,126)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	1,444,625	3,668,127	393,104	3,068,683	(7,533,244)
Fund Balance at Beginning of Year	31,007,381 (1)	32,452,006	36,120,133	36,513,237	39,581,920
Fund Balance at End of Year	\$32,452,006	\$36,120,133	\$36,513,237	\$39,581,920	\$32,048,676

Notes:

(1) In Fiscal Year 2003, the City restated sales tax revenues in accordance with GASB 33. The effect of this restatement was not carried back to years prior to Fiscal Year 2001.

(2) The City underwent reorganization in 2005, 2006 and 2010.

Source: City of Concord Financial Statements

Fiscal Year Ended June 30,

2007	2008	2009	2010	2011
\$61,059,439	\$60,165,471	\$55,544,816	\$52,029,984	\$53,425,251
1,661,706	1,149,753	1,262,916	1,127,710	1,194,147
1,105,917	959,923	808,849	647,814	939,964
6,989,030	6,312,313	7,271,613	6,615,092	6,782,831
920,845	993,105	1,044,448	826,815	775,197
2,678,282	3,006,184	2,869,639	2,895,408	2,692,712
1,577,463	1,571,499	1,083,367	235,178	211,982
203,118	315,337	540,540	411,299	684,553
<u>76,195,800</u>	<u>74,473,585</u>	<u>70,426,188</u>	<u>64,789,300</u>	<u>66,706,637</u>
12,370,595	12,258,475	11,567,366	11,481,742	10,500,718
38,056,048	39,945,559	42,592,777	41,133,055	40,106,984
8,228,093	8,798,826	9,050,960	9,881,512	8,510,769
4,649,666	6,255,946	5,592,315	0	0
1,744,610	1,838,002	1,736,656	4,150,460	3,799,918
6,138,323	7,382,172	7,167,464	6,404,528	5,580,991
			48,811	59,449
0	0	0	0	0
<u>71,187,335</u>	<u>76,478,980</u>	<u>77,707,538</u>	<u>73,100,108</u>	<u>68,558,829</u>
5,008,465	(2,005,395)	(7,281,350)	(8,310,808)	(1,852,192)
166,562	541,298	2,482,510	680,927	13,816,643
(3,682,786)	(2,339,427)	(1,136,854)	(10,072,965)	(1,022,893)
0				
<u>(3,516,224)</u>	<u>(1,798,129)</u>	<u>1,345,656</u>	<u>(9,392,038)</u>	<u>12,793,750</u>
1,492,241	(3,803,524)	(5,935,694)	(17,702,846)	10,941,558
<u>32,048,676</u>	<u>33,540,917</u>	<u>29,737,393</u>	<u>23,801,699</u>	<u>6,098,853</u>
<u>\$33,540,917</u>	<u>\$29,737,393</u>	<u>\$23,801,699</u>	<u>\$6,098,853</u>	<u>\$17,040,411</u>

**City of Concord Joint Powers Financing Authority
Lease Revenue Bonds (Concord Avenue Parking Structure) Series 2001
Certificates of Participation (ABAG 41)**

Table 9: City's Pooled Investment Portfolio
Fiscal Year Ended June 30, 2011

<u>Investment</u>	<u>Carrying Value</u>	<u>Percent of Portfolio</u>	<u>Yield/360-Day Year Equivalent</u>
Local Agency Investment Fund	\$37,227,539	46.34%	0.442%
Money Market Fund			
- Checking Account	25,000	0.03%	0.010%
Federal Agency Issues - Coupon	37,026,350	46.08%	1.762%
Miscellaneous Securities - Coupon	6,075,134	7.56%	2.117%
Total Investments	<u>\$80,354,023</u>	<u>100.00%</u>	<u>1.177%</u>

Note: Excludes Redevelopment Agency investments and cash and investment with fiscal agent.

Source: City of Concord Finance Department

**City of Concord Joint Powers Financing Authority
Certificates of Participation (2004 and 2007 Wastewater System Improvement Projects)**

**Table 10: Ten Largest Users of the Wastewater System
12 Months through June 30, 2011**

	<u>Customers</u>	<u>Type of Use</u>	<u>Percent</u>
1.	Killarney Properties	300 Apartments	0.51%
2.	Mt. Diablo Unified School District	30 School Sites	0.51%
3.	John Muir Medical Center	Hospital & Medical Campus	0.50%
4.	Concord Family Apartments, LP	291 Apartments	0.49%
5.	U.S. Coast Guard	289 Dwelling Units	0.49%
6.	Concord Gardens Mobile Home Park	260 Mobile Homes & Rec. Bldg.	0.44%
7.	Evilsizor, John L & Mary A	218 Apartments	0.37%
8.	Clayton Creek Partnership	208 Apartments	0.35%
9.	Concord Homes, Inc.	196 Senior Apartments	0.33%
10.	Concord Mobile Home Park	194 Mobile Homes	0.33%

Source: City of Concord Public Works Department

**City of Concord Joint Powers Financing Authority
Certificates of Participation (2004 and 2007 Wastewater System Improvement Projects)**

Table 11: Sewer Rates for Fiscal Year 2010-11

RESIDENTIAL OWNERS		
1.	Minimum rate for any premises	\$306.00
2.	Each single-family dwelling unit	306.00
3.	Each dwelling unit in a multiple dwelling structure	306.00 per unit
4.	Mobile Home Park	306.00 per space
COMMERCIAL OWNERS - Charge based upon quantity of water used in cubic feet		
1.	Minimum rate for any premises	\$306.00
2.	Bowling Alleys	2.70/100 cu. ft.
3.	Car Washes	2.70/100 cu. ft.
4.	Health Studios and Gymnasiums	2.70/100 cu. ft.
5.	Hospitals - Convalescent	2.70/100 cu. ft.
6.	Multiple Lodging Structures (hotels, motels and rooming houses)	2.70/100 cu. ft.
7.	Laundromats and Laundries	2.70/100 cu. ft.
8.	Restaurants	5.38/100 cu. ft.
	Restaurants with pretreatment facilities approved annually	3.06/100 cu. ft.
9.	Bakeries	Determined Individually
10.	All others	3.06/100 cu. ft.
INSTITUTIONAL OWNERS		
1.	Minimum rate for any premises	\$306.00
2.	As defined in Section 110-31, except for Convalescent Hospitals	3.06/100 cu. ft.
INDUSTRIAL OWNERS - Charge based upon quantity of water used and quality of effluent		
1.	Minimum rate for any premises	\$306.00
2.	Flow/Million Gallons	2,374.00
3.	Biochemical Oxygen Demand (B.O.D.) per thousand pounds	558.00
4.	Suspended Solid (S.S.) per thousand pounds	475.00
SPECIAL DISCHARGE PERMITS, AS ISSUED BY THE DISTRICT		
1.	Charge based upon quantity of water used and quality of effluent	Determined Individually
SPECIAL CONTRACTUAL AGREEMENT		Determined Individually

Note: The sewer service charges are set by separate City Ordinance under Concord Municipal Code Section 110-32(c).

**Redevelopment Agency of the City of Concord
(Central Concord Redevelopment Project) Tax Allocation Refunding Bonds Series 2004**

**Table 12: Historical Taxable Values and Tax Increment Revenues
Last Five Fiscal Years**

	Fiscal Year Ended June 30,				
	2007	2008	2009	2010	2011
Total Assessed Values	\$1,471,696,910	\$1,819,494,204	\$1,928,971,785	\$1,993,649,908	\$1,919,564,703
Base Year Values	106,437,552	339,585,818	339,585,818	339,585,818	339,585,818
Incremental Assessed Values	1,365,259,358	1,479,908,386	1,589,385,967	1,654,064,090	1,579,978,885
Incremental Property Taxes	14,993,137	15,809,457	17,702,810	17,848,718	16,897,662
Less:					
Educational Revenue Augmentation Fund					
Tax Increment Pass Through	(254,361)	(840,484)	(1,238,338)	(1,160,646)	(851,108)
Tax Increment Rebate	(834,392)	(370,360)	(377,503)	(195,560)	(346,800)
Net Tax Revenues	\$13,904,384	\$14,598,613	\$16,086,969	\$16,492,512	\$15,699,754

Source: City of Concord Redevelopment Agency

**Redevelopment Agency of the City of Concord
(Central Concord Redevelopment Project) Tax Allocation Refunding Bonds Series 2004**

**Table 13: Largest Property Taxpayers by Assessed Value and Revenue
Fiscal Year 2010-11**

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2009-10 Assessed Value</u>	<u>2010-11 Assessed Value</u>	<u>2010-11 Projected Revenue (1)</u>
1.	Bank of America	Office Building	\$177,946,959	\$178,036,451	\$1,780,365
2.	Chevron USA, Inc.	Office Building	136,688,115	122,625,457	1,226,255
3.	Sierra Pacific Properties, Inc.	Office Building	101,339,479	101,099,302	1,010,993
4.	Rreef America REIT III Corporation	Office Building	68,530,219	98,889,937	988,899
5.	Seecon Financial & Construction Co.	Office Building	54,238,926	81,269,752	812,698
6.	Concord Airport Plaza Associates	Office Building	66,856,098	66,697,646	666,976
7.	EQR/Legacy Partners LLC	Apartments	52,467,884	52,214,258	522,143
8.	Signature at Renaissance Square	Apartments	54,260,224	49,603,221	496,032
9.	Willows Center Concord	Shopping Center	44,771,484	44,693,474	446,935
10.	Lowes HIW Inc	Commercial	22,226,680	33,793,960	337,940
	Total		<u>\$779,326,068</u>	<u>\$828,923,458</u>	<u>\$8,289,235</u>

Note:

(1) Projected Revenue is calculated using the 1% Basic County Wide Levy Rate.

Source: California Municipal Statistics, Inc.

**Redevelopment Agency of the City of Concord
(Central Concord Redevelopment Project) Tax Allocation Refunding Bonds Series 2004**

**Table 14: Annual Assessed Value Appeals
Last Five Fiscal Years**

	<u>Fiscal Year 2006-07</u>	<u>Fiscal Year 2007-08</u>	<u>Fiscal Year 2008-09</u>	<u>Fiscal Year 2009-10</u>	<u>Fiscal Year 2010-11</u>
Appeals Filed	11	35	55	122	57
Appeals Resolved to Date		28	29	31	33
Appeals Pending	11	7	26	91	24
Values of Appeals Pending	\$50,421,951	\$143,462,568	\$216,479,922	\$1,134,104,612	\$375,576,330

Note: Information about Annual Assessed Value Appeals was not available for years prior to 2006-07.

Source: Contra Costa County Assessor's Office

CONCORD, CALIFORNIA BAY AREA MAP



APPENDIX C
CITY INVESTMENT POLICY

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**CITY OF CONCORD
INVESTMENT POLICY
2012/13**

1.0 POLICY

It is the policy of the City of Concord (“City”) to invest public funds in a manner which provides for safety of principal while providing sufficient liquidity to cover the City’s short and long term needs. All investment activity will conform to the California Government Code, Sections 53601 through 53659.

In accordance with Section 53646 of the California Government Code, the Treasurer will annually render to the City Council a statement of investment policy.

2.0 SCOPE

This investment policy applies to all financial assets of the City and Agency as accounted for in the City of Concord’s Comprehensive Annual Financial Report. Policy statements included in this document focus on the City’s pooled funds, but will also apply to all other funds under the Treasurer’s control unless specifically exempted by statute or ordinance. This policy includes, but is not limited to the following funds:

- a. General Fund
- b. Agency Fund
- c. Enterprise Funds
- d. Capital Project Funds
- e. Debt Service Funds
- f. Internal Service Funds
- g. Special Revenue Funds
- h. Any new funds created by the City Council

This policy specifically exempts any City or Authority bond proceed funds in the possession of a trustee or fiscal agent. These bond proceeds shall be invested in accordance with the requirements and restrictions outlined in the bond documents.

3.0 PRUDENCE

All persons authorized to make investment decisions for the City of Concord are trustees and therefore fiduciaries subject to the prudent investor standard.

The standard of prudence to be used by City of Concord fiduciaries is the “Prudent Investor” Standard found in the California Government Code Section 53600.3 and shall be applied in the context of managing the overall portfolio. The Treasurer and other investment employees, acting within the intent and scope of the Investment Policy and other written procedures, and exercising due diligence, shall be relieved of personal responsibility for an individual security’s

credit risk or market price changes, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

4.0 OBJECTIVE

The objective of the investment portfolio is to meet the City's short and long-term cash flow needs. To achieve this objective, the portfolio will be structured to provide, in priority order, safety of principal, liquidity and return on investment.

4.1 Safety

Safety of principal is the foremost objective of the City of Concord. All investments of the City shall be undertaken in a manner that ensures the preservation of capital in the overall portfolio. Each investment transaction shall seek to ensure that capital losses are avoided, whether from issuer default, broker/dealer default, or erosion of market value. The City shall seek to preserve principal by mitigating the two types of risk: credit risk and market risk.

4.1.1 Credit Risk

Credit risk is the risk of loss due to failure of the issuer to repay an obligation and shall be mitigated by investing in only the highest quality credits and by diversifying the investment portfolio so that the failure of any one issuer would not unduly harm the City's cash flows.

4.1.2 Market Risk

Market risk is the risk of market value fluctuations due to overall changes in the general level of interest rates and shall be mitigated by structuring the portfolio so that securities mature at the same time major cash flows occur, eliminating the need to sell securities prior to their maturity; and by prohibiting the taking of short positions, that is, selling securities the City does not own. It is explicitly recognized herein, however, that in a diversified portfolio, occasional measured losses are inevitable and must be considered within the context of overall investment return.

4.2 Liquidity

The City's investment portfolio will be structured to provide sufficient liquidity to meet the operating requirements of the City of Concord.

4.3 Return on Investment

State law requires that the objective of return on investment be subordinate to the objectives of safety and liquidity. Therefore, investment employees shall seek to achieve a return on the funds under their control throughout all economic cycles, taking into consideration the City of Concord's investment risk constraints and cash flow requirements.

5.0 DELEGATION OF AUTHORITY

Pursuant to Section 53601 of the California Government Code, the City Council as the legislative body of the City of Concord has primary responsibility for the investment of surplus monies or monies held in sinking funds, in the City treasury. As authorized under Section 53607 of the California Government Code, the City Council hereby delegates its authority to invest or reinvest the funds of the City, and to sell or exchange securities so purchased, to the City Treasurer who shall assume full responsibility for all such transactions until such time as this delegation of authority may be revoked by the City Council.

Within the Finance Department, the responsibility of day-to-day treasury activities and investment of City funds is delegated by the City Treasurer to the Treasury Manager. In the absence of the Treasury Manager, the Treasury Technician, and the Treasury Account Clerk III, are deputized to act on his/her behalf. Investments made by the Treasury Technician and the Account Clerk III will be restricted to the State Pool (LAIF). The City Treasurer shall establish investment policy guidelines in writing within which the Treasury Manager shall operate day-to-day investment activities. Delegation of Authority will not remove or abridge the Treasurer's investment responsibility.

6.0 ETHICS AND CONFLICT OF INTEREST

In accordance with California Government Code Sections 1090 et seq. and 87100 et seq., elected officials, officers and employees of the City will refrain from any activity that could conflict with the proper execution of the investment program or which could impair their ability to make impartial investment decisions. In addition, these same employees are prohibited from undertaking personal investment transactions with any individual with whom City business is conducted.

7.0 AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The City of Concord shall transact business only with commercial banks, savings and loans, and investment securities dealers. The dealers must be primary dealers regularly reporting to the Federal Reserve Bank of New York or regional dealers that qualify under the Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule). Selection of financial institutions and broker/dealers authorized to do business with the City shall be at the sole discretion of the City

Treasurer. The Treasurer will maintain a list of financial institutions authorized to provide investment services to the City.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Treasurer with audited financial statement from the three most recent years, at least three references from other California Local agencies, a completed Broker/dealer questionnaire and a statement certifying that the institution has reviewed the California Government Code Section 53600 et seq. and the City's Investment Policy. The Treasurer shall determine if the Financial Institutions are adequately capitalized, make markets in securities appropriate to the City's needs and are recommended by other local agency portfolio managers.

The Treasurer will conduct an annual review of the financial condition of all qualified institutions. Additionally, their current financial statements are required to be on file.

8.0 AUTHORIZED INVESTMENTS

The City is authorized by California Government Code Section 53600 et seq. to invest in the following types of securities:

- 8.1 United States Treasury Bills, Bonds, and Notes**, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest. There is no limitation as to the percentage of the portfolio that can be invested in this category. There is a five-year maximum term.
- 8.2 Obligations issued by United States Government Agencies** such as, but not limited to the Federal Farm Credit Bank (FFCB), the Federal Home Loan Bank (FHLB), the Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA), the Student Loan Marketing Association (SLMA), the Government National Mortgage Association (GNMA) and the Tennessee Valley Authority (TVA). United States Government Agency securities with call features are also authorized. There is no limitation as to the percentage of the portfolio that can be invested in this category. There is a five-year maximum term.
- 8.3 Bills of exchange or time drafts** drawn on and accepted by a commercial bank, otherwise known as **Banker's Acceptances**. Purchases in this category may not exceed 180 days to maturity or 30% of the cost value of the portfolio.
- 8.4 Commercial Paper** of prime quality and ranked P1 by Moody's Investor Services, A1 by Standard and Poor's or F1 by Fitch Financial Services Inc. and issued by a domestic corporation having assets in excess of \$500 million and having an "A" or better rating on its long term debt as provided by Moody's, Standard and Poor's or Fitch. Purchases of eligible

commercial paper may not exceed 270 days to maturity. Purchases of commercial paper may not exceed 25 percent of the cost value of the portfolio nor represent more than 10 percent of the outstanding paper of an issuing corporation.

Total combined corporate debt (Commercial Paper and Medium Term Notes) may not exceed 30% of the cost value of the portfolio.

8.5 Negotiable Certificates of Deposit issued by a nationally or state-chartered bank or a state or federal savings institution. Securities eligible for purchase in this category shall be rated “A” or better by Moody’s, Standard and Poor’s or Fitch. Purchases of Negotiable Certificates of Deposit shall not exceed 30 percent of the cost value of the portfolio nor exceed a five-year term.

8.6 Medium Term Notes (MTNs) issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. MTNs eligible for investment in this category must be rated “A” or better by Moody’s, Standard and Poor’s or Fitch. Investments in this category will be limited to a five-year maximum maturity and may not exceed 30 percent of the cost value of the portfolio.

Total combined corporate debt (Commercial Paper and Medium Term Notes) may not exceed 30% of the cost value of the portfolio.

8.7 Shares of beneficial interest issued by diversified management companies that are **Money Market Funds** registered with the Securities and Exchange Commission under the Investment Company Act of 1940. These funds must either have attained the highest rating/ranking by at least two of the three largest nationally recognized rating services or have retained an investment advisor registered with the Securities and Exchange Commission with not less than five year’s experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000).

Investments in this category will not exceed 5 percent of the portfolio and there is no final maturity.

8.8 State Pool – **Local Agency Investment Fund (LAIF)**. This fund was established by the State Treasurer for the benefit of Local agencies under California Government Code Section 16429.1. The City may invest in the LAIF up to the maximum amount permitted by State law.

8.9 Time Certificates of Deposit collateralized in accordance with the California Government Code Sections 53652 and 53653, may be purchased by the City from banks or savings and loan associations. Purchases in this category will not exceed 5 years to maturity or 30

percent of the cost value of the portfolio. Purchases in a single institution will not exceed 10 percent of the cost value of the portfolio.

8.10 Derivative Securities are those securities that derive their value from another asset or index. Investments in derivative securities will be made using the Prudent Investor Rule and will be limited to federal agency callable issues.

8.11 Prohibited Investments. Investments not described herein are ineligible investments. The City shall not invest any funds in inverse floaters, range notes, or interest only strips that are derived from a pool of mortgages in accordance with California Government Code Section 53601.6. With the exception of callable agencies, any security that derives its value from another asset or index is prohibited. In addition, the City shall not invest any funds in any security that could result in zero interest accrual if held to maturity.

9.0 INVESTMENT POOLS/MUTUAL FUNDS

A thorough investigation of any investment pool or money market mutual fund is required prior to investing City funds. A due diligence review will be performed on all money market mutual funds and pooled investment funds on a continued basis.

As outlined in section 8.7 of this policy, investments in mutual funds are restricted to money market mutual funds and must meet the experience and asset requirements as stated. Treasury staff will continually monitor the funds to ensure the maintenance of those ratings/requirements.

Reports on the performance of the Pooled Money Investment Account/LAIF can be found on the California State Treasurer's web site as well as the Investment Board report, historical rates/costs and market valuations. These reports should be reviewed each month as part of the due diligence review.

10.0 COLLATERALIZATION

California Government Code, Sections 53652 et seq., specifies the types and levels of collateral for public funds on deposit above the FDIC insurance amounts. These collateral requirements apply to both active bank deposits (checking and savings accounts) and inactive bank deposits (non-negotiable certificates of deposit) and must be maintained for all the City's bank deposits

11.0 SAFEKEEPING AND CUSTODY

All securities held by the City of Concord shall be held in safekeeping by a third party bank trust department acting as agent for the City under the terms of the custody agreement executed by the bank and the City, and shall be evidenced by

safekeeping receipts. All securities will be received and delivered using standard delivery-versus-payment (DVP) procedures. Investments in the State Pool or money market mutual funds are undeliverable and are not subject to delivery or third party safekeeping.

12.0 DIVERSIFICATION

The City of Concord will diversify its portfolio by investment type, issuer, maturity dates and broker/dealer. For purposes of diversification, LAIF accounts will not be aggregated. Limits for security types are set forth in Section 8.0 of this document.

13.0 MAXIMUM MATURITIES

The City of Concord will attempt to match its investments with anticipated cash flow requirements whenever possible. The maximum maturity of any one security, unless otherwise restricted by the California Government Code, is limited to five years. The portfolio's weighted average maturity shall be limited to three years.

14.0 INTERNAL CONTROLS

The City Treasurer has developed a system of internal controls to ensure compliance with investment policies and procedures of the City of Concord and the California Government Code.

15.0 REPORTING

On a monthly basis, the Treasurer shall render a report to the City Council. The report shall be submitted within 30 days of the end of the month covered by the report and shall include the type of investment, issuer, maturity date, par and cost/book values of all securities, investments and monies held by the City of Concord. It shall also include the rate of interest, the current market value as of the report date and the source of the valuation. The report shall state compliance of the portfolio to the Investment policy as well as the California Government Code and it shall state the City's ability to meet its estimated expenditures for the next six months.

16.0 INVESTMENT POLICY ADOPTION

The City of Concord's investment policy shall be rendered to and adopted by the City Council annually as required by California Government Code 53646.

17.0 GLOSSARY

AGENCIES: Federal agency securities and/or Government sponsored enterprises.

BANKERS ACCEPTANCE (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BROKER: A broker brings buyers and sellers together for a commission.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Time certificates of deposit are collateralized in accordance with the State code. Large-denomination CD's are typically negotiable and non-collateralized.

COLLATERAL: Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt of the securities.

DERIVATIVES: (1) Financial instruments whose return profile is lined to or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to \$250,000 per deposit.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored wholesale banks (currently 12 regional banks) which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance

companies. The mission of the FHLB is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA or Fannie Mae):

FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae):

Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the US Government. Ginnie Mae securities are backed by the mortgages, including FHA and VA mortgages. The term "pass-throughs" is often used to describe Ginnie Maes.

ISSUER: A legal entity that has the power to issue and distribute securities. Issuers include corporations, municipalities, foreign and domestic governments and their agencies, and investment trusts.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

POOLED MONEY INVESTMENT FUND (LAIF): The aggregate of all funds from political subdivisions that are placed in the custody of the County or State Treasurer for investment and reinvestment. The State of California's pool is known as the Local Agency Investment Fund, or LAIF.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

PORTFOLIO: Collection of securities and investments held by an investor.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC) registered securities broker-dealers, banks and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In some states, the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state. In other states, the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

RATE OF RETURN: For fixed-rate securities, it is the coupon or contractual dividend rate divided by the purchase price which is also the current yield.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SECURITIES & EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEC RULE 15C301: See Uniform Net Capital Rule.

TREASURY BILLS: A non-interest bearing discount security issued by the US Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BONDS: Long-term coupon-bearing US Treasury securities issued as direct obligations of the US Government and having initial maturities of more than 10 years.

TREASURY NOTES: Medium-term coupon-bearing US Treasury securities issued as direct obligations of the US Government and having initial maturities from two to 10 years.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as non-member broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15:1; also called *net capital rule* and *net capital ratio*. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YIELD: The rate of annual income return on an investment, expressed as a percentage:
(a) Income Yield is obtained by dividing the current dollar income by the current market price for the security; (b) Net Yield or Yield to Maturity is the current income yield minus any premium above par or plus any discount from par in purchase price, with the

adjustment spread over the period from the date of purchase to the date of maturity of the bond.

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APPENDIX D

FORM OF THE CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the CITY OF CONCORD (the "City") in connection with the issuance of the \$10,080,000 City of Concord (Contra Costa County, California) 2012 Wastewater Revenue Refunding Bonds (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust, dated as of October 1, 2012 (the "Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Bonds shall be secured by a pledge, charge and lien upon Net Revenues (as such term is defined in the Indenture). Pursuant to Section 5.11 of the Indenture, the City covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate, unless otherwise defined in this Section 1, the following capitalized terms shall have the following meanings when used in this Disclosure Certificate:

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

"Beneficial Owner" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean The Bank of New York Mellon Trust Company, N.A., or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation. In the absence of such a designation, the City shall act as the Dissemination Agent.

"EMMA" or "Electronic Municipal Market Access" means the centralized on-line repository for documents to be filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

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

"MSRB" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

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

"Rule" shall mean 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.

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report*. The City shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the City's fiscal year (which currently ends on June 30), commencing with the report for the 2011-12 Fiscal Year, which is due not later than March 31, 2013, file with EMMA, in

a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) *Change of Fiscal Year.* If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c), and subsequent Annual Report filings shall be made no later than nine months after the end of such new fiscal year end.

(c) *Delivery of Annual Report to Dissemination Agent.* Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b)) of this Section 3 for providing the Annual Report to EMMA, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the City.

(d) *Report of Non-Compliance.* If the City is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the City shall send a notice to EMMA substantially in the form attached hereto as Exhibit A. If the City is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice to EMMA in substantially the form attached hereto as Exhibit A.

(e) *Annual Compliance Certification.* The Dissemination Agent shall, if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Certificate, stating the date it was so provided and filed.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) *Financial Statements.* Audited financial statements of the City for the preceding fiscal year, prepared in accordance with generally accepted accounting principles. 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) *Other Annual Information.* To the extent not included in the audited final statements of the City, the Annual Report shall also include financial and operating data with respect to the City for preceding fiscal year, as follows:

- (i) Ten largest Users of the Wastewater System;
- (ii) Sewer Rates; and
- (iii) Debt service coverage ratio.

(c) *Cross References.* 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 are available to the public on EMMA. The City shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the City shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Listed Events.

(a) *Reportable Events.* The City shall, or shall cause the Dissemination Agent (if not the City) to, give notice of the occurrence of any of the following events with respect to the Bonds:

- (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) Defeasances.
- (6) Rating changes.
- (7) Tender offers.
- (8) Bankruptcy, insolvency, receivership or similar event of the obligated person.
- (9) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(b) *Material Reportable Events.* The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) Non-payment related defaults.
- (2) Modifications to rights of security holders.
- (3) Bond calls.
- (4) The release, substitution, or sale of property securing repayment of the securities.
- (5) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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.
- (6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Time to Disclose.* The City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of any Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds under the Indenture.

Section 6. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds. If

such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent.

(a) *Appointment of 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. If the Dissemination Agent is not the City, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Certificate. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the City. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Certificate and has no liability to any person, including any Bond owner, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the City shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the City.

(b) *Compensation of Dissemination Agent.* The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the City from time to time and all expenses, legal fees and expenses and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the City, owners or Beneficial Owners, or any other party. The Dissemination Agent may rely, and shall be protected in acting or refraining from acting, upon any direction from the City or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the City. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the City that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that all of the following conditions are satisfied:

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

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

(c) *Consent of Holders; Non-impairment Opinion.* The amendment or waiver either (i) is approved by the Bond owners in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Bond owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bond owners or Beneficial Owners.

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

between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Certificate owner or Beneficial Owner 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. 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.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. Article VIII of the Indenture is hereby made applicable to this Disclosure Certificate as if this Disclosure Certificate was (solely for this purpose) contained in the Indenture. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and no implied covenants or obligations shall be read into this Disclosure Certificate against the Dissemination Agent, 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 and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have the same rights, privileges and immunities hereunder as are afforded to the Trustee under the Indenture. The obligations of the City under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: [Closing Date]

CITY OF CONCORD

By _____
Authorized Officer

ACKNOWLEDGED:

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Dissemination Agent

By _____
Authorized Officer

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: City of Concord

Name of Issue: City of Concord (Contra Costa County, California) 2012 Wastewater Revenue Refunding Bonds

Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the Obligor has not provided an Annual Report with respect to the above-named Issue as required by the Continuing Disclosure Certificate, dated [Closing Date], furnished by the Obligor in connection with the Issue. The Obligor anticipates that the Annual Report will be filed by _____.

Date: _____

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., Dissemination Agent

By _____
Authorized Officer

APPENDIX E

GENERAL INFORMATION REGARDING THE CITY OF CONCORD

The information in this section of the Official Statement is presented as general background data. The Bonds are payable solely from the revenues of the City's Wastewater Fund and other sources as described in the Official Statement. The taxing power of the City, the State of California, or any political subdivision thereof is not pledged to the payment of the Bonds.

General Description

The City of Concord (the "City") is located in north central Contra Costa County (the "County"), approximately 29 miles northeast of San Francisco. It is the largest and most populous of the County's 19 cities and covers 30.7 square miles.

The County is one of nine counties comprising the economic-geographic unit known as the San Francisco Bay Area. The climate is seasonal with an average minimum temperature of 48 degrees, an average maximum temperature of 73 degrees and average rainfall of 17 inches. The City is the trading center for an extensive geographical outreach in the Diablo Valley.

Over the last 20 years, the City has become a major job center in the County and it is the County's strongest retail location. The City offers the amenities that many businesses require for success: business-friendly government policies, outstanding Class A office space values, numerous industrial parks and excellent transportation combined with favorable home prices, an educated workforce and a dynamic retail environment to create ideal conditions for business to expand and make the City a premier business location.

Municipal Government

The City was incorporated on February 9, 1905 under the general laws of the State of California. The City Council members are elected for overlapping four-year terms. The policies of the City Council are carried out by the appointed City Manager.

Population

The City's population at January 1, 2012 was estimated at 123,206, up from 121,872 in 2000. The following table indicates population growth for the City, the City of Clayton and the County from 2000 to 2012.

CITY OF CONCORD, CITY OF CLAYTON AND COUNTY OF CONTRA COSTA POPULATION FIGURES

Year	City of Concord	City of Clayton	Contra Costa County
2000	121,872	10,762	948,816
2001	123,519	10,961	962,076
2002	124,628	11,004	974,657
2003	124,655	10,981	984,256
2004	124,856	10,990	993,958
2005	124,798	10,982	1,001,216
2006	124,436	10,924	1,007,169
2007	125,203	10,781	1,015,672
2008	123,776	10,784	1,027,264
2009	124,599	10,864	1,038,390
2010	125,864	10,962	1,047,948
2011	122,599	10,942	1,056,306
2012	123,206	10,996	1,065,117

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-2010, with 2000 & 2010 Census Count (as of January 1). Sacramento, California, September 2011, and State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State, January 1, 2011 and 2012. Sacramento, California, May 2012.

Income

Effective buying income is defined as money income less personal tax and nontax payments. Money income is the aggregate of wages and salaries, net farm and nonfarm self employment income, interest, dividends, net rental and royalty income, Social Security and railroad retirement income, other retirement and disability income, public assistance income, unemployment compensation, Veterans Administration payments, alimony and child support, military family allotments, net winnings from gambling, and other periodic income. Deductions are then made for personal income taxes (federal, state and local), personal contributions for social insurance and taxes on owner-occupied non-business real estate.

A yearly comparison of effective buying income and median household income totals for the City, the County, the State and the United States is presented in the following table.

**CITY OF CONCORD AND COUNTY OF CONTRA COSTA,
STATE OF CALIFORNIA AND UNITED STATES
EFFECTIVE BUYING INCOME AND MEDIAN HOUSEHOLD INCOME
For Years 2007 through 2011
(in Thousands)**

Year	Area	Total Effective Buying Income (000's omitted)	Median Household Effective Buying Income
2007	City of Concord	\$ 2,793,667	\$52,537
	Contra Costa County	30,138,295	61,123
	California	814,894,437	48,203
	United States	6,300,794,040	41,792
2008	City of Concord	\$ 2,841,427	\$53,073
	Contra Costa County	30,737,690	61,903
	California	832,531,445	48,952
	United States	6,443,994,426	42,303
2009	City of Concord	\$ 2,935,685	\$55,490
	Contra Costa County	31,197,702	64,213
	California	844,823,319	49,736
	United States	6,571,536,767	43,252
2010	City of Concord	\$ 2,774,285	\$51,707
	Contra Costa County	30,049,697	61,031
	California	801,393,027	47,177
	United States	6,365,020,076	41,368
2011	City of Concord	\$ 27,925,950	\$51,078
	Contra Costa County	30,416,350	60,777
	California	814,578,457	47,062
	United States	6,438,704,664	41,253

Source: Nielsen Claritas, Inc.

The following table sets forth the principal secured property taxpayers in the City as of fiscal year 2010-11, the most current information available.

**CITY OF CONCORD
PRINCIPAL SECURED PROPERTY TAXPAYERS
Fiscal Year 2010-11**

	Property Owner	Primary Land Use	2010-11 Assessed Valuation
1.	Bank of America	Office Building	\$ 178,036,451
2.	Taubman Land Associates LLC	Regional Mall	161,456,531
3.	Chevron USA	Office Building	122,625,457
4.	Sierra Pacific Properties	Office Building	101,099,302
5.	Transwestern Concord Corp. Center	Office Building	100,740,675
6.	Rreef America REIT II Corp.	Office Building	98,889,937
7.	Seecon Financial & Construction Co.	Office Building	81,269,752
8.	Concord Airport Plaza Associates	Office Building	66,697,646
9.	Clayton Valley Shopping Center	Shopping Center	63,016,952
10.	EQR & Legacy Partners LLC	Apartments	52,214,258
	TOTAL OF TOP 10		\$1,026,046,961

Source: California Municipal Statistics, Inc.

Employment

The service industries, notably hotels, restaurants and retail trade, account for a large proportion of the labor force. Small manufacturing firms, primarily electronics, and finance, insurance and real estate are the other major sectors of employment.

The civilian labor force, employment and unemployment for the City, the County and the State are outlined in the following table.

**CITY OF CONCORD, COUNTY OF CONTRA COSTA,
STATE OF CALIFORNIA AND UNITED STATES
LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
Yearly Average for Years 2007 through 2011**

Year	Area	Civilian Labor Force	Employed	Unemployed	Unemployment Rate
2007	City of Concord	68,500	65,000	3,500	5.1%
	Contra Costa County	515,100	490,900	24,100	4.7
	California	17,921,000	16,960,700	960,300	5.4
	United States	153,124,000	146,047,000	7,078,000	4.6
2008	City of Concord	69,800	65,100	4,700	6.7%
	Contra Costa County	524,500	492,200	32,400	6.2
	California	18,203,100	16,890,000	1,313,100	7.2
	United States	154,287,000	145,362,000	8,924,000	5.8
2009	City of Concord	70,100	62,400	7,700	11.0%
	Contra Costa County	524,800	471,500	53,400	10.2
	California	18,208,300	16,144,500	2,063,900	11.3
	United States	154,142,000	139,877,000	14,265,000	9.3
2010	City of Concord	70,000	61,600	8,400	12.0%
	Contra Costa County	523,300	465,100	58,200	11.1
	California	18,316,400	16,051,500	2,264,900	12.4
	United States	153,889,000	139,064,000	14,825,000	9.6
2011	City of Concord	70,000	62,200	7,900	11.2%
	Contra Costa County	524,100	469,600	54,500	10.4
	California	18,384,900	16,226,600	2,158,300	11.7
	United States	153,617,000	139,869,000	13,747,000	8.9

Source: Employment Development Department State of California, March 2011 Benchmark.

Wage and salary employment by industry for the County of Contra Costa is shown below. Data are not compiled separately for the City.

**COUNTY OF CONTRA COSTA
INDUSTRY EMPLOYMENT
Annual Averages (In Thousands)**

	2007	2008	2009	2010	2011
Total, All Industries	346,800	339,500	321,800	312,600	312,700
Farm	700	700	800	700	900
Non-Farm:	346,000	338,800	321,000	311,900	311,700
Goods Producing	49,700	46,500	39,900	36,600	34,800
Mining and Logging	—	—	—	—	—
Construction	—	—	—	—	—
Manufacturing	20,600	20,700	18,700	18,300	17,400
Service Providing	296,300	292,300	281,100	275,300	276,900
Trade, Transportation & Utilities	62,300	61,200	57,300	55,900	56,300
Wholesale Trade	9,100	8,700	7,700	7,600	7,900
Retail Trade	44,400	43,600	41,200	40,400	40,300
Transportation, Warehouse, Utilities	8,800	8,900	8,300	8,000	8,000
Information	13,000	11,800	10,400	9,600	9,000
Financial Activities	29,100	26,600	25,700	25,300	24,500
Professional & Business Services	49,400	49,300	45,900	43,800	45,500
Educational & Health Services	44,600	45,600	47,700	48,400	49,200
Leisure & Hospitality	33,200	32,800	31,200	31,300	32,200
Other Services	12,500	12,400	11,700	11,800	12,500
Government	52,200	52,600	51,300	49,200	47,800

Source: California Employment Development Department, based on March 2011 benchmark.

*Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households, and persons involved in labor/management trade disputes. Employment reported by place of work. Items may not add to totals due to independent rounding.

Major Employers

The following table below lists the 10 largest employers in the City in fiscal year 2010-11.

**CITY OF CONCORD
TEN LARGEST EMPLOYERS
Fiscal Year 2010-11**

Rank	Employer Name	No. of Employees	Percentage of Total City Employment
1	Mt. Diablo Unified School District	4,320	7.00%
2	Bank of America Technology Center	2,500	4.10
3	Wells Fargo Credit Center	1,500	2.40
4	John Muir Medical Center	1,100	1.80
5	Chevron Corporation	950	1.50
6	PG&E	950	1.50
7	Conco Cement	549	0.90
8	Safeway	460	0.80
9	Adecco Employment Services	400	0.70
10	Macy's Concord	400	0.70
Total		13,129	21.40%
Total City Day Population		61,300	

Source: City of Concord Planning and Economic Development Department.

Construction Activity

For the year ending in calendar year 2010 the City issued residential building permits valued at a total of \$19,537. A summary of residential building permit activity for the City and County over the last five-year period is presented in the following tables.

**CITY OF CONCORD
BUILDING PERMITS AND VALUATION
(Dollars in Thousands)
2006-2010**

	2006	2007	2008	2009	2010
<u>Permit Valuation:</u>					
New Single-family	\$18,406	\$30,219	—	\$15,800	—
New Multiple-family	32,937	—	—	0	—
Res. Alterations & Additions	45,212	37,175	\$1,741	18,792	\$19,537
Total Residential	\$96,555	\$67,395	\$1,741	\$34,592	\$19,537
<u>New Dwelling Units:</u>					
Single family	66	101	—	58	—
Multi-family	144	0	—	0	—
Total	210	101	—	58	—

Source: Construction Industry Research Board.
Totals may not add due to independent rounding.

**COUNTY OF CONTRA COSTA
BUILDING PERMITS AND VALUATION
(Dollars in Thousands)
2006-2010**

	2006	2007	2008	2009	2010
<u>Permit Valuation:</u>					
New Single-family	\$ 986,694	\$ 832,053	\$ 300,089	\$ 300,363	\$ 237,458
New Multi-family	157,972	94,505	132,825	34,119	106,555
Res. Alterations/Additions	307,153	290,108	29,023	170,150	209,044
Total Residential	<u>1,451,818</u>	<u>1,216,666</u>	<u>661,937</u>	<u>504,632</u>	<u>553,058</u>
<u>New Dwelling Units:</u>					
Single family	3,310	2,698	985	1,038	809
Multiple-family	1,178	909	909	163	890
Total	<u>4,488</u>	<u>3,607</u>	<u>1,894</u>	<u>1,201</u>	<u>1,699</u>

Sources: Construction Industry Research Board.
Totals may not add due to independent rounding.

Commerce

The City serves as the major commercial, retail, and light-industrial center for the County. The City has over 24 shopping centers, the largest of which is Sun Valley Mall with three full-line department stores and approximately 150 supporting retail and service establishments. Other retail centers in the City include Concord Park & Shop and The Willows.

**CITY OF CONCORD
TAXABLE SALES TRANSACTIONS
(Dollars in Thousands)
2006-2010**

Year	Number of Permits	Taxable Sales Transactions
2006	3,192	\$2,570,289
2007	3,193	2,504,628
2008	3,168	2,319,915
2009	2,911	2,067,729
2010*	2,931	2,033,629

Source: California Board of Equalization, Taxable Sales in California (Sales & Use Tax).
*Latest available full-year data.

**CITY OF CONCORD
TAXABLE SALES BY SECTOR
(Dollars in Thousands)
2006-2010**

	2006	2007	2008
Retail Stores			
Apparel Stores	\$ 119,519	\$ 116,132	\$ 111,055
General Merchandise Stores	344,715	343,214	327,409
Food Stores	74,162	71,539	72,795
Eating and Drinking Places	161,081	162,501	158,412
Home Furnishings and Appliances	103,866	90,843	102,537
Building Materials	265,378	243,503	195,934
Automotive	605,609	560,626	451,988
Service Stations	—120,802	134,960	159,612
Other Retail Stores	270,395	248,289	237,735
Total Retail Stores	<u>\$2,065,527</u>	<u>\$1,971,607</u>	<u>\$1,817,477</u>
All Other Outlets	504,762	533,021	502,438
Total All Outlets ⁽²⁾	<u><u>\$2,570,289</u></u>	<u><u>\$2,504,628</u></u>	<u><u>\$2,319,915</u></u>

	2009 ⁽¹⁾	2010 ⁽²⁾
Retail Store and Food Services		
Motor Vehicle and Parts Dealers	\$ 380,255	\$ 403,311
Home Furnishings and Appliance Stores	144,299	143,919
Bldg. Matrl. and Garden Equip. and Supplies	169,176	195,222
Food and Beverage Stores	81,560	87,061
Gasoline Stations	126,608	141,026
Clothing and Clothing Accessories	123,118	123,379
General Merchandise	274,618	286,676
Food Service and Drinking Places	152,780	155,424
Other Retail Group	182,967	168,586
Total Retail and Food Services	<u>1,635,382</u>	<u>1,704,604</u>
All Other Outlets	432,347	329,025
Total All Outlets ⁽³⁾	<u><u>\$2,067,729</u></u>	<u><u>\$2,033,629</u></u>

Source: California Board of Equalization, Taxable Sales in California (Sales & Use Tax).

⁽¹⁾ Starting in 2009, categories were revised from prior years.

⁽²⁾ Latest available full-year data.

⁽³⁾ Totals may not add up due to independent rounding.

APPENDIX F

FORM OF BOND COUNSEL OPINION

[Closing Date]

City Council
City of Concord
1950 Parkside Drive
Concord, California 94519

OPINION: \$10,080,000 City of Concord 2012 Wastewater Revenue Refunding Bonds

Members of the City Council:

We have acted as bond counsel to the City of Concord (the "City") in connection with the issuance by the City of \$10,080,000 aggregate principal amount of bonds of the City designated the "City of Concord 2012 Wastewater Revenue Refunding Bonds" (the "Bonds"), under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code (the "Bond Law"), under an Indenture of Trust dated as of October 1, 2012 (the "Indenture"), between the City and The Bank of New York Mellon Trust Company, N.A., as trustee, and under a resolution of the City Council of the City adopted on September 11, 2012. We have examined the Bond Law, an executed copy of the Indenture, 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 Indenture and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based upon our examination we are of the opinion, under existing law, that:

1. The City is a general law city and municipal corporation organized and existing under the Constitution and laws of the State of California, with power to enter into the Indenture, to perform the agreements on its part contained therein and to issue the Bonds.

2. The Bonds have been duly authorized, executed and delivered by the City, and are legal, valid and binding obligations of the City, payable solely from the sources provided therefor in the Indenture.

3. The Indenture has been duly approved by the City and constitutes a legal, valid and binding obligation of the City, enforceable against the City in accordance with its terms.

4. Under the Bond Law, the Indenture establishes a valid lien on and pledge of the Net Revenues of the Wastewater System (as such terms are defined in the Indenture) for the security of the Bonds and any obligations issued on a parity therewith.

5. The interest on the Bonds 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; it should be noted, 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 sentence are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted in the Indenture to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income

tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Respectfully submitted,

A Professional Law Corporation

APPENDIX G

BOOK-ENTRY ONLY SYSTEM

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

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds (as used in this Appendix G, the "Securities"). The Securities 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 Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. 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 a Standard & Poor's rating of AA+. 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.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit the 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.

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

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Securities 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 the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 paying agent or bond trustee, on 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 nor its nominee, the paying agent or bond trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the paying agent or bond 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.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or the paying agent or bond trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. 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, Security certificates will be printed and delivered to DTC.

11. The information in this section 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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