NEW ISSUE - FULL BOOK ENTRY **RATINGS:**

2015-0232 & 2015-0233

S&P: "AA" (Insured)
S&P: "AA-" (Underlying)
(See "RATINGS" herein.)

In the opinion of Norton Rose Fulbright US LLP, Bond Counsel, under existing law interest on the Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the tax covenants herein, interest on the Series 2015A Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 from the gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum income tax imposed on corporations and individuals. The Authority has taken no action to cause, and does not intend, interest on the Series 2015B Bonds to be excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 from gross income of the owners thereof for federal income tax purposes. See "TAX MATTERS."

CITY OF SAN PABLO JOINT POWERS FINANCING AUTHORITY

$4,255,000 2015-0232	**$11,555,000** 2015-0233
Lease Revenue Bonds	**Lease Revenue Bonds**
Series 2015A (Tax-Exempt)	**Series 2015B (Taxable)**

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

The City of San Pablo Joint Powers Financing Authority (the "Authority") is issuing its Lease Revenue Bonds, Series 2015A (Tax-Exempt) (the "Series 2015A Bonds"), to provide funds (i) to finance certain capital projects within the City of San Pablo (the "City"), (ii) to purchase a municipal bond insurance policy for the Series 2015A Bonds, (iii) to pay a *pro rata* share of the cost of purchasing a reserve surety for the Bonds (defined below), and (iv) to pay the costs of issuance of the Series 2015A Bonds. The City of San Pablo Joint Powers Financing Authority (the "Authority") is issuing its Lease Revenue Bonds, Series 2015B (Taxable) (the "Series 2015B Bonds" and, together with the Series 2015A Bonds, the "Bonds"), to provide funds (i) to finance certain capital projects within the City, (ii) to purchase a municipal bond insurance policy for the Series 2015B Bonds, (iii) to pay a *pro rata* share of the cost of purchasing a reserve surety for the Bonds, and (iv) to pay the costs of issuance of the Series 2015B Bonds. See "PLAN OF FINANCE" herein.

The Bonds are being issued as fully registered bonds and, when executed and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). The Bonds, if issued, will be issued in denominations of $5,000 or any integral multiple thereof. DTC will act as securities depository of the Bonds. Individual purchases of Bonds will be made in book-entry form only. Payments of principal of and interest on the Bonds are to be made to purchasers by DTC through DTC Participants. Purchasers will not receive physical delivery of the Bonds purchased by them. See APPENDIX F – "BOOK-ENTRY SYSTEM." Interest on the Bonds is payable on May 1 and November 1 of each year, commencing November 1, 2015.

The Bonds are subject to extraordinary, mandatory and optional redemption prior to their stated maturities, as described herein. See "DESCRIPTION OF THE BONDS – Redemption" herein.

The Series 2015A Bonds are payable from Series 2015A Revenues pledged to the Series 2015A Bonds under the Indenture, as hereinafter described. The Series 2015B Bonds are payable from Series 2015B Revenues pledged to the Series 2015B Bonds under the Indenture, as hereinafter described. "Revenues" means the Series 2015A Revenues or the Series 2015B Revenues, as the context requires. Such Revenues primarily consist of applicable Base Rental Payments to be made by the City to the Authority under the Lease, as hereinafter described. Pursuant to the Lease, the City will lease certain property therein described (the "Leased Property") from the Authority. The City is required under the Lease to make Base Rental Payments in each year in consideration for the use of the Leased Property from any source of legally available funds, in an amount sufficient to pay the annual principal of and interest on the Bonds. **The City's obligation to make Base Rental Payments is subject to abatement in the event of substantial interference with the use and possession of all or a part of the Leased Property. See "RISK FACTORS – Abatement" herein.** The City has covenanted in the Lease to take such action as may be necessary to include and maintain all Base Rental Payments in its annual budget and to make the necessary appropriations therefor, subject to such abatement.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under separate insurance policies for each Series of the Bonds to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP. See "BOND INSURANCE" herein.

The Bonds are special limited obligations of the Authority secured by and payable solely from Revenues, consisting of certain amounts received by the Authority as lessor under the Lease, including scheduled Base Rental Payments, prepayments, and insurance and condemnation proceeds, and all interest, profits or other income derived from the investment of amounts in any fund or account established under the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and "RISK FACTORS" herein.

The full faith and credit of the Authority is not pledged for the payment of the principal of or interest or premium (if any) on the Bonds. The Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the Authority or any of its income or receipts, except the Revenues and such other moneys and securities as provided in the Indenture. The obligation of the City to make Base Rental Payments or Additional Rental Payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Bonds nor the obligation of the City to make Base Rental Payments or Additional Rental Payments constitutes an indebtedness of the City, the State or any of its political subdivisions (other than the Authority) within the meaning of any constitutional or statutory debt limitation or restriction.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to the approving opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel to the Authority. Certain legal matters will be passed on for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Underwriter's Counsel. Certain legal matters will be passed on for the Authority by Norton Rose Fulbright US LLP, Los Angeles, California, Disclosure Counsel and for the Authority and the City by Murphy & Associates PC, a Professional Corporation. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about March 4, 2015.

STIFEL

Dated: February 18, 2015

MATURITY SCHEDULES

$4,255,000
City of San Pablo Joint Powers Financing Authority
Lease Revenue Bonds
Series 2015A (Tax-Exempt)
(Base CUSIP† 799135)

Maturity Date (November 1)	Principal Amount	Interest Rate	Yield	CUSIP†
2015	$210,000	2.000%	0.30%	AA6
2016	220,000	3.000	0.60	AB4
2017	230,000	4.000	0.90	AC2

$3,595,000 3.625% Term Bonds due November 1, 2044, Priced to Yield 3.86% CUSIP†: 799135AD0

$11,555,000
City of San Pablo Joint Powers Financing Authority
Lease Revenue Bonds
Series 2015B (Taxable)
(Base CUSIP† 799135)

Maturity Date (November 1)	Principal Amount	Interest Rate	Yield	CUSIP†
2016	$ 90,000	1.000%	1.00%	AE8
2017	90,000	1.500	1.50	AF5
2018	330,000	1.950	1.95	AG3
2019	335,000	2.350	2.35	AH1
2020	345,000	2.650	2.65	AJ7
2021	355,000	2.950	2.95	AK4
2022	365,000	3.000	3.11	AL2
2023	375,000	3.250	3.35	AM0
2024	390,000	3.375	3.55	AN8
2025	405,000	4.000	3.75	AP3
2026	420,000	4.000	3.91[C]	AS7

$1,865,000 4.125% Term Bond due November 1, 2030, Priced to Yield 4.33% CUSIP†: 799135AQ1

$6,190,000 4.500% Term Bond due November 1, 2040, Priced to Yield 4.66% CUSIP†: 799135AR9

[C] Priced to first optional redemption date of November 1, 2025 at par.
† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Underwriter, the Authority, the Financial Advisor or the City are responsible for the selection or correctness of the CUSIP numbers set forth herein.

CITY OF SAN PABLO
CITY OF SAN PABLO JOINT POWERS FINANCING AUTHORITY

CITY COUNCIL/BOARD OF DIRECTORS

Kathy Chao Rothberg, *Mayor/President*
Rich Kinney, *Vice Mayor/Vice President*
Cecilia Valdez, *Councilmember/Board Member*
Genoveva Garcia Calloway, *Councilmember/Board Member*
Paul Morris, *Councilmember/Board Member*

CITY OFFICIALS

Matt Rodriguez, *City Manager*
J. Kelly Sessions, *Finance Manager*
Charles Ching, *Assistant to the City Manager*
Ted J. Denney, *City Clerk*
Brian Libow, *City Attorney*
Bradley Ward, *Senior Advisor*

SPECIAL SERVICES

Bond Counsel and Disclosure Counsel

Norton Rose Fulbright US LLP
Los Angeles, California

Special Counsel

Murphy & Associates PC
Sacramento, California

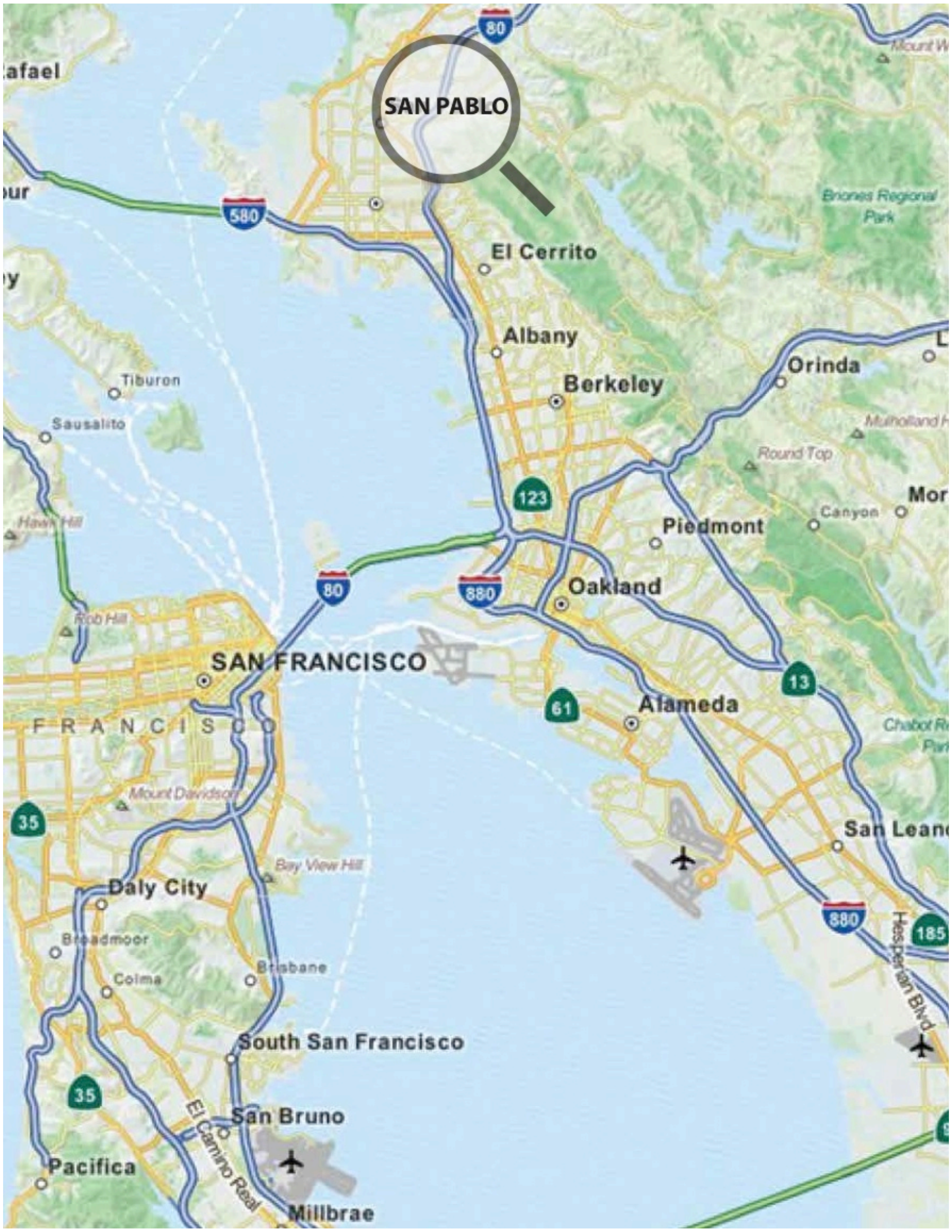
Financial Advisor

Steven Gortler
San Francisco, California

Trustee

Wells Fargo Bank, National Association
San Francisco, California

San Pablo Region



No dealer, broker, salesperson or other person has been authorized by the City of San Pablo Joint Powers Financing Authority (the "Authority"), the City of San Pablo (the "City") or the Underwriter to give any information or to make any representations, other than as contained in this Official Statement, and if given or made, such information or representations must not be relied upon as having been authorized by the Authority, the City or the Underwriter. 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 any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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

The information set forth herein has been furnished by the Authority and the City and includes information from sources that are believed to be reliable, but the Authority and the City do not guarantee the completeness or accuracy of the information from such sources. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the City, or other matters described herein since the date hereof.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through the Electronic Municipal Marketplace Access (EMMA) website. The City maintains a website. The information presented therein is not part of this Official Statement and should not be relied on in making investment decisions with respect to the Bonds. Unless otherwise expressly stated, references to Internet websites in this Official Statement are shown for reference and convenience only, and none of their content (including any content on the City's website) is incorporated in this Official Statement by reference. The City and the Authority make no representation regarding the accuracy or completeness of the information presented on such websites.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and "APPENDIX G - SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

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

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "project," "expect," "anticipate," "intend," "believe," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except as otherwise noted, neither the City nor the Authority plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

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OFFICIAL STATEMENT

$4,255,000 City of San Pablo Joint Powers Financing Authority Lease Revenue Bonds Series 2015A (Tax-Exempt)	$11,555,000 City of San Pablo Joint Powers Financing Authority Lease Revenue Bonds Series 2015B (Taxable)

INTRODUCTION

This Official Statement, which includes the cover page, the inside cover page and attached appendices, provides certain information in connection with the sale and delivery of the $4,255,000 City of San Pablo Joint Powers Financing Authority Lease Revenue Bonds, Series 2015A (Tax-Exempt) (the "Series 2015A Bonds") and $11,555,000 City of San Pablo Joint Powers Financing Authority Lease Revenue Bonds, Series 2015B (Taxable) (the "Series 2015B Bonds" and, together with the Series 2015A Bonds, the "Bonds"). Capitalized terms not otherwise defined herein have the meanings given in the Indenture and the Lease (each as hereinafter defined) or in APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS."

Purpose of the Bonds

The Bonds are being issued under the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6584) of the California Government Code (the "Bond Law"). The Bonds are being issued pursuant to an Indenture, dated as of March 1, 2015 (the "Indenture"), by and between the City of San Pablo Joint Powers Financing Authority (the "Authority") and Wells Fargo Bank, National Association, as trustee (the "Trustee").

A portion of the sale proceeds of the Series 2015A Bonds is expected to be applied to finance capital improvement projects in the City. In addition, sale proceeds will be used to purchase a municipal bond insurance policy for the Series 2015A Bonds, to pay a *pro rata* share of the cost of purchasing a reserve surety for the Bonds, and to pay the costs of issuance of the Series 2015A Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "PLAN OF FINANCE" herein.

A portion of the sale proceeds of the Series 2015B Bonds is expected to be applied to finance capital improvement projects in the City. In addition, sale proceeds will be used to purchase a municipal bond insurance policy for the Series 2015B Bonds, to pay a *pro rata* share of the cost of purchasing a reserve surety for the Bonds, and to pay the costs of issuance of the Series 2015B Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "PLAN OF FINANCE" herein.

Security for the Bonds

Pursuant to a Site and Facility Lease, dated as of March 1, 2015 (the "Site Lease"), by and between the City and the Authority, the Authority will lease from the City certain real property and improvements, which consists of the City of San Pablo City Hall Complex ("City Hall") and the City of San Pablo Police Department Building (the "Police Department") (collectively, the "Leased Property"). See "- Leased Property" below. Pursuant to a Lease Agreement, dated as of March 1, 2015 (the "Lease"), by and between the Authority as lessor, and the City as lessee, the Authority will lease the Leased Property to the City. Pursuant to the Lease, the City will pay to the Authority base rental payments (the "Base Rental Payments") in amounts equal to scheduled debt service on the Bonds.

The Series 2015A Bonds will be secured by a first lien on and pledge of all of the Series 2015A Revenues, including all of the moneys in the Series 2015A Interest Account and the Series 2015A Principal Account and all amounts derived from the investment of such moneys, and by the Reserve Fund. "Series 2015A Revenues" means (i) all Series 2015A Base Rental Payments payable by the City pursuant to the Lease (including prepayments), (ii) any proceeds of Series 2015A Bonds originally deposited with the Trustee and all moneys on deposit in the funds and accounts (other than the Rebate Fund) established hereunder for the Series 2015A Bonds, (iii) investment income with respect to such moneys held by the Trustee, and (iv) any insurance proceeds or condemnation awards received by or payable to the Trustee relating to the Series 2015A Base Rental Payments. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

The Series 2015B Bonds will be secured by a first lien on and pledge of all of the Series 2015B Revenues, including all of the moneys in the Series 2015B Interest Account and the Series 2015B Principal Account and all amounts derived from the investment of such moneys and by the Reserve Fund. "Series 2015B Revenues" means (i) all Series 2015B Base Rental Payments payable by the City pursuant to the Lease (including prepayments), (ii) any proceeds of Series 2015B Bonds originally deposited with the Trustee and all moneys on deposit in the funds and accounts established hereunder for the Series 2015B Bonds, (iii) investment income with respect to such moneys held by the Trustee, and (iv) any insurance proceeds or condemnation awards received by or payable to the Trustee relating to the Series 2015B Base Rental Payments. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

Pursuant to an Assignment Agreement, dated as of March 1, 2015 (the "Assignment Agreement"), by and between the Authority and the Trustee, relating to the Bonds the Authority will assign, as further security for its obligations to make timely payment of principal of and interest on the Bonds to the Trustee for the benefit of the Owners certain of the Authority's rights under the Lease, including the right to receive Base Rental Payments. Under the Lease, in addition to Base Rental Payments, the City has agreed to pay Additional Rental payments in such amounts in each year as shall be required for the payment of all costs and expenses (not otherwise paid for or provided for out of the proceeds of sale of the Bonds) incurred by the Authority or the Trustee in connection with the execution, performance or enforcement of the Lease or the assignment thereof, the Indenture, or the Authority's or the Trustee's interest in the Leased Property.

Pursuant to the Lease, the City has the right to substitute alternate real property or improvements for the Leased Property, release existing property or add additional real property or equipment to the Leased Property. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – THE LEASE."

The obligation of the City to make Base Rental Payments under the Lease is an unsecured obligation of the City, payable from all legally available funds. Pursuant to the Lease, the City has covenanted to annually budget and appropriate sufficient funds to make all rental payments required to be made under the Lease, subject only to abatement as provided therein. In furtherance of this covenant, the City agrees that each September, upon the receipt of revenue under the Municipal Services Agreement (the "MSA") between the City and the Lytton Band of Pomo Indians (the "Lytton Band"), the City will transfer to the Trustee for deposit into the applicable Lease Revenue Fund if available an amount of such revenues equal to total annual Base Rental Payments and Additional Rental due during the then-current fiscal year (or such other lesser amount as received under the MSA). The City is not obligated to make such transfer if Base Rental Payments or Additional Rental are subject to abatement or otherwise are not required under the Lease to be paid in such fiscal year. See "RISK FACTORS – Base Rental Payments Are Not Debt; Bonds are Limited Obligations" and "– Abatement." The obligation of the City to make Base Rental Payments and Additional Rental Payments is solely from the City's General Fund. No separate pledge of revenue received by the City from the MSA is made in the Indenture or the Lease. See "SECURITY AND SOURCES OF PAYMENT" herein.

Leased Property

The Leased Property consists of City Hall, located at 13831 San Pablo Avenue, and the Police Department, located at 13880 San Pablo Avenue, in San Pablo, California. City Hall is a 143,748 square-foot wood frame facility completed in 1978 with certain additions and improvements completed in 1998. The City Hall facility is a five building complex that houses all City administrative personnel. The Police Department is a 26,484 square-foot two story concrete facility completed in 1984. Additions and improvements to the Police Department were completed in the mid-1990s. The Authority and the City each acknowledged under the Lease that the annual fair rental value of the Leased Property is in excess of the maximum annual Base Rental Payments. The City insures the improvements on the Leased Property for the estimated replacement value of such improvements. None of the Leased Property is located in a 100 year flood plain.

The Lease provides that the City may substitute alternate real property or improvements for the Leased Property, release existing property or add additional real property or improvements to the Leased Property, in compliance with the requirements of the Lease. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Substitution and Release of Property" herein.

Reserve Fund

Pursuant to the Indenture, a common Reserve Fund is established for the Series 2015A Bonds and the Series 2015B Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Reserve Fund" herein.

Additional Bonds

Pursuant to the Indenture and the Lease, the Authority may issue additional bonds (the "Additional Bonds") payable from base rental payments on a parity with the Bonds so long as certain conditions precedent are satisfied. In addition, the City may issue or incur other obligations payable from the City's General Fund. See "SECURITY AND SOURCES OF PAYMENT FOR BONDS – Additional Obligations" herein.

Continuing Disclosure

The Authority has determined that no financial or operating data concerning the Authority is material to any decision to purchase, hold or sell the Bonds and the Authority will not provide any such information.

The City has agreed to provide, with respect to the Bonds, or cause to be provided, to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system (the "EMMA System"), certain annual financial information and operating data relating to the City and, in a timely manner, notice of certain events. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12, as amended (the "Rule 15c2-12") adopted by the U.S. Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended. See "CONTINUING DISCLOSURE" herein and APPENDIX D – "FORM OF CONTINUING DISCLOSURE AGREEMENT" for a description of the annual reports and notices of enumerated events to be provided by the City.

DESCRIPTION OF THE BONDS

The Series 2015A Bonds and the Series 2015B Bonds will be dated their date of delivery and issued in the aggregate principal amount and bear interest at the rates per annum and mature on the dates set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable semiannually on May 1 and November 1 of each year (each an "Interest Payment Date"), commencing November 1, 2015. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is executed after the fifteenth calendar day of the month immediately preceding an Interest Payment Date, in which case interest will bear from such Interest Payment Date, or (ii) it is authenticated on or before October 15, 2015, in which event interest will accrue from the date of initial delivery of the Bonds. If, at the date of authentication of any Bond, interest thereon is in default, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on such outstanding Bond, or if no interest has been paid, from the date of initial delivery of the Bonds. Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months.

The Bonds of each Series are being issued as fully registered bonds and, when executed and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). The Bonds will be issued in denominations of $5,000 or any integral multiple thereof. Individual purchases of Bonds will be made in book-entry form only. Payments of principal of and interest on the Bonds are to be made to purchasers by DTC through DTC Participants. Purchasers will not receive physical delivery of the Bonds purchased by them. See APPENDIX F – "BOOK-ENTRY SYSTEM."

Redemption

Extraordinary Redemption. The Bonds are subject to redemption prior to their respective maturity dates as a whole or in part on any date, from prepayments of applicable Base Rental Payments made by the City on a *pro rata basis* pursuant to the Lease from funds received by the City due to a taking of the Leased Property or any portion thereof under the power of eminent domain or from insurance proceeds received by the City due to damage to or destruction of the Leased Property or any portion thereof, under the circumstances and upon the conditions and terms prescribed in the Indenture and in the Lease. Redemption of Bonds pursuant to extraordinary redemption shall be made at a redemption price equal to the sum of the principal of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption, without premium. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Insurance Coverages" herein.

Optional Redemption of Series 2015A Bonds. The Series 2015A Bonds maturing on or after November 1, 2044 shall be subject to redemption prior to their respective maturity dates as a whole or in part on any date on or after November 1, 2025, in any order deemed reasonable by the Authority, and by lot within a maturity, from prepayments of Base Rental Payments made at the option of the City pursuant to the Lease, at a redemption price equal to the principal amount of the Series 2015A Bonds to be redeemed, plus accrued but unpaid interest to the date fixed for redemption, without premium.

Mandatory Sinking Account Redemption of Series 2015A Bonds. The Series 2015A Term Bond maturing November 1, 2044 is subject to mandatory redemption, in part by lot, from sinking account payments set forth in the following schedule commencing November 1, 2040, and on November 1 in each year thereafter to and including November 1, 2044 at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption.

Redemption Date (November 1)	Principal Amount To be Redeemed
2040	$190,000
2041	805,000
2042	835,000
2043	865,000
2044*	900,000

* Maturity

Optional Redemption of Series 2015B Bonds. The Series 2015B Bonds maturing on or after November 1, 2026 shall be subject to redemption prior to their respective maturity dates as a whole or in part on any date on or after November 1, 2025, in any order deemed reasonable by the Authority, and by lot within a maturity, from prepayments of Base Rental Payments made at the option of the City pursuant to the Lease, at a redemption price equal to the principal amount of the Series 2015B Bonds to be redeemed, plus accrued but unpaid interest to the date fixed for redemption, without premium.

Mandatory Sinking Account Redemption of Series 2015B Bonds. The Series 2015B Term Bond maturing November 1, 2030 is subject to mandatory redemption, in part by lot, from sinking account payments set forth in the following schedule commencing November 1, 2027, and on November 1 in each year thereafter to and including November 1, 2030 at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption.

Redemption Date (November 1)	Principal Amount To be Redeemed
2027	$440,000
2028	455,000
2029	475,000
2030*	495,000

* Maturity

The Series 2015B Term Bond maturing November 1, 2040 is subject to mandatory redemption, in part by lot, from sinking account payments set forth in the following schedule commencing November 1, 2031, and on November 1 in each year thereafter to and including November 1, 2040 at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption.

Redemption Date (November 1)	Principal Amount To be Redeemed
2031	$515,000
2032	540,000
2033	565,000
2034	590,000
2035	620,000
2036	650,000
2037	675,000
2038	710,000
2039	740,000
2040*	585,000

* Maturity

Selection of Bonds for Redemption

Whenever provision is made in the Indenture for the redemption of less than all of the Bonds of a Series, the Trustee shall select the Bonds of such Series to be redeemed from all Bonds of that Series not previously called for redemption, in such maturities as the Authority shall designate (and by lot within any maturity). For purposes of such selection, all Bonds of a Series shall be deemed to be comprised of separate $5,000 portions and such portions shall be treated as separate Bonds, which may be separately redeemed.

Notice of Redemption

The Trustee on behalf and at the expense of the Authority shall mail (by first class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, to the Securities Depositories and to one or more Information Services, at least 20 but not more than 60 days prior to the date fixed for redemption; *provided, however*, that neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and shall require that such Bonds be then surrendered at the Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date. Neither the Authority nor the Trustee shall have any responsibility for any defect in the CUSIP number that appears on any Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Authority nor the Trustee shall be liable for any inaccuracy in such numbers.

Any such notice given may be rescinded by written notice given to the Trustee by the Authority and the Trustee shall provide notice of such rescission as soon thereafter as practicable in the same manner, and to the same recipients, as notice of such redemption was given pursuant to the Indenture. The Authority and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of redemption.

Partial Redemption of Bonds

In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds, interest rate and maturity date, in aggregate principal amount equal to the unredeemed portion of the Bond being redeemed.

Effect of Redemption

From and after the date fixed for redemption, if funds available for the payment of the principal of, premium, if any, and interest on the Bonds so called for redemption shall have been duly provided, such Bonds so called shall cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date. All moneys held by or on behalf of the Trustee for the payment of principal of or interest or premium on Bonds, whether at redemption or maturity, shall be held in trust for the account of the Owners thereof and the Trustee shall not be required to pay Owners any interest on, or be liable to Owners for any interest earned on, moneys so held.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Series 2015A Bonds will be secured by a first lien on and pledge of all of the Series 2015A Revenues, including all of the moneys in the Series 2015A Interest Account and the Series 2015A Principal Account and all amounts derived from the investment of such moneys and by the Reserve Fund. The Series 2015B Bonds will be secured by a first lien on and pledge of all of the Series 2015B Revenues, including all of the moneys in the Series 2015B Interest Account and the Series 2015B Principal Account and all amounts derived from the investment of such moneys and by the Reserve Fund. "Revenues" herein means the Series 2015A Revenues or the Series 2015B Revenues, as the context requires. All Base Rental Payments pursuant to the Lease shall be made on a *pari passu* basis with each other.

The Series 2015A Base Rental Payments and the Series 2015B Base Rental Payments will be paid by the City in an amount sufficient to pay the principal of and interest on the Series 2015A Bonds and the Series 2015B Bonds, respectively on each Interest Payment Date. Under the Lease, in addition to Base Rental Payments, the City has agreed to pay Additional Rental payments in such amounts in each year as shall be required for the payment of all costs and expenses (not otherwise paid for or provided for out of the proceeds of sale of the Bonds) incurred by the Authority or the Trustee in connection with the execution, performance or enforcement of the Lease or the assignment thereof, the Indenture, or the Authority's or the Trustee's interest in the Leased Property, including, but not limited to, all fees, costs and expenses, all administrative costs of the Authority relating to the Leased Property (including, without limiting the generality of the foregoing, salaries and wages of employees, overhead, insurance premiums, taxes and assessments (if any), expenses, compensation and indemnification of the Trustee payable by the Authority under the Indenture), fees of auditors, accountants, attorneys or engineers, and all other reasonable and necessary administrative costs of the Authority or charges required to be paid by it to comply with the terms of the Bonds or of the Indenture and all other amounts due to the Insurer under the Indenture.

The City has agreed in the Lease to take such action as may be necessary to include all Base Rental Payments and Additional Rental due under the Lease in its annual budget and to make the necessary annual appropriations for all such Base Rental Payments and Additional Rental, subject only to abatement as provided in the Lease. The covenants on the part of the City contained in the Lease are duties imposed by law and it will be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Lease agreed to be carried out and performed by the City.

Pursuant to the Assignment Agreement, the Authority will assign, as further security for its obligations to make timely payment of principal of and interest on the Bonds to the Trustee for the benefit of the Owners certain of the Authority's rights under the Lease, including the right to receive Base Rental Payments. On or before the fifteenth (15) Business Day preceding each November 1 and May 1, the City is required to pay to the Trustee the Base Rental Payments coming due on the next succeeding November 1 and May 1, respectively, from any legally available sources.

Limited Obligation

The full faith and credit of the Authority is not pledged for the payment of the principal of or interest or premium (if any) on the Bonds. The Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the Authority or any of its income or receipts, except the Revenues and such other moneys and securities as provided in the Indenture. The obligation of the City to make Base Rental Payments or Additional Rental Payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Bonds nor the obligation of the City to make Base Rental Payments or Additional Rental Payments constitutes an indebtedness of the City, the State or any of its political subdivisions (other than the Authority) within the meaning of any constitutional or statutory debt limitation or restriction.

Reserve Fund

Pursuant to the Indenture, a common Reserve Fund is established for the Series 2015A Bonds and the Series 2015B Bonds at the Reserve Requirement. "Reserve Requirement" means an amount equal to the least of (i) ten percent (10%) of the original issue price of the Bonds; (ii) one hundred twenty-five percent (125%) of average Annual Debt Service on the Bonds as of the Closing Date; and (iii) Maximum Annual Debt Service on all the Bonds. The City will satisfy the Reserve Requirement by depositing a Reserve Account Credit Instrument into the Reserve Fund when the Bonds are issued and delivered. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – THE INDENTURE."

Abatement of Base Rental Payments

The City's obligation to pay Base Rental Payments and Additional Rental Payments is subject to abatement during any period in which by reason of any damage, destruction or condemnation there is substantial interference with the beneficial use by the City of the Leased Property or any portion thereof. Such abatement may be in an amount such that the resulting Base Rental Payments in any year during which such interference continues does not exceed the fair rental value of the portions of the Leased Property as to which such damage, destruction or taking do not substantially interfere with the City's use and right of possession, as evidenced by a Certificate of the City. Such abatement shall continue for the period commencing with the date of such interference and ending with the restoration of the Leased Property to tenantable condition. See "RISK FACTORS – Abatement."

Additional Bonds

The Authority has agreed pursuant to the Indenture that no additional bonds, notes or indebtedness shall be issued or incurred that are payable out of the Revenues in whole or in part, other than Additional Bonds as provided in the Indenture. However, the City may issue or incur other obligations payable from the City's General Fund. See "RISK FACTORS – No Limitation on Incurring Additional Obligations" herein.

The Authority and the Trustee may by execution of a Supplemental Indenture but without the consent of the Owners, which shall become binding when the written consent of the Insurer is received, provide for the issuance and delivery of Additional Bonds in one or more Series. The Trustee may authenticate and deliver to or upon the Request of the Authority, such Additional Bonds, in an aggregate principal amount authorized by such Supplemental Indenture. The proceeds of such Additional Bonds may be used for any purpose, including for the purpose of refunding Outstanding Bonds. Such Additional Bonds may only be issued upon compliance by the Authority with the provisions of the Indenture, and subject to the following specific conditions, which are made conditions precedent to the issuance of any such Additional Bonds:

(a) The Authority shall not be in default under the Indenture or any Supplemental Indenture, as evidenced by a Certificate of the Authority, and the City shall not be in default under the Lease, as evidenced by a Certificate of the City;

(b) Such Supplemental Indenture shall provide that from such proceeds or other sources an amount shall be deposited in a reserve account so that there shall be on deposit in such reserve account a cumulative amount at least equal to the Reserve Requirement for the applicable Series of Additional Bonds;

(c) The Additional Bonds shall be payable as to principal on November 1 of each year in which principal is due and shall be payable as to interest on each Interest Payment Date;

(d) The aggregate principal amount of Bonds issued and at any time Outstanding under the Indenture or under any Supplemental Indenture shall not exceed any limit imposed by law, by the Indenture or by any Supplemental Indenture, as evidenced by a Certificate of the Authority and the City;

(e) The Lease shall have been amended, if necessary, so as to increase the applicable Base Rental Payments payable by the City thereunder by an aggregate amount equal to the principal and interest due and payable on such Additional Bonds, payable at such times and in such manner as may be necessary to provide for the payment of the principal and interest on such Additional Bonds; and

(f) Such Supplemental Indenture shall provide redemption dates and/or mandatory redemption of Additional Bonds in amounts sufficient to provide for payment of the Additional Bonds when the applicable Base Rental Payments are due.

(g) Any Additional Bonds shall be on a parity with, and each Owner thereof shall have the same rights upon an Event of Default as the Owner of, any other Bonds issued and delivered under the Indenture, except as otherwise provided in the Supplemental Indenture under which Additional Bonds are issued.

(h) Such Supplemental Indenture shall prescribe the form or forms of such Additional Bonds, and subject to the provisions hereof, shall provide for the distinctive designation, denominations, dates, principal payment dates, interest payment dates, interest rates, provisions for redemption, and places of payment for principal and interest.

Maintenance, Utilities, Taxes and Assessments

During such time as the City or any assignee or sublessee thereof is in possession of the Leased Property, all maintenance and repair, ordinary or extraordinary, of the Leased Property shall be the responsibility of the City, and the City shall pay for or otherwise arrange for the payment of (a) all utility services supplied to the Leased Property, (b) the cost of operation of the Leased Property, and (c) the costs of maintenance of and repair to the Leased Property resulting from ordinary wear and tear or want of care on the part of the City. The City shall, at the City's sole cost and expense, keep and maintain the Leased Property clean and in a safe and good condition and repair. The Authority has no obligation to alter, remodel, improve, repair, decorate, or paint the Leased Property or any part thereof.

The City shall comply with all statutes, ordinances, regulations, and other requirements of all governmental entities that pertain to the occupancy or use of the Leased Property. The Authority has no responsibility or obligation whatsoever to construct any improvements, modifications or alterations to the Leased Property.

The Authority and the City contemplate that the Leased Property will be used for public purposes by the City and, therefore, that the Leased Property will continue to be exempt from all taxes presently assessed and levied with respect to real and personal property. In the event that the use, possession or acquisition by the Authority or the City of the Leased Property is found to be subject to taxation in any form, the City will pay during the term of the Lease, as the same respectively become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Leased Property and any other property acquired by the City in substitution for, as a renewal or replacement of, or a modification, improvement or addition to the Leased Property; provided, that with respect to any governmental charges or taxes that may lawfully be paid in installments over a period of years, the City shall be obligated to pay only such installments as are accrued during such time as the Lease is in effect.

Insurance Coverages

Due to the importance of payments received under the MSA to the fiscal health of the General Fund, the City through its participation in the Municipal Pooling Authority is insured (the "MSA Payment Interruption Insurance") against the loss of MSA Payments (defined herein) up to $100,000,000 per occurrence (combined business interruption, rental income and tax revenue interruption and tuition income), if damage or destruction of Casino property partially or wholly prevents the payment of MSA Payments. See "THE CITY – Municipal Services Agreement with the Lytton Band of Pomo Indians – *MSA Payment Interruption Insurance*" herein.

Pursuant to the Lease, the City will obtain one or more California Land Title Association title policies insuring the City's and Authority's interest in the Leased Property. The Lease requires that the City maintain rental interruption insurance to insure against loss, total or partial, of rental income from any portion of the Leased Property in an amount not less than the maximum remaining scheduled Base Rental Payments in any twenty-four (24) month period. The City is obligated to obtain a standard comprehensive general public liability and property damage insurance policy, theft insurance, insurance against fire or lightning damage, including extended coverage and vandalism and malicious mischief insurance and workers' compensation insurance. The City may also maintain such insurance (except rental interruption and title insurance) through a program of self-insurance under certain conditions. The Lease does not require the City to obtain or maintain earthquake insurance on the Leased Property. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – The Lease – Insurance."

The proceeds of any rental interruption insurance will be deposited in the applicable Lease Revenue Fund to be credited towards the payment of the applicable Base Rental Payments. The Lease requires the City promptly to remit to the Trustee the Net Proceeds of any insurance award either to replace or repair the Leased Property or to prepay the Bonds and any Additional Bonds on a *pro rata* basis. The amount of Base Rental Payments and Additional Payments due under the Lease may be reduced during any period in which material damage or destruction to all or part of the Leased Property substantially interferes with the City's use and possession thereof. If there are not sufficient insurance proceeds to complete repair of the Leased Property, the Base Rental Payment schedule will be proportionally reduced in accordance with the Lease. Such reduced Base Rental Payments may not be sufficient to pay principal and interest with respect to the Bonds and any Additional Bonds. Such reduction would not constitute a default under either the Trust Agreement or the Lease. See "RISK FACTORS – Abatement" herein.

The Lease provides that each policy of insurance (except for the MSA Payment Interruption Insurance) required under the Lease shall name the Trustee as loss payee, and the proceeds of such insurance shall be deposited with the Trustee for application pursuant to the Indenture.

Substitution and Release of Property

So long as the Lease is in effect, the City has the option at any time and from time to time, to substitute other real property (the "Substitute Property") for any portion of the Leased Property (the "Former Property") or release any identifiable real property and/or improvements currently constituting the Leased Property; provided, that the City shall satisfy all of the following requirements, which are conditions precedent to such substitution under the Lease:

(a) No default under the Lease or Event of Default under the Indenture shall have occurred and be continuing;

(b) The City shall file with the Authority, the Insurer and the Trustee, and cause to be recorded in the office of the County Recorder, sufficient memorialization of amendments to the Lease and the Site Lease with a description of such Substitute Property which deletes therefrom the description of the Former Property;

(c) The City shall obtain an extended California Land Title Association ("CLTA") policy of title insurance insuring the City's fee or leasehold estate in such Substitute Property, the City's leasehold estate under the Lease in such Substitute Property, and the Authority's leasehold estate under the Site Lease in such Substitute Property, subject only to Permitted Encumbrances, in an amount not less than the aggregate principal amount of the Outstanding Bonds; provided, however, that this requirement shall not apply to Substitute Property that consists only of Former Property less any released portion; provided, that all encumbrances, endorsements and restrictions to such CLTA title policy must be acceptable to the Insurer and such CLTA policy may not permit the title insurer (i) to purchase any Series 2015 Bonds in lieu of providing payment under the policy unless, upon purchase, such Series 2015 Bonds are canceled, or (ii) to settle claims with any person other than the Trustee, acting with the consent of the Insurer;

(d) The City shall provide a Certificate of the City to the Authority, the Insurer and the Trustee that such Substitute Property constitutes property which the City is permitted to lease under the laws of the State of California; provided, however, that this requirement shall not apply to Substitute Property that consists only of Former Property less any released portion;

(e) The substitution of the Substitute Property shall not cause the City to violate any of its covenants, representations and warranties made in the Lease;

(f) The City shall file with the Authority, the Insurer and the Trustee a Certificate of the City or other evidence which establishes that the annual fair rental value of the Substitute Property after substitution or release will be at least equal to 100% of the maximum amount of the Base Rental Payments becoming due in the then current fiscal year or in any subsequent fiscal year and the useful economic life of the Substitute Property shall be at least equal to the maximum remaining term of the Lease; and

(g) The City shall furnish to the Trustee an opinion of Bond Counsel addressed to the Trustee, the Insurer, the City and the Authority to the effect that the substitution or release is permitted under the Lease and will not in and of itself (i) impair the validity and enforceability of the Lease or (ii) impair the exclusion of interest on the Series 2015A Bonds and, if applicable, any Additional Bonds from the gross income of the owners thereof for federal income tax purposes.

Upon the satisfaction of all such conditions precedent, and upon the City delivering to the Authority, the Insurer and the Trustee a Certificate of the City certifying that the conditions set forth in (a), (c) and (e) above have been satisfied, the Term of the Lease shall thereupon end as to the Leased Property and shall thereupon commence as to the Substitute Property, and all references to the Leased Property shall apply with full force and effect to the Substitute Property. The City shall not be entitled to any reduction, diminution, extension or other modification of the Base Rental Payments whatsoever as a result of any substitution or removal under the Lease.

PLAN OF FINANCE

A portion of the sale proceeds of the Bonds is expected to be applied to finance certain capital improvements and property acquisitions for the City, which may include one or more of the following: improvement of a building located at 13751 San Pablo Avenue to be used as a library facility, the acquisition of real property and improvements located at 2000 Vale Road, the acquisition of real property and improvements located at 2023 Vale Road, the improvement of property located at 2600 Moraga Road, certain improvements and upgrades to City Hall, various Capital Improvement Projects and municipal broadband throughout the City, and a loan to the West Contra Costa Healthcare District. In addition, the proceeds of the Bonds may be applied to finance the Plaza San Pablo Roadway Improvements, including the demolition of existing concrete sidewalk, curb and gutter, pavement, and select utilities; installation of new underground utilities, storm drain piping and inlets, sanitary sewer main pipe and sanitary sewer manhole, fine grading and placement of baserock, concrete sidewalk, curb and gutter, pavement, ADA ramps, signage and striping, bio-swales, landscaping and planting, and irrigation system; construction of a water fountain; and installation of street lighting and traffic signals. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The City reserves the right to apply proceeds of the Bonds to alternate or additional capital improvement projects of the City.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds are as follows:

Sources:	**Series 2015A Bonds**	**Series 2015B Bonds**	**Total**
Principal amount of Bonds	$4,255,000.00	$11,555,000.00	$15,810,000.00
Net original issue discount	(118,853.85)	(189,676.00)	(308,529.85)
Total Sources	$4,136,146.15	$11,365,324.00	$15,501,470.15
Uses:			
Deposit to Project Fund	$4,000,000.00	$11,000,000.00	$15,000,000.00
Costs of Issuance[(1)]	136,146.15	365,324.00	501,470.15
Total Uses	$4,136,146.15	$11,365,324.00	$15,501,470.15

(1) Costs of issuance include legal, Trustee, rating agency, and financial advisor fees, printing costs, underwriter's discount, bond insurance premiums, reserve surety premium, and other costs incurred in connection with the issuance of the Bonds.

DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements for the Series 2015A Bonds and the Series 2015B Bonds.

Fiscal Year Ending	Series 2015A Bonds			Series 2015B Bonds			Total		
June 30,	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**
2016	$ 210,000	$ 172,019	$ 382,019	$ -	$ 533,938	$ 533,938	$ 210,000	$ 705,957	$ 915,957
2017	220,000	142,819	362,819	90,000	460,504	550,504	310,000	603,323	913,323
2018	230,000	134,919	364,919	90,000	459,379	549,379	320,000	594,298	914,298
2019	-	130,319	130,319	330,000	455,486	785,486	330,000	585,805	915,805
2020	-	130,319	130,319	335,000	448,333	783,333	335,000	578,651	913,651
2021	-	130,319	130,319	345,000	439,825	784,825	345,000	570,144	915,144
2022	-	130,319	130,319	355,000	430,018	785,018	355,000	560,336	915,336
2023	-	130,319	130,319	365,000	419,306	784,306	365,000	549,625	914,625
2024	-	130,319	130,319	375,000	407,738	782,738	375,000	538,056	913,056
2025	-	130,319	130,319	390,000	395,063	785,063	390,000	525,381	915,381
2026	-	130,319	130,319	405,000	380,381	785,381	405,000	510,700	915,700
2027	-	130,319	130,319	420,000	363,881	783,881	420,000	494,200	914,200
2028	-	130,319	130,319	440,000	346,406	786,406	440,000	476,725	916,725
2029	-	130,319	130,319	455,000	327,947	782,947	455,000	458,266	913,266
2030	-	130,319	130,319	475,000	308,766	783,766	475,000	439,084	914,084
2031	-	130,319	130,319	495,000	288,759	783,759	495,000	419,078	914,078
2032	-	130,319	130,319	515,000	266,963	781,963	515,000	397,281	912,281
2033	-	130,319	130,319	540,000	243,225	783,225	540,000	373,544	913,544
2034	-	130,319	130,319	565,000	218,363	783,363	565,000	348,681	913,681
2035	-	130,319	130,319	590,000	192,375	782,375	590,000	322,694	912,694
2036	-	130,319	130,319	620,000	165,150	785,150	620,000	295,469	915,469
2037	-	130,319	130,319	650,000	136,575	786,575	650,000	266,894	916,894
2038	-	130,319	130,319	675,000	106,763	781,763	675,000	237,081	912,081
2039	-	130,319	130,319	710,000	75,600	785,600	710,000	205,919	915,919
2040	-	130,319	130,319	740,000	42,975	782,975	740,000	173,294	913,294
2041	190,000	126,875	316,875	585,000	13,163	598,163	775,000	140,038	915,038
2042	805,000	108,841	913,841	-	-	-	805,000	108,841	913,841
2043	835,000	79,116	914,116	-	-	-	835,000	79,116	914,116
2044	865,000	48,303	913,303	-	-	-	865,000	48,303	913,303
2045	900,000	16,313	916,313	-	-	-	900,000	16,313	916,313
Totals	$4,255,000	$3,696,216	$7,951,216	$11,555,000	$7,926,879	$19,481,879	$15,810,000	$11,623,095	$27,433,095

BOND INSURANCE

Bond Insurance Policy

Concurrent with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue a Municipal Bond Insurance Policy for each Series of the Bonds (each, a "Policy"). Each Policy guarantees the scheduled payment of principal of and interest on the related Series of Bonds when due as set forth in the form of the Policy included as "APPENDIX G – SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA")and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On November 13, 2014, KBRA assigned an insurance financial strength rating of "AA+" (stable outlook) to AGM. AGM can give no assurance as to any further ratings action that KBRA may take.

On July 2, 2014, S&P issued a credit rating report in which it affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On July 2, 2014, Moody's issued a rating action report stating that it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Capitalization of AGM

At September 30, 2014, AGM's policyholders' surplus and contingency reserve were approximately $3,683 million and its net unearned premium reserve was approximately $1,810 million. Such amounts represent the combined surplus, contingency reserve and net unearned premium reserve of AGM, AGM's wholly owned subsidiary Assured Guaranty (Europe) Ltd. and 60.7% of AGM's indirect subsidiary Municipal Assurance Corp.; each amount of surplus, contingency reserve and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (filed by AGL with the SEC on February 28, 2014);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014 (filed by AGL with the SEC on May 9, 2014);

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2014 (filed by AGL with the SEC on August 8, 2014); and

(iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2014 (filed by AGL with the SEC on November 7, 2014).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM or one of its affiliates may purchase a portion of the Bonds or any uninsured bonds offered under this Official Statement and such purchases may constitute a significant proportion of the bonds offered. AGM or such affiliate may hold such Bonds or uninsured bonds for investment or may sell or otherwise dispose of such Bonds or uninsured bonds at any time or from time to time.

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE."

THE AUTHORITY

The Authority was formed pursuant to the provisions of Articles 1, 2 and 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act") and a Joint Exercise of Powers Agreement, dated December 8, 1993 (the "JPA Agreement"), entered into by the City and the former Redevelopment Agency of the City of San Pablo (the "Former Redevelopment Agency") for the purpose, among others, of issuing bonds to be used to provide financial assistance to its members. With the dissolution of the Former Redevelopment Agency in February 2012, as described further below, the San Pablo Local Successor Agency (the "Successor Agency") succeeded the Former Redevelopment Agency as a member of the Authority by operation of law. The governing board of the Authority is comprised of the members of the City Council of the City of San Pablo (the "City Council"). The Authority has no independent staff.

Under the JPA Agreement, the Authority is empowered to assist in the financing of public capital improvements through the issuance of bonds, including the Bonds, in accordance with the Act. To exercise its powers, the Authority is authorized, in its own name, to do all necessary acts, including but not limited to making and entering into contracts; employing agents and employees; and to sue or be sued in its own name.

THE CITY

General

The City was incorporated in 1948 as a general law city under the laws of the State and is located in West Contra Costa County off Interstate 80. The City is approximately 11 miles from the City of Berkeley, 14 miles from the City of Oakland and 20 miles from the City of San Francisco. As of January 1, 2014, the City had a population of approximately 29,465 and encompassed approximately 2.6 square miles. See APPENDIX A – "SELECTED DEMOGRAPHIC AND FINANCIAL INFORMATION RELATING TO THE CITY OF SAN PABLO." A copy of the City's audited financial statements for the fiscal year ended June 30, 2014 is attached hereto as APPENDIX B.

Budget Process and Administration; General Fund

The City adopts a biennial budget in June of each odd numbered year for the ensuing next two year period. Under this biennial budget process, individual departments prioritize and recommend the budgetary funding requirements necessary to meet both the objectives of the department and the goals and initiatives of the City Council. Departmental funding requests are balanced and prioritized to fit within the constraints of projected revenue assumptions. The City Manager's office and the Finance Department review all budget proposals and revenue assumptions, as well as all current financial obligations, before preparing the budget that is proposed to the City Council. The City Council reviews the proposed budget during a scheduled public budget workshop in May and the final adoption of the budget is scheduled for a City Council meeting in June pursuant to the requirements of the City's municipal code.

The five major General Fund revenue sources of the City, which together accounted for approximately 91% of the General Fund revenues in Fiscal Year 2013-14, were Business License Taxes (approximately 52% of total General Fund revenues), Intergovernmental Revenues (approximately 15%), Other Taxes (approximately 9%), Sales Taxes (approximately 8%), and Utility Users Revenues (approximately 7%). At June 30, 2014 the unassigned General Fund balance was $31,512,493. Business

License Taxes include payments received by the City pursuant to the MSA with the Lytton Band. See "THE CITY – Municipal Services Agreement with the Lytton Band of Pomo Indians" herein.

The following tables summarize the audited financial statements for the City's General Fund for the Fiscal Years ended June 30, 2010 through June 30, 2014. This information has been derived from the audited financial statements of the City for the fiscal years shown. This information should be read in conjunction with APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE CITY OF SAN PABLO FOR FISCAL YEAR ENDED JUNE 30, 2014." The City adopts a biennial budget every two years. The biennial budget for the fiscal years ending June 30, 2014 and June 30, 2015 was adopted on June 3, 2013.

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The following table sets forth the City's General Fund balance sheet based upon audited financial statements for Fiscal Years ended June 30, 2010 through June 30, 2014.

TABLE 1
CITY OF SAN PABLO
GENERAL FUND BALANCE SHEET
FOR FISCAL YEARS ENDED JUNE 30, 2010 THROUGH JUNE 30, 2014

	2010	2011[(1)]	2012	2013	2014
ASSETS					
Cash and investments available for operations	$20,899,983	$23,257,433	$19,829,146	$22,645,582	$31,224,120
Restricted cash and investments	-	-	-	-	-
Interest receivable	29,119	-	-	-	-
Accounts receivable	1,286,582	1,447,159	1,670,188	1,818,371	2,045,573
Due from other governments	256,218	292,520	467,644	4,294,392	1,013,437
Due from other funds	-	128,462	64,694	83,359	-
Prepaids and deposits	2,186	82,575	7,193	18,665	37,431
Employee loans receivable	19,915	11,581	17,728	9,838	7,788
Loan receivable	-	1,109,976	615,529	90,586	-
Property held for resale	-	206,626	-	-	-
Advance to other fund	-	-	4,000,000	-	-
Total Assets	$22,494,003	$26,536,332	$26,672,122	$28,960,793	$34,328,349
LIABILITIES					
Accounts payable and accrued liabilities	$ 1,102,020	$ 1,094,506	$ 910,535	$1,306,913	$1,207,023
Deferred Revenue	-	1,109,976	615,529	-	-
Total Liabilities	$ 1,102,020	$ 2,204,482	$1,526,064	$1,306,913	$1,207,023
DEFERRED INFLOWS OF RESOURCES[(2)]					
Unavailable revenue – accounts receivable	-	-	-	$ 21,262	-
Unavailable revenue – due from other gov'ts	-	-	-	4,000,000	800,000
Unavailable revenue – loans and notes receivable	-	-	-	90,586	-
Total Deferred Inflows of Resources	-	-		$4,111,848	$ 800,000
FUND BALANCES:					
Fund balance					
Nonspendable	-	-	$ 4,024,921	$ 28,503	$ 45,219
Restricted	-	$ 94,156	-	-	-
Assigned	-	206,626	20,215	227,579	763,614
Unassigned	-	24,008,243	21,100,922	23,285,950	31,512,493
Reserved	$ 32,630	-	-	-	-
Unreserved	21,359,353	-	-	-	-
Total Fund Balances	$21,391,983	$24,309,025	$25,146,058	$23,542,032	$32,321,326
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$22,494,003	$26,536,332	$26,672,122	$28,960,793	$34,328,349

(1) The City implemented the provisions of GASB Statement 54 in Fiscal Year 2011-12.

(2) In Fiscal Year 2013, the City transferred $4.0 million to advance funds required to build the San Pablo Community Center with the understanding that such funds would be reimbursed, primarily with grant money from Proposition 84 ($2.6 million) and Measure WW ($0.6 million). The majority of the reimbursements occurred in 2014, with a residual amount of $800,000 still remaining to be reimbursed to the City.

Source: City of San Pablo.

The following table sets forth the City's General Fund revenues, expenditures and changes in fund balances based upon audited financial statements for Fiscal Years ended June 30, 2010 through June 30, 2014.

TABLE 2
CITY OF SAN PABLO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR FISCAL YEARS ENDED JUNE 30, 2010 THROUGH JUNE 30, 2014

	2010	2011	2012	2013	2014
REVENUES					
Property taxes	$ 260,080	$ 291,311	$ 505,693	$ 248,288	$ 677,924
Sales Taxes[1]	1,169,556	1,233,959	1,304,322	2,155,036	2,807,739
In-lieu sales tax	456,357	316,486	421,134	468,552	548,465
Utility users tax	1,512,840	2,083,913	2,339,064	2,473,792	2,553,955
Business license tax[2]	-	-	15,501,584	17,105,522	17,951,434
Other taxes	15,332,960	16,217,232	2,692,995	2,862,216	3,064,960
Licenses and permits	321,824	-	-	-	-
Fines and forfeitures	252,924	174,986	160,779	199,033	178,497
Intergovernmental	2,017,113	2,135,890	2,200,479	2,063,284	5,193,600[3]
Charges for services	273,535	380,465	390,940	674,404	921,802
Use of money and property	239,592	666,058	787,121	749,762	278,252
Miscellaneous	69,612	59,675	55,805	14,545	137,496
Total revenues	$21,906,393	$23,559,975	$26,359,916	$29,014,434	$34,314,124
EXPENDITURES					
Current:					
General government	$ 3,608,932	$ 5,077,971	$ 4,051,309	$ 5,644,563	$ 5,798,844
Community:					
Recreation	1,232,619	1,281,164	1,045,283	1,198,105	1,173,065
Public Works & Engineering	-	-	297,423	293,681	299,397
Police	13,809,500	13,211,016	13,167,618	14,453,920	14,742,477
Capital Outlay	97,436	201,487	127,151	357,066	154,467
Total expenditures	$18,748,487	$19,771,638	$18,688,784	$21,947,335	$22,168,250
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ 3,157,906	$ 3,788,337	$ 7,671,132	$ 7,067,099	$12,145,874
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of property	1,910	-	-	-	-
Transfers in	100,000	264,995	214,703	-	-
Transfers out	(2,065,000)[4]	(1,113,465)[4]	(7,071,627)[4]	(8,671,125)[4]	(3,366,580)[4]
Total other financing sources & use	$(1,963,090)	$ (848,470)	$(6,856,924)	$(8,671,125)	$(3,366,580)
NET CHANGE IN FUND BALANCES	1,194,816	2,939,867	814,208	(1,604,026)	8,779,294[5]
Fund balances – beginning of period	20,197,167	21,391,983	24,331,850	25,146,058	23,542,032
FUND BALANCES AT END OF PERIOD	$21,391,983	$24,331,850	$25,146,058	$23,542,032	$32,321,326

(*See footnotes on next page.*)

(Footnotes continued from previous page.)

[1] See "THE CITY – Other Local Taxes."

[2] Included in Other Taxes prior to Fiscal Year 2011-12. Business License Taxes include payments received by the City pursuant to a municipal services agreement with the Lytton Band of Pomo Indians. See "THE CITY – Municipal Services Agreement with the Lytton Band of Pomo Indians."

[3] The increase in Intergovernmental revenues is due to grant funds received for capital projects. In 2014, the City received $5.2 million in funding, primarily from Proposition 84 ($2.6 million) and Measure WW ($0.6 million) to build the San Pablo Community Center and from a grant from the Natural Resources Agency for the daylighting of the creek at Davis Park ($1.9 million).

[4] Transfers Out are primarily to fund capital projects. The residual Transfer Out are generally to reimburse a fund which has made an expenditure on behalf of another fund, usually Special Revenue Funds for Gas Tax, Street Lighting and Landscaping, and Development Services.

[5] The year over year increase in fund balance was due to increased revenues of approximately $5.3 million and increased expenditures of $0.2 million, for an overall net gain of approximately $5.0 million. Transfers Out were reduced by approximately $5.3 million, offset by the beginning fund balance of approximately $1.6 million for an overall net gain of approximately $8.8 million.

Source: City of San Pablo.

[Remainder of page intentionally left blank.]

The following table sets forth the City's adopted budget and actual General Fund revenues, expenditures and changes in fund balance for the Fiscal Years shown. The adopted budget is the original budget at the start of the new Fiscal Year. At the end of the Fiscal Year, unspent funds encumbered by contract are carried forward into the next fiscal year, thus increasing the adopted budget. Additionally, throughout the year, budget changes may be authorized by City Council which increase the City's spending authority. Therefore, variances between the adopted budget and actual expenditures are common.

TABLE 3
CITY OF SAN PABLO GENERAL FUND
Comparison of Adopted Budget and Actual Results For Fiscal Year Ended June 30, 2013, Comparison of Revised Adopted Budget and Actual Results for Fiscal Year Ended June 30, 2014

	Adopted Budget 2012-13	Actual Results 2012-13	Actual Less Adopted	Adopted Budget 2013-14[(1)]	Actual Results 2013-14	Actual Less Adopted
REVENUES						
Property taxes	$ 250,500	$ 248,288	$ (2,212)	$ 344,067	$ 677,924	$ 333,857
Sales taxes	1,219,000	2,155,036	936,036	2,490,286	2,807,739	317,453
In-lieu sales tax	420,000	468,552	48,552	520,714	548,465	27,751
Utility users tax	1,920,000	2,473,792	553,792	2,440,000	2,553,955	113,955
Business license tax	12,500,000	17,105,522	4,605,522	14,750,000	17,951,434	3,201,434
Other taxes	2,535,000	2,862,216	327,216	2,680,564	3,064,960	384,396
Fines and forfeits	170,000	199,033	29,033	490,000	178,497	(311,503)
Intergovernmental:						
Motor vehicle in lieu	1,797,140	1,654,714	(142,426)	1,680,346	1,713,415	33,069
Other	227,200	408,570	181,370	112,000	3,480,185	3,368,185
Charges for services	330,000	674,404	344,404	405,000	921,802	516,802
Use of money and property	192,000	749,762	557,762	299,038	278,252	(20,786)
Miscellaneous	10,000	14,545	4,545	10,000	137,496	127,496
Total Revenues	$21,570,840	$29,014,434	$7,443,594	$26,222,015	$34,314,124	$8,092,109
EXPENDITURES						
Current:						
General government	$ 3,785,543	$ 5,644,563	$1,859,020	$ 5,252,149	$ 5,798,844	$ 546,695
Community:						
Recreation	1,195,771	1,198,105	2,334	1,565,239	1,173,065	(392,174)
Public Works & Engineering	407,456	293,681	(113,775)	449,603	299,397	(150,206)
Police	14,305,476	14,453,920	148,444	15,519,974	14,742,477	(777,497)
Capital outlay	169,644	357,066	187,422	-	154,467	-
Total Expenditures	$19,863,890	$21,947,335	$2,083,445	$22,786,965	$22,168,250	(618,715)
EXCESS OF REVENUES OVER EXPENDITURES	$ 1,706,950	$ 7,067,099		$ 3,435,050	$12,145,874	
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-		-	-	
Transfers (out)[(2)]	-	(8,671,125)		(3,117,610)	(3,366,580)	
Total Other Financing Sources (Uses)				(3,117,610)	(3,366,580)	
NET CHANGE IN FUND BALANCE	$1,706,950	(1,604,026)		$317,440	($8,779,294)	
Fund balance at beginning of year		25,146,058			23,542,032	
FUND BALANCE AT END OF YEAR		$23,542,032			$32,321,326	

(1) The City adopts a biennial budget every two years. The biennial budget for the fiscal years ending June 30, 2014 and June 30, 2015 was adopted on June 3, 2013. The adopted budget numbers presented on Table 3 are for the fiscal year ended June 30, 2014; the City uses the same numbers in its adopted budget for the fiscal year ending June 30, 2015.

(2) With City Council approval, resources may be transferred from one City fund to another. Fiscal Year 2012-13 ended with the General Fund making approximately $8.7 million in transfers out to other funds. The majority of this amount was $7.7 million to the Public Works Construction Capital Projects Fund for large capital projects, including the San Pablo Community Center. $3.2 million of the funding for the Community Center was reimbursed by funds from Proposition 84 and Measure WW grants.

Source: City of San Pablo.

Management Discussion of Financial Performance

The City management's discussion and analysis of the financial activities of the City for the fiscal year ended June 30, 2014 is presented in the City's audited financial statements for the fiscal year ended June 30, 2014 attached hereto as APPENDIX B.

Appropriations Limit

Section 7910 of the Government Code of the State requires the City to adopt a formal appropriations limit for each fiscal year. The City's appropriations limit for Fiscal Year 2013-14 was $35,268,471. The City's appropriations limit for Fiscal Year 2014-15 is $35,532,190. The appropriations limit is not expected to have any impact on the ability of the City to budget and appropriate the Base Rental Payments and Additional Rental as required by the Lease.

Financial Statements

All governmental funds are accounted for using the modified accrual basis of accounting. The City's revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The exception to this general rule is principal and interest on general long-term debt, which is recognized when due. Some debts and obligations may be payable from self-supporting enterprises or revenue sources other than property taxation. Special assessment bonds are not included in the tabulation; lease revenue obligations payable from the General Fund or equivalent sources are included. All proprietary funds are accounted for using the accrual basis for accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Receivables are recorded and determined at the time of consumption, and unbilled receivables are not recorded. See APPENDIX B - "AUDITED FINANCIAL STATEMENTS OF THE CITY OF SAN PABLO FOR THE FISCAL YEAR ENDED JUNE 30, 2014."

Assessed Valuation

The assessed valuation of property in the City is established by the County Assessor, except for public utility property which is assessed by the California State Board of Equalization (the "Board of Equalization"). Assessed valuations are reported at 100% of the full cash value of the property, as defined in Article XIII A of the California Constitution. (See "Limitations on Taxes and Appropriations" below).

Certain classes of property such as churches, colleges, not-for-profit hospitals and charitable institutions are exempt from property taxation and do not appear on the tax rolls. The table below presents the assessed valuations in the City from Fiscal Years 2011 through 2015.

TABLE 4
CITY OF SAN PABLO
Assessed Valuation of Taxable Property
Fiscal Years 2011-2015
(in Thousands)

Fiscal Year Ending June 30	Secured	Unsecured	Total Taxable Assessed Value
2011	$1,222,381,287	$ 82,961,690	$1,305,342,977
2012	1,173,012,766	88,393,143	1,261,405,909
2013	1,069,005,049	169,132,709	1,238,137,758
2014	1,209,095,703	79,311,396	1,288,407,099
2015	1,384,923,409	79,311,559	1,464,234,968

Source: Contra Costa County Auditor Controller.

Economic and other factors beyond the City's control, such as economic recession, deflation of land values, or the complete or partial destruction of taxable property caused by, among other things, earthquake, flood or other natural disaster could cause a reduction in the assessed value of taxable property in the City.

Taxes are levied by the County for each Fiscal Year on taxable real and personal property which is situated in the City as of the preceding January 1. Effective July 1, 1983, real property which changes ownership or is newly constructed is reassessed at the time the change in ownership occurs or the new construction is completed. The current year property tax rate will be applied to the reassessment, and the taxes will then be adjusted by a proration factor to reflect the portion of the remaining tax year for which taxes are due.

For assessment and collection purposes, property is classified either as "secured" or "unsecured." Property assessed as "secured" is listed accordingly on separate parts of the assessment roll containing State-assessed property and property the taxes on which are a lien on real property sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each Fiscal Year, and if unpaid become delinquent on December 10 and April 10, respectively, subject to a penalty of ten percent. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the Fiscal Year. Such property may thereafter be redeemed by payment of a penalty of 1.5 percent per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County Tax Collector.

Property taxes on the unsecured roll are due as of the January 1 lien date and, in general, become delinquent on August 31, subject to a ten percent penalty. If unsecured taxes are unpaid on October 31, an additional penalty of 1.5 percent attaches to them on the first day of each month until paid. The City has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Clerk and Recorder's office in order to obtain a lien on certain property of the taxpayer, and (4) seizing and selling personal property, improvements or possessory interests belonging or assessed to the assessee.

Teeter Plan

The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan") as provided for in Section 4701 et. seq. of the State Revenue and Taxation Code. Under the Teeter Plan, each participating local agency allocated property taxes in its county, receives the amount of uncollected taxes credited to its fund in the same manner as if the amount credited had been collected. In return, the County receives and retains delinquent payments, penalties and interest as collected, that would have been due to the local agency. Although a local agency receives the total levy for property taxes without regard to actual collections, funded from a reserve established and held by the County for this purposes, the basic legal liability for property tax deficiencies at all times remains with the local agency.

The Teeter Plan is to remain in effect unless the County of Contra Costa Board of Supervisors (the "Board of Supervisors") orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by resolution adopted by two-thirds of the participating revenue districts in the County, in which event, the Board of Supervisors is to order the discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. The Board of Supervisors may, by resolution adopted not later than July 15 of the fiscal year for which it is to apply, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax-levying entity in the County.

TABLE 5
CITY OF SAN PABLO
City Property Tax Levied and Collected
Last Five Fiscal Years

Fiscal Year	City Property Tax Levied and Collected (1)
2011	$291,311
2012	505,693
2013	248,288
2014	677,924
2015(2)	295,156

(1) Excludes Street Lighting and Landscaping, N.P.D.E.S, Oak Park Maintenance District Property Tax and Redevelopment Agency.
(2) Projected.
Source: City of San Pablo.

State Legislative Shift of Property Tax Allocation

Beginning in 1992-93, the State has required that local agencies including cities remit a portion of property taxes received to augment school funding. These funds are deposited in each county's Educational Revenue Augmentation Fund ("ERAF"). These property taxes are permanently excluded from the City's property tax revenues. On July 24, 2009, the California legislature approved amendments to the 2009-10 Budget to close its anticipated $26.3 billion budget shortfall. The approved amendments include borrowing from local governments by withholding of the equivalent of 8% of Fiscal Year 2008-09 property related tax revenues from cities' and counties' property tax collections under provisions of Proposition 1A (approved by the voters in 2004), which the State must repay with interest within three years.

In addition, certain other provisions in the State budget have resulted in a realignment of property tax revenues. On March 2, 2004, voters approved a bond initiative formally known as the "California Economic Recovery Act." This act authorized the issuance of $15 billion in bonds to finance the 2002-03 and 2003-04 State budget deficits, to be payable from a fund to be established by the redirection of tax revenues through the "Triple Flip." Under the "Triple Flip," one-quarter of local governments' 1% share of the sales tax imposed on taxable transactions within their jurisdiction is redirected to the State. In an effort to eliminate the adverse impact of the sales tax revenue redirection on local government, the legislation provides for property taxes in the ERAF to be redirected to local government. Because the ERAF moneys were previously earmarked for schools, the legislation provides for schools to receive other state general fund revenues. It is expected that the swap of sales taxes for property taxes would terminate once the deficit financing bonds were repaid, which is currently expected to occur in approximately 12 years. The sales tax received through an in lieu payment from State property tax revenues was approximately $548,465 for Fiscal Year 2013-14.

The City receives a portion of Department of Motor Vehicles license fees ("VLF") collected statewide. Several years ago, the State-wide VLF was reduced by approximately two-thirds. However, the State continued to remit to cities and counties the same amount that those local agencies would have received if the VLF had not been reduced, known as the "VLF backfill." A temporary two-year increase in VLF rates went into effect on May 19, 2009 and expired on July 1, 2011. This increased the funding of VLF from fees and reduced the State's VLF backfill from the property tax realignment. The temporary increase was not renewed by the State Legislature, and had a negative impact on the amount the City received from these fees in Fiscal Year 2013-14. As a result, the City received a VLF amount of $13,632 for Fiscal Year 2013-14. The State VLF backfill received through an in lieu payment from State property tax revenues was approximately $1,699,783.

Other Local Taxes

In addition to *ad valorem* taxes on real property, the City receives the following local taxes:

Sales Tax. Sales tax is collected and distributed by the Board of Equalization. The City receives one percent of the 8.75% of taxes assessed on retail sales or leases of tangible personal property in the City.

<u>Voter-Approved Sales Taxes</u>:

In addition, a general tax was approved by the voters of the City in June 2012 by a margin of 73.56% ("Measure Q"). Measure Q authorized an increase in the City's sales tax rate over a ten-year period, with the proceeds of the tax earmarked for public safety, youth services, economic development and other general purposes. The Measure Q sales tax rate is 0.50% for the first five years, declining to 0.25% for the next 5 years. The tax expires after 10 years.

The voters of the City approved a special tax for public safety in June 2014 by a margin of 70.80% ("Measure K"). The Measure K sales tax rate is 0.25% and has no expiration date. The proceeds from the Measure K sales tax must be spent on emergency medical purposes.

Utility Users Tax. The City levies a 7% general tax on its cable television, telephone, electricity, natural gas and water service.

Transient Occupancy Tax. The City levies a 12% tax on persons staying in a hotel, inn, motel, tourist home or other lodging facility.

Business Licenses. The City levies a business license tax based on either the number of employees a business has or its projected gross receipts. Business License Taxes include payments received by the City pursuant to a municipal services agreement with the Lytton Band of Pomo Indians. See “THE CITY – Municipal Services Agreement with the Lytton Band of Pomo Indians.”

Franchise Taxes. The City levies a 7% tax paid by franchisees (utilities) for the right to operate exclusively in the City.

Payment in lieu of Taxes. The City receives a “Minimum Payment” pursuant to the MSA which the City classifies as a payment in lieu of taxes. The Minimum Payment is $1,500,000 per year, adjusted annually by up to 2% based on the change in real property taxes otherwise paid by owners of commercial property within the City. In the Fiscal Year ended June 30, 2014, the amount totaled $1,828,490.

Other Taxes. Other taxes include miscellaneous revenues received by the City, e.g. charges for services (such as building permits, design revenues, and fees for recreation programing), fines and fees, licenses and permits (such as non-casino related business licenses), use of property and money (such as interest income and room rentals).

The following table sets forth the revenues received by the General Fund for the categories shown for the past four Fiscal Years.

TABLE 6
CITY OF SAN PABLO
GENERAL FUND TAX REVENUES BY SOURCE

	2010-11	**2011-12**	**2012-13**	**2013-14**
Property Taxes	$ 291,311	$ 505,693	$ 248,288	$ 677,924
Sales Taxes	1,233,959	1,304,322	2,155,036	2,807,739
In-lieu Sales Taxes	316,486	422,134	468,552	548,465
Utilities Taxes	2,083,913	2,339,064	2,473,792	2,553,955
Transient Occupancy Taxes	262,364	309,167	356,177	424,570
Franchise Taxes	540,919	540,565	627,473	719,358
Payment in Lieu of Taxes	1,735,328	1,757,473	1,798,638	1,828,490
Business Licenses	13,615,664	15,501,584	17,105,522	17,951,434
Motor Vehicle License Fees	1,881,451	1,688,305	1,654,714	1,713,415
Other Taxes	1,598,580	1,991,609	2,126,242	5,088,774(1)
Total Taxes	$23,559,975	$26,359,916	$29,014,434	$34,314,124

(1) The fiscal year over year increase is due to grant funds received for capital projects. In 2014, the City received $5.2 million in funding, primarily from Proposition 84 ($2.6 million) and Measure WW ($0.6 million), to build the San Pablo Community Center and $1.9 million from a Natural Resources Agency grant for the daylighting of the creek at Davis Park.
Source: City of San Pablo.

Municipal Services Agreement with the Lytton Band of Pomo Indians

The Lytton Band is a federally recognized Indian Tribe that owns and operates the San Pablo Lytton Casino (the "Casino"). The Casino opened for business in October 2003 and hosts more than 1,300 Class II video bingo gaming machines and 16 Class II gaming tables in a 71,754 square foot single-story concrete block facility situated on 3.83 acres located at 13255 San Pablo Avenue in San Pablo, California.

In September 1999, prior to the opening of the Casino, the City and the Lytton Band entered into the Municipal Services Agreement wherein the Lytton Band agrees to make certain payments to the City, in return for which, the City agrees to provide general municipal services, such as water, sewer, police, fire, emergency medical, and sanitation services, to the Casino.

Under the MSA, the Lytton Band is required to make two types of payments to the City: Minimum Payments and Incremental Payments. The "Minimum Payment" is equal to $1,500,000 per year, payable semi-annually in equal installments on December 15 and April 15, which amount is increased or decreased each year in proportion to the annual change in real property taxes paid by owners of commercial property within the City, subject to a maximum annual increase or decrease of 2%.

In addition to Minimum Payments, as long as the Lytton Band operates the Casino as a Class II gaming facility pursuant to the Indian Gaming Regulatory Act (the "IGRA"), then the Lytton Band is also required to pay the City an "Incremental Payment" equal to the greater of $900,000 (adjusted annually based on the change in the Consumer Price Index) or 7.5% of Gross Gaming Revenues, payable in equal quarterly installments on the 15th day of March, June, September and December.

The MSA provides that if the Lytton Band operates the Casino as a Class III gaming facility pursuant to the IGRA, then the Incremental Payment shall instead be equal to $3,500,000 per year (adjusted annually for Consumer Price Index inflation), payable quarterly in equal installments on the 15th day of March, June, September and December; provided, however, that in no event shall the annual payment exceed 5.40% of Gross Gaming Revenues.

As used herein, "Gross Gaming Revenues" means the total win (or hold) from gaming activities paid to Lytton Band by patrons for gaming after deducting the total revenues paid to patrons as a result of gaming, but before deducting costs and expenses.

Since opening the Casino, the Lytton Band has operated the Casino as a Class II casino. Under the IGRA, Class II gaming is defined as the game of chance commonly known as bingo (whether or not electronic, computer, or other technological aids are used in connection therewith) and, if played in the same location as bingo, then pull tabs, punch board, tip jars, instant bingo, and other games similar to bingo. Class II gaming also includes "non-banked" card games, meaning, games that are played exclusively against other players rather than against the house or a player acting as a "bank." Class II gaming excludes slot machines or electronic facsimiles of any game of chance.

Indian tribes are authorized to conduct, license, and regulate Class II gaming so long as the state in which the Indian tribe is located permits such gaming, and the tribal government adopts a gaming ordinance that is approved by the National Indian Gaming Commission.

Class III gaming, as opposed to Class II gaming, includes all forms of gaming that are not covered by either Class I or Class II. Games commonly played at "Las Vegas-style" casinos such as slot machines, blackjack, craps, and roulette fall in the Class III category, as do wagering games and electronic facsimiles of any game of chance.

Under the IGRA, an Indian tribe may conduct Class III gaming if it adheres to the following conditions: (i) the form of Class III gaming that a tribe wants to conduct must be permitted in the state in which the Indian tribe is located; (ii) the Indian tribe and the state in which the Indian tribe is located must negotiate a "compact" that has been approved by the United States Secretary of the Interior; and (iii) the tribe must adopt a gaming ordinance that is approved by the National Indian Gaming Commission. In addition, the "compact" must be approved by the Governor of the State and ratified by the State legislature. See "RISK FACTORS - Concentration of Revenues; MSA Payments and the General Fund" herein.

Since opening the Casino in 2003, the Lytton Band has paid to the City the following amounts pursuant to the Municipal Services Agreement:

Fiscal Year Ending June 30,	**Minimum Payment**	**Incremental Payment**	**Total MSA Payment**
2004	$1,499,608	$ 1,570,870	$ 3,070,478
2005	1,529,600	2,962,895	4,492,495
2006	1,560,600	7,418,852	8,979,452
2007	1,591,812	9,500,085	11,091,897
2008	1,623,648	10,962,864	12,586,512
2009	1,656,121	12,366,609	14,022,731
2010	1,689,243	12,798,388	14,487,631
2011	1,723,008	13,615,664	15,338,672
2012	1,757,473	15,501,583	17,259,056
2013	1,792,638	17,150,522	18,943,160
2014	1,828,490	17,951,434	19,779,924

All amounts paid by the Lytton Band to the City pursuant to the MSA are, upon receipt, deposited into the General Fund. Historically, such payments have comprised a significant share of total General Fund revenues, as follows:

Fiscal Year Ending June 30,	**Total MSA Payment**	**Total General Fund Revenue**	**MSA Payment Share of General Fund**
2004	$ 3,070,478	$ 9,833,447	31%
2005	4,492,495	11,340,192	40
2006	8,979,452	17,060,136	53
2007	11,091,897	18,587,487	60
2008	12,586,512	21,489,084	59
2009	14,022,731	22,510,077	62
2010	14,487,631	21,906,393	66
2011	15,338,672	23,559,975	65
2012	17,259,056	26,359,916	65
2013	18,943,160	29,014,434	65
2014	19,779,924	34,320,177	58

Reserve Policy. To safeguard the long-term fiscal health of the City, the City Council adopted an updated reserve policy on October 23, 2013 (the "Reserve Policy"), establishing minimum funding levels for various reserve funds, as follows:

- Catastrophic Reserve Fund – to mitigate the risk of a severe natural disaster or other calamity, the Reserve Policy requires that a Catastrophic Reserve be funded in an amount equal to 50% of the annual Total Operating Funds budget, including transfers to the Capital Projects Fund. Withdrawals from the Catastrophic Reserve Fund require a statement of findings and/or declaration of emergency from the City Council, and must be replenished within three fiscal years. The Catastrophic Reserve Fund balance at June 30, 2014 equaled $14,587,185.

- Budget Stabilization Reserve Fund – the Reserve Policy requires that a Budget Stabilization Reserve be funded in an amount equal to 5% of the Total Operating Funds budget, including transfers to the Capital Projects Fund to mitigate the risk of an economic downturn, an unforeseen decline in general fund revenue or large, unanticipated one-time expenses. Withdrawals from the Budget Stabilization Reserve Fund require approval of the Budget Services Ad-Hoc Subcommittee and a statement of findings by the City Council, and must be replenished the following fiscal year. The Budget Stabilization Reserve Fund balance at June 30, 2014 equaled $611,540.

- Designated Reserve Fund – to set-aside funds in advance to cover large, expected future increases in operating expenditures, such as for employee pension and benefits costs, or planned equipment replacement, the City Council deposits monies into a Designated Reserve Fund. For example, the fiscal year 2015 Budget allocates $150,000 of the Designated Reserve Fund to fund a portion of the expected increased cost of implementing the new CalPERS Method 5 rate smoothing, which takes effect in July, 2015. The Designated Reserve Fund balance at June 30, 2014 equaled $4,229,504.

- Capital Projects Reserve Fund – the City Council has established a Capital Projects Reserve Fund into which it may deposit monies for large, future capital improvement projects. The Capital Projects Reserve Fund balance at June 30, 2014 equaled $2,719,369.

- Additional General Fund Balance – in addition to the specific reserves established under the Reserve Policy, at June 30, 2014, the unassigned balance in the General Fund equaled $9,364,895.

MSA Payment Interruption Insurance. Due to the importance of payments received under the MSA to the fiscal health of the General Fund, the City through its participation in the Municipal Pooling Authority is insured against the loss of MSA Payments up to $100,000,000 per occurrence (combined business interruption, rental income and tax revenue interruption and tuition income), if damage or destruction of Casino property partially or wholly prevents the payment of MSA Payments. The insurance covers 100% of any actual loss sustained, by the City for the length of time that would be necessary, with the exercise of due diligence and dispatch, to rebuild, replace or repair the damage, less the Municipal Pooling Authority's individual members' $25,000 deductible. In the Lease, the City covenants that as long as the Bonds are outstanding, the City shall maintain such insurance to the extent commercially available and financially feasible.

Redevelopment Agencies

Until February 1, 2012, the California Redevelopment Law (Part 1 of Division 24 of the Health & Safety Code of the State) authorized the redevelopment agency of any city or county to receive an allocation of tax revenues resulting from increases in assessed values of properties within designated redevelopment project areas (the "incremental value") occurring after the year the project area was formed. In effect, local taxing authorities, such as the City, realized tax revenues only on the assessed value of such property at the time the redevelopment project was created for the duration of such redevelopment project.

The State Legislature approved two bills, AB X1 26 and AB X1 27, during the 2011-12 State budget process. AB X1 26 contemplated the elimination of redevelopment agencies State-wide, and AB X1 27 proposed to authorize the continued existence of redevelopment agencies that agreed to remit a percentage of their "tax increment" to the State's taxing entities. The California Redevelopment Association and the League of California Cities filed a petition with the California Supreme Court (the "Court"), requesting the Court to review the constitutionality of AB X1 26 and AB X1 27. On December 29, 2011, the Court issued its opinion and upheld AB X1 26, but invalidated AB X1 27. As a result of the decision, all California redevelopment agencies, including the Former Redevelopment Agency, were dissolved as of February 1, 2012. Certain tax revenues allocable to the Former Redevelopment Agency will continue to be allocated to the Successor Agency to the Former Redevelopment Agency, to pay certain financial obligations approved by the Successor Agency's Oversight Board and State Department of Finance ("DOF"), and some of those revenues may be redirected to other taxing agencies, such as the County, school districts and the City.

Direct and Overlapping Debt

Set forth below for the City is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc., and dated as of January 1, 2015. The Debt Report is included for general information purposes only. The City has not reviewed the Debt Report for completeness or accuracy and makes no representations in connection therewith. The Debt Report generally includes long term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the City in whole or in part. Such long-term obligations generally are not payable from revenues of the City (except as indicated) nor are they necessarily obligations secured by land within the City. In many cases long-term obligations issued by a public agency are payable from the general fund or other revenues of such public agency.

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TABLE 8
CITY OF SAN PABLO
Direct and Overlapping Debt Statement
(January 1, 2015)

2014-15 Assessed Valuation: $1,385,536,636

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 1/1/15
Bay Area Rapid Transit District	0.247%	$ 1,558,064
Contra Costa Community College District	0.867	3,952,306
West Contra Costa Unified School District	5.630	48,648,389
West Contra Costa Healthcare District Parcel Tax Obligations	5.225	3,083,273
East Bay Regional Park District	0.379	673,009
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$57,915,041
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Alameda-Contra Costa Transit District Certificates of Participation	0.745%	$ 184,686
Contra Costa County General Fund Obligations	0.247	2,367,410
Contra Costa County Pension Obligation Bonds	0.247	2,230,855
Contra Costa Community College District Certificates of Participation	0.867	6,069
West Contra Costa Unified School District Certificates of Participation	5.630	384,811
City of San Pablo Lease Revenue Bonds	**100.**	**-** (1)
Contra Costa Fire Protection District Pension Obligation Bonds	1.871	1,736,382
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$6,910,213
Less: Contra Costa County supported obligations		938,392
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$5,971,821
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):		$64,786,114
GROSS COMBINED TOTAL DEBT		$129,611,368(2)
NET COMBINED TOTAL DEBT		$128,672,976

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

Ratios to 2014-15 Assessed Valuation:
Total Overlapping Tax and Assessment Debt.......4.18%
Combined Direct Debt....................................... - %
Gross Combined Total Debt 9.35%
Net Combined Total Debt....................................9.29%

Ratios to Redevelopment Incremental Valuation ($1,085,004,841):
Total Overlapping Tax Increment Debt................5.97%

Source: California Municipal Statistics, Inc.

Other General Fund Long-Term Obligations

The City's obligations payable from the general fund are listed below. For additional details regarding such obligations see APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE CITY OF SAN PABLO FOR THE FISCAL YEAR ENDING JUNE 30, 2014 – Note 7 Long-Term Debt."

Long-Term Obligation	Original Principal Amount	Principal Balance June 30, 2014
Helms Community Center Capital Lease: 3.32%, due 12/31/2054	$8,764,917	$8,764,917
Solar Panel Loan 1.0%, due 12/22/2029	1,141,738	1,141,738
New Markets Community Capital XI, LLC (NMCC)	6,510,080 2,795,920	9,306,000
Total		$19,212,655

Investment Policy

The City administers a pooled investment program with its available funds, excluding the employees' retirement funds, which are administered separately, and those funds which are managed separately by trustees appointed under bond indentures. The most recently revised Investment Policy for the City was adopted on January 22, 2012 to "establish the investment scope, objectives, delegation of authority, standards of prudence, reporting requirements, internal controls, eligible investments and transactions, diversification requirements, risk tolerance, and safekeeping and custodial procedures for the investment of the funds of the City and the Successor Agency." As of January 1, 2015, the City had $48,699,839 in cash and investments available for operations.

Pension Plans

The City contributes to the California Public Employees Retirement System ("CalPERS"), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State. Benefit provisions and all other requirements are established by state statute. Copies of CalPERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, California 95814.

Substantially all City employees are eligible to participate in pension plans offered by CalPERS. The City's employees participate in the separate Safety (police) (the "Safety Plan") and Miscellaneous (all other) Employee Plans (the "Miscellaneous Plan" and, together with the Safety Plan, the "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's labor contracts require sworn safety employees hired before January 1, 2013 to pay 12.3% of the contributions, consisting of the 9.0% statutorily-required employee share plus 3.3% of the employer share, and all other employees hired before January 1, 2013 to pay 10.3% of the contributions, consisting of the 8.0% statutorily-required employee share plus 2.3% of the employer share. The City pays the employer portion minus 3.3% or 2.3%, depending on the plan. Sworn safety and all other employees hired on or after January 1, 2013 are statutorily required to pay the employee share of 11.5% and 6.25%, respectively.

The Plans' provisions and benefits in effect at June 30, 2014 are summarized as follows:

Safety:

Hire date	Before January 1, 2013	On or after January 1, 2013
Benefit Formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years' service	5 years' service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50
Monthly benefits, as a % of annual salary	3.0%	1.426%-2.7%
Required employee contribution rates	12.3%	11.5%
Required employer contribution rates	22.85%	11.5%

Miscellaneous:

Hire date	Before January 1, 2013	On or after January 1, 2013
Benefit Formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years' service	5 years' service
Benefit payments	monthly for life	monthly for life
Retirement age	50	52
Monthly benefits, as a % of annual salary	2.0%-2.5%	1.0%-2.5%
Required employee contribution rates	10.3%	6.25%
Required employer contribution rates	12.36%	6.25%

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 actuarially accrued liability. The City uses the actuarially determined percentages of payroll to calculate and pay contributions to CalPERS. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all contributions required by CalPERS, for the last three Fiscal Years were as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Safety Plan			
June 30, 2012	$1,316,888	100%	0
June 30, 2013	1,374,694	100	0
June 30, 2014	1,413,352	100	0
Miscellaneous Plan			
June 30, 2012	$ 610,980	100%	0
June 30, 2013	623,493	100	0
June 30, 2014	655,550	100	0

CalPERS uses the market related value method of valuing the Plan's assets. For the most recent actuarial report, as of June 30, 2013, an investment rate of return of 7.5% is assumed, including inflation at 2.75%. 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.

As required by State law, effective July 1, 2005, the City's Miscellaneous and Safety Plans were terminated, and the employees in those plans were required by CalPERS to join new State-wide pools. One of the conditions of entry to these pools was that the City true-up any unfunded liabilities in the former Plans, either by paying cash or by increasing its future contribution rates through a Side Fund offered by CalPERS. The City satisfied its Miscellaneous Plan's unfunded liability at July 1, 2005 by making a lump sum contribution of $3,694,076 on June 28, 2005. It satisfied its Safety Plan's liability at July 1, 2005 by making a lump sum contribution of $5,097,831 on February 28, 2006.

Effective June 16, 2008, the City changed the monthly benefits under the Miscellaneous and Safety Plans to 2.5% at age 55 and 3% age 50, respectively. This change resulted in new side fund liabilities for each Plan. The City satisfied the Miscellaneous Plan's unfunded liability of $529,859 and the Safety Plan's unfunded liability of $2,287,945 by making lump sum payments on April 15, 2008. 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.

CalPERS' latest actuarial value (which differs from market value) and funding progress for the State-wide pools are shown on the following tables:

3% @ 50 Safety Plan:

	Actuarial					
Valuation Date	**Entry Age Accrued Liability**	**Value of Assets**	**Unfunded (Overfunded) Liability**	**Funded Ratio**	**Annual Covered Payroll**	**Unfunded (Overfunded) as % of Payroll**
2010	$10,165,475,166	$8,470,235,152	$1,695,240,014	83.3%	$955,980,815	177.3%
2011	10,951,745,049	9,135,654,246	1,816,090,803	83.4	949,833,090	191.2
2012	11,724,021,480	9,854,787,710	1,869,233,770	84.1	947,734,809	197.2

The City's Safety Plan represents approximately 0.55%, 0.71% and 0.68%, of the 3% @ 50 State-wide pool for the years ended June 30, 2012, 2011 and 2010, respectively, based on covered payroll of $5,226,617, $6,701,514 and $6,517,083 for those years.

2.5% @ 55 Miscellaneous Plan:

	Actuarial					
Valuation Date	**Entry Age Accrued Liability**	**Value of Assets**	**Unfunded (Overfunded) Liability**	**Funded Ratio**	**Annual Covered Payroll**	**Unfunded (Overfunded) as % of Payroll**
2010	$1,972,910,641	$1,603,482,152	$369,428,489	81.3%	$352,637,380	104.8%
2011	2,135,350,204	1,724,200,585	411,149,619	80.7	350,121,750	117.4
2012	2,254,622,362	1,837,489,422	417,132,940	81.5	339,228,272	123.0

The City's Miscellaneous Plan represents approximately 1.59%, 1.72% and 1.67% of the 2.5% @ 55 State-wide pool for the years ended June 30, 2011, 2010 and 2009, respectively, based on covered payroll of $5,385,666, $6,005,798 and $5,878,208 for those years.

Actuarial data is not yet available for the 2.7% @ 57 Safety and 2.0% @ 62 Miscellaneous State-wide pools.

For additional information, see APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE CITY OF SAN PABLO FOR THE FISCAL YEAR ENDED JUNE 30, 2014," Note 10.

CalPERS prepared actuarial studies for the Fiscal Year 2012-13 based on its new actuarial policies. The funded status of the City's plans as of June 30, 2013, on an actuarial value of asset basis, is as follows:

	Accrued Liability	**Share of Pool's Market Value of Assets**	**Share of Pool's Unfunded Liability**	**Funded Ratio**	**Annual Covered Payroll**
Miscellaneous Plan	$44,270,270	$33,730,654	$10,539,616	76.2%	$5,081,317
PEPRA Miscellaneous Plan	648	869	(221)	134.1	100,696
Safety Plan	66,384,580	51,463,796	14,920,784	77.5	6,034,084
PEPRA Safety Plan	1,008	1,479	(471)	146.7	84,287

Source: CalPERS June 30, 2013 actuarial valuation.

In the CalPERS June 30, 2013 actuarial valuation, CalPERS used the new actuarial methods for the calculation of the projected contribution rates. The Fiscal Year 2015-16 contribution rate and employer payment and the projected Fiscal Year 2016-17 contribution rate and employer payment for each plan as of June 30, 2013, the most recent actuarial valuation, are as follows:

	Fiscal Year 2015-16		**Fiscal Year 2016-17 (Projected)**	
	Employer Normal Cost Rate	**Employer Payment of Unfunded Liability**	**Employer Normal Cost Rate**	**Employer Payment of Unfunded Liability**
Miscellaneous Plan	9.671%	$ 541,076	10.1%	$ 624,713
PEPRA Miscellaneous Plan	6.237	0	6.8	9
Safety Plan	18.524	672,434	19.6	807,946
PEPRA Safety Plan	11.153	0	11.5	0

Source: CalPERS June 30, 2013 actuarial valuation.

The City cannot anticipate the accuracy of the projections above or to what extent the contribution requirements of the City will increase in future years.

California Public Employees' Pension Reform Act of 2013. The Governor signed the California Public Employee's Pension Reform Act of 2013 (the "PEPRA") into law on September 12, 2012. PEPRA affects CalPERS, most substantially as it relates to new employees hired on or after January 1, 2013 (the "Implementation Date"). For non-safety CalPERS participants hired on or after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and also increases the eligibility requirement for the maximum age factor of 2.5% to age 67.

PEPRA also implements certain other changes to CalPERS including the following: (a) all new participants enrolled in CalPERS after the Implementation Date are required to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (b) CalPERS is required to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date, and (c) "pensionable compensation" is capped for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution and benefit base for members participating in Social Security or 120% for PERS members not participating in social security.

CalPERS Contribution Rate Increases. On April 17, 2013 the CalPERS Board of Administration approved new actuarial policies aimed at fully funding the pension system's obligations within 30 years. The new policies include a rate-smoothing method with a 30-year fixed amortization period for gains and losses. CalPERS announced that, based on investment return simulations performed for the next 30 years, increasing contributions more rapidly in the short term is expected to result in almost a 25% improvement in funded status over a 30-year-period. The new amortization schedule will be used to set contribution rates for public agency employers in the State beginning in the 2015-16 Fiscal Year. This delay is intended to allow the impact of the changes to be built into the projection of employer contribution rates and afford employers with additional time to adjust to the changes.

According to CalPERS, the new policies will result in an increased likelihood of higher peak employer contribution levels in the future but will not significantly increase average contribution levels. The median employer contribution rate over the next four years is expected to be higher. In the long-term, however, higher funded levels may result in lower employer contributions.

Beginning with the June 30, 2013 valuations that set the Fiscal Year 2015-16 rates, CalPERS employed an amortization and rate smoothing policy that pays for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period. The table below shows projected employer contribution rates (before cost sharing) for the next five Fiscal Years, assuming CalPERS earns 12% for fiscal year 2012-13 and 7.50 percent every fiscal year thereafter, and assuming that all other actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur between now and the beginning of the fiscal year 2015-16. Consequently, these projections do not take into account potential rate increases from likely future assumption changes. Nor do they take into account the positive impact PEPRA is expected to gradually have on the normal cost.

On February 20, 2014, the CalPERS Board of Administration adopted new mortality and retirement assumptions as part of a regular review of demographic experience. Key assumption changes included longer post-retirement life expectancy and earlier retirement ages. The impact of the assumption changes will be phased in over five years, with a twenty-year amortization, beginning in the 2016-17 Fiscal Year. The City is monitoring these changes but is not currently able to predict the level of increases to the City's required contributions.

Public Agency Retirement System

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

The City's part-time, seasonal and temporary employees are covered under the Public Agency Retirement System ("PARS"), a defined contribution plan, which requires these employees to contribute 6% and the City to contribute 1.5% of the employees pay plus administration costs. The City's required contributions of $6,596 and the employee's required contributions of $31,456 were made during the fiscal year ending June 30, 2014.

Other Post-Employment Benefits

In 2004, the Governmental Accounting Standards Board ("GASB") issued Statement 45 "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions" ("GASB 45"). GASB 45 requires state and local government employers, including the City, to measure, recognize and report costs and obligations for health and other benefits of current and future retired employees. Other post-employment benefits ("OPEB") include medical, dental, vision, hearing, life insurance, long-term care and long-term disability. The City provides medical and dental benefits to substantially all retirees under the City of San Pablo Retiree Health Savings Plan (the "Health Savings Plan"), an agent multiple-employer defined benefit healthcare plan. The Health Savings Plan does not issue separate financial statements. Coverage is also provided for spouses of employees having a minimum of 20 years of service at retirement. As of July 1, 2014 there were 66 participants receiving these health care benefits. The Health Savings Plan provisions and benefits in effect at July 1, 2014 are summarized as follows:

	Police	**Local 1 and WCCTAC**	**Executive Managers and Elected Officials**	**Confidential/Exempt, Division Managers and AIE**
Benefit Types Provided	Medical only	Medical only	Medical only	Medical only
Duration of Benefits[1]	Lifetime [2]	Lifetime	Lifetime	Lifetime
Required Service:				
Basic		Retirement under CalPERS		
Supplemental	10 years	N/A	5 years	15 years
Minimum Age	50	50	50	50
Dependent Coverage	One dependent	Yes	Yes	Yes
City Contribution 100%	100%	100%	100%	100%
City Contribution Cap per Month (Basic)	$119 for single $220 for two party $285 for family	$119 for single $220 for two party $285 for family	$119 for single $220 for two party $285 for family	$119 for single $220 for two party $285 for family
City Contribution Cap per Month (Supp)	Kaiser [3]	N/A	None	15 yrs svc: $135 20 yrs svc: $260

(1) Duration is subject to limitations as specified in the Memorandum of Understanding with each bargaining unit.
(2) Supplemental coverage only to age 65.
(3) Those hired before May 1, 1986 entitled to single coverage beyond age 65.
Source: APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE CITY OF SAN PABLO FOR THE FISCAL YEAR ENDED JUNE 30, 2014," Note 10.

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

Pursuant to a contractual agreement with the West Contra Costa Transportation Advisory Committee ("WCCTAC"), the City provides OPEB benefits to WCCTAC employees which are included in the amounts presented below. WCCTAC reimburses the City for any costs incurred on behalf of its employees.

Funding Policy and Actuarial Assumptions. The City's policy is to prefund these benefits by accumulating assets in the Trust Fund discussed above pursuant to City Council Resolution 2007-024 (the "OPEB Resolution"). The annual required contribution ("ARC") was determined as part of a July 1, 2014 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 6.8% investment rate of return, (b) 2.75% projected annual salary increase, and (c) 4% health inflation increases. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the City and plan members to that point. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The actuarial value of assets was determined using a 5-year smoothing formula and a 20% market value corridor. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis using a 30-year amortization period.

In accordance with the OPEB Resolution, the City's annual contributions to the Health Savings Plan are based on pay-as-you-go financing plus an additional amount to prefund benefits as determined by the Council. Generally accepted accounting principles permit assets to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such assets are placed in an irrevocable trust or equivalent arrangement. Contributions to the Trust began on April 20, 2006, thus these assets were excluded from the July 1, 2005 actuarial study. During the fiscal year ended June 30, 2014, the City contributed $375,417 to the Health Savings Plan, representing pay-as-you-go premiums. As a result, the City has calculated and recorded the Net OPEB Asset, representing the difference between the ARC, amortization and contributions, as presented below:

Annual required contribution	$ 325,356
Interest on net OPEB obligation (asset)	(313,765)
Adjustment to annual required contribution	446,775
Annual OPEB cost	458,366
Contributions made	(375,417)
(Decrease) increase in net OPEB obligation	82,949
Net OPEB obligation (asset) June 30, 2013	(4,183,537)
Net OPEB obligation (asset) June 30, 2014	($4,100,588)

The Health Savings Plan's annual required contributions and actual contributions for the years ended June 30, 2012, 2013 and 2014 are set forth below:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2012	$184,210	$326,083	177%	($4,561,899)
6/30/2013	702,765	324,403	46	(4,183,537)
6/30/2014	458,366	375,417	82	(4,100,588)

Source: APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE CITY OF SAN PABLO FOR THE FISCAL YEAR ENDED JUNE 30, 2014," Note 10.

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 on the following table.

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Overfunded (Underfunded) Actuarial Accrued Liability (A – B)	Funded Ratio (A/B)	Covered Payroll (C)	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll [(A – B/C])
7/1/2008	$5,051,901	$4,386,044	$665,857	115.18%	$13,455,712	4.9%
7/1/2011	6,129,795	6,067,235	62,560	101.03	12,707,312	0.5
7/1/2014	7,457,704	7,020,530	437,174	106.23	13,498,697	3.2

Source: APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE CITY OF SAN PABLO FOR THE FISCAL YEAR ENDED JUNE 30, 2014," Note 10.

STATE OF CALIFORNIA BUDGET INFORMATION

State Budget

Information about the State budget is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst (the "LAO") at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on cities in the State, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the City or the Authority, and the City and the Authority can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

Proposition 30. The passage of the Governor's November Tax Initiative ("Proposition 30") placed on the November, 2012 ballot results in an increase in the State sales tax by a quarter-cent for four years and, for seven years, raising taxes on individuals after their first $250,000 in income and on couples after their first $500,000 in earnings. These increased tax rates will affect approximately 1 percent of California personal income tax filers and will be in effect starting in the 2012 tax year, ending at the conclusion of the 2018 tax year. The LAO estimates that, as a result of Proposition 30, additional state tax revenues of about $6 billion annually from 2012–13 through 2016–17 will be received by the State with lesser amounts of additional revenue available in fiscal years 2011–12, 2017–18, and 2018–19. Proposition 30 also places into the State Constitution certain requirements related to the transfer of certain State program responsibilities to local governments, mostly counties, including incarcerating certain adult offenders, supervising parolees, and providing substance abuse treatment services.

California Public Employees' Pension Reform Act. On September 12, 2012, Governor Brown signed Assembly Bill 340, creating PEPRA. Among other things, PEPRA creates a new benefit tier for new employees/members entering public agency employment and public retirement system membership for the first time on or after January 1, 2013. The new tier has a single general member benefit formula and three safety member benefit formulas that must be implemented by all public agency employers unless the formula in existence on December 31, 2012 has both a lower normal cost and a lower benefit factor at normal retirement age. PEPRA requires that all new employees/members, hired on or after January 1, 2013, pay at least 50% of the normal cost contribution. The normal cost contribution is the contribution set by the retirement system's actuary to cover the cost of a current year of service. The City believes that the provisions of PEPRA will help to control its pension benefit liabilities in the future.

Proposed Fiscal Year 2015-16 Budget. The Governor's proposed State budget for Fiscal Year 2015-16 (the "Proposed 2015-16 Budget"), released on January 9, 2015, assumes total State General Fund revenues and transfers of $108 billion and authorizes total expenditures of $111.7 billion for Fiscal Year 2014-15. The LAO's Overview of the Proposed 2015-16 Budget, released on January 13, 2015 (the "2015-16 LAO Overview"), noted that the State is projected to end Fiscal Year 2014-15 with a general fund surplus of $2.1 billion, comprised of a balance of $452 million in the State's traditional budget reserve and a balance of $1.6 billion in the Budget Stabilization Account. For Fiscal Year 2015-16, the Proposed 2015-16 Budget assumes total State General Fund revenues of $113.4 billion and authorizes expenditures of $113.3 billion. In addition, the Proposed 2015-16 Budget revises the Fiscal Year 2013-14 minimum funding guarantee upward to $58.7 billion (an increase of $371 million from the estimate included in the 2014-15 State Budget) and for Fiscal Year 2014-15, revises the minimum funding guarantee to $63.2 billion (approximately $2.3 billion higher than that included in the 2014-15 State Budget). In addition, for Fiscal Year 2015-16, the Proposed 2015-16 Budget sets the minimum funding guarantee at $65.7 billion, including $47 billion from the State General Fund, which reflects an increase of $2.6 billion from the revised level for Fiscal Year 2014-15.

The 2015-16 LAO Overview also notes that, despite the increase in the minimum guarantee, the State General Fund share is only $371 million with a projected growth in available local property tax collections accounting for the balance, and that for purposes of Proposition 98, Fiscal Year 2015-16 is a "Test 2" year, with the minimum guarantee driven primarily by an increase in per-capita personal income.

Significant proposals or adjustments set forth in the Proposed 2015-16 Budget affecting California public agencies include the following:

- *Law Enforcement.* The Proposed 2014-15 Budget proposes to continue $40 million General Fund allocation to "front line" law enforcement activities. The Board of State and Community Corrections allocates funds to individual cities acting as the fiduciary agent within each county receiving the funds.

- *Transportation.* The Proposed 2014-15 Budget includes total funding of $15.8 billion ($84 million General Fund and $15.7 billion other funds) for all programs administered within the State Transportation Agency. In addition, the shared revenues budget allocates over $1.4 billion in fuel excise tax to cities and counties for local streets and roads.

- *Elimination of Redevelopment Agencies.* The Proposed 2014-15 Budget anticipates that in 2014‑15 and 2015‑16 combined, cities will receive an additional $580 million, counties $660 million, and special districts $200 million.

- *Property Taxes.* The Proposed 2014-15 Budget anticipates ongoing property tax revenues of more than $900 million annually to be distributed to cities, counties, and special districts that can be used by local governments to fund police, fire, and other critical public services.

- *State Mandate Reimbursements.* The Proposed 2014-15 Budget continues the suspension of most mandates not related to law enforcement or property taxes. After satisfying the Proposition 98 guarantee, additional revenues, up to $800 million, are proposed to pay down the remainder of the State's pre‑2004 mandate debt. The Proposed 2014-15 Budget estimates that the trigger mechanism will result in a $533 million payment toward this mandate debt. These funds will provide counties, cities, and special districts with general purpose revenue.

- *Deferred Maintenance.* The Proposed 2014-15 Budget includes $478 million ($125 million General Fund) for critical deferred maintenance at universities, community colleges and in State parks, prisons, State hospitals and other State facilities.

- *Education.* The Proposed 2014-15 Budget provides over $1.2 billion in funding to support a coordinated framework for adult education, career technical education, workforce investment, and apprenticeships intended to provide training and education to workers in California so they can develop the skills they need for self-sufficiency and greater personal advancement.

Future State Budgets

No prediction can be made by the City as to whether the State will encounter budgetary problems in future fiscal years, and if it were to do so, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the City cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on City finances and operations or what actions will be taken in the future by the State Legislature and the Governor to deal with changing State revenues and expenditures. There can be no assurance that actions taken by the State to address its financial condition will not materially adversely affect the financial condition of the City. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the City has no control.

RISK FACTORS

Purchase of the Bonds will constitute an investment subject to certain risks, including the risk of nonpayment of principal and interest. Before purchasing any of the Bonds, prospective investors should carefully consider, among other things, the risk factors described below. However, the following is not meant to be an exhaustive listing of all the risks associated with the purchase of the Bonds. Moreover, the order of presentation of the risk factors does not necessarily reflect the order of their importance.

Substitution of Property

Pursuant to the Lease, the City will have, so long as the Lease is in effect, the option at any time and from time to time, to substitute other real property and/or improvements for any portion of the Leased Property or release any identifiable real property and/or improvements constituting the Leased Property, provided that the City shall satisfy all of the requirements set forth in the Lease. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – The Lease – Substitution and Release of Property."

Base Rental Payments Are Not Debt; Bonds are Limited Obligations

The obligation of the City to make the Base Rental Payments under the Lease does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Bonds nor the obligation of the City to make Base Rental Payments constitutes a debt of the City, the State or any political subdivision thereof (other than the Authority) within the meaning of any constitutional or statutory debt limitation or restriction.

The Bonds are not general obligations of the Authority, but are limited obligations payable solely from and secured by a pledge of Revenues and amounts held in the funds and accounts created under the Indenture, consisting primarily of applicable Base Rental Payments. The Authority has no taxing power.

The Bonds are being issued by the Authority pursuant to the Act. The Supreme Court of the State in its 1998 decision of *Rider v. City of San Diego*, 18 Cal. 4th 1035, upheld the validity of a joint powers agency financing and found that bonds issued pursuant to the Act and payable from lease payments made pursuant to a lease with the City of San Diego were not subject to the State constitutional provisions that require two-thirds voter approval of indebtedness incurred by a city, county or school district. No voter approval of the Bonds or the Lease has been sought.

Although the Lease does not create a pledge, lien or encumbrance upon the funds of the City, the City is obligated under the Lease to pay the Base Rental Payments from any source of legally available funds and the City has covenanted in the Lease that, for so long as the Leased Property is available for its use, it will make the necessary annual appropriations within its budget for the Base Rental Payments. The City is currently liable and may become liable on other obligations payable from general revenues, some of which may have a priority over the Base Rental Payments, or which the City, in its discretion, may determine to pay prior to the Base Rental Payments.

The City has the capacity to enter into other obligations payable from the City's General Fund, without the consent of or prior notice to the Owners of the Bonds. To the extent that additional obligations are incurred by the City, the funds available to make Base Rental Payments may be decreased. In the event the City's revenue sources are less than its total obligations, the City could choose to fund other activities before making Base Rental Payments and other payments due under the Lease. The same result could occur if state constitutional expenditure limitations were to prohibit the City from appropriating and spending all of its otherwise available revenues.

Abatement

In the event of the loss of, damage to or destruction or condemnation of the Leased Property that causes the City not to have the use and possession of all or a substantial part of such Leased Property, the City's obligation to make the Base Rental Payments due under the Lease will be abated and, notwithstanding: (i) the provisions of the Lease specifying the extent of such abatement, (ii) the funding of the Reserve Account for the Bonds, and (iii) rental interruption insurance covering loss of use of the Leased Property in an amount adequate to cover 24 months of Base Rental Payments, the resulting Base Rental Payments (and such other funds) may not be sufficient to pay all of the remaining principal of and interest on the Bonds. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – The Lease – Abatement of Rental."

Risk of Uninsured Loss

The City covenants under the Lease to maintain certain insurance policies on the Leased Property. These insurance policies do not cover all types of risk. The Leased Property could be damaged or destroyed due to earthquake or other casualty for which the Leased Property is uninsured. The Lease does not require earthquake insurance. Additionally, the Leased Property could be the subject of an eminent domain proceeding. Under these circumstances an abatement of Base Rental Payments could occur and could continue indefinitely. There can be no assurance that the providers of the City's liability will in all events be able or willing to make payments under the respective policies for such loss should a claim be made under such policies. Further, there can be no assurances that amounts received as proceeds from insurance or from condemnation of the Leased Property will be sufficient to repair the Leased Property or to redeem the Bonds and any other obligations secured by Base Rental Payments.

Certain of the City's insurance policies provide for deductibles up to $400,000. Should the City be required to meet such deductible expenses, the availability of General Fund revenues to make Base Rental Payments may be correspondingly affected.

Eminent Domain

If the Leased Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of the Lease will cease as of the day possession is taken. If less than all of the Leased Property is taken permanently, or if the Leased Property or any part thereof is taken temporarily, under the power of eminent domain, (a) the Lease will continue in full force and effect and will not be terminated by virtue of such taking, and (b) there will be a partial abatement of Base Rental Payments as a result of the application of net proceeds of any eminent domain award to the prepayment of the Base Rental Payments, in an amount to be agreed upon by the City and the Authority such that the resulting Base Rental Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Leased Property. The City covenants in the Lease to contest any eminent domain award which is insufficient to either: (i) prepay the Base Rental Payments in whole, if all the Leased Property is condemned; or (ii) prepay a pro rata share of Base Rental Payments, in the event that less than all of the Leased Property is condemned.

Bankruptcy

The City is a unit of State government and therefore is not subject to the involuntary procedures of the United States Bankruptcy Code (the "Bankruptcy Code"). However, pursuant to Chapter 9 of the Bankruptcy Code, the City may seek voluntary protection from its creditors for purposes of adjusting its debts. In the event the City were to become a debtor under the Bankruptcy Code, the City would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding. Among the adverse effects of such a bankruptcy might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or court-approved secured debt which may have a priority of payment superior to that of the Base Rental Payments under the Lease as they relate to Revenues due to Owners of Bonds; and (iv) the possibility of the adoption of a plan for the adjustment of the City's debt (a "Plan") without the consent of the Trustee or all of the Owners of Bonds, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable.

In addition, the City could either reject the Lease or assume the Lease despite any provision of the Lease which makes the bankruptcy or insolvency of the City an event of default thereunder. In the event the City rejects the Lease, the Trustee, on behalf of the Owners of the Bonds, would have a pre-petition claim that may be limited under the Bankruptcy Code and treated in a manner under a Plan over the objections of the Trustee or Owners of the Bonds. Moreover, such rejection would terminate the Lease and the City's obligations to make payments thereunder.

The Authority is a public agency and, like the City, is not subject to the involuntary procedures of the Bankruptcy Code. The Authority may also seek voluntary protection under Chapter 9 of the Bankruptcy Code. In the event the Authority were to become a debtor under the Bankruptcy Code, the Authority would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding. Such a bankruptcy could adversely affect the payments under the Indenture. Among the adverse effects might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the Authority or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the Authority; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or court-approved secured debt which may have priority of payment superior to that of the Owners of the Bonds; and (iv) the possibility of the adoption of a plan for the adjustment of the Authority's debt without the consent of the Trustee or all of the Owners of the Bonds, which plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable. However, the bankruptcy of the Authority, and not the City, should not affect the Trustee's rights under the Lease. The Authority could still challenge the assignment, and the Trustee and/or the Owners of the Bonds could be required to litigate these issues in order to protect their interests.

No Liability of Authority to the Owners

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

No Limitation on Incurring Additional Obligations

Neither the Lease nor the Indenture contains any limitations on the ability of the City to enter into other obligations that may constitute additional claims against its General Fund revenues. To the extent that the City incurs additional obligations, the funds available to make Base Rental Payments may be decreased. The City is currently liable on other obligations payable from General Fund revenues.

Natural Hazards

The San Francisco Bay Area is one of the most seismically active regions of the United States. There are approximately 30 known faults in the region that are considered capable of generating earthquakes. The principal faults near San Pablo are the San Andreas Fault and the North Hayward Fault. The San Andreas Fault Zone is the predominant fault system in California and has historically generated some very large and destructive earthquakes. The nearest location of the San Andreas Fault is about 15 miles west of the City. The North Hayward Fault Zone pass directly underneath the eastern portion of the City and is considered a high earthquake hazard as any large movements would cause ground shaking and surface rupture in the area. Depending on its severity, an earthquake could result in abatement of Base Rental Payments under the Lease. See "RISK FACTORS – Abatement" above.

Flood-prone areas in San Pablo are generally located in topographically low areas and in areas close to shorelines and creeks. Flood zone mapping done by the Federal Emergency Management Authority ("FEMA") indicates that the area is most prone to flooding where San Pablo and Wildcat Creeks leave the City boundary on the west. In addition, there are flooding areas associated with Rheem Creek on the west side of the City. In December 2005, a series of four storms followed by two days of continuous rain saturated the watersheds in San Pablo and caused a major flood event that inundated the western and central parts of the City.

San Pablo Creek is a year-round watercourse and is regulated in its upper stream by two dams: Brines Dam and Reservoir, and San Pablo Dam and Reservoir. According to a Flood Study conducted by Association of Bay Area Governments in 2007, 1,393 acres of land in the City are subject to flooding should both dams experience a catastrophic failure. The scenario may be triggered by a rupture of the Hayward fault, which lies partially under the City. If a magnitude 7.5 earthquake occurred on this fault, the study predicts that the San Pablo Dam would lump and decrease in a height, allowing water to flow over the top, resulting in flooding downstream. If such a disaster occurs, 51 miles of roadway and almost all schools and government buildings in the City will be inundated. Policies and programs of the City seek to reduce the possibility of this occurrence and mitigate its impact. For example, The City adopted a Flood Damage Prevention Ordinance in 1987 in compliance with requirements of the National Flood Insurance Program and FEMA for development in flood-plain areas. The stated purpose of the Ordinance is to promote public health, safety, and general welfare, and to minimize public and private losses due to flood conditions.

Should an earthquake or flood occur that results in substantial interference with the use of the Leased Property, under the abatement provisions of the Lease, the City would not be obligated to make the Base Rental Payments. Pursuant to the Lease, the City is not required to maintain earthquake or flood insurance. See "RISK FACTORS – Abatement" above.

The Leased Property may also be at risk from other events of force majeure, such as damaging storms, floods, fires and explosions, strikes, sabotage, riots and spills of hazardous substances, among other events. The City cannot predict what force majeure events may occur in the future.

Concentration of Revenues; MSA Payments and the General Fund

The City's largest single source of general fund revenue is payments from the Lytton Band pursuant to the Municipal Services Agreement. See "THE CITY – Municipal Services Agreement with the Lytton Band of Pomo Indians" herein. City revenues from the Casino in the form of MSA Payments have increased each year since the Casino opened in 2003. The MSA shall remain in full force and effect as long as the Casino is operated for commercial gaming and the United States continues to hold the property on which the Casino is located in trust for the Lytton Band, or for a period of ninety-nine years. Payments due under the MSA are subject to adjustment based on certain factors including annual change in real property taxes paid by owners of commercial property within the City and changes in inflation based upon the consumer price index. In addition, the larger component of the MSA Payments, the Incremental Payment, is subject to adjustment if the Casino is operated as a casino with Class III gaming as opposed to operating as a Class II gaming facility, which is the current classification under which the Casino operates. The termination of the MSA or a change in the classification of the Casino from Class II gaming to Class III gaming could have a material impact on the revenue contributed to the General Fund. The City has taken steps, including the establishment of reserves and the maintenance of insurance, to mitigate the potential impact of a reduction in the amounts payable under the MSA; however, the termination of the MSA or a reduction in the Incremental Payments due to a change in casino classification could have a material effect on the City's ability to make Base Rental Payments.

In addition, because MSA Payments comprise a large share of general fund revenues of the City, a downturn in the Casino's business activity due to increased competition from other gaming establishments in the region, damage or destruction to the Casino property, additional governmental regulation of the gaming industry affecting Casino operations, or other factors, could significantly affect the City's revenues and may affect its ability to pay Base Rental Payments under the Lease Agreement. The development of new Indian-owned gaming casinos in Northern California could result in increased competition for gaming dollars, which could potentially have an adverse impact on the revenues of the Casino. For example, in November 2010 voters in the neighboring city of Richmond considered a proposal to develop a 4,000-slot Indian casino at Point Molate. The proposal was defeated. The City cannot guaranty that such efforts will not succeed in Richmond or other cities in the County or region in the future.

Hazardous Substances

The public works activities of the City may, from time to time, result in the use of hazardous substances on the facilities owned and operated by the City, including, but not limited, to the Leased Property. Accordingly, it is possible that spills, discharges or other adverse environmental consequences of such use in the future could cause an adverse effect on the fair rental value of the Leased Property and lead, in an extreme case, to abatement, in whole or in part, of Base Rental Payments. See "RISK FACTORS – Abatement" above.

Risks Related to Taxation in California

Constitutional Amendments Affecting Tax Revenues. Article XIIIA of the California Constitution limits the amounts of *ad valorem* tax on real property to 1% of "full cash value" as determined by the county assessor. Article XIIIA defines "full cash value" to mean "the City 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 period." Furthermore, all real property valuation may be increased to reflect the inflation rate, as shown by the consumer price index, not to exceed 2% per year, or may be reduced in the event of declining property values caused by damage, destruction or other factors.

Article XIIIA exempts from the 1% tax limitation any taxes to repay indebtedness approved by the voters prior to July 1, 1978, and any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the voters voting on the proposition approving such bonds, and requires a vote of two-thirds of the qualified electorate to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. In addition, Article XIIIA requires the approval of two-thirds of all members of the State legislature to change any State tax law resulting in increased tax revenues.

Article XIIIB of the California Constitution limits the annual appropriations from the proceeds of taxes of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the governmental entity. Article XIIIB includes a requirement that if an entity's revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax or fee schedules over the subsequent two years.

On November 5, 1996, California voters approved an initiative to amend the California Constitution known as the Right to Vote on Taxes Act ("Proposition 218"), which added Article XIIIC and XIIID to the California Constitution. Among other provisions, Proposition 218 requires majority voter approval for the imposition, extension or increase of general taxes and two-thirds voter approval for the imposition, extension or increase of special taxes by a local government, which is defined in Proposition 218 to include cities. Proposition 218 also provides that any general tax imposed, extended or increased without voter approval by any local government on or after January 1, 1995 and prior to November 6, 1996 will continue to be imposed only if approved by a majority vote in an election held within two years of November 6, 1996. Proposition 218 also 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. This extension of the initiative power is not limited by the terms of Proposition 218 to impositions after November 6, 1996 and absent other legal authority, could result in retroactive reduction in any existing taxes, assessments, fees and charges. In addition, Proposition 218 limits the application of assessments, fees and charges and requires certain existing, new and increased assessments, fees and charges to be submitted to property owners for approval or rejection, after notice and public hearing. Neither the City nor the Authority expects the provisions of Proposition 218 to have any immediate material effect on the revenues from which Base Rental Payments are expected to be appropriated.

Implementing Legislation. Legislation enacted by the California Legislature to implement Article XIIIA (Statutes of 1978, Chapter 292, as amended) provides that, notwithstanding any other law, local agencies may not levy any property tax, except to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and that each county will levy the maximum tax permitted by Article XIIIA of $4.00 per $100 assessed valuation (based on the traditional practice of using 25% of full cash value as the assessed value for tax purposes). The legislation further provided that, for Fiscal Year 1978-79 only, the tax levied by each county was to be appropriated among all taxing agencies within the county in proportion to their average share of taxes levied in certain previous years.

Future assessed valuation growth allowed under Article XIIIA (i.e., new construction, change of ownership, and 2% annual value growth) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The Authority is unable to predict the nature or magnitude of future revenue sources that may be provided by the State to replace lost property tax revenues. Article XIIIA effectively prohibits the levying of any other *ad valorem* property tax above those described above, even with the approval of the affected voters.

Constitutional Challenges to Property Tax System. There have been many challenges to Article XIIIA of the California Constitution. The United States Supreme Court heard the appeal in *Nordlinger v. Hahn*, a challenge relating to residential property. Based upon the facts presented in Nordlinger, the United States Supreme Court held that the method of property tax assessment under Article XIIIA did not violate the federal Constitution. Neither the Authority nor the City can predict whether there will be any future challenges to California's present system of property tax assessment and cannot evaluate the ultimate effect on the Agency's receipt of tax increment revenues should a future decision hold unconstitutional the method of assessing property.

Statutory Revenue Limitations -- Proposition 62. Proposition 62 is a statewide statutory initiative adopted by the voters at the November 4, 1986 general election. It added Sections 53720 to 53730 to the Government Code to require that all new local taxes be approved by the voters. The statute provides that all local taxes are either general taxes or special taxes. General taxes are imposed for general governmental purposes. Special taxes are imposed for specific purposes only. General taxes may not be imposed by local government unless approved by a two-thirds vote of the entire legislative body and a majority of the voters voting on the proposed general tax. Special taxes may not be imposed by local government unless approved by a majority of the entire legislative body and by two-thirds of the voters voting on the special tax. Soon after Proposition 62 was adopted by the voters, legal challenges to taxes adopted contrary to its provisions were filed. In 1991, in the most significant case, *City of Woodlake v. Logan*, the California Court of Appeal held that the statutory voter approval requirement for general taxes was unconstitutional. The California Supreme Court refused to review Woodlake.

On September 28, 1995, the California Supreme Court, on a 5-2 vote, in a decision entitled *Santa Clara County Local Transportation Authority v. Guardino* (Case No. S036269), "disapproved" Woodlake and held that the voter approval requirements of Proposition 62 are valid. On December 14, 1995, the Supreme Court made minor nonsubstantive changes to its written opinion and denied the petition for rehearing. The decision provides that the voter approval requirements of Proposition 62 for both general and special taxes are valid. The Guardino case fails to say (1) whether the decision is retroactively applicable to general taxes adopted prior to the decision; (2) whether taxpayers have any remedies for refund of taxes paid under a tax ordinance that was not voter approved; (3) what statute of limitations applies to taxes adopted without voter approval prior to Guardino; (4) whether Proposition 62 applies only to new taxes or to tax increases as well.

The Court of Appeals in a December 15, 1997 decision entitled *McBearty v. City of Brawley* (Case No. D027877) addressed some of these issues. In Brawley, a taxpayer challenged the city's utility tax that was passed by the city council in 1991 without a vote of the electorate. The Court of Appeals held that (i) a three year statute of limitations applies to challenges to a tax ordinance subject to Proposition 62; and (ii) the statute of limitations did not begin to run until September 1995 when the Guardino case determined that Proposition 62 was constitutional. The effect of the holding in Brawley is that any tax ordinances passed between November 1986 and December 1995 that were not approved by the electorate would be subject to a challenge until December 1998. The court ordered the city to either cease collecting the tax or seek voter approval to continue levying the tax. However, in *Howard Jarvis Taxpayers Association v. City of La Habra*, decided on June 4, 2001, the California Supreme Court overruled part of McBearty, finding that the three year statute of limitations applicable to such taxes does not run from the date of the Guardino decision, but rather the continued imposition and collection of such tax is an ongoing violation, upon which the limitations period begins with each new collection.

Several questions raised by the Guardino decision remain unresolved. Proposition 62 provides that if a jurisdiction imposes a tax in violation of Proposition 62, the portion of the one percent general *ad valorem* tax levy allocated to that jurisdiction is reduced by $1 for every $1 in revenue attributable to the improperly imposed tax for each year that such tax is collected. The practical applicability of this provision has not been fully determined. Potential future litigation and legislation may resolve some or all of the issues raised by the Guardino decision.

Neither the Authority nor the City can predict the outcome of any pending or future litigation concerning the validity of Proposition 62, nor can either predict the scope of the Guardino or Brawley decisions discussed above. Proposition 62 could affect the ability of the City to continue the imposition of, or to retain, certain taxes, and restrict the City's ability to raise revenue.

Proposition 1A. Proposition 1A ("Proposition 1A"), proposed by the Legislature in connection with the 2004-05 Budget Act and approved by the voters in November 2004, restricts State authority to reduce major local tax revenues such as the tax shifts permitted to take place in Fiscal Years 2004/05 and 2005-06. Proposition 1A provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. Such a shift may not occur more than twice in any ten-year period. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

Proposition 1A provides that if the State reduces the vehicle license fee ("VLF") rate below 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 22. On November 2, 2010, voters in the State approved Proposition 22. Proposition 22, known as the "Local Taxpayer, Public Safety, and Transportation Protection Act of 2010," eliminates or reduces the State's authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for state-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues.

Proposition 26. On November 2, 2010, voters in the State also approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. Neither the City nor the Authority expects provisions of Proposition 26 to materially impede the City's ability to pay Base Rental Payments when due.

Future Initiatives

From time to time, other initiative measures may be adopted, which may affect the City's revenues and its ability to expend said revenues. The above-mentioned measures and any future measures could restrict the City's ability to raise additional funds for its General Fund.

Limitations on Remedies

The enforceability of the rights and remedies of the owners of the Bonds and the Trustee, and the obligations incurred by the Authority and the City, respectively, may be subject to the following, among others: the limitations on legal remedies against joint powers authorities and cities in California; the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; principles of equity that may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the U.S. Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitations or modification of their rights. See also, "Bankruptcy" above.

Remedies on Default

If the City defaults in the observance or performance of any agreement, condition, covenant or term contained in the Lease required to be observed or performed by it (including without limitation the payment of any Base Rental Payments or Additional Rental due under the Lease), subject to the provisions of the Lease, the Authority may at any time thereafter (with or without notice and demand and without limiting any other rights or remedies the Authority may have) recover rent and other monetary charges as they become due under the Lease without terminating the City's right to possession of the Leased Property, regardless of whether or not the City has abandoned the Leased Property, and the Authority shall have the right and the City irrevocably appoints the Authority as its agent and attorney-in-fact for such purpose to attempt to sublet or re-let the Leased Property at such rent, upon such conditions and for such term and to do all other acts to maintain or preserve the Leased Property, including the removal of persons or property therefrom or taking possession thereof, as the Authority deems desirable or necessary; and the City waives any and all claims for any damages that may result to the Leased Property thereby, provided, that no such actions will be deemed to terminate the Lease and the City shall continue to remain liable for any deficiency that may arise out of such re-letting taking into account expenses incurred by the Authority due to such re-letting, payable at the same time and manner as provided for Base Rental Payments under the Lease. IN THE EVENT OF SUCH DEFAULT, THE AUTHORITY MUST THEREAFTER MAINTAIN THE LEASE IN FULL FORCE AND EFFECT AND MAY ONLY RECOVER RENT AND OTHER MONETARY CHARGES AS THEY BECOME DUE.

Early Redemption Risk

Early redemption of the Base Rental Payments and redemption of the Bonds may occur in whole or in part without premium, on any date if the Leased Property or a portion thereof is lost, destroyed or damaged beyond repair or taken by eminent domain and from the proceeds of title insurance, or on any Interest Payment Date, without a premium (see "DESCRIPTION OF THE BONDS – Redemption - Special Mandatory Redemption From Net Proceeds"), if the City exercises its right to prepay Base Rental Payments in whole or in part pursuant to the provisions of the Lease and the Indenture.

Loss of Tax Exemption

As discussed under the caption "TAX MATTERS," interest on the Series 2015A Bonds could fail to be excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for purposes of federal income taxation, in some cases retroactive to the date of execution and delivery of the Series 2015A Bonds, as a result of future acts or omissions of the Authority or the City in violation of certain covenants contained in the Indenture or the Lease, respectively. Should such an event of taxability occur, the Series 2015A Bonds are not subject to special redemption or any increase in interest rate and will remain outstanding until maturity or until redeemed pursuant to the Indenture.

In addition, Congress has considered in the past, is currently considering and may consider in the future, legislative proposals, including some that carry retroactive effective dates that, if enacted, would alter or eliminate the exclusion from gross income for federal income tax purposes of interest on municipal bonds, such as the Series 2015A Bonds. Prospective purchasers of the Series 2015A Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. The City can provide no assurance that federal tax law will not change while the Series 2015A Bonds are outstanding or that any such changes will not adversely affect the exclusion of interest on the Series 2015A Bonds from gross income for federal income tax purposes. If the exclusion of interest on the Series 2015A Bonds from gross income for federal income tax purposes were amended or eliminated, it is likely that the market price for the Series 2015A Bonds would be adversely impacted.

IRS Audit of Tax-Exempt Series 2015A Bonds

The Internal Revenue Service has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Series 2015A Bonds will be selected for audit by the Internal Revenue Service. It is also possible that the market value of the Series 2015A Bonds might be affected as a result of such an audit of the Series 2015A Bonds (or by an audit of similar bonds).

Secondary Market Risk

There can be no assurance that there will be a secondary market for purchase or sale of the Bonds, and from time to time there may be no market for them, depending upon prevailing market conditions, the financial condition or market position of firms who may make the secondary market and the financial condition of the City.

RATINGS

Standard & Poor's Financial Services LLC ("S&P) is expected to assign a rating of "AA" (Stable) to each Series of Bonds with the understanding that upon delivery of the Bonds, separate municipal bond insurance policies for each Series of Bonds insuring the payment of principal of and interest on such Series of Bonds when due will be issued by AGM. See "BOND INSURANCE." In addition, S&P has assigned its underlying rating of "AA-" to the Bonds. Such rating reflects only the view of S&P. Any explanation of the significance of such rating may only be obtained from S&P at the following website address: www.standardandpoors.com. The information set forth on such website is not incorporated by reference herein. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that any of them will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

UNDERWRITING

Stifel, Nicolaus & Company, Incorporated (the "Underwriter") has agreed, subject to certain customary conditions precedent to closing, to purchase the Series 2015A Bonds from the Authority a price equal to $4,107,385.71 (which equals the principal amount of the Series 2015A Bonds, less an underwriting discount of $28,760.44, less a net original issue discount of $118,853.85). The Underwriter has agreed, subject to certain customary conditions precedent to closing, to purchase the Series 2015B Bonds from the Authority a price equal to $11,283,187.01 (which equals the principal amount of the Series 2015B Bonds, less an underwriting discount of $82,136.99, less a net original issue discount of $189,676.00).

The Underwriter intends to offer the Bonds to the public initially at the prices set forth on the inside cover page of this Official Statement, plus accrued interest from the dated date of the Bonds to their date of delivery, which prices may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallow any such discounts on sales to other dealers.

CONTINUING DISCLOSURE

The Authority has determined that no financial or operating data concerning the Authority is material to any decision to purchase, hold or sell the Bonds and the Authority will not provide any such information.

The City has covenanted for the benefit of the holders and beneficial owners of the Bonds pursuant to a Continuing Disclosure Agreement, dated the date of issuance of the Bonds (the "Continuing Disclosure Agreement"), by and between the City and the Trustee, to provide certain financial information and operating data relating to the City (the "Annual Report") no later than March 1 following the end of each fiscal year, commencing with the report for Fiscal Year 2014-15, and to provide notices of the occurrence of certain enumerated events through the EMMA System. The specific nature of the information to be contained in the Annual Report and the enumerated events is set forth in APPENDIX D – "FORM OF CONTINUING DISCLOSURE AGREEMENT" herein.

The City has not failed to file annual reports or notices of material or enumerated events during the past five years. The Successor Agency, for itself and on behalf of the Former Redevelopment Agency, has taken remedial actions with respect to the filing of several unfiled notices of material events relating to credit rating changes. The City and the Successor Agency are separate obligated parties for purposes of Rule 15c2-12 and the Successor Agency is not obligated for purposes of Rule 15c2-12 with respect to the Bonds.

TAX MATTERS

Series 2015A Bonds

Tax Exemption. The Internal Revenue Code of 1986 (the "Code") imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2015A Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2015A Bonds to be included in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issuance of the Series 2015A Bonds. The Authority has covenanted in the Indenture, and the City has covenanted in the Lease, not to take any action or omit to take any action that, if taken or omitted, respectively, would adversely affect the exclusion of the interest on the Series 2015A Bonds from the gross income of the owners thereof for federal income tax purposes.

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Series 2015A Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Series 2015A Bonds is exempt from personal income taxes of the State and, assuming compliance with the covenants mentioned herein, interest on the Series 2015A Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, the Series 2015A Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, interest on the Series 2015A Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code. Receipt or accrual of interest on Series 2015A Bonds owned by a corporation may affect the computation of the alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

Pursuant to the Indenture, the Lease and in the Certificate Pertaining to Arbitrage and Certain Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986 (the "Tax Certificate"), to be delivered by the Authority and the City in connection with the issuance of the Series 2015A Bonds, the Authority and the City will make representations relevant to the determination of, and will make certain covenants regarding or affecting, the exclusion of interest on the Series 2015A Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching its opinion described in the immediately preceding paragraph, Bond Counsel will assume the accuracy of such representations and the present and future compliance by the Authority and by the City with its covenants.

Except as stated in this section above, Bond Counsel will express no opinion as to any federal or state tax consequence of the receipt of interest on, or the ownership or disposition of, the Series 2015A Bonds. Furthermore, Bond Counsel will express no opinion as to any federal, state or local tax law consequence with respect to the Series 2015A Bonds, or the interest thereon, if any action is taken with respect to the Series 2015A Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel. Bond Counsel has not undertaken to advise in the future whether any event after the date of issuance of the Series 2015A Bonds may affect the tax status of interest on the Series 2015A Bonds or the tax consequences of the ownership of the Series 2015A Bonds.

The opinion of Bond Counsel is not guarantees of a result, but represent its legal judgment based upon their review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Authority described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Series 2015A Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Series 2015A Bonds is commenced, under current procedures the Service is likely to treat the

Authority as the “taxpayer”, and the bond owners would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Series 2015A Bonds, the Authority may have different or conflicting interest from the bond owners. Public awareness of any future audit of the Series 2015A Bonds could adversely affect the value and liquidity of the Series 2015A Bonds during the pendency of the audit, regardless of its ultimate outcome.

Existing law may change to reduce or eliminate the benefit to bondholders of the exemption of interest on the Series 2015A Bonds from personal income taxation by the State or of the exclusion of the interest on the Series 2015A Bonds from the gross income of the owners thereof for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Series 2015A Bonds. Prospective purchasers of the Series 2015A Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

A copy of the form of opinion of Bond Counsel relating to the Series 2015A Bonds is included in APPENDIX E.

Tax Accounting Treatment of Bond Premium and Original Issue Discount on Bonds. To the extent that a purchaser of a Series 2015A Bond acquires that Series 2015A Bond at a price in excess of its “stated redemption price at maturity” (within the meaning of section 1273(a)(2) of the Code), such excess will constitute “bond premium” under the Code. Section 171 of the Code, and the Treasury Regulations promulgated thereunder, provide generally that bond premium on a tax-exempt obligation must be amortized over the remaining term of the obligation (or a shorter period in the case of certain callable obligations); the amount of premium so amortized will reduce the owner’s basis in such obligation for federal income tax purposes, but such amortized premium will not be deductible for federal income tax purposes. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of the obligation. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser’s yield to maturity. The rate and timing of the amortization of the bond premium and the corresponding basis reduction may result in an owner realizing a taxable gain when its Series 2015A Bond is sold or disposed of for an amount equal to or in some circumstances even less than the original cost of the Series 2015A Bond to the owner.

The excess, if any, of the stated redemption price at maturity of Series 2015A Bonds of a maturity over the initial offering price to the public of the Series 2015A Bonds of that maturity is “original issue discount.” Original issue discount accruing on Series 2015A Bond is treated as interest excluded from the gross income of the owner thereof for federal income tax purposes and is exempt from California personal income tax to the same extent as would be stated interest on that Series 2015A Bond. Original issue discount on any Series 2015A Bond purchased at such initial offering price and pursuant to such initial offering will accrue on a semiannual basis over the term of the Series 2015A Bond on the basis of a constant yield method and, within each semiannual period, will accrue on a ratable daily basis. The amount of original issue discount on such a Series 2015A Bond accruing during each period is added to the adjusted basis of such Series 2015A Bond to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such Series 2015A Bond. The Code includes certain provisions relating to the accrual of original issue discount in the case of purchasers of Series 2015A Bonds who purchase such Series 2015A Bonds other than at the initial offering price and pursuant to the initial offering.

Persons considering the purchase of Series 2015A Bonds with original issue discount or initial bond premium should consult with their own tax advisors with respect to the determination of original issue discount or amortizable bond premium on such Series 2015A Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such Series 2015A Bonds.

Other Tax Consequences. Although interest on the Series 2015A Bonds may be exempt from California personal income tax and excluded from the gross income of the owners thereof for federal income tax purposes, an owner's federal, state or local tax liability may be otherwise affected by the ownership or disposition of the Series 2015A Bonds. The nature and extent of these other tax consequences will depend upon the owner's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Series 2015A Bonds should be aware that (i) section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2015A Bonds and the Code contains additional limitations on interest deductions applicable to financial institutions that own tax-exempt obligations (such as the Series 2015A Bonds), (ii) with respect to insurance companies subject to the tax imposed by section 831 of the Code, section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15% of the sum of certain items, including interest on the Series 2015A Bonds, (iii) interest on the Series 2015A Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by section 884 of the Code, (iv) passive investment income, including interest on the Series 2015A Bonds, may be subject to federal income taxation under section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income, (v) section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on Series 2015A Bonds and (vi) under section 32(i) of the Code, receipt of investment income, including interest on the Series 2015A Bonds, may disqualify the recipient thereof from obtaining the earned income credit. Bond Counsel will express no opinion regarding any such other tax consequences.

Series 2015B Bonds

State Tax Exemption. In the opinion of Bond Counsel, under existing law interest on the Series 2015B Bonds is exempt from personal income taxes of the State. Except as stated in the immediately preceding sentence, Bond Counsel will express no opinion as to any federal or state tax consequence of the receipt of interest on, or the ownership or disposition of, the Series 2015B Bonds. A copy of the form of opinion of Bond Counsel relating to the Series 2015B Bonds is included in APPENDIX E.

Federal Income Tax Considerations. The following is a general summary of certain United States federal income tax consequences of the purchase and ownership of the Series 2015B Bonds. The discussion is based upon the Code, United States Treasury Regulations, rulings and decisions now in effect, all of which are subject to change (possibly, with retroactive effect) or possibly differing interpretations. No assurances can be given that future changes in the law will not alter the conclusions reached herein.

The discussion below does not purport to deal with United States federal income tax consequences applicable to all categories of investors and generally does not address consequences relating to the disposition of a Series 2015B Bond by the owner thereof for federal income tax purposes. Further, the discussion below does not discuss all aspects of federal income taxation that may be relevant to a particular investor in the Series 2015B Bonds in light of the investor's particular circumstances or to certain types of investors subject to special treatment under the federal income tax laws (including insurance companies, tax exempt organizations and other entities, financial institutions, broker-dealers, persons who have hedged the risk of owning the Series 2015B Bonds, traders in securities that elect to use a mark to market method of accounting, thrifts, regulated investment companies, pension and other employee benefit plans, partnerships and other pass through entities, certain hybrid entities and owners of interests therein, persons who acquire Series 2015B Bonds in connection with the performance of services, or persons deemed to sell Series 2015B Bonds under the constructive sale provisions of the Code). The discussion below also does not discuss any aspect of state, local, or foreign law or United States federal tax laws other than United States federal income tax law. The discussion below is limited to certain issues relating to initial investors who will hold the Series 2015B Bonds as "capital assets" within the meaning of section 1221 of the Code, and acquire such Series 2015B Bonds for investment and not as a dealer or for resale. The discussion below addresses certain federal income tax consequences applicable to owners of the Series 2015B Bonds who are United States persons within the meaning of section 7701(a)(30) of the Code ("United States persons") and, except as discussed below, does not address any consequence to persons other than United States persons. Prospective investors should note that no rulings have been or will be sought from the Service with respect to any of the United States federal income tax consequences discussed below, and no assurance can be given that the Service will not take contrary positions.

ALL PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCE TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE SERIES 2015B BONDS.

Interest on the Series 2015B Bonds. Bond Counsel has rendered no opinion regarding the exclusion pursuant to section 103(a) of the Code of interest on the Series 2015B Bonds from gross income for federal income tax purposes. The Authority has taken no action to cause, and does not intend, interest on the Series 2015B Bonds to be excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. The Authority intends to treat the Series 2015B Bonds as debt instruments for all federal income tax purposes, including any applicable reporting requirements under the Code. THE AUTHORITY EXPECTS THAT THE INTEREST PAID ON A SERIES 2015B BOND GENERALLY WILL BE INCLUDED IN THE GROSS INCOME OF THE OWNER THEREOF FOR FEDERAL INCOME TAX PURPOSES WHEN RECEIVED OR ACCRUED, DEPENDING UPON THE TAX ACCOUNTING METHOD OF THAT OWNER.

Disposition of Series 2015B Bonds, Inclusion of Acquisition Discount and Treatment of Market Discount. An owner of Series 2015B Bonds will generally recognize gain or loss on the sale or exchange of the Series 2015B Bonds equal to the difference between the sales price (exclusive of the amount paid for accrued interest) and the owner's adjusted tax basis in the Series 2015B Bonds. Generally, the owner's adjusted tax basis in the Series 2015B Bonds will be the owner's initial cost, increased by original issue discount (if any) previously included in the owner's income to the date of disposition. Any gain or loss generally will be capital gain or loss and will be long-term or short-term, depending on the owner's holding period for the Series 2015B Bonds.

Under current law, a purchaser of a Series 2015B Bond who did not purchase that Series 2015B Bond in the initial public offering (a "subsequent purchaser") generally will be required, on the disposition (or earlier partial principal payment) of such Series 2015B Bond, to recognize as ordinary income a portion of the gain (or partial principal payment), if any, to the extent of the accrued "market discount." In general, market discount is the amount by which the price paid for such Series 2015B Bond by such a subsequent purchaser is less than the stated redemption price at maturity of that Series 2015B Bond (or, in the case of a Series 2015B Bond bearing original issue discount, is less than the "revised issue price" of that Series 2015B Bond (as defined below) upon such purchase), except that market discount is considered to be zero if it is less than one quarter of one percent of the principal amount times the number of complete remaining years to maturity. The Code also limits the deductibility of interest incurred by a subsequent purchaser on funds borrowed to acquire Series 2015B Bonds with market discount. As an alternative to the inclusion of market discount in income upon disposition, a subsequent purchaser may elect to include market discount in income currently as it accrues on all market discount instruments acquired by the subsequent purchaser in that taxable year or thereafter, in which case the interest deferral rule will not apply. The recharacterization of gain as ordinary income on a subsequent disposition of such Series 2015B Bonds could have a material effect on the market value of such Series 2015B Bonds.

Stated Interest and Reporting of Interest Payments. The stated interest on the Series 2015B Bonds will be included in the gross income, as defined in section 61 of the Code, of the owners thereof as ordinary income for federal income tax purposes at the time it is paid or accrued, depending on the tax accounting method applicable to the owners thereof. Subject to certain exceptions, the stated interest on the Series 2015B Bonds will be reported to the Service. Such information will be filed each year with the Service on Form 1099-INT (or other appropriate reporting form) which will reflect the name, address, and taxpayer identification number of the owner. A copy of such Form 1099-INT will be sent to each owner of a Series 2015B Bond for federal income tax purposes.

Original Issue Discount. If the first price at which a substantial amount of the Series 2015B Bonds of any stated maturity is sold (the "Issue Price") is less than the face amount of those Series 2015B Bonds, the excess of the face amount of each Series 2015B Bond of that maturity over the Issue Price of that maturity is "original issue discount". If the original issue discount on a Series 2015B Bond is less than the product of one quarter of one percent of its face amount times the number of complete years to its maturity, the original issue discount on that Series 2015B Bond will be treated as zero. Original issue discount on a Series 2015B Bond will be amortized over the life of the Series 2015B Bond using the "constant yield method" provided in the Treasury Regulations. As the original issue discount on a Series 2015B Bond accrues under the constant yield method, the owner of that Series 2015B Bond, regardless of its regular method of accounting, will be required to include such accrued amount in its gross income as interest. This can result in taxable income to the owners of the Series 2015B Bonds that exceeds actual cash distributions to the owners in a taxable year. To the extent that a Series 2015B Bond is purchased at a price that exceeds the sum of the Issue Price of that Series 2015B Bond and all original issue discount previously includible by any holder in gross income (the "revised issue price" of that Series 2015B Bond), the subsequent accrual of original issue discount to that purchaser must be reduced to reflect that premium.

The amount of the original issue discount that accrues on the Series 2015B Bonds each taxable year will be reported annually to the Service and to the owners. The portion of the original issue discount included in each owner's gross income while the owner holds the Series 2015B Bonds will increase the adjusted tax basis of the Series 2015B Bonds in the hands of such owner.

Amortizable Bond Premium. An owner that purchases a Series 2015B Bond for an amount that is greater than its stated redemption price at maturity will be considered to have purchased the Series 2015B Bond with ‘‘amortizable bond premium’’ equal in amount to such excess. The owner may elect to amortize such premium using a constant yield method over the remaining term of the Series 2015B Bond and may offset interest otherwise required to be included in respect of the Series 2015B Bond during any taxable year by the amortized amount of such excess for the taxable year. Bond premium on a Series 2015B Bond held by an owner that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of a Series 2015B Bond. However, if the Series 2015B Bond may be optionally redeemed after the beneficial owner acquires it at a price in excess of its stated redemption price at maturity, special rules would apply under the Treasury Regulations which could result in a deferral of the amortization of some bond premium until later in the term of the Series 2015B Bond. Any election to amortize bond premium applies to all taxable debt instruments held by the beneficial owner on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

Medicare Contribution Tax. Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals beginning January 1, 2013. The additional tax is 3.8% of the lesser of (i) net investment income (defined as gross income from interest, dividends, net gain from disposition of property not used in a trade or business, and certain other listed items of gross income), or (ii) the excess of "modified adjusted gross income" of the individual over $200,000 for unmarried individuals ($250,000 for married couples filing a joint return and a surviving spouse). Owners of the Series 2015B Bonds should consult with their own tax advisor concerning this additional tax, as it may apply to interest earned on the Series 2015B Bonds as well as gain on the sale of a Series 2015B Bond.

Defeasance. Persons considering the purchase of a Series 2015B Bond should be aware that the bond documents permit the Authority under certain circumstances to deposit monies or securities with the Trustee, resulting in the release of the lien of the Indenture (a "defeasance"). A defeasance could result in the realization of gain or loss by the owner of a Series 2015B Bond for federal income tax purposes, without any corresponding receipt of monies by the owner. Such gain or loss generally would be subject to recognition for the tax year in which such realization occurs, as in the case of a sale or exchange. Owners of Series 2015B Bonds are advised to consult their own tax advisers with respect to the tax consequences resulting from such events.

Backup Withholding. Under section 3406 of the Code, an owner of the Series 2015B Bonds who is a United States person may, under certain circumstances, be subject to "backup withholding" of current or accrued interest on the Series 2015B Bonds or with respect to proceeds received from a disposition of the Series 2015B Bonds. This withholding applies if such owner of Series 2015B Bonds: (i) fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"); (ii) furnishes the payor an incorrect TIN; (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code; or (iv) under certain circumstances, fails to provide the payor with a certified statement, signed under penalty of perjury, that the TIN provided to the payor is correct and that such owner is not subject to backup withholding.

Backup withholding will not apply, however, with respect to payments made to certain owners of the Series 2015B Bonds. Owners of the Series 2015B Bonds should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedures for obtaining such exemption.

Withholding on Payments to Nonresident Alien Individuals and Foreign Corporations. Under sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to withholding at the current rate of 30% (subject to change) on periodic income items arising from sources within the United States, provided such income is not effectively connected with the conduct of a United States trade or business. Assuming the interest income of such an owner of the Series 2015B Bonds is not treated as effectively connected income within the meaning of section 864 of the Code, such interest will be subject to 30% withholding, or any lower rate specified in an income tax treaty, unless such income is treated as "portfolio interest." Interest will be treated as portfolio interest if: (i) the owner provides a statement to the payor certifying, under penalties of perjury, that such owner is not a United States person and providing the name and address of such owner; (ii) such interest is treated as not effectively connected with the owner's United States trade or business; (iii) interest payments are not made to a person within a foreign country that the Service has included on a list of countries having provisions inadequate to prevent United States tax evasion; (iv) interest payable with respect to the Series 2015B Bonds is not deemed contingent interest within the meaning of the portfolio debt provision; (v) such owner is not a controlled foreign corporation, within the meaning of section 957 of the Code; and (vi) such owner is not a bank receiving interest on the Series 2015B Bonds pursuant to a loan agreement entered into in the ordinary course of the bank's trade or business.

Assuming payments on the Series 2015B Bonds are treated as portfolio interest within the meaning of sections 871 and 881 of the Code, then no withholding under section 1441 and 1442 of the Code and no backup withholding under section 3406 of the Code is required with respect to owners or intermediaries who have furnished Form W-8 BEN, Form W-8 EXP or Form W-8 IMY, as applicable, provided the payor does not have actual knowledge or reason to know that such person is a United States person.

The preceding discussion of certain United States federal income tax consequences is for general information only and is not tax advice. Accordingly, each investor should consult its own tax advisor as to particular tax consequences to it of purchasing, owning, and disposing of the Series 2015B Bonds, including the applicability and effect of any state, local, or foreign tax law, and of any proposed change of applicable law.

LITIGATION

There is no controversy of any nature now pending against and notice of which has been received by the City or the Authority or, to the knowledge of their respective officers, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds or in any way contesting or affecting the validity of the Bonds or any proceedings of the City or the Authority taken with respect to the issuance or sale thereof or the pledge or application of any moneys or security provided for the payment of the Bonds or the use of the Bond proceeds. To the knowledge of Murphy & Associates PC (Sacramento, California), special counsel to the City and Authority, there are no pending lawsuits that in the opinion of such special counsel challenge the validity of the Bonds, the corporate existence of the City or the Authority, or the title of the officers thereof to their respective offices.

FINANCIAL STATEMENTS

The City's financial statements for the Fiscal Year ended June 30, 2014, included in APPENDIX B hereto, have been audited by Maze & Associates. Maze & Associates was not requested to consent to the inclusion of its report in APPENDIX B and it has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in the Official Statement, and no opinion is expressed by Maze & Associates with respect to any event subsequent to the date of its report.

APPROVAL OF LEGAL PROCEEDINGS

The issuance of the Bonds is subject to the approving opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel to the Authority, to be delivered in substantially the form set forth in APPENDIX E herein. Norton Rose Fulbright US LLP in its role as Bond Counsel has undertaken no responsibility to the owners of the Bonds or any other party for the accuracy, completeness or fairness of this Official Statement or any other offering material related to the Bonds, and expresses no opinion to the Owners with respect thereto. Certain legal matters also will be passed upon for the City and the Authority by Murphy & Associates PC, a Professional Corporation and for the Underwriter by its counsel Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California.

EXECUTION AND DELIVERY

The execution and delivery of this Official Statement has been authorized by the Authority and the City.

CITY OF SAN PABLO JOINT POWERS FINANCING AUTHORITY

/s/ Kathy Chao Rothberg
Chair

CITY OF SAN PABLO, CALIFORNIA

/s/ Matt Rodriguez
City Manager

APPENDIX A

SUPPLEMENTAL INFORMATION – THE CITY OF SAN PABLO

The following information relating to the City of San Pablo (the "City") is provided for informational purposes only. The Bonds (as defined in the front part of this Official Statement) are payable solely as described in this Official Statement and are not payable or secured by a pledge of the faith and credit or taxing power of the City.

General

The City. The City was incorporated in 1948 as a general law city under the laws of the State of California (the "State"). Located in West Contra Costa County off Interstate 80, San Pablo is near the Bay Area cultural centers of Berkeley, Oakland and San Francisco. As of January 1, 2014, the City had a population of approximately 29,465 and encompassed approximately 2.6 square miles.

The County. Situated northeast of San Francisco, Contra Costa County (the "County") is bounded by San Francisco and San Pablo Bays, the Sacramento River Delta, and by Alameda County on the south. Ranges of hills effectively divide the County into three distinct regions. The western portion, with its access to water, contains much of the County's heavy industry. The central section is rapidly developing from a suburban area into a major commercial and financial headquarters center. The eastern part is also undergoing substantial change, from a rural, agricultural area, to a suburban region. The County has extensive and varied transportation facilities-ports accessible to ocean-going vessels, railroads, freeways, and rapid transit lines connecting the area with Alameda County and San Francisco.

Government and Services

The City is governed by a five-member City Council, under the Council-Manager form of government. The City Manager serves as Chief Executive Officer of the City of San Pablo and administers and coordinates the various functions of City government, as directed by the City Council. The City provides a full range of services including: Police, Public Works, Economic Development, Planning, Building, Engineering and Inspection, Parks and Recreation and General Administrative services.

Population

The following table shows a historical comparison of the respective populations of the City, the County and the State for the last five years.

CITY OF SAN PABLO, CONTRA COSTA COUNTY,
AND THE STATE OF CALIFORNIA
Population Comparison

Year	City of San Pablo	Contra Costa County	State of California
2010	29,245	1,047,948	37,223,900
2011	28,931	1,056,306	37,427,946
2012	29,137	1,066,602	37,668,804
2013	29,266	1,074,702	37,966,471
2014	29,465	1,087,008	38,340,074

Source: State Department of Finance.

Employment and Industry

The unemployment rate in Contra Costa County was 5.7% in October 2014, unchanged from 5.7% in September 2014, and below the year-ago estimate of 7.1%. This compares with an unadjusted unemployment rate of 7.0% for California and 5.8% for the nation during the same period.

The following table summarizes the annual average civilian labor force, employment and unemployment in the County for the calendar years 2009 through 2013. Annual 2014 figures are unavailable.

CONTRA COSTA COUNTY
Civilian Labor Force, Employment and Unemployment
(Annual Averages)

	2009	2010	2011	2012	2013
Civilian Labor Force[1]	525,100	524,200	529,200	535,700	538,900
Employment	471,700	465,900	474,300	487,800	499,100
Unemployment	53,400	58,300	54,800	48,000	39,800
Unemployment Rate	10.2%	11.1%	10.4%	9.0%	7.4%
Wage and Salary Employment:[2]					
Agriculture	800	700	800	800	1,000
Mining and Logging and Construction	21,200	18,300	17,800	19,700	21,600
Manufacturing	18,700	18,300	17,400	17,400	15,800
Wholesale Trade	7,700	7,600	7,900	8,200	8,600
Retail Trade	41,200	40,400	40,500	41,200	41,000
Transportation, Warehousing, Utilities	8,300	8,000	8,100	8,100	8,500
Information	10,400	9,600	9,000	8,400	8,500
Finance and Insurance	19,400	19,200	18,700	19,000	18,700
Real Estate and Rental and Leasing	6,200	6,200	6,100	6,300	6,600
Professional and Business Services	45,900	43,800	45,900	48,000	51,300
Educational and Health Services	52,900	53,000	53,500	55,700	58,700
Leisure and Hospitality	31,200	31,300	32,300	33,500	35,700
Other Services	11,700	11,800	12,400	12,400	12,100
Federal Government	6,600	5,300	4,800	4,600	4,400
State Government	1,100	1,200	1,200	1,200	1,300
Local Government	43,700	42,800	41,800	42,100	42,400
Total, All Industries [3]	326,600	317,200	318,100	326,600	336,100

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals may not add due to rounding.
Source: *Labor Division of the California State Employment Development Department, March 2013 Benchmark.*

Major Employers

The following table lists the major employers within the County:

COUNTY OF CONTRA COSTA
Major Employers – Listed Alphabetically
(As of January 2014)

Employer Name	Location	Industry
AAA Northern CA Nevada & Utah	Walnut Creek	Automobile Clubs
Bart	Richmond	Transit Lines
Bayer Health Care Phrmctcls	Richmond	Laboratories-Pharmaceutical (Mfrs)
Bio-Rad Laboratories Inc.	Hercules	Biological Products (Mfrs)
Chevron Corp	San Ramon	Oil Refiners (Mfrs)
Chevron Global Downstream LLC	San Ramon	Marketing Programs & Services
Concord Naval Weapons Station	Concord	Federal Government-National Security
Contra-Costa Regional Med Center	Martinez	Hospitals
Department of Veterans Affairs	Martinez	Clinics
Doctors Medical Center	San Pablo	Hospitals
John Muir Health Physical Rhb	Concord	Physical Therapists
John Muir Medical Center-Walnut	Walnut Creek	Hospitals
Kaiser	Martinez	Clinics
Kaiser Permanente	Walnut Creek	Hospitals
Kaiser Permanente	Antioch	Hospitals
Kaiser Permanente Martinez Med	Concord	Hospitals
La Raza Market	Richmond	Grocers-Retail
Muirlab	Walnut Creek	Laboratories-Medical
Richmond City Offices	Richmond	Government Offices-City, Village & Twp
San Ramon Regional Medical Center	San Ramon	Hospitals
Shell Oil Products	Martinez	Oil & Gas Producers
St Mary's College of Ca	Moraga	Schools-Universities & Colleges Academic
Sutter Delta Medical Center	Antioch	Hospitals
Tesoro Golden Eagle Refinery	Pacheco	Oil Refiners (Mfrs)
VA Outpatient Clinic	Martinez	Surgical Centers

Source: *California Employment Development Department, extracted from The America's Labor Market information System (ALMIS) Employer Database, 2014 1st Edition.*

The West Contra Costa Healthcare District (the "Healthcare District") is an important employer in the City. As of June 30, 2014, the Healthcare District employed 994 persons. In the past several years, the Healthcare District has experienced significant financial stress, including a reported annual budget shortfall of $18-20 million. In December 2014, the County's Board of Supervisors voted to delay a $3 million property tax payment owed by the Healthcare District. The City and other stakeholders are exploring financial options for assisting the Healthcare District. While the financial stress of the Healthcare District could have an impact on the local economy, the City does not believe it will have a material adverse impact on the City's ability to pay the principal of and interest on the Bonds.

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of nonfarm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the annual average civilian labor force, employment and unemployment in the County for the calendar years 2009 through 2013. Annual 2014 figures are unavailable.

CONTRA COSTA COUNTY
Civilian Labor Force, Employment and Unemployment
(Annual Averages)

	2009	2010	2011	2012	2013
Civilian Labor Force[1]	525,100	524,200	529,200	535,700	538,900
Employment	471,700	465,900	474,300	487,800	499,100
Unemployment	53,400	58,300	54,800	48,000	39,800
Unemployment Rate	10.2%	11.1%	10.4%	9.0%	7.4%
Wage and Salary Employment: [2]					
Agriculture	800	700	800	800	1,000
Mining and Logging and Construction	21,200	18,300	17,800	19,700	21,600
Manufacturing	18,700	18,300	17,400	17,400	15,800
Wholesale Trade	7,700	7,600	7,900	8,200	8,600
Retail Trade	41,200	40,400	40,500	41,200	41,000
Transportation, Warehousing, Utilities	8,300	8,000	8,100	8,100	8,500
Information	10,400	9,600	9,000	8,400	8,500
Finance and Insurance	19,400	19,200	18,700	19,000	18,700
Real Estate and Rental and Leasing	6,200	6,200	6,100	6,300	6,600
Professional and Business Services	45,900	43,800	45,900	48,000	51,300
Educational and Health Services	52,900	53,000	53,500	55,700	58,700
Leisure and Hospitality	31,200	31,300	32,300	33,500	35,700
Other Services	11,700	11,800	12,400	12,400	12,100
Federal Government	6,600	5,300	4,800	4,600	4,400
State Government	1,100	1,200	1,200	1,200	1,300
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Total, All Industries [3]	326,600	317,200	318,100	326,600	336,100

[1] Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
[2] Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
[3] Totals may not add due to rounding.
Source: *Labor Division of the California State Employment Development Department, March 2013 Benchmark.*

The following table summarizes the total effective buying income for the City, the County, the State and the United States for the period 2008 through 2012. Effective buying income figures for 2013 and 2014 are not available.

CITY OF SAN PABLO, CONTRA COSTA COUNTY,
STATE OF CALIFORNIA AND UNITED STATES
Effective Buying Income
As of January 1, 2008 through 2012

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2008	City of San Pablo	$ 427,015	$38,361
	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 San Pablo	$ 444,448	$39,357
	Contra Costa County	31,197,703	64,213
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2010	City of San Pablo	$ 417,503	$37,137
	Contra Costa County	30,049,698	61,031
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	City of San Pablo	$ 391,620	$36,863
	Contra Costa County	30,416,350	60,777
	California	814,578,458	47,062
	United States	6,438,704,664	41,253
2012	City of San Pablo	$ 423,058	$38,981
	Contra Costa County	33,604,875	61,167
	California	864,088,828	47,307
	United States	6,737,867,730	41,358

Source: The Nielsen Company (US), Inc./Claritas.

Commercial Activity

The Economic Development Department encourages the growth of new businesses, attraction of new business, enhancement of existing businesses as well as the creation and retention of jobs. The City encourages business success by providing various services to both small businesses and larger established companies. San Pablo's Economic Development Program has short and long-range economic development strategies to accomplish these objectives. These development strategies include: providing information for economic development strategy, providing assistance for business attraction and business retention, and business outreach.

In 2009, the Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, data for year 2009 and after is not comparable to that of prior years. A summary of historic taxable sales within the City during the past five years in which data is available is shown in the following table.

Total taxable sales during calendar year 2012 in the City were reported to be $165,422,000, an 8.13% increase over the total taxable sales of $152,982,000 reported calendar year 2011. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the City is presented in the following table. Annual figures are not yet available for 2013 or 2014.

CITY OF SAN PABLO
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2008	290	135,284	465	155,280
2009[(1)]	314	120,226	430	139,345
2010[(1)]	322	125,325	439	142,225
2011[(1)]	324	137,184	440	152,982
2012[(1)]	349	148,105	462	165,422

(1) Not comparable to prior years. "Retail" category now includes "Food Services."
Source: *California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).*

Total taxable sales during calendar year 2012 in the County were reported to be $13,997,249,000, a 9.35% increase over the total taxable sales of $12,799,857,000 reported during calendar year 2011. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the County is presented in the following table. Annual figures are not yet available for 2013 or 2014.

CONTRA COSTA COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2008	11,577	9,484,307	23,149	13,307,681
2009[1]	14,045	8,473,578	21,395	11,883,049
2010[1]	14,428	8,716,393	21,784	11,953,846
2011[1]	13,930	9,300,418	21,153	12,799,857
2012[1]	14,343	10,062,437	21,504	13,997,249

[1] Not comparable to prior years. "Retail" category now includes "Food Services."
Source: *California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).*

Construction Activity

The following tables show a five-year summary of the valuation of building permits issued in the City and the County. Figures for 2014 are not yet available.

CITY OF SAN PABLO
Building Permit Valuation
(Valuation in Thousands of Dollars)

	2009	**2010**	**2011**	**2012**	**2013**
Permit Valuation					
New Single-family	$ 124.9	$ 272.9	$ 100.6	$ 100.6	$ 690.9
New Multi-family	0.0	1,953.9	0.0	0.0	0.0
Res. Alterations/Additions	3,227.2	3,063.9	2,599.6	2,473.7	2,272.9
Total Residential	$3,352.1	$5,290.7	$2,700.2	$2,574.3	$2,963.8
New Commercial	$ 0.0	$2,461.7	$ 10.2	$ 96.0	$1,704.1
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	379.7	369.1	0.0	0.0	33.6
Com. Alterations/Additions	1,659.7	5,402.3	1,395.5	891.4	1,598.5
Total Nonresidential	$2,039.4	$8,233.1	$1,405.7	$ 987.4	$3,336.2
New Dwelling Units					
Single Family	1	2	1	1	3
Multiple Family	0	11	0	0	0
TOTAL	1	13	1	1	3

Source: Construction Industry Research Board, Building Permit Summary.

CONTRA COSTA COUNTY
Building Permit Valuation
(Valuation in Thousands of Dollars)

	2009	**2010**	**2011**	**2012**	**2013**
Permit Valuation					
New Single-family	$300,363.3	$237,458.0	$211,417.9	$340,255.7	$449,376.5
New Multi-family	34,119.3	106,555.4	47,304.2	54,884.8	62,799.7
Res. Alterations/Additions	170,149.7	209,044.4	233,174.2	179,471.7	195,787.4
Total Residential	$504,632.3	$553,057.8	$491,896.3	$574,612.2	$709,963.6
New Commercial	$ 49,992.0	$ 38,093.5	$ 17,587.4	$ 97,077.8	$27,946.8
New Industrial	11,530.0	29,619.4	7,188.0	7,000.8	8,927.8
New Other	39,878.8	47,510.7	15,542.3	13,999.9	76,946.0
Com. Alterations/Additions	212,900.7	170,193.8	214,585.0	124,147.2	220,737.0
Total Nonresidential	$314,301.4	$285,417.4	$254,902.7	$242,225.7	$334,557,6
New Dwelling Units					
Single Family	1,038	809	718	1,188	1,585
Multiple Family	163	890	355	949	370
TOTAL	1,201	1,699	1,073	2,137	1,955

Source: Construction Industry Research Board, Building Permit Summary.

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE CITY OF SAN PABLO FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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City of San Pablo, California

Fiscal Year Ended June 30, 2014

Comprehensive Annual Financial Report

Prepared by the Finance Department

CITY OF SAN PABLO
City of New Directions

CITY OF SAN PABLO

City of New Directions

CITY OF SAN PABLO, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014

PREPARED BY THE
FINANCE DEPARTMENT

COVER PHOTOS
SAN PABLO COMMUNITY CENTER

CITY OF SAN PABLO

City of New Directions

CITY OF SAN PABLO, CALIFORNIA

Comprehensive Annual Financial Report
For the Year Ended June 30, 2014

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CITY OF SAN PABLO

City of New Directions

Letter of Transmittal

January 28, 2015

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

State law requires all general-purpose local governments to publish a complete set of financial statements, presented in conformity with Generally Accepted Accounting Principles (GAAP) within six months of the close of each fiscal year. Therefore, we are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the City of San Pablo, California for the fiscal year ended June 30, 2014. Responsibility for both the accuracy of the data and the completeness and fairness of the information—including all disclosures—rests with the City. To the best of the City staff's knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of the operations of the various entities of the City of San Pablo. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. Generally accepted accounting principles require that management provide a narrative introduction overview and analysis to accompany the basic financial statements in the form of a Management Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

INTERNAL CONTROLS

Accounting for all of the City's activities is centralized under the Finance Department. The department has been delegated the responsibility for maintaining the integrity of the City's recorded financial data. The Finance Department, in conjunction with the City's management team, is also responsible for establishing and maintaining an internal control structure designed to ensure that the City' s assets are protected from loss, theft or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met, while recognizing that this assurance is not absolute. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by management. City administration believes the existing internal control systems are adequate to provide reasonable assurance that the City's assets are safeguarded against loss and that the financial records are reliable for preparing financial statements and maintaining accountability for assets. This belief is supported by the City's "unmodified" auditor's report issued in 2014.

INDEPENDENT AUDIT

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

Letter of Transmittal

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

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

PROFILE OF SAN PABLO

The City of San Pablo was incorporated in 1948 as a general law city under the laws of the State of California. Located in West Contra Costa County off Interstate 80, San Pablo is just minutes away from the Bay Area cultural centers of Berkeley, Oakland and San Francisco. The City is governed by a five member City Council, under the Council-Manager form of government. As of January 1, 2014, the City had a population of approximately 29,465 and encompassed 2.6 square miles. The City maintains a 2014/15 Total Operating Funds Budget of $29.2 million with 158.35 full-time equivalents (FTE's).

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

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

Letter of Transmittal

BUDGET POLICIES / PROCESS

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

The biennial budget process begins every other January with a strategic planning meeting. The individual departments then prioritize and recommend the budgetary funding requirements necessary to perform both their objectives and the City Council's strategic goals and initiatives. These funding requests are then balanced and prioritized to fit within the constraints of projected revenue assumptions. The City Manager's Office and the Finance Department review all budget proposals and revenue assumptions, as well as all current financial obligations, before preparing the document that is proposed to the City Council. The City Council reviews the proposed budget during a scheduled public Budget Workshop in May and the final adoption of the budget is scheduled for a City Council meeting in June pursuant to the City's Municipal Code requirements.

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

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

ECONOMIC OUTLOOK

The City can be characterized as an older community that is almost completely built out. During the last ten years, the City population has remained relatively constant. Since that time, the City has seen very little residential development activity and property valuations have fallen substantially from their peak in 2007/2008. However, with the improving economy, the median sales prices of San Pablo homes have increased 39.3% and 20.3% in 2013 and 2014 respectively, with a total increase in sales price by 79.0% from their low in 2011. In general, the recession had far greater impacts in communities such as San Pablo's, which experienced high property appreciation during the previous decade. Significantly, foreclosure rates across the county are now approaching their pre-recession norm. Because of increased property values, property taxes, one of the General Fund's top revenue sources, grew dramatically in fiscal year (FY) 2013/14, but still falls far short of previous high-values recorded in FY 2007/08.

Letter of Transmittal

As the local economy continues to improve, regional unemployment rates continue to drop. The unemployment rate for Contra Costa County was only 5.7% for November 2014, giving residents more incentive to go back to shopping. Contra Costa County sales increased by 5.3% over the same time period last year, while San Pablo sales were up 5.8% after factoring out reported aberrations. While most statewide agencies suffered double digit percentage declines during the recession, San Pablo stayed flat or experienced minor increases, in large part due to the fact that the City never had a sales tax base that depended on large ticket items, such as vehicle sales or big box retail. In this context, sales tax revenue is projected to increase slowly and steadily as the economy continues to improve and as businesses continue to view San Pablo as an attractive market.

Despite the recovering economy, interest rates continue to be at all-time low or near record-low levels, thus keeping investment income at very low levels. The low interest rates and subsequent low returns are not expected to change in the short term. This low interest rate environment will have a more significant negative impact on San Pablo in particular, because of the large cash reserves maintained to meet reserve policy requirements. Only a few short years ago, the City was able to earn nearly 5% on its cash reserves. Over the next two years, rates of return are expected to remain in the 0.2 – 1.0% range.

In December 2012, the City received its first tax receipts from Measure Q, a voter-approved sales tax measure passed in June 2012. Projected to generate $1,045,000 in its first full year of collection, actuals of $1,322,784 outperformed estimates in FY 2013/14 by $277,784. As a general—not special—tax, these revenues flow into the general fund and are not limited to specific uses. They are, however, designed to augment City economic development efforts, programming for youth services, and enhancing police activities.

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

Letter of Transmittal

FINANCIAL OUTLOOK

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

- Net increases to fund balance for the past several years, leading to healthy cash reserves. In 2014, the net increase to the General Fund balance was $8,779,294.
- Adoption of the "Fiscal Resiliency Reserve Policy" in October 2013 which created additional framework, usage, and payback requirements when dipping into cash reserves. Perhaps most importantly, however, the policy created designated cash reserves to fund known large expenditures, which have not yet materialized, such as vehicle replacements, OPEB liabilities, capital projects, etc. These designated reserves are updated annually.

- Introduction of the Chameleon budgeting system in July 2013 with monthly financial reports prepared for budget managers citywide, in addition to the City's Five-Year Financial Plan.
- Completion of labor negotiations in July 2014 in which all bargaining groups accepted modest and sustainable salary increases of 2.0% per year for three years.

Other Post-Employment Benefits (OPEB): Governmental Accounting Standards Board (GASB) Statement No. 45 was established in 2004 and requires the City to report the costs of OPEB as the employee earns the benefit, rather than as the benefit is paid. While there is no requirement that the City pre-fund, or set aside the full Annual Required Contribution (A.R.C.) on an annual basis, the City Council established a funding strategy which includes pay-as-you-go financing plus an additional amount to pre-fund benefits. Pre-funding OPEB obligations is projected to provide the City with savings over the long-term, as pre-funding contributions will be invested on a long-term basis until they are needed to pay for OPEB obligations. Pre-funding will ultimately allow for investment income, rather than City contributions, to provide the majority of funds needed to cover OPEB obligations in the future. This funding strategy has resulted in the City having plan assets of $7,250,081 as of June 30, 2014, and thus reducing the Annual Required Contribution (ARC) to $196,633 for Fiscal Year 2015.

Letter of Transmittal

Major Initiatives – Implementing Our Work Plan

SERVICES FOR FAMILIES AND YOUTH

In 2010, the City created the Youth Services Program to develop services for Families and Youth. Youth Services is committed to the healthy development of youth and is focused on developing positive opportunities, programs and partnerships that will provide children and youth with skills, knowledge, support and resources leading to healthy and productive lives. In 2012, the City of San Pablo government structure was revised and Youth Services became a division in the Community Services Department. Youth Services programs, services and initiatives support a community where government, families, schools, law enforcement, and organizations work together to create an environment conducive to support young people, their learning and their success.

Full Service Community Schools: The City of San Pablo City Council adopted a Resolution to develop a San Pablo Full Service Community Schools (FSCS) Initiative with the goal of transforming all schools in San Pablo into Full Service Community Schools. In a Full Service Community School (Community School), the school district, city, county, community and faith-based organizations, businesses, families and philanthropists form a strong, deep and transparent partnership. They can jointly address the identified needs of students, families and the community in a comprehensive, integrated and accountable way. The group shares leadership, work towards a common vision and agenda, and shares responsibility for results. A Community School focuses on the needs of the whole child – physical, emotional, social and academic – to create the conditions necessary for all children to learn and be successful. Unlike traditional schools, a Community School strengthens families and communities so that they are better able to support student success. A Community School also supports qualified and effective teachers who provide high quality instruction, promote high standards and expectations for all students, and deliver challenging curriculum to help students thrive. Walter T. Helms Middle School, the hub of the San Pablo FSCS Initiative, will develop stronger connections to the elementary schools in the Helms "feeder pattern" and to Richmond High School where Helms students attend high school. These connections will align both the academic and service elements of the initiative to promote student success, healthy and prosperous families and a healthy community.

Youth Futures Task Force: The Youth Futures Task Force (YFTF) is modeled on the successful history of the Mayor's Gang Prevention Task Force (MGPTF) in the City of San José and the recent efforts of Santa Rosa's MGPTF. These two municipalities have successfully implemented youth violence prevention/gang intervention strategies in their communities and reinforce the concept that collaborative efforts spanning from a broad spectrum of

Letter of Transmittal

community partners ensure that a large number of stakeholders accept responsibility and accountability for the safety, health and welfare of its youth, families, and communities. The City of San Pablo is committed to the healthy development of our youth within a context of community safety and security. The Youth Futures Task Force calls for various agencies and systems, including government agencies, law enforcement, social services agencies, educational, grass-root, and faith-based organizations to work together to achieve a more innovative, integrated, team-oriented approach in working with youth at great risk of committing intentional acts of violence and/or engaging in behaviors related to the gang lifestyle. In 2015, the YFTF is expanding its focus to better align with the Full Service Community Schools Initiative enabling the City to prevent violence while also supporting and enhancing programming that meets the needs of the whole child. The service areas for 2015-2019 are Community Schools Coordination, Out of School Time, Violence Prevention and Intervention, and Youth Leadership and Development.

San Pablo Team for Youth: San Pablo Team for Youth (TFY) was created as the funding arm of the Youth Futures Task Force and provides grant opportunities to public and non-profit agencies to expand and/or enhance prevention and intervention programs/services to youth exhibiting high-risk behaviors, including those that are gang-related. TFY is the funding mechanism for developing and deploying youth services that support the mission of San Pablo's Youth Futures Task Force. In 2015, TFY will become the funding arm for the Community Schools Initiative.

Childhood Obesity Prevention Task Force: The San Pablo City Council hosted its first Childhood Obesity Prevention Task Force meeting in March 2012 to bring awareness to the growing childhood obesity epidemic in the community. Representatives from over 20 agencies/programs -including County, City, non-profit, community-based and faith-based agencies, schools, and medical organizations attended. The convening of the Task Force represented the first step towards strengthening partnerships in the fight against the growing childhood obesity epidemic in the community. Since then, the Task Force worked collaboratively with stakeholders to develop a Community Action Plan (CAP) that was adopted by City Council on April 10, 2014. The CAP focused on increasing community awareness of the obesity epidemic, increasing accessibility to healthy food and physical activity opportunities, and expanding healthy eating active living programs. The Community Action Plan identifies program and policy priority areas, which will guide collaborative efforts towards a healthier San Pablo. In November 2014, the Council approved a $50,000 funding allocation to support the implementation of health and physical activity programming for residents, focusing on children and young adults.

COMMUNITY ENGAGEMENT

A pillar for any community is the ability to engage its residents in worthwhile community activities. 2014 turned out to be a banner year for the City of San Pablo as the National Civic League announced San Pablo as a winner of the 2014 All-America City Award, the country's most prestigious award for outstanding, community-based civic accomplishments. Created in 1949, the All-America City Award is the oldest community recognition program in the nation. This year's awards had a special focus on successful efforts to address the underlying conditions that affect the health of our communities.

The City of San Pablo submitted an application listing three examples of successful community exchange, civic engagement, collaboration, and innovation. The projects in the application were the Health Element & the Childhood Obesity Prevention Task Force, the San Pablo Economic Development Corporation (SPEDC), and the San Pablo Police Department's Community Partnership Programs.

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

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

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

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

Community Outreach - New Methods: Since November 2012, the City Council has maintained a contract with a social media professional services provider to administer all City social media accounts to actively promote City activities, programs and services. Community engagement vis-à-vis social media such as the City's Facebook page and Twitter account continues to rise exponentially.

ECONOMIC DEVELOPMENT

The City of San Pablo works cooperatively with the San Pablo Economic Development Corporation (SPEDC), a 501(c) (3), to develop programs aimed at eliminating barriers to employment, business attraction/ enhancement and site development. These efforts are geared toward creating local jobs for San Pablo residents and reducing the unemployment rate, which at 11.8% in September 2014 is certainly an improvement over the last few years, but is still considerably higher than the rest of

Letter of Transmittal

Contra Costa County. This task has proven more difficult in the wake of the elimination of the Redevelopment Agency, but through partnerships and refocusing available resources, the City continues to see progress in this effort. Indeed, the City's partnership with the SPEDC in its progressive tattoo-removal program, "Removing Barriers," has garnered international attention.

FISCAL STABILITY

Compensation & Labor Negotiation Strategy: This initiative attempts to implement a fiscally responsible cost reduction and containment strategy which will allow the City to remain competitive in recruiting and retaining valuable employees while allowing for long-term fiscal sustainability for the City. With this framework, management staff met with employee labor groups throughout the spring of 2014 to develop labor agreements which were set to expire on June 30, 2014 for both public safety and non-public safety employees. With the help of City Council members and city employees and their respective bargaining units, the City was able to eliminate retiree medical benefits for elected officials, as well as reduce the City's long-term retiree medical costs for employees. Ultimately, labor agreements were struck which called for modest and sustainable salary increases of 2.0% per year for the next three years. Coupled with previous concessions in which employees contribute 10.3% or 12.3% of their salary depending on job title to fund a significant portion of their retirement cost, the City is now in a good place to maintain fiscal stability, while remaining an attractive and desirable place to work.

Fee Study for Planning, Building, and Public Works: In July of 2011 the City contracted with an outside consultant to review and analyze the City's Planning, Building, and Public Works fee structure to determine: (1) an appropriate fee structure which will allow the City to recover the costs of providing specific services to the public; (2) that a proposed fee structure is reasonable when compared to other local agencies; and (3) whether or not the City has established a fee for all provided services. The new fees were adopted by the City Council in April of 2012 and the fees went into effect on July 2, 2012. As a result, General Fund revenues in the Charges for Service category nearly doubled from $390,940 in FY 2011/12 to $674,404 in FY 2012/13, and experienced significant gains of 37% in FY 2013/14 to $921,802.

INFRASTRUCTURE

Redevelopment Agency: For decades, most California cities, including San Pablo, relied on local redevelopment agencies as a tool to revitalize blighted areas and provide funding for much needed infrastructure projects. This practice ended on January 31, 2012 when the Redevelopment Agency (RDA) was required by the State to be dissolved. With the dissolution of the RDA, the City has had to secure alternative funding projects that were previously funded through Redevelopment. As a strategy, the City has used general fund revenues, and federal, state and local grants to fund such projects.

The City, acting as Successor Agency to the RDA is now in the final phase of "clean-up" and various RDA unwind procedures. In September 2013, the City obtained its Finding of Completion validating that its RDA payment obligations were met. Going forward, this status allows the Successor Agency to spend the remainder of the bond proceeds as well as provide flexibility for the disposition / use of the real property transferred from the Redevelopment Agency to the Successor Agency.

Letter of Transmittal

On June 3, 2014 and September 4, 2014, the City's Successor Agency completed a refinancing of outstanding Redevelopment Agency bond debt. By combining multiple issues of bond debt into Series 2014A and Series 2014B Tax Allocation Bonds (TAB's), the Successor Agency was able to issue bonds totaling $54,565,000, which saved taxpayers over $5,000,000 in debt service payments. While most of the savings was realized by the State, this transaction helped the City consolidate loan payments and simplify loan administration.

CAPITAL PROJECTS

San Pablo Community Center (PW 535): The City of San Pablo and the SPEDC worked with Noll & Tam Architects and Planners to design and construct the San Pablo Community Center at Helms Middle School. Together they celebrated the grand opening of the San Pablo Community Center (SPCC) on June 5, 2014. Community Center is a 10,500 square foot facility that includes a large multi-purpose space with a kitchen, two smaller meeting/class rooms, a teen lounge, a computer room, and a fitness room. Located on a 20,000 square foot site adjacent to the Helms Middle School, the City partnered with the West Contra Costa Unified School District City to develop a ground lease and a joint use agreement for the exterior fields and the gymnasium when school is not in session. The Community Center, however, is entirely a City operated facility. The project was funded using a variety of sources, including a New Market Tax Credits grant application and grant funds from the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Proposition 84). The facility is LEED-certified (Leadership in Energy and Environmental Design, an internationally-recognized green building certification system).

Day-lighting Wildcat Creek at Davis Park (PW 579): The Wildcat Creek Day-lighting Project restored the underground section of Wildcat Creek to a natural above-ground state (for many years, the creek had flowed through a concrete box culvert located under the baseball field). The creek is now relocated to a natural, open ("day-lighted") creek channel along the northern boundary of the Park with a paved walking trail installed next to the creek. The project also includes new and improved ball field lighting and a reorientation of the baseball and soccer fields. As part of the creek restoration project, the City also installed a new pedestrian

Letter of Transmittal

bridge across Wildcat Creek, west of the Brookside Avenue entrance. These improvements were based on the City's 2007 Davis Park Master Plan. The formal ribbon cutting ceremony was held on May 18, 2013.

The benefits of this project include returning the creek to its natural state with the associated wildlife/habitat improvements. Furthermore, the project increases the flood capacity of the creek at this location. The existing culvert is a barrier to fish movement in Wildcat Creek and the restored creek allows fish to once again swim upstream past Davis Park and provide a habitat for birds. The "day-lighting" of the creek also eliminates an unattractive nuisance (the culvert) and enhances the creek habitat for wildlife, fish, and residents to enjoy. The primary funding source is the State Rivers Parkway Grant.

Rumrill Sports Park (Former BNSF Site): The former Burlington Northern & Santa Fe (BNSF) Railroad Corporation yard was sold to the City of San Pablo and is being developed into a much-needed multi-use sports park (Rumrill Sports Park) for the residents of the City. The park will have three youth soccer fields and smaller practice field available for youth leagues, pick-up games, and practices. The park will also contain a picnic/barbeque area, play area, office/restrooms and on-site parking. The fields will be lighted for night use. This park concept was developed through a series of community outreach meetings, in which the residents of San Pablo identified the need for more open space structured for youth play.

Because the park is located on an old rail yard site, the dirt was contaminated and had to be addressed. Working with environmental consultants Ninyo & Moore and the State of California's Department of Toxic Substance Control (DTSC), the City developed a Removal Action Workplan (RAW) to clean the site. Once approved, construction contractor O.C. Jones & Sons, Inc. began working on the remediation of the contaminated dirt in late August 2014. Swinerton Construction Management is overseeing park construction which is expected to continue through the spring with completion planned in late spring or early summer of 2015.

The City received $6.96 million in funding for the project as follows:

• State of California Proposition 84 Statewide Parks Program:	$3,000,000
• New Markets Tax Credits	$2,817,360
• Environmental Protection Agency Grant	$600,000
• East Bay Regional Park Measure WW	$425,538
• Department of Resources, Recycling and Recovery (Cal Recycle) Grant	$125,064

Letter of Transmittal

Municipal Solar Project: The Municipal Solar Project is a 325.62 kW-DC solar installation at City Hall, the Police Department and the Church Lane Senior Center. The project was initially developed in collaboration with the four member cities (San Pablo, El Cerrito, Albany and Piedmont) of the Small Cities Climate Action Partnership with funding from the United States Environmental Protection Agency. The cities jointly requested qualified, design-build proposals for site bundles in each respective jurisdiction. Real Goods Solar Inc. (RGS) was awarded the construction contract at a final approved cost of $1,703,995. The City received a 15-year, 1% interest rate loan from the California Energy Commission to cover $1,150,000 of the project costs with the balance coming from the City's General Fund. In addition, the City has reserved California Solar Initiative Rebates totaling $250,000 to be disbursed over the first five years. The Project will offset 24% of the City's total electricity usage and reduce greenhouse gas emissions by 18%, thus helping the City reach its Climate Action Plan goals. Construction of the project was completed in early 2014, and electric vehicle charging stations became operational later that fall.

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

Development of Plaza San Pablo: The City is working to develop the site at Plaza San Pablo, formerly known as Circle S. Plans for roads, lighting and other infrastructure needs are currently underway. One aspect of the plan includes finalizing a deal to lease the site that the current Walgreen's Drug Store occupies on the corner of San Pablo Avenue and Church Lane and convert it into a modern branch library for the City. Lease documents have been signed, and building design is complete and has been approved by City Council. The City will then facilitate the move of Walgreen's to another site at Circle S. The project is estimated to cost approximately $5 million.

Renovation/Remodel of City Hall: Buildings 2 and 5 at City Hall are currently in the planning phases for a complete remodel and renovation, which would allow the City to enlarge the City Council Conference Room, expand the Information Technology office space to include the rest of the first floor of Building 2, relocate the Finance Department to the upstairs of Building 2 and relocate the City Attorney's Office to

Building 5. All office space would also be retrofitted to comply with current Americans with Disabilities Act (ADA) construction requirements. This project is estimated to cost approximately $1.5 million.

Undergrounding of Utilities on El Portal West: The City took the lead in preparing plans and construction documents which are now complete. The City will front the money for construction of the $950,000 project, and the utility companies will reimburse the City for their portions of the cost, estimated to be $850,000. Requests for proposals will go out in spring 2014 with construction planned to begin in summer 2014.

Overlay or Road Resurfacing Projects: The City has been busy repairing 3.3 miles of City streets with road overlays and resurfacings. Public Works Project 528 was completed in December 2014 and included the overlay of portions of San Pablo Avenue (from San Pablo Dam Road to Tulare) and Emeric (from Rumrill to San Pablo Avenue). Total project cost was $987,548 and was partially covered by grant funds of $454,000. Public Works Project 595 includes road resurfacing on 15 different City streets. This project is still in construction with completion projected for spring 2015 at a total cost of approximately $2,260,000.

INFRASTRUCTURE / TRANSPORTATION

The City has been engaged in several major transportation projects, including the I-80 Integrated Corridor Mobility (ICM); major interchange improvements at I-80 and San Pablo Dam Rd, El Portal, and McBryde; wayfinding sign planning and installation; and a 'Complete Streets' study for San Pablo Avenue.

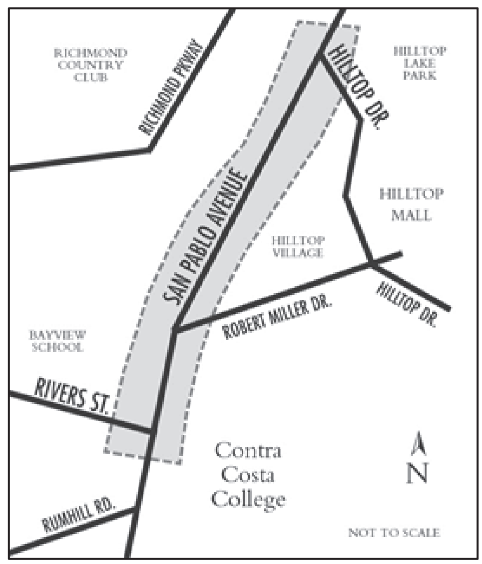
I-80 ICM: The City has participated in this project through its membership in the West Contra Costa Transportation Advisory Committee (WCCTAC). This project would implement advanced traffic management along I-80 from the Carquinez Bridge to the MacArthur Maze, San Pablo Avenue, and the major arterials that connect the two. This project includes adaptive ramp metering; lane-use signals on the freeway; variable advisory speeds; and special traffic signal timing to handle diversion to local streets due to freeway incidents as well as trailblazer signs to direct diverted traffic back onto the freeway downstream of incidents. The project also includes traffic signal priority for buses, traveler information, and traffic surveillance and monitoring. This is a multi-agency project involving the jurisdictions along the corridor, CalTrans, transit agencies, and regional agencies. In 2014, construction of the project was completed as well as an agreement amongst all of the involved agencies that the Transportation Authorities for both Alameda and Contra Costa Counties would be responsible for system operations, maintenance, and management. Major funding for this $90 million project came from local sales tax measures in Contra Costa and Alameda and from State Proposition 1B funding.

Letter of Transmittal

Wayfinding Sign Planning and Installation: The West Contra Costa Transportation Advisory Commission (WCCTAC) secured a grant from the Metropolitan Transportation Commission to develop wayfinding signs to transit centers in West Contra Costa and other major destinations. San Pablo participated in the development of the plan, and this phase of the project is now complete. The City was later able to secure $330,000 in necessary funding to install the signs through Contra Costa's Measure J transportation sales tax. The construction contract for installation was approved in December 2014.

Complete Streets Plan: The San Pablo Avenue Complete Streets Study will focus on improving multimodal access, safety and connections along the San Pablo corridor by identifying needs and prioritizing improvements that will facilitate pedestrian, bicycle and transit trips. At the heart of this process is a public outreach effort that will bring together surrounding residents, business owners, partner agencies, and other key stakeholders to ensure that the final plan recommendations are both relevant to, and supported by, the local community. This study is being funded by a CalTrans Environmental Justice Transportation Planning Grant. A Request for Proposal process to secure the design consultant will begin in spring 2015.

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



PUBLIC SAFETY

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

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

Letter of Transmittal

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

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

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

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

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

Letter of Transmittal

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

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

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

Homicide Clearance Rates: The San Pablo Police Department has historically enjoyed a high homicide clearance rate when compared to the national average. The Detective Division is comprised of highly trained and motivated individuals with a proven track record of conducting in-depth criminal investigations. Using a collaborative approach, investigators work closely with our Gang Unit and other local agencies to solve unsolved murder cases. Recent history confirms the Department's reputation. From January 1, 2013 through December 31, 2014, the City experienced five homicides, clearing all but one.

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

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

Letter of Transmittal

SPECIAL PROJECTS / TECHNOLOGY

The Information Technology Division has four major projects to accomplish. These projects are to upgrade the Computer Room, upgrade the Network Servers, upgrade the Network Backup System, and upgrade the Network Anti-Virus Software. The Computer Room upgrade will be occurring once Building 2 has been renovated. This will require the expanded area to be wired for power, data communications, alarms, fire suppression, air conditioning, and power backup. The Network Servers are reaching end-of-life and are being replaced along with upgrading their Operating Systems and Services. Our Network Backup System Vendor has gone downhill and no longer effectively provides the granular-level backup we require to retrieve selective data. We are shifting to an "appliance" based backup system that we are implementing. Microsoft has stopped promoting their Network Endpoint Anti-Virus solution. We are replacing this Microsoft Application with a new Anti-Virus Solution.

STRATEGIC PLANNING / SPECIAL PROJECTS

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

San Pablo Avenue Specific Plan: San Pablo Avenue is a regional thoroughfare that extends through the City of San Pablo and much of the East Bay Area. The character of the Avenue, quality of its environment, and the role that it plays varies from one community to another. In the City of San Pablo, the Avenue is the City's primary arterial, and is home to the City's major public facilities and community destinations. Most importantly, the Avenue is the primary route for the majority of transit lines that pass through the City. Because of its prominence within San Pablo, the character and design of San Pablo Avenue play an important role in shaping the community's perception of the City. Hence, in 2011 the City adopted a Specific Plan for San Pablo Avenue. The Plan is aimed at improving the quality of development and establishing design standards to help redefine this corridor as a major local and regional destination for residents, workers, students, and visitors. The Plan also provides vision and policies for how the Avenue can become a vibrant, accessible, and sustainable mixed-use corridor. Most recently the City received a $5M construction grant for Complete Streets improvements to increase bicycling, walking, and access to public transportation. Additionally, the City received a $174,000 economic development grant to brand and market San Pablo as the medical arm of the East Bay.

Citywide Zoning: The City is currently updating its zoning ordinance. The City's existing ordinance was last comprehensively updated in August 2002 and does not reflect the City's recently adopted San Pablo General Plan 2030. The City's zoning ordinance regulates land uses within the jurisdictional boundaries of San Pablo. The ordinance identifies land uses that are permitted, conditionally permitted, and not permitted within each area (or zone) of the city. The ordinance also establishes standards such as minimum lot size, maximum building height, and building set back measurements from the street. Provisions for parking, landscaping, lighting, and other rules that guide the development of projects within the city are also included. The overall goal for the new zoning ordinance is to promote the growth of the City in an orderly manner, to promote and protect public health, safety, peace, comfort, and general welfare in conformance with the General Plan 2030, and to do so with input and guidance from the community at large.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of San Pablo for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. City staff believes that its current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program requirements and will again submit its CAFR to the GFOA to determine eligibility for another certificate.

Letter of Transmittal

ACKNOWLEDGEMENTS

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

Respectfully submitted,

Matt Rodriguez
City Manager

J. Kelly Sessions
Finance Manager

CITY OF SAN PABLO

ELECTED OFFICIALS AND

ADMINISTRATIVE PERSONNEL

JULY 1, 2014

ELECTED PERSONNEL

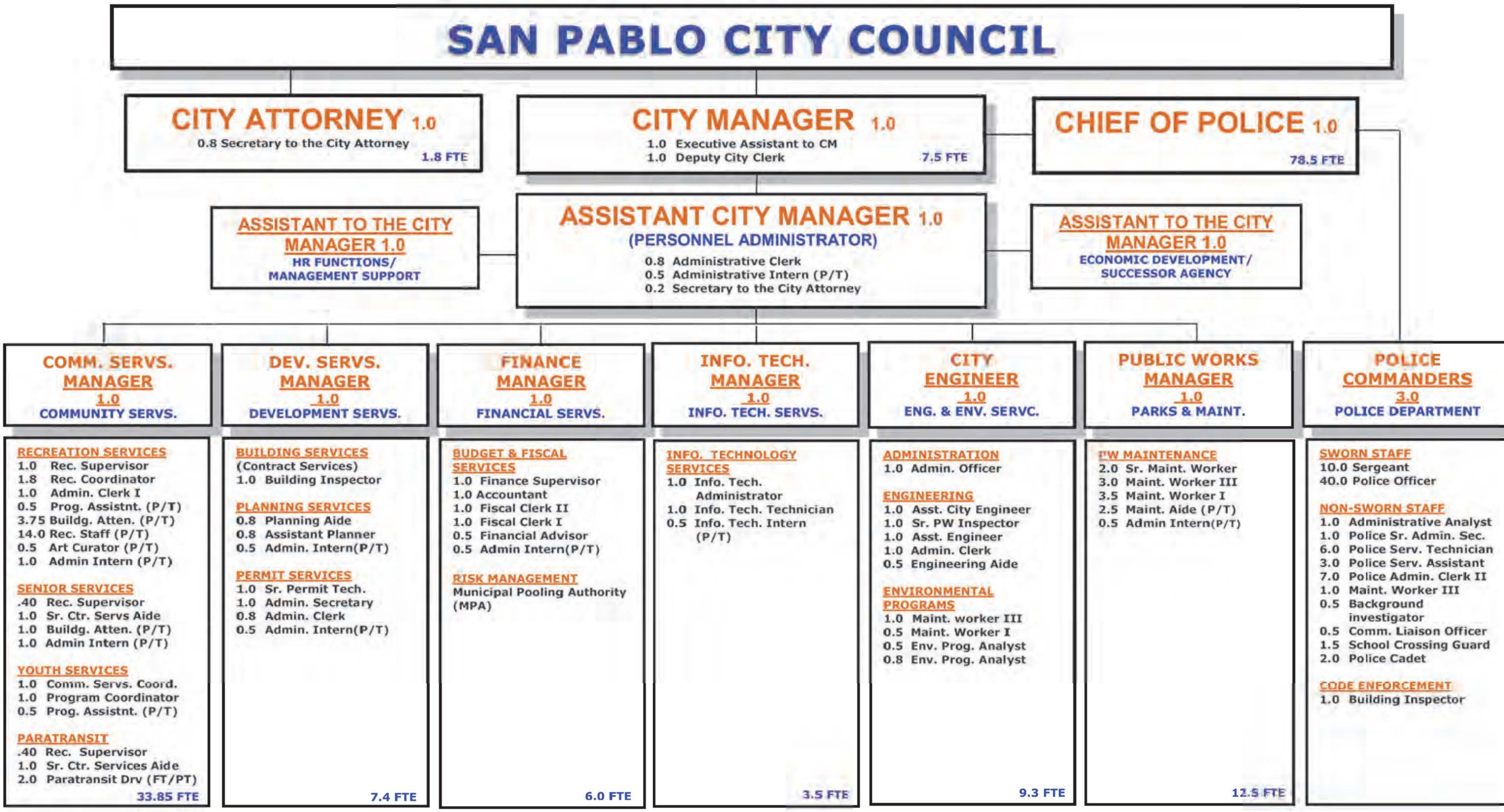
Mayor	Paul V. Morris
Vice Mayor	Kathy Chao Rothberg
Council Member	Rich Kinney
Council Member	Cecilia Valdez
Council Member	Genoveva Garcia-Calloway
City Clerk	Ted J. Denney
City Treasurer	Viviana Toledo

ADMINISTRATIVE PERSONNEL

City Manager	Matt Rodriguez
City Attorney	Brian M. Libow
Assistant City Manager (Interim)	Walter N. Schuld
Assistant to the City Manager/Economic Development	Charles Ching
Assistant to the City Manager/Personnel	Tina Gallegos
Chief of Police	Lisa Rosales
City Engineer	Barbara Hawkins
Community Services Manager	Greg Dwyer
Development Services Manager	Michele Rodriguez
Finance Manager	J. Kelly Sessions
Information Technology Manager	Larry Johnson
Public Works Manager/Parks and Maintenance	Mike Heller

CITY OF SAN PABLO ORGANIZATIONAL CHART, FY 2014-15 (JULY 1, 2014)

TOTAL FTE: 160.35



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of San Pablo

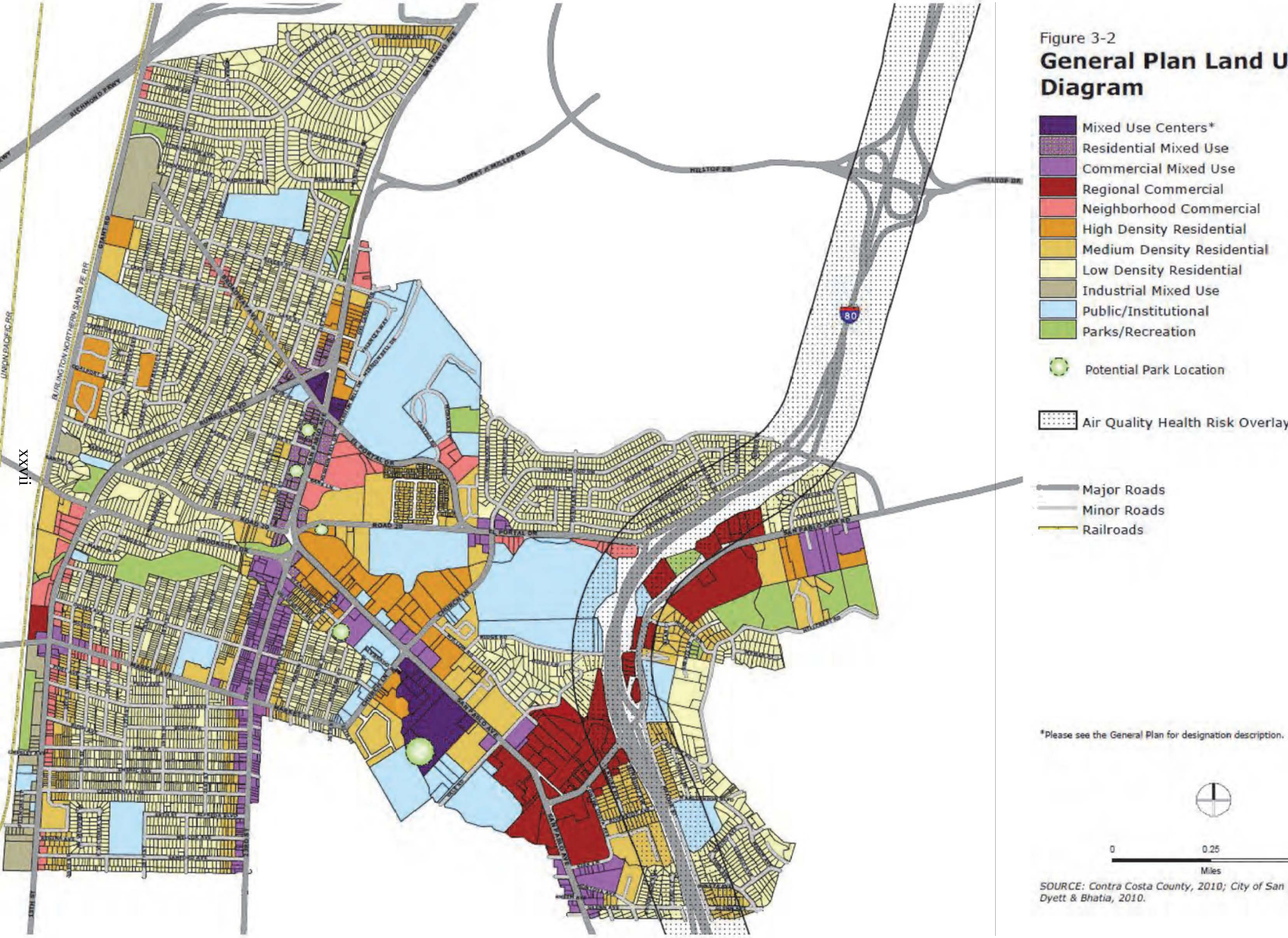
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

Figure 3-2
General Plan Land U
Diagram



SOURCE: Contra Costa County, 2010; City of San
Dyett & Bhatia, 2010.

CITY OF SAN PABLO

City of New Directions

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information and discretely presented component unit of the City of San Pablo, California, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Pleasant Hill, CA 94523

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W mazeassociates.com

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information and discretely presented component unit of the City as of June 30, 2014, and the respective changes in financial position and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 13, pursuant to ABx1 26 adopted by the State of California which was validated by the California Supreme Court on December 28, 2011, the Redevelopment Agency of the City of San Pablo was dissolved and its assets turned over to and liabilities assumed by Successor Agencies effective January 31, 2012. Prior to the Redevelopment Agency dissolution, the Agency board approved two agreements which obligated it to repay certain advances to the Low and Moderate Income Housing Fund. The assets of the Low and Moderate Income Housing Fund were transferred to the City as Housing Successor to the Redevelopment Agency on February 1, 2012, which included these advances. These advances have been recorded as liabilities of the Successor Agency as management believes these amounts are valid obligations. Repayment of these agreements is subject to certain administrative procedures and review and approval by the California Department of Finance and as a result any amount disallowed is not determinable at this time.

The City's position on these matters is not a position of settled law and there is considerable legal uncertainty regarding these matters. It is possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue favorably or unfavorably to the City. No provision for liabilities resulting from the outcome of these uncertain matters has been recorded in the accompanying financial statements.

The emphasis of these matters does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
January 28, 2015

CITY OF SAN PABLO

City of New Directions

Management's Discussion and Analysis

This discussion and analysis of the City of San Pablo's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the Letter of Transmittal, the Basic Financial Statements and the accompanying Notes to the Basic Financial Statements.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $132.8 million. Of this amount, $49.3 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by $13.0 million primarily because revenues exceeded expenditures by $8.8 million in the General Fund and $4.7 million in the Public Works Construction Funds plus the net of capital assets transactions and other adjustments.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $50.8 million, an increase of $14.8 million from the prior fiscal year. This growth is due to increased business license tax of $0.9 million, grants of $5.2 million for the San Pablo Community Center, and reductions in capital outlay of $8.7 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Management's Discussion and Analysis

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

The City had two Major Funds in 2014 in addition to the General Fund: the Low and Moderate Income Housing Assets Fund and the Public Works Construction Fund.

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

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

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

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

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

Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

The City's net position increased by $13.0 million in 2014, from $119.8 million to $132.8 million. This year over year upturn comes from the change in net position as recorded in the Statement of Activities and which flows through the Statement of Net Position. Net position increased as a result of many transactions: services charges increased by $0.3 million; continuing transactions related to the dissolution of the Redevelopment Agency increased property tax distributions by $0.3 million; sales tax increased by $0.7 million in FY 2013/14, primarily due to the first full year of collections for Measure Q; Casino revenue increased by $0.9 million; the transfer of assets to the Successor Agency from the previous fiscal year was reversed, netting $1.5 million to the City; capital grants increased by $5.2 million, primarily from Proposition 84 ($2.6 million) and Measure WW ($0.6 million) and a grant from the Natural Resources Agency for the daylighting of the creek at Davis Park ($1.9 million); other miscellaneous revenue increases of $.7 million; in addition to expenditure decreases in 2014 by $1.1 million.

A portion of the City's net position represents resources which are subject to external restrictions on use. This restricted amount is $24.8 million as of June 30, 2014. The remaining balance of unrestricted net assets of $49.3 million may be used to meet the City's ongoing obligations to citizens and creditors.

Governmental Net Position at June 30

	Government Activities			
	2014		2013	
Current and Other Assets	$	78,440,997	$	64,080,379
Capital Assets		68,623,009		60,286,124
Total Assets	$	147,064,006	$	124,366,503
Current Liabilities		4,319,019		4,562,378
Long-Term Liabilities		9,906,655		
Total Liabilities	$	14,225,674	$	4,562,378
Net Position:				
Net Investment in Capital Assets	$	58,716,354	$	60,286,124
Restricted		24,793,010		23,589,889
Unrestricted		49,328,968		35,928,112
Total Net Position	$	132,838,332	$	119,804,125

Management's Discussion and Analysis

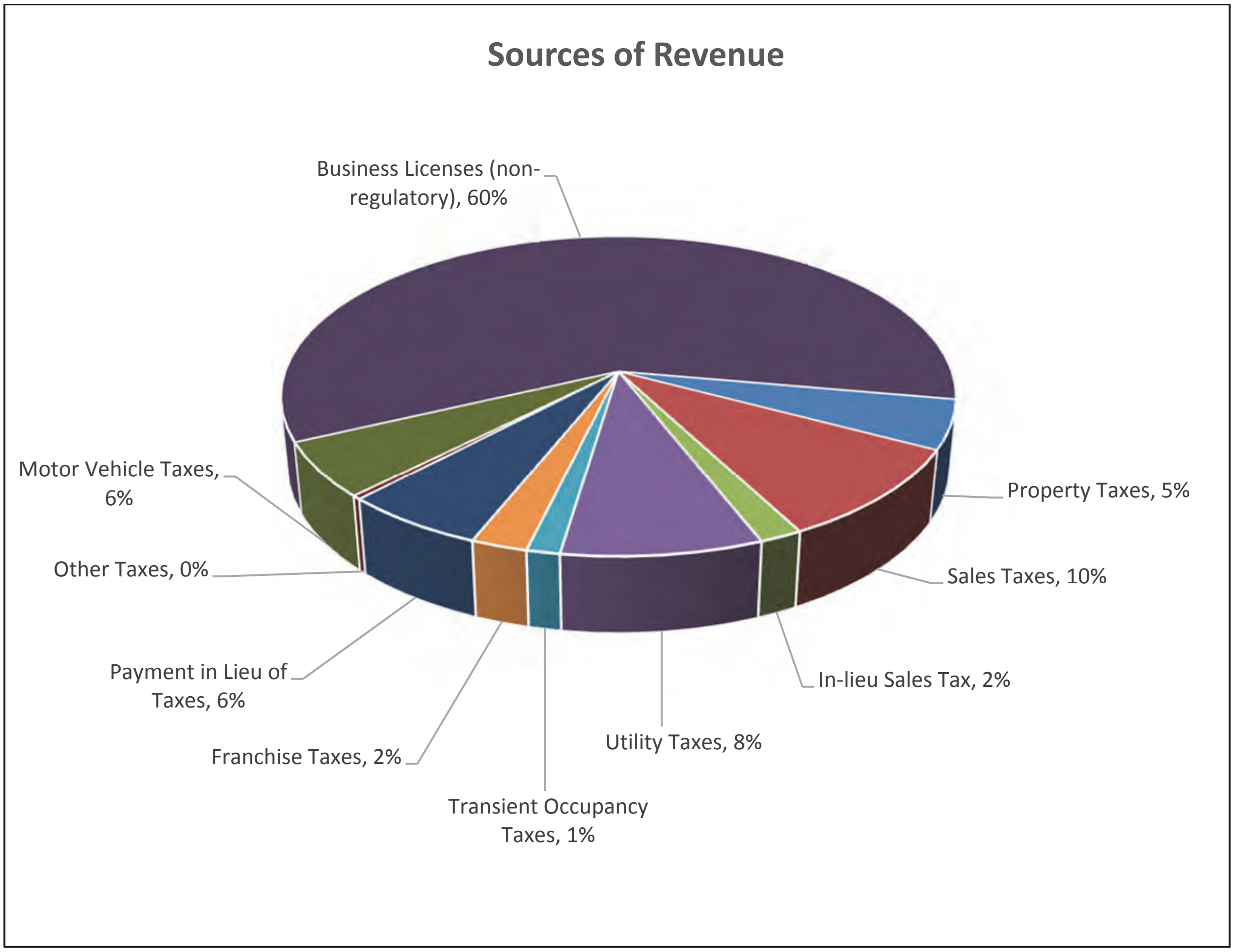
Changes in Governmental Net Position at June 30

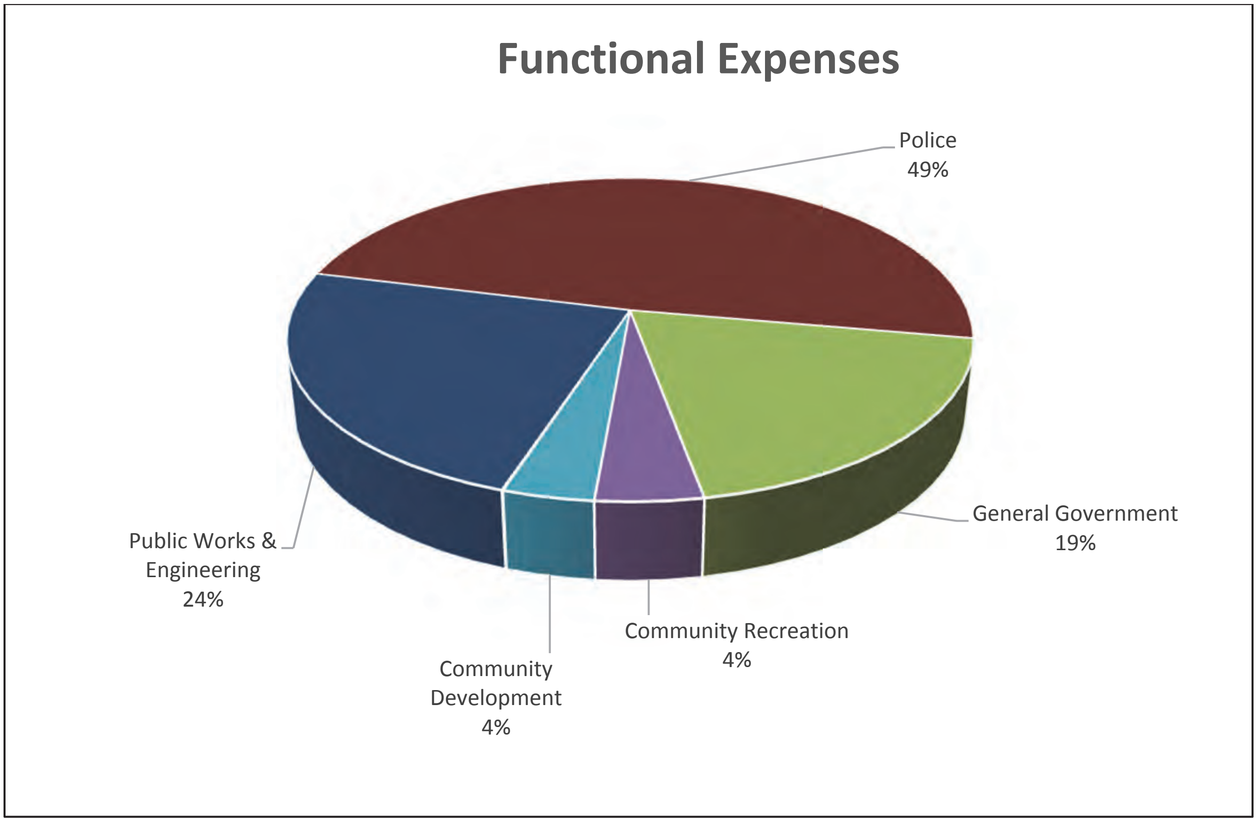
Revenues:	**2014**	**2013**
Program revenues		
Charges for Services	$ 1,885,952	$ 1,621,377
Operating Contributions and Grants	1,962,725	1,930,939
Capital Grants	7,078,669	1,846,299
General Revenues:		
Property Tax	1,515,310	1,229,599
Sales Taxes	2,912,396	2,253,736
In-lieu Sales Tax	548,465	468,552
Utility Taxes	2,553,955	2,473,792
Transient Occupancy Taxes	424,570	356,177
Franchise Taxes	719,358	627,473
Payment in Lieu of Taxes	1,828,490	1,792,638
Other Taxes	114,542	109,928
Motor Vehicle Taxes	1,713,415	1,654,714
Business Licenses (non-regulatory)	18,291,111	17,388,179
Investment Earnings	246,226	238,115
Miscellaneous	320,447	167,902
Total Revenues	**42,115,631**	**34,159,420**
Expenses		
General Government	5,918,919	5,680,263
Community:		
Recreation	1,306,695	1,342,621
Development	1,115,441	1,176,592
Housing	12,100	13,600
Public Works & Engineering	7,304,089	8,064,981
Police	14,959,000	15,393,927
		-
Total Expenses	**30,616,244**	**31,671,984**
Extraordinary/Special Item-Asset transfer to/from SA	1,534,820	(1,176,610)
Change in Net Position	13,034,207	1,310,826
Net Position 7/1	119,804,125	118,493,299
Net Position 6/30	**$ 132,838,332**	**$ 119,804,125**

Management's Discussion and Analysis

The cost of all Governmental activities this year was $30.6 million. Net expenses, as shown in the Statement of Activities, were $19.7 million. A portion of the cost for these activities was paid either by those directly benefitting from the programs through service charges ($1.9 million), by other governments and organizations that subsidized certain programs with operating grants and contributions ($2.0 million), or capital grants and contributions ($7.1 million). Overall, the City received $10.9 million in governmental program revenues.

Total resources available during the year to finance governmental operations were $163.4 million, consisting of net assets at July 1, 2013 of $119.8 million, program revenues of $10.9 million, general revenues of $31.2 million and special item of $1.5 million. Total Governmental activities during the year were $30.6 million, thus net position increased from $119.8 million to $132.8 million, a net increase of $13.0 million.





As shown in the Sources of Revenue chart on the opposite page, Business Licenses accounted for 60% of the City's Fiscal Year 2014 revenue, which came primarily from Casino San Pablo. Sales taxes accounted for 10%, which included the voter-approved Measure Q increase of one-half percent.

On the year, Functional Expenses totaled $30.6 million, a decrease of $1.1 million from the previous year. Likewise, all Functional Expense categories decreased from the previous year with the exception of General Government expenses which increased by $0.2 million to 19% of total expenses. The reduced expense levels from last year include Police, which decreased by $0.4 million to 49% of total expenses; Public Works and Engineering, which decreased by $0.8 million to 24% of total expenses; and Recreation and Community Development, which decreased by 3% and 5% respectively, each at 4% of total expenses.

Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

At year end, the City's General Fund had a balance of $32.3 million. This represents an increase of $8.8 million compared to 2013. The increase can be attributed to the $12.1 million in excess of revenues over expenditures, which were offset by a transfer of $3.4 million to capital projects. Total General Fund revenues increased by $5.3 million over the previous fiscal year due to several factors: the continuing revenue related to dissolution of the Redevelopment Agency resulted in additional property tax distributions of $0.3 million; Measure Q sales tax was up by $0.6 million with FY 2013/14 being the first full year of collection; Casino revenue increased by $0.9 million; capital grants from Proposition 84 increased by $2.6 million; and Measure WW rose by $0.6 million.

The Low and Moderate Income Housing Assets Fund had a fund balance of $7.3 million. During Fiscal Year 2014, the Department of Finance approved the transfer of one parcel with a book value of $358,000 from the Successor Agency to the Housing Successor. The parcel will be developed as part of the Plaza San Pablo project.

The Public Works Construction Fund balance increased $4.7 million as a result of the completion of $2.6 million in projects offset by project grant funding of $3.5 million, transfers from the General Fund of $2.5 million, and loan proceeds for the Solar Panel project of $1.1 million.

Other Governmental Funds increased $0.8 million primarily due to a 5% increase in revenue and an 8% decrease in expenditures. Public Works & Engineering experienced the largest spending decrease due to a vacancy in the Public Works Director position for approximately half of the fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City adopts a biennial budget every other year at which time revenues are projected for the first year of the budget and the same figures are repeated for the second year. The fiscal year ending June 30, 2014 was the first year of the two-year budget process. Differences between the actual results and the original General Fund budget and the final General Fund budget are as follows:

Sales Taxes. In June 2012, the voters passed Measure Q, which increased the sales tax base by 0.5%. The City amended the projection for the increase conservatively, and actuals received were $317,453 over the amended budget.

Business License. Because the nationwide economic recovery has been slow, the City budgeted conservatively for Business License Tax, which primarily comes from Casino San Pablo, thinking that perhaps there would be a slowdown in Casino revenue. A slowdown never did materialize, such that casino revenue ended the year with a positive variance of totaled $3.2 million, or 22% over budget.

Other Taxes. The Hotel Occupancy Tax and Franchise Tax attributed to the increase. Hotel occupancy rates were up, contributing approximately $175,000 over budget, plus the City did not budget for the additional revenue generated by the restructuring of the Franchise Tax Agreement for solid waste services with Republic Sanitary Service. The positive variance equaled $384,396, or 14% over budgeted figures.

Management's Discussion and Analysis

Charges for Service. With a budget of $405,000 and revenues of $921,802, actuals received more than doubled the budget. This difference is due to the fact that the City did not budget for development fees for the San Pablo Community Center. These fees account for basically all $516,802 in excess revenues over budget.

Intergovernmental/Other. The City received unbudgeted grant funds totaling $3.2 million. $2.6 million of this revenue was for construction of the San Pablo Community Center, and another $0.6 million was from a State of California Proposition 84 grant.

Expenditures. Expenditures totaling $22.2 million were 2% less than original budgeted figures and 10% less than the final budgeted figures of $24.5 million, resulting in a spending gap $2.3 million. $1.1 million of this gap is attributable to salary and benefit savings, because of many position vacancies throughout the year and conservative budgeting practices of the City. The City experienced savings of $0.6 million in the Supplies and Services category, due primarily to unspent funds for professional services of $0.2 million and savings in the cost of utilities of $0.1 million. All departments, especially Police, were very careful to spend only what was needed.

Transfers. Final budgeted figures for transfers out were $3.3 million, which were in line with what was actually transferred.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The capital assets of the City are those assets which are used in the performance of the City's functions. At June 30, 2014, capital assets net of accumulated amortization and depreciation of the Governmental activities totaled $68.6 million. Amortization and depreciation on capital assets is recognized in the Government-Wide financial statements. Refer to Note 6 of this report for detailed information regarding capital assets. The City has elected to use the amortization and depreciation method as allowed by GASB Statement No. 34 for infrastructure reporting.

	Original Cost	Accumulated Depreciation	Book Value
Capital Assets - Governmental:			
Land and land improvements	$6,353,985		$6,353,985
Construction in progress	9,174,252		9,174,252
Buildings and improvements	16,945,756	$4,871,031	12,074,725
Machinery and equipment	2,424,722	1,379,636	1,045,086
Vehicles	2,772,721	2,176,459	596,262
Park and trail improvements	11,255,522	1,565,182	9,690,340
Sports fields	1,506,986	984,401	522,585
Roads & streets including sidewalks	69,697,323	38,554,369	26,142,954
Bridges	5,486,753	4,373,705	1,113,048
Street lights	361,078	321,342	39,736
Storm drains	1,884,059	1,687,473	196,586
Traffic signals	2,863,183	1,860,279	1,002,904
Trees	1,227,462	556,916	670,546
Total Capital Assets - Governmental	$126,953,802	$58,330,793	$68,623,009

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

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In following best management practices, the City takes a very conservative approach relative to the assumptions built into the two-year budget. On both the revenue and expenditure sides, Year 2 of the budget is essentially the same as Year 1. In this way, as revenues are increasing in the second year of the budget—assuming that the economy is growing—budget discipline is maintained by forcing expenditures to remain at Year 1 levels for supplies and services, while adjusting for increased labor costs. This helps create a structural surplus of funding in Year 2 at a minimum that goes to fund balance.

On the revenue side, adopted budget figures are based on actual year end projections for Fiscal Year 2013, while taking into account previous year totals, local economic conditions and other real world considerations. These projections are then used for both Fiscal Years 2014 and 2015, as revenue estimates remain essentially the same. Indeed, the FY 2015 revenue estimate is actually lower than the FY 2014 estimate by approximately $90,000. Moreover, key assumptions made for Fiscal Year 2015 include a slowly improving economy that will most likely result in modest increases in sales and property tax revenues, but which are not significant enough to change revenue estimates from one year to the next.

Additionally, the City takes an extremely conservative approach to budgeting for Casino revenues, which at $17.9 million, are the City's largest revenue source, comprising 52% of the General Fund. To mitigate this risk and dependence on a single revenue source, the City budgets at figures that are generally at least 5% less than previous fiscal year actuals, even though Casino revenues have increased year over year by at least 5% for several years running. Indeed, the City budgeted for this revenue source at $14.7 million in both Fiscal Years 2014 and 2015.

Management's Discussion and Analysis

The same conservative approach holds true for essentially all revenue sources: Fiscal Year 2015 revenues are budgeted at $29.8 million, slightly lower than the $29.9 million budgeted for FY 2014, again building in a structural surplus in Year 2. One revenue source in particular is expected to increase significantly during the course of Fiscal Year 2015: sales tax. Measure K, a 0.25% sales tax measure for emergency medical services, was approved by voters in June 2014 and Measure K sales tax receipts began flowing into the City in December 2014; the City expects to receive approximately $300,000 in FY 2015.

On the expenditure side, all job positions are conservatively budgeted at top step, including vacancies. New positions added during the course of the two-year budget cycle are fully funded in the fiscal year in which they are added and in all subsequent years. A 2.0% cost of living adjustment (COLA) for all full-time employees is added as well, in accordance with labor contracts approved in July 2014. Additionally, all increasing employee benefit costs are updated annually and added to each fiscal year's budget for such things as increases to pension costs, medical and dental insurance rates, retiree health benefit costs, etc.

To address any fiscal uncertainties, the City adopted the Fiscal Resiliency Reserve Policy. In addition to the current Catastrophic Reserve budgeted at 50% of General Operating Fund revenues and the Budget Stabilization Reserve budgeted at 5.0% of General Operating Fund expenditures, this reserve policy establishes the General Fund Designated Reserves which will allow the City to prefund some of the larger expenses, including such things as CalPERS retirement rate increases, unfunded liabilities such as compensated absences, and vehicle replacements, etc. Additionally, the policy establishes the Future Capital Projects Reserves for funding large capital projects in the absence of RDA funding. The City Manager's Contingency Account also plays a role in paying for unbudgeted and unforeseen expenses that arise during the normal course of business.

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

A second project that will impact the San Pablo community for generations to come is the Rumrill Sports Park. The former Burlington Northern & Santa Fe (BNSF) Railroad Corporation yard was sold to the City for development into a much-needed multi-use sports park. The park will have three youth soccer fields and one smaller practice field available for youth leagues, pick-up games, and practices. The park will also contain a picnic/barbeque area, play area, office/restrooms and on-site parking. The fields will be lighted for night use. This park concept was developed through a series of community outreach meetings, in which the residents of San Pablo identified the need for more open space structured for youth play. Construction began in August 2014 and is expected to continue through the spring with completion expected in late spring or early summer of 2015. The City secured funding of approximately $7.0 million, including $2.8 million from the New Markets Tax Credits program and $1.5 million in grants.

The dissolution of all redevelopment agencies statewide continues to impact San Pablo activities as the City now must rely on General Fund revenues to fund capital projects rather than by using RDA bond proceeds. As evidence of the changed environment, all assets of the former RDA were transferred to the Local Successor Agency which continues to unwind and dissolve all RDA financial and contractual obligations. Staff has met regularly with the State Department of Finance to ensure that all related transfers are done appropriately and in compliance with State law. The City expects the final unwinding activities to be complete late in calendar year 2015.

REQUESTS FOR INFORMATION

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

CITY OF SAN PABLO

City of New Directions

STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

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

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

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

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

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

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

CITY OF SAN PABLO
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government	Component Unit
	Governmental Activities	Economic Development Corporation
ASSETS		
Cash and investments available for operations (Note 3)	$42,451,287	$979,860
Restricted cash (Note 3)	1,230,114	1,411,988
Accounts receivable, net	2,228,628	799
Due from other governments, net	246,557	
Prepaids and deposits (Note 1H)	37,431	9,130
Employee loans receivable (Note 5A)	7,788	
Notes receivable under Redevelopment		
Agency programs, net (Note 5C)	21,270,314	
Helms Community Center Leveraged Loan (Note 5J)	6,510,080	
Helms Community Center Lease Receivable (Note 7)		8,764,917
Property held for resale (Note 1I)	358,210	
Net OPEB asset (Note 10C)	4,100,588	
Capital assets (Note 6):		
Land and construction in progress	15,528,237	
Depreciable capital assets, net	53,094,772	7,964
Total assets	147,064,006	11,174,658
LIABILITIES		
Accounts payable and accrued liabilities	4,283,216	605,584
Claims payable (Note 12)	28,144	
Unearned revenue	7,659	500,000
Long-term debt (Note 7):		
Due in more than one year	9,906,655	9,306,000
Total liabilities	14,225,674	10,411,584
NET POSITION (Note 9)		
Net investment in capital assets	58,716,354	1,419,952
Restricted for:		
Capital projects	2,863,097	
Low and moderate income housing	21,929,913	
Economic development projects		(656,878)
Total restricted net position	24,793,010	(656,878)
Unrestricted net position	49,328,968	
Total net position	$132,838,332	$763,074

See accompanying notes to financial statements

CITY OF SAN PABLO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Component Unit: Economic Development Corporation
Primary Government:						
Governmental Activities:						
General Government	$5,918,919	$522,654			($5,396,265)	
Community:						
Recreation	1,306,695	236,757			(1,069,938)	
Development	1,115,441	561,699	$226,249		(327,493)	
Housing	12,100		64,076		51,976	
Public Works & Engineering	7,304,089	168,230	1,319,073	$7,078,669	1,261,883	
Police	14,959,000	396,612	353,327		(14,209,061)	
Total Governmental Activities	$30,616,244	$1,885,952	$1,962,725	$7,078,669	(19,688,898)	
Component Unit:						
Economic Development Corporation	$606,996		$394,310			($212,686)
General revenues:						
Taxes:						
Property taxes					1,515,310	
Sales taxes					2,912,396	
In-lieu sales tax					548,465	
Utility taxes					2,553,955	
Transient occupancy taxes					424,570	
Franchise taxes					719,358	
Payment in lieu of taxes					1,828,490	
Business licenses (nonregulatory)					18,291,111	
Other taxes					114,542	
Intergovernmental unrestricted:						
Motor vehicle in lieu fees					1,713,415	
Use of money and property					246,226	63,556
Miscellaneous					320,447	
Special item:						
Assets transferred from the Successor Agency (Notes 1I and 6A)					1,534,820	
Total general revenues and special item					32,723,105	63,556
Change in Net Position					13,034,207	(149,130)
Net Position-Beginning					119,804,125	912,204
Net Position-Ending					$132,838,332	$763,074

See accompanying notes to financial statements

CITY OF SAN PABLO

City of New Directions

FUND FINANCIAL STATEMENTS

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

The funds described below were determined to be Major Funds by the City for fiscal 2014. Individual non-major funds may be found in the Supplemental Section.

GENERAL FUND

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

LOW AND MODERATE INCOME HOUSING ASSETS

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

PUBLIC WORKS CONSTRUCTION

This fund accounts for major City capital improvement projects.

CITY OF SAN PABLO
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014

	General	Low and Moderate Income Housing Assets	Public Works Construction	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments available for operations (Note 3)	$31,224,120	$208,854	$7,789,633	$3,228,680	$42,451,287
Restricted cash and investments (Note 3)			1,230,114		1,230,114
Accounts receivable	2,045,573		182,853	202	2,228,628
Due from other governments	1,013,437		16,057	17,063	1,046,557
Prepaids and deposits (Note 1H)	37,431				37,431
Employee loans receivable (Note 5A)	7,788				7,788
Agency programs, net (Note 5C)		21,270,314			21,270,314
Helms Community Center Leveraged Loan (Note 5J)			6,510,080		6,510,080
Property held for resale (Note 1I)		358,210			358,210
Total Assets	$34,328,349	$21,837,378	$15,728,737	$3,245,945	$75,140,409
LIABILITIES					
Accounts payable and accrued liabilities	$1,207,023		$128,334	$290,313	$1,625,670
Unearned revenue			7,659		7,659
Total Liabilities	1,207,023		135,993	290,313	1,633,329
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - due from other governments	800,000				800,000
Unavailable revenue - loans and notes receivable		$15,405,315	6,510,080		21,915,395
Total Deferred Inflows of Resources	800,000	15,405,315	6,510,080		22,715,395
FUND BALANCES					
Fund balance (Note 9)					
Nonspendable	45,219				45,219
Restricted		6,432,063		2,955,632	9,387,695
Assigned	763,614		9,082,664		9,846,278
Unassigned	31,512,493				31,512,493
TOTAL FUND BALANCES	32,321,326	6,432,063	9,082,664	2,955,632	50,791,685
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$34,328,349	$21,837,378	$15,728,737	$3,245,945	

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

CAPITAL ASSETS	
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	68,623,009
NON-CURRENT REVENUES	
Revenues which are unavailable on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities.	21,915,395
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:	
Accrued liabilities	(1,500,000)
Claims payable	(28,144)
Compensated absences	(1,157,546)
Net OPEB asset	4,100,588
Long term debt	(9,906,655)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$132,838,332

See accompanying notes to financial statements

CITY OF SAN PABLO
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

	General	Low and Moderate Income Housing Assets	Public Works Construction	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	$677,924			$837,386	$1,515,310
Sales taxes	2,807,739			464,299	3,272,038
In-lieu sales tax	548,465				548,465
Utility users tax	2,553,955				2,553,955
Business license tax	17,951,434				17,951,434
Other taxes	3,064,960				3,064,960
Licenses and permits				339,677	339,677
Fines and forfeits	178,497				178,497
Intergovernmental	5,193,600		$3,505,228	1,767,684	10,466,512
Charges for services	921,802			700,645	1,622,447
Use of money and property	278,252	$131,194	79,317	5,514	494,277
Miscellaneous	137,496	2,441	63,900	61,926	265,763
Total Revenues	34,314,124	133,635	3,648,445	4,177,131	42,273,335
EXPENDITURES					
Current:					
General Government	5,798,844				5,798,844
Community:					
Recreation	1,173,065				1,173,065
Development				1,097,422	1,097,422
Housing		12,100			12,100
Public Works & Engineering	299,397			2,854,579	3,153,976
Police	14,742,477			116,276	14,858,753
Capital outlay	154,467		2,610,722	147,336	2,912,525
Total Expenditures	22,168,250	12,100	2,610,722	4,215,613	29,006,685
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	12,145,874	121,535	1,037,723	(38,482)	13,266,650
OTHER FINANCING SOURCES (USES)					
Issuance of loan (Note 7)			1,141,738		1,141,738
Transfers in (Note 4A)			2,537,604	1,366,580	3,904,184
Transfers (out) (Note 4A)	(3,366,580)			(537,604)	(3,904,184)
Total Other Financing Sources (Uses)	(3,366,580)		3,679,342	828,976	1,141,738
NET CHANGE IN FUND BALANCES BEFORE SPECIAL ITEM	8,779,294	121,535	4,717,065	790,494	14,408,388
SPECIAL ITEM:					
Property transferred from Successor Agency (Note 1I)		358,210			358,210
NET CHANGE IN FUND BALANCES	8,779,294	479,745	4,717,065	790,494	14,766,598
Fund balances at beginning of period	23,542,032	5,952,318	4,365,599	2,165,138	36,025,087
FUND BALANCES AT END OF PERIOD	$32,321,326	$6,432,063	$9,082,664	$2,955,632	$50,791,685

See accompanying notes to financial statements

CITY OF SAN PABLO

Reconciliation of the

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS

with the

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$14,766,598
Amounts reported for governmental activities in the Statement of Activities are different because of the following:	
CAPITAL ASSETS TRANSACTIONS	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay expenditures are added back to fund balance	2,506,006
Depreciation expense is deducted from fund balance	(4,110,648)
Capital assets acquired under capital lease	8,764,917
Capital assets transferred from the Successor Agency	1,176,610
LONG-TERM DEBT PROCEEDS AND PAYMENTS	
Debt proceeds provide current financial resources to governmental funds. However, it increases long-term liabilities in the Statement of Net Position.	(1,141,738)
Capital assets acquired under a capital lease is deducted from fund balance	(8,764,917)
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):	
Accrued liabilities	(100,000)
Compensated absences	181,158
Claims payable	(3,126)
Unavailable revenue - loans and notes receivable	(157,704)
Net OPEB asset	(82,949)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$13,034,207

See accompanying notes to financial statements

CITY OF SAN PABLO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Property taxes	$344,067	$344,067	$677,924	$333,857
Sales taxes	2,490,286	2,490,286	2,807,739	317,453
In-lieu sales tax	520,714	520,714	548,465	27,751
Utility users tax	2,440,000	2,440,000	2,553,955	113,955
Business license tax	14,750,000	14,750,000	17,951,434	3,201,434
Other taxes	2,680,564	2,680,564	3,064,960	384,396
Fines and forfeits	490,000	490,000	178,497	(311,503)
Intergovernmental:				
Motor vehicle in lieu	1,680,346	1,680,346	1,713,415	33,069
Other	112,000	213,020	3,480,185	3,267,165
Charges for services	405,000	405,000	921,802	516,802
Use of money and property	299,038	299,038	278,252	(20,786)
Miscellaneous	10,000	10,000	137,496	127,496
Total Revenues	26,222,015	26,323,035	34,314,124	7,991,089
EXPENDITURES				
Current:				
General government	5,252,149	6,296,448	5,798,844	497,604
Community:				
Recreation	1,565,239	1,620,622	1,173,065	447,557
Public Works & Engineering	449,603	439,603	299,397	140,206
Police	15,519,974	15,562,724	14,742,477	820,247
Capital outlay		589,571	154,467	435,104
Total Expenditures	22,786,965	24,508,968	22,168,250	2,340,718
EXCESS OF REVENUES OVER EXPENDITURES	3,435,050	1,814,067	12,145,874	10,331,807
OTHER FINANCING SOURCES (USES)				
Transfers in		393,571		(393,571)
Transfers (out)	(3,117,610)	(3,699,181)	(3,366,580)	332,601
Total Other Financing Sources (Uses)	(3,117,610)	(3,305,610)	(3,366,580)	(60,970)
NET CHANGE IN FUND BALANCE	$317,440	($1,491,543)	8,779,294	$10,270,837
Fund balance at beginning of year			23,542,032	
FUND BALANCE AT END OF YEAR			$32,321,326	

See accompanying notes to financial statements

CITY OF SAN PABLO

City of New Directions

FIDUCIARY FUNDS

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

RETIREE HEALTH SAVINGS PLAN TRUST FUND

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

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY

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

CITY OF SAN PABLO
FIDUCIARY FUNDS
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2014

	Retiree Health Savings Plan Trust Fund	Successor Agency to the Redevelopment Agency Private-Purpose Trust	Agency Funds
ASSETS			
Investments - Mutual Fund (Note 3)	$7,250,081		
Restricted cash and investments (Note 3)		$10,676,705	$2,266,411
Interest receivable		293	
Loans receivable (Note 13B)		152,649	
Property held for resale (Note 13C)		9,919,252	
Due from other governments			95,131
Capital assets (Note 13D):			
Land and construction in progress		2,819,393	
Depreciable capital assets, net		1,431,855	
Total Assets	7,250,081	25,000,147	$2,361,542
DEFERRED OUTFLOW OF RESOURCES			
Deferred amount on refunding of debt (Note 13E)		4,636,687	
LIABILITIES			
Accounts payable		750	$102,113
Deposits held as agent for others			2,259,429
Long-term obligations (Note 13E):			
Due in one year		2,765,987	
Due in more than one year		78,549,238	
Total Liabilities		81,315,975	$2,361,542
NET POSITION (DEFICIT) HELD IN TRUST FOR OPEB BENEFITS AND OTHER GOVERNMENTS	$7,250,081	($51,679,141)	

See accompanying notes to financial statements

CITY OF SAN PABLO
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

	Retiree Health Savings Plan Trust Fund	Successor Agency to the Redevelopment Agency Private-Purpose Trust
ADDITIONS		
Property taxes		$4,695,660
Employer contributions	$375,417	
Net investment income	1,178,335	148,697
Other		300
Total additions	1,553,752	4,844,657
DEDUCTIONS		
Premiums paid	375,417	
Community Development		3,212,154
Assets transferred to the City (Notes 6A and 13C)		1,534,820
Depreciation		86,497
Debt service:		
Interest and fiscal charges		3,931,553
Total deductions	375,417	8,765,024
Change in net position	1,178,335	(3,920,367)
NET POSITION (DEFICIT) HELD IN TRUST FOR OPEB BENEFITS AND OTHER GOVERNMENTS		
Beginning of year	6,071,746	(47,758,774)
End of year	$7,250,081	($51,679,141)

See accompanying notes to financial statements

CITY OF SAN PABLO

City of New Directions

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of San Pablo was incorporated as a general law city on April 27, 1948. San Pablo is a community of approximately 29,105 residents situated in Contra Costa County on the east side of San Francisco Bay. San Pablo is located approximately 17 miles east of the City of San Francisco and 12 miles north of the City of Oakland and is surrounded by the City of Richmond. The City operates under the Council-Manager form of government and provides the following services: public safety, highways and streets, recreation, public improvements, planning and zoning and general administration services.

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

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

PRIMARY GOVERNMENT

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

Blended Component Unit

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

DISCRETELY PRESENTED COMPONENT UNIT

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

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

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

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

B. Basis of Presentation

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

C. Major Funds

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

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

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

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

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

The City also reports the following fiduciary fund types:

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

D. Basis of Accounting

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

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

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

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

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

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

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

E. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the accumulated decrease in the fair value of hedging derivatives reported in the fiduciary statement of net position. An accumulated decrease in the fair value of hedging derivatives is equal to the fair value of the associated derivative instrument liability so long as the instrument is deemed effective under the provisions of GASB Statement No. 53.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

F. Property Tax

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

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

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

G. Compensated Absences

Compensated absences comprise unpaid vacation and certain compensated time off, which are accrued as earned. For all governmental funds amounts expected to be paid out for permanent liquidation are recorded as fund liabilities, the long-term portion is recorded in the statement of net position. The liability for compensated absences is determined annually; the net decrease in the liability was $181,158 at June 30, 2014 and was allocated to the General Government, Community Development, Public Works and Engineering and Police on the Statement of Activities. Sick pay does not vest and therefore is not accrued. The change in compensated absences was as follows:

Beginning Balance	$1,338,704
Additions	854,872
Payments	(1,036,030)
Ending Balance	$1,157,546
Due in One Year	$1,157,546

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Prepaids and Deposits

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements. The General Fund had prepaid items of $37,431 at June 30, 2014.

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

I. Property Held for Resale

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

In July 2013 the Successor Agency approved the transfer of "Block E" of the Site to the City as Housing Successor, which was subsequently approved by the Department of Finance. Therefore, the parcel with a carrying value of $358,210 was transferred to the Low and Moderate Income Housing Assets Special Revenue Fund during fiscal year 2014, which has been reported as a Special Item.

J. Estimates and Assumptions

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

K. Closed Fund

The Oak Park Special Assessment District Agency Fund was closed as of June 30, 2014.

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

A. Budget Policy

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

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain citizen's comments.

3. The budget is legally enacted by City Council resolution.

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING (Continued)

4. All budget adjustments and transfers between funds and between departments must be approved by the City Council by resolution during the fiscal year. The City Manager and Finance Manager are authorized to transfer any unencumbered appropriations within a department. The legally adopted budget requires that expenditures not exceed total appropriations at the department level within each fund.

5. Formal budgetary integration is employed as a management control device during the year for all budgeted funds.

6. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all funds except the Low and Moderate Income Housing Assets, Measure C/J, Traffic Congestion Relief and HCD Grant Special Revenue Funds. In addition, the Public Works Construction Capital Projects Fund is budgeted on a project length basis and therefore is not comparable on an annual basis.

B. Excess of Expenditures over Appropriations

The Asset Seizures Special Revenue Fund incurred police expenditures in excess of budget in the amount of $13,148. The excess was the result of unanticipated expenditures; however sufficient resources were available within the fund to finance the excess.

NOTE 3 - CASH AND INVESTMENTS

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

A. Policies

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

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

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

NOTE 3 - CASH AND INVESTMENTS (Continued)

B. Classification

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

Primary Government Cash and Investments	
Cash and investments available for operations	$42,451,287
Restricted cash and investments	1,230,114
Component Unit Cash and Investments	
Cash and investments available for operations	979,860
Restricted cash and investments	1,411,988
Fiduciary Funds Cash and Investments	
Restricted cash and investments in Fiduciary Funds (separate statement):	
Retiree Health Savings Plan Trust	7,250,081
Successor Agency to the Redevelopment Agency Private Purpose Trust	10,676,705
Agency Funds	2,266,411
Total cash and investments	$66,266,446

NOTE 3 - CASH AND INVESTMENTS (Continued)

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

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

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

NOTE 3 - CASH AND INVESTMENTS (Continued)

D. Investments Authorized by Debt Agreements

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

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

E. Investments Authorized for Economic Development Corporation

Economic Development Corporation investments conform with the California Government Code.

F. Investments Authorized for the Retiree Health Savings Plan Trust

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

NOTE 3 - CASH AND INVESTMENTS (Continued)

G. Interest Rate Risk

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

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

	Cash and Investments Available for Operations	Restricted Cash and Investments	Total	Maturity Date or Earliest Call Date	Credit Rating
City Investments:					
Federal Instrumentalities:					
Federal National Mortgage Association		$1,000,000	$1,000,000	August 9, 2014 (callable quarterly)	AA+
Federal National Mortgage Association	$501,590		501,590	March 4, 2015	AA+
Federal National Mortgage Association	500,375		500,375	March 14, 2017	AA+
Federal National Mortgage Association	501,470		501,470	September 20, 2017	AA+
Federal National Mortgage Association	1,002,750		1,002,750	September 20, 2017	AA+
Federal National Mortgage Association	1,001,800		1,001,800	September 20, 2017	AA+
Federal National Mortgage Association	2,005,372		2,005,372	March 5, 2018	AA+
Federal National Mortgage Association	509,250		509,250	April 24, 2018	AA+
Federal Farm Credit Bank	1,001,080		1,001,080	June 17, 2016	AA+
Federal Farm Credit Bank	554,515		554,515	January 17, 2017	AA+
Federal Home Loan Bank	1,035,850		1,035,850	September 9, 2016	AA+
Federal Home Loan Bank	999,700		999,700	September 13, 2017	AA+
Federal Home Loan Mortgage Association	1,000,000		1,000,000	September 27, 2017	AA+
U.S. Treasury Note	502,148		502,148	August 31, 2016	AA+
U.S. Treasury Note	998,125		998,125	November 15, 2016	AA+
U.S. Treasury Note	1,002,188		1,002,188	January 31, 2017	AA+
U.S. Treasury Note	997,188		997,188	March 15, 2017	AA+
Medium Term Notes:					
Pfizer Inc.	1,066,750		1,066,750	March 15, 2015	AA
General Electric	1,002,660		1,002,660	October 9, 2015	AA+
Union Bank NA	1,047,940		1,047,940	June 6, 2016	A+
Walt Disney Company	1,107,510		1,107,510	September 15, 2016	A
Toyota Motor Credit	1,027,790		1,027,790	September 15, 2016	AA-
Colgate-Palm Company	503,540		503,540	January 15, 2017	AA-
Exxon Mobile Corporation	1,000,000		1,000,000	March 15, 2017	AAA
Berkshire Hathaway Finance Corporation	1,018,830		1,018,830	May 15, 2017	AA
IBM Corporation	1,138,850		1,138,850	September 14, 2017	AA-
Wal-Mart Stores, Inc.	500,215		500,215	April 11, 2018	AA
Apple Inc.	991,620		991,620	May 3, 2018	AA+
Commercial Paper:					
Barclays US Funding	997,783		997,783	March 20, 2015	A-1
Local Agency Investment Fund	17,818,732	7,867,982	25,686,714	232 days average maturity	Not Rated
Wells Fargo Advantage Government Money Market Funds		3,728,885	3,728,885	37 days average maturity	AAAm
Wells Fargo Advantage Treasury Plus Money Market Funds	10,556		10,556	1 day average maturity	AAAm
Retiree Health Savings Plan Trust:					
Vantage Point MP Long Term Growth Mutual Fund (Equities)		7,250,082	7,250,082		
Cash with Banks and Petty Cash - City of San Pablo	(894,890)	1,576,362	681,472		
Cash with Banks - Economic Development Corporation	979,860	1,411,988	2,391,848		
Total Cash and Investments	$43,431,147	$22,835,299	$66,266,446		

NOTE 3 - CASH AND INVESTMENTS (Continued)

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the authority of the Treasurer of the State of California and is not registered with the Securities and Exchange Commission as an investment company. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2014 the average maturity was 232 days.

H. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The actual ratings for the City's investments as of June 30, 2014 are included in the above table.

NOTE 4 – INTERFUND TRANSACTIONS

A. Transfers Between Funds

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

Fund Receiving Transfers	Fund Making Transfers	Transfer Amount	
Major Fund:			
Public Works Construction Capital Projects Fund	General Fund	$2,000,000	(A)
	Measure C/J Special Revenue Fund	537,604	(A)
Non-Major Funds:			
Gas Tax Special Revenue Fund	General Fund	594,655	(B)
Street Lighting and Landscaping Special Revenue Fund	General Fund	493,984	(B)
N.P.D.E.S. Special Revenue Fund	General Fund	76,785	(B)
Development Services Special Revenue Fund	General Fund	201,156	(B)
		$3,904,184	

The reasons for these transfers are set forth below:
(A) Transfer amounts required to fund capital projects
(B) Transfer to cover revenue shortage

NOTE 5 - LOANS AND NOTES RECEIVABLE

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

A. Employee Loans Receivable

Elected officials and full-time City employees are eligible to obtain an interest free loan up to $3,000 to purchase a computer. All requests for loans are subject to review and approval by the Finance Manager. Repayment of these loans is handled through payroll deductions, which are spread out equally for up to two years. Employees must pay off any outstanding balance of their loans upon ending employment with the City. As of June 30, 2014, 6 employees had $7,788 in such loans.

B. West Contra Costa Healthcare District

Under the terms of a Loan and Repayment Agreement dated August 2, 2010, the City made an unsecured loan of $1,500,000 to the West Contra Costa Healthcare District (District) for the purpose of establishing an urgent care, rehabilitation and outpatient center. The loan accrues compound interest at a rate of 6% per year. Principal and interest payments in the amount of $45,633 commencing September 2010 were due the first of every month. The loan matured on August 1, 2013, at which time all unpaid interest and principal was due and paid in full.

C. Notes Receivable under Redevelopment Agency Programs

The Agency engaged in programs designed to encourage construction of or improvement to low-to-moderate income housing. Under these programs, grants or loans are provided under favorable terms to homeowners or developers who agree to expend these funds in accordance with the Agency's terms. With the dissolution of the Redevelopment Agency as discussed in Note 13, the City agreed to become the successor to the Redevelopment Agency's housing activities and as a result the Low and Moderate Income Housing Asset Fund assumed the loans receivable of the Redevelopment Agency's Low and Moderate Income Housing Fund as of February 1, 2012. The balances of the notes receivable in the Low and Moderate Income Housing Asset Fund at June 30, 2014 are set forth below:

Supplemental Education Revenue Augmentation Fund	$5,865,000
Casa Adobe-Senior Citizen Units	1,168,745
Housing Initiative Program	10,922,126
San Pablo Housing Investors	1,618,864
East Bay Asian Local Development Corporation	1,695,579
Lao Family Community Development	530,122
Subtotal	21,800,436
Less: Allowance for conditional grant	(530,122)
Total	$21,270,314

NOTE 5 - LOANS AND NOTES RECEIVABLE (Continued)

D. Supplemental Education Revenue Augmentation Fund Loans

During the fiscal year ending June 30, 2010 the Agency approved an interfund advance of $3,000,000 from the Agency Low and Moderate Income Housing Fund to the Redevelopment Agency Projects Fund for the purpose of paying the Agency's share of the countywide Supplemental Education Revenue Augmentation Fund (SERAF). This loan does not bear interest and was to be repaid in five years. With the dissolution of the Agency effective February 1, 2012, the Successor Agency assumed the obligation to repay the advance and has recorded a loan payable to the Low and Moderate Income Housing Asset Fund subject to revised repayment terms as discussed in Note 13 below. The balance of the loan at June 30, 2014 was $3,000,000.

In August 2011 the Agency approved a second interfund advance for the year ended June 30, 2011 of $2,865,000 from the Agency's Low and Moderate Income Housing Fund to the Redevelopment Agency Projects Fund for the purpose of funding the full amount of the Agency's 2010 SERAF payment. This loan does not bear interest and was to be repaid in five years. With the dissolution of the Agency effective February 1, 2012, the Successor Agency assumed the obligation to repay the advance and has recorded a loan payable to the Low and Moderate Income Housing Asset Fund as discussed in Note 13 below. The balance of the loan at June 30, 2014 was $2,865,000.

These loans were previously reported as interfund advances. However, the liability has been assumed by the Successor Agency following the dissolution of the former Agency. The State of California Department of Finance has stated that repayment of the loans cannot begin prior to fiscal year 2014-2015 and the maximum annual repayment amount is limited by Health and Safety Code Section 34176(e)(6), as discussed in Note 13. The loans are offset with unavailable revenue.

E. Casa Adobe - Senior Citizen Units

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

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

NOTE 5 - LOANS AND NOTES RECEIVABLE (Continued)

F. Housing Initiative Program

The Redevelopment Agency administered a Housing Initiative Program under which individuals may qualify for first-time home buyer, purchase rehabilitation, second and third trust deed home improvement, dilapidated unit purchase, or foreclosed unit purchase loans. At June 30, 2014 loans outstanding under this Program totaled $10,922,126.

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

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

G. San Pablo Housing Investors

Under the terms of an Owner Participation Agreement dated January 6, 2003, the Agency made two loans to San Pablo Housing Investors in fiscal 2004 for the construction of eighty-two low-income rental units for seniors. The first loan of $99,690 was used for City development fees, and the second loan of $1,100,000 for construction. The loans carry simple interest rates per annum of 6% and 5.7%, respectively, with loan payments due within twenty years of the Completion Date. The project was completed on June 30, 2003. Payments begin on January 31st following the Completion Date, and then each January 31st thereafter; payments are to be made from fifty percent of "residual receipts" as defined in the agreement. As of June 30, 2014, San Pablo Housing Investors owed principal of $1,098,651 and interest of $520,213.

H. East Bay Asian Local Development Corporation

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

On August 16, 2005, an amendment to the Owner Participation Agreement provided EBALDC with a supplemental project loan of up to $1,200,000. Proceeds will facilitate the original construction project. Repayment terms of this additional loan are the same as the terms of the original loan. As of June 30, 2014, EBALDC has drawn down $1,695,579 of the supplemental project loan.

NOTE 5 - LOANS AND NOTES RECEIVABLE (Continued)

I. Lao Family Community Development

Under the terms of an Affordable Housing Subsidy Agreement dated December 20, 1993, the Agency made a loan of $82,500 to Lao Family Community Development, Inc. (Lao) for the development of a 32-unit apartment building with three of the units being affordable to moderate income persons. The loan bears interest at the rate of 6.06%, compounded annually. The agreement was amended on January 22, 1996 to provide an additional subsidy of $75,000 which bears interest at the rate of 6.83%, compounded annually and increased the affordable units to 15. Both loans are repayable from "residual receipts" as defined in the agreement, and loans are due immediately upon the sale, assignment or transfer of the property without the consent of the Agency, or the expiration of the 30-year affordability covenant. However, unless the Agency directs otherwise, repayment of the loans is to be made to Contra Costa County under the terms of an Intercreditor Agreement; therefore, the City has accounted for this loan as a conditional grant and provided a reserve against the outstanding balance of the loans. As of June 30, 2014, the balance of the loans, including accrued interest, was $530,122.

J. Helms Community Center Leveraged Loan

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

The City's loan bears simple interest of 1% and is payable in semi-annual interest-only payments from December 30, 2012 through December 20, 2022; thereafter principal and interest payments are due until June 1, 2049. As of June 30, 2014, the balance of the loan was $6,510,080.

Related transactions with the EDC

Of the loan proceeds provided by the City and the Bank, EDC reimbursed the City $1,031,606 during fiscal year 2013 for costs previously incurred for the above project.

Concurrent with the above agreements, the City and EDC signed a development agreement, with an amendment executed in October 2013, under which EDC has agreed to pay the City monthly development fees of $21,200 with a final payment of $218,670 upon project completion, which occurred in June 2014. During the year ended June 30, 2014, the City had received $461,155 in development fees, and to date the City has received $653,300.

NOTE 6 - CAPITAL ASSETS

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

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

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

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

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

The Economic Development Corporation has assigned the following useful lives to its capital assets: Vehicles, 5 years.

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

NOTE 6 - CAPITAL ASSETS (Continued)

A. Governmental Capital Asset Additions and Retirements

Capital assets recorded at June 30 comprise:

	Balance at June 30, 2013	Additions	Retirements	Transfers	Transfers from Successor Agency	Balance at June 30, 2014
Governmental activities						
Capital assets not being depreciated:						
Land and land improvements	$4,942,375	$235,000			$1,176,610	$6,353,985
Construction in progress	14,326,892	2,249,103		($7,401,743)		9,174,252
Total capital assets not being depreciated	19,269,267	2,484,103		(7,401,743)	1,176,610	15,528,237
Capital assets being depreciated:						
Buildings and improvements	8,415,839	8,529,917				16,945,756
Machinery and equipment	2,344,061	80,661				2,424,722
Vehicles	2,631,479	176,242	($35,000)			2,772,721
Park and trail improvements	8,880,066			2,375,456		11,255,522
Sports fields	1,506,986					1,506,986
Roads & streets including sidewalks	59,747,457			4,949,866		64,697,323
Bridges	5,486,753					5,486,753
Street lights	361,078					361,078
Storm drains	1,884,059					1,884,059
Traffic signals	2,786,762			76,421		2,863,183
Trees	1,227,462					1,227,462
Total capital assets being depreciated	95,272,002	8,786,820	(35,000)	7,401,743		111,425,565
Less accumulated depreciation for:						
Buildings and improvements	4,682,987	188,044				4,871,031
Machinery and equipment	1,126,782	252,854				1,379,636
Vehicles	2,004,373	207,086	(35,000)			2,176,459
Park and trail improvements	977,368	587,814				1,565,182
Sports fields	904,182	80,219				984,401
Roads & streets including sidewalks	35,970,861	2,583,508				38,554,369
Bridges	4,281,025	92,680				4,373,705
Street lights	318,250	3,092				321,342
Storm drains	1,675,376	12,097				1,687,473
Traffic signals	1,781,574	78,705				1,860,279
Trees	532,367	24,549				556,916
Total accumulated depreciation	54,255,145	4,110,648	(35,000)			58,330,793
Net capital assets being depreciated	41,016,857	4,676,172		7,401,743		53,094,772
Governmental activity capital assets, net	$60,286,124	$7,160,275			$1,176,610	$68,623,009

During fiscal year 2013, the State Department of Finance (DOF) denied the prior year transfer of certain land parcels from the former Redevelopment Agency to the City and required the transfer of those parcels totaling $1,176,610 to the Successor Agency, which was reported as a transfer to the Successor Agency during the year ended June 30, 2013. On June 12, 2014, the DOF reversed this decision with the approval of the Successor Agency's Long-Range Property Management Plan (LRPMP). On July 7, 2014, the Oversight Board of the Successor Agency authorized the reconveyance of the parcels totaling $1,176,610 from the Successor Agency back to the City for governmental use, which has been reported as a transfer above and as a Special Item in the Statement of Activities.

NOTE 6 - CAPITAL ASSETS (Continued)

Construction in progress comprised the following at June 30, 2014:

Project	Amount
Rumrill Boulevard Bridge	$4,797,290
I-80/San Pablo Dam Road Interchange	3,363,297
Municipal Solar Projects	1,570,915
Slurry Seal Project FY10/11	917,485
Surveillance Cameras	744,504
23rd Street Traffic Calming	619,086
Wildcat Creek Trail	564,015
BNSF on Rumrill Boulevard	556,490
Entry Monument and Signage	387,188
Circle S Infrastructure Improvements	192,638
Slurry Seal Project FY11/12	144,584
Other	343,047
Total construction in progress	$14,200,539

B. Economic Development Corporation's Capital Assets

The following is a summary of the Economic Development Corporation's changes in capital assets for the fiscal year ended June 30, 2014:

	Balance at June 30, 2013	Additions	Retirements	Transfers	Balance at June 30, 2014
Capital assets not being depreciated:					
Land	$235,000		($235,000)		
Construction in progress	2,700,756	$5,829,161		($8,529,917)	
Total capital assets not being depreciated	2,935,756	5,829,161	(235,000)	(8,529,917)	
Capital assets being depreciated:					
Building			(8,268,830)	8,268,830	
Furniture and fixtures			(261,087)	261,087	
Vehicles	13,274				$13,274
Total capital assets being depreciated	13,274		(8,529,917)	8,529,917	13,274
Less accumulated depreciation for:					
Vehicles	2,655	2,655			5,310
Total accumulated depreciation	2,655	2,655			5,310
Net capital assets being depreciated	10,619	(2,655)	(8,529,917)	8,529,917	7,964
Capital assets, net	$2,946,375	$5,826,506	($8,764,917)		$7,964

Included in the Corporation's retirement of capital assets is the conversion of the Helms Community Center Project to a capital lease with the City.

C. Capital Asset Contributions

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

NOTE 6 - CAPITAL ASSETS (Continued)

D. Depreciation Allocation

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

Governmental Activities:	
General Government	$66,815
Community Recreation	133,630
Community Development	16,009
Public Works	3,656,376
Police	237,818
Total depreciation expense	$4,110,648
Discretely Presented Component Unit:	
Economic Development Corporation	$2,655

NOTE 7 – LONG-TERM DEBT

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

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

A. Current Year Transactions and Balances

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

	Original Issue Amount	Balance June 30, 2013	Additions	Balance June 30, 2014
Capital Lease:				
Helms Community Center				
3.32%, due 12/31/2053	$8,764,917		$8,764,917	$8,764,917
Loan:				
Solar Loan				
1.0%, due 12/22/2029	1,141,738		1,141,738	1,141,738
Total City Debt			$9,906,655	$9,906,655

NOTE 7 – LONG-TERM DEBT (Continued)

Helms Community Center Capital Lease

The City entered into an agreement with the Economic Development Corporation in December 2012 to lease the Helms Community Center. Construction of the Community Center, as discussed in Note 5J, was completed in June 2014. Prior to the completion of construction, the lease was accounted for as an operating lease. With the completion of construction, the lease has been converted to a capital lease and using the final cost of the project of $8,764,917, the City recorded a lease payable in that amount and the Economic Development Corporation recorded a lease receivable in the same amount. The imputed interest rate on the lease is 3.32% and lease payments are due semi-annually each June 30 and December 31 through 2053.

Debt service requirements are shown below for the capital lease:

Fiscal Year Ended June 30	Payments Due
2015	$85,000
2016	85,000
2017	85,000
2018	85,000
2019	86,000
2020-2024	1,558,666
2025-2029	1,936,141
2030-2034	2,244,520
2035-2039	2,602,011
2040-2044	3,016,444
2045-2049	3,496,887
2050-2054	3,617,808
Total Payments	18,898,477
Less Imputed Interest	(10,133,560)
Principal	$8,764,917

NOTE 7 – LONG-TERM DEBT (Continued)

Solar Panel Loan

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

Debt service requirements are shown below for the loan payable:

Fiscal Year Ended June 30	Principal	Interest
2016	$59,982	$25,882
2017	75,233	10,631
2018	75,988	9,876
2019	76,750	9,114
2020-2024	395,406	33,914
2025-2029	415,661	14,659
2030	42,718	214
Total	$1,141,738	$104,290

NOTE 7 – LONG-TERM DEBT (Continued)

B. EDC Note Payable

On December 12, 2012, the EDC entered into two loan agreements with New Markets Community Capital XI, LLC (NMCC). The first and second loans are for $6,510,080 and $2,795,920, respectively. Under the terms of the agreements, the loans bear interest of 1.360% and are payable in semi-annual interest-only payments due June 20 and December 20 until fiscal year 2022. Beginning on June 20, 2023, the EDC will begin making principal payments along with interest semi-annually, with a final payment due on December 1, 2052. At June 30, 2014, the outstanding balances on the loans were $6,510,080 and $2,795,920, respectively.

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

For the Year Ending June 30	Principal	Interest
2015		$126,562
2016		126,562
2017		126,562
2018		126,562
2019		126,562
2020-2024	$408,634	689,834
2025-2029	1,349,332	561,048
2030-2034	1,443,945	466,435
2035-2039	1,545,193	365,187
2040-2044	1,653,541	256,839
2045-2049	1,769,486	140,894
2050-2052	1,135,869	25,524
Total	$9,306,000	$3,138,571

NOTE 8 - SPECIAL ASSESSMENT DEBT WITHOUT CITY COMMITMENT

Special assessment districts are established in various parts of the City to provide improvements to properties located in those districts. Properties are assessed for the cost of improvements; these assessments are payable solely by property owners over the term of the debt issued to finance the improvements. The City is not legally or morally obligated to pay these debts or be the purchaser of last resort of foreclosed properties in the special assessment districts, nor is it obligated to advance available City funds to repay this debt in the event of default by any of these districts. On March 2, 2014, the debt was redeemed and paid in full.

NOTE 9 – NET POSITION AND FUND BALANCES

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

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

A. Net Position

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

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

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

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

B. Fund Balances

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

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

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

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

NOTE 9 – NET POSITION AND FUND BALANCES (Continued)

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

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

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

NOTE 9 – NET POSITION AND FUND BALANCES (Continued)

Detailed classifications of the City's fund balances, as of June 30, 2014, are below:

		Special Revenue	Capital Projects		
Fund Balance Classifications	General Fund	Low and Moderate Income Housing Assets	Public Works Construction	Other Governmental Funds	Total
Nonspendable:					
Items not in spendable form:					
Advance	$37,431				$37,431
Employee loans receivable	7,788				7,788
Total Nonspendable Fund Balances	45,219				45,219
Restricted for:					
Redevelopment Low and Moderate Income Housing		$6,432,063			6,432,063
Economic Development Projects Programs					
Street Lighting and Landscaping				$356,817	356,817
Local Street and Road Improvements and Maintenance				1,058,561	1,058,561
Law Enforcement				631,202	631,202
National Pollution Discharge Elimination System				302,120	302,120
Paratransit				514,397	514,397
Housing Grants				92,535	92,535
Total Restricted Fund Balances		6,432,063		2,955,632	9,387,695
Assigned to:					
Capital Projects:					
Street and Road Projects			$2,889,446		2,889,446
Wildcat Creek Trail			828,686		828,686
Bridge Replacement			348,272		348,272
Surveillance cameras			106,180		106,180
Solar Projects			1,274,718		1,274,718
Circle S Infrastructure Improvements			1,230,114		1,230,114
Other	763,614		2,405,248		3,168,862
Total Assigned Fund Balances	763,614		9,082,664		9,846,278
Unassigned:					
General fund	31,512,493				31,512,493
Total Unassigned Fund Balances	31,512,493				31,512,493
Total Fund Balances	$32,321,326	$6,432,063	$9,082,664	$2,955,632	$50,791,685

NOTE 9 – NET POSITION AND FUND BALANCES (Continued)

C. Stabilization and Contingency Arrangements

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

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

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

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

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

The required balance of each reserve for the year ended June 30, 2014, and the actual balance for each as of June 30, 2014, which are reported within the unassigned fund balance of the General Fund follows:

	Required Beginning Balance	Balance as of June 30, 2014
Catastrophic	$14,587,185	$14,587,185
Budget Stabilization	1,458,718	611,540
Designated	4,229,504	4,229,504
Future Capital Projects	2,721,521	2,719,369
Unassigned Fund Balance		9,364,895
Total General Fund Unassigned Fund Balance		$31,512,493

NOTE 10 - PENSION PLANS

A. CALPERS Safety and Miscellaneous Employees Plans

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS), an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full-time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The City's labor contracts require sworn safety employees hired on or before January 1, 2013 to pay 12.3% of the contributions, consisting of the 9.0% statutorily-required employee share plus 3.3% of the employer share, and all other employees hired on or before January 1, 2013 to pay 10.3% of the contributions, consisting of the 8.0% statutorily-required employee share plus 2.3% of the employer share. Sworn safety and all other employees hired on or after January 1, 2013 are statutorily required to pay the employee share of 11.5% and 6.25%, respectively. The Plans' provisions and benefits in effect at June 30, 2014 are summarized as follows:

NOTE 10 - PENSION PLANS (Continued)

Safety:

Hire date	Before January 1, 2013	On or after January 1, 2013
Benefit Formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50-57
Monthly benefits, as a % of annual salary	3.0%	2.0%-2.7%
Required employee contribution rates	12.30%	11.50%
Required employer contribution rates	22.85%	11.50%

Miscellaneous:

Hire date	Before January 1, 2013	On or after January 1, 2013
Benefit Formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a % of annual salary	2.0% -2.5%	1.0% -2.5%
Required employee contribution rates	10.30%	6.25%
Required employer contribution rates	12.36%	6.25%

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 actuarially accrued liability. The City uses the actuarially determined percentages of payroll to calculate and pay contributions to CALPERS. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all contributions required by CALPERS, for the last three fiscal years were as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Safety Plan			
June 30, 2012	$1,316,888	100%	0
June 30, 2013	1,374,694	100%	0
June 30, 2014	1,413,352	100%	0
Miscellaneous Plan			
June 30, 2012	$610,980	100%	0
June 30, 2013	623,493	100%	0
June 30, 2014	655,550	100%	0

NOTE 10 - PENSION PLANS (Continued)

CALPERS uses the market related value method of valuing the Plan's assets. For the most recent actuarial report, as of June 30, 2012, an investment rate of return of 7.5% is assumed, including inflation at 2.75%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over 19 years for the Safety Plan and 19 years for the Miscellaneous Plan. Investment gains and losses are accumulated as they are realized and amortized over a rolling thirty-year period.

As required by State law, effective July 1, 2005, the City's Miscellaneous and Safety Plans were terminated, and the employees in those plans were required by CALPERS to join new State-wide pools. One of the conditions of entry to these pools was that the City true-up any unfunded liabilities in the former Plans, either by paying cash or by increasing its future contribution rates through a Side Fund offered by CALPERS. The City satisfied its Miscellaneous Plan's unfunded liability at July 1, 2005 by making a lump sum contribution of $3,694,076 on June 28, 2005. It satisfied its Safety Plan's liability at July 1, 2005 by making a lump sum contribution of $5,097,831 on February 28, 2006.

Effective June 16, 2008, the City changed the monthly benefits under the Miscellaneous and Safety Plans to 2.5% at age 55 and 3% age 50, respectively. This change resulted in new side fund liabilities for each Plan. The City satisfied the Miscellaneous Plan's unfunded liability of $529,859 and the Safety Plan's unfunded liability of $2,287,945 by making lump sum payments on April 15, 2008.

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. CALPERS' latest actuarial value (which differs from market value) and funding progress for the State-wide pools are shown below:

3% @ 50 Safety Plan:

	Actuarial					
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
2010	$10,165,475,166	$8,470,235,152	$1,695,240,014	83.3%	$955,980,815	177.3%
2011	10,951,745,049	9,135,654,246	1,816,090,803	83.4%	949,833,090	191.2%
2012	11,724,021,480	9,854,787,710	1,869,233,770	84.1%	947,734,809	197.2%

The City's Safety Plan represents approximately 0.55%, 0.71%, and 0.68%, of the 3% @ 50 State-wide pool for the years ended June 30, 2012, 2011 and 2010, respectively, based on covered payroll of $5,226,617, $6,701,514, and $6,517,083 for those years.

NOTE 10 - PENSION PLANS (Continued)

2.5% @ 55 Miscellaneous Plan:

Valuation Date	Actuarial Entry Age Accrued Liability	Actuarial Value of Assets	Actuarial Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
2010	$1,972,910,641	$1,603,482,152	$369,428,489	81.3%	$352,637,380	104.8%
2011	2,135,350,204	1,724,200,585	411,149,619	80.7%	350,121,750	117.4%
2012	2,254,622,362	1,837,489,422	417,132,940	81.5%	339,228,272	123.0%

The City's Miscellaneous Plan represents approximately 1.59%, 1.72% and 1.67%, of the 2.5% @ 55 State-wide pool for the years ended June 30, 2012, 2011 and 2010, respectively, based on covered payroll of $5,385,666, $6,005,798 and $5,878,208 for those years.

Actuarial data is not yet available for the 2.7% @ 57 Safety and 2.0% @ 62 Miscellaneous State-wide pools.

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

B. Public Agency Retirement System

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

The City's part-time, seasonal and temporary employees are covered under the Public Agency Retirement System (PARS), a defined contribution plan, which requires these employees to contribute 6% and the City to contribute 1.5% of the employees pay plus administration costs. The City's required contributions of $6,596 and the employee's required contributions of $31,456 were made during the fiscal year ending June 30, 2014.

NOTE 10 - PENSION PLANS (Continued)

C. Post Retirement Health Care Defined Benefit Plan

Description

In addition to the pension benefits described in A. above, the City provides medical and dental benefits to substantially all retirees under the City of San Pablo Retiree Health Savings Plan, an agent multiple-employer defined benefit healthcare plan. The Plan does not issue separate financial statements. Coverage is also provided for spouses of employees having a minimum of 20 years of service at retirement. As of June 30, 2014 there were 65 participants receiving these health care benefits.

The Plan provisions and benefits in effect at June 30, 2014 are summarized as follows:

	Police	Local 1 and WCCTAC	Executive Managers and Elected Officials	Confidential/Exempt, Division Managers and AIE
Benefit Types Provided	Medical only	Medical only	Medical only	Medical only
Duration of Benefits (A)	Lifetime (B)	Lifetime	Lifetime	Lifetime
Required Service:				
Basic		Retirement under CALPERS		
Supplemental	10 years	N/A	5 years	15 years
Minimum Age	50	50	50	50
Dependent Coverage	One dependent	Yes	Yes	Yes
City Contribution 100%	100%	100%	100%	100%
City Contribution Cap per Month (Basic) (C)	$108 for single $220 for two party $285 for family	$108 for single $220 for two party $285 for family	$108 for single $220 for two party $285 for family	$108 for single $220 for two party $285 for family
City Contribution Cap per Month (Supp)	Kaiser (D)	N/A	None	15 yrs svc: $135 20 yrs svc: $260

(A) Duration is subject to limitations as specified in the Memorandum of Understanding with each bargaining unit.
(B) Supplemental coverage only to age 65.
(C) Subject to minimum contributions under the Public Employees Medical and Hospital Care Act (PEMHCA) should statutory minimums exceed the rates noted
(D) Those hired before May 1, 1986 entitled to single coverage beyond age 65.

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

Pursuant to a contractual agreement with the West Contra Costa Transportation Advisory Committee (WCCTAC), the City provides OPEB benefits to WCCTAC employees which are included in the amounts presented below. WCCTAC reimburses the City for any costs incurred on behalf of its employees.

NOTE 10 - PENSION PLANS (Continued)

Funding Policy and Actuarial Assumptions

The City's policy is to prefund these benefits by accumulating assets in the Trust Fund discussed above pursuant to City Council Resolution 2007-024 (Resolution). The annual required contribution (ARC) was determined as part of a July 1, 2011 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% investment rate of return, (b) 3% projected annual salary increase, and (c) 4% health inflation increases. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and the plan members) an include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the City and plan members to that point. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The actuarial value of assets was determined using a 15-year smoothing formula and a 20% market value corridor. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis using a 30-year amortization period.

In accordance with the Resolution, the City's annual contributions to the Plan are based on pay-as-you-go financing plus an additional amount to prefund benefits as determined by the Council. Generally accepted accounting principles permit assets to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such assets are placed in an irrevocable trust or equivalent arrangement. Contributions to the City's Trust began on April 20, 2006, thus these assets were excluded from the July 1, 2005 actuarial study. During the fiscal year ended June 30, 2014, the City contributed $375,417 to the Plan, representing pay-as-you-go premiums. As a result, the City has calculated and recorded the Net OPEB Asset, representing the difference between the ARC, amortization and contributions, as presented below:

Annual required contribution	$325,356
Interest on net OPEB obligation (asset)	(313,765)
Adjustment to annual required contribution	446,775
Annual OPEB cost	458,366
Contributions made	(375,417)
(Decrease) increase in net OPEB obligation	82,949
Net OPEB obligation (asset) June 30, 2013	(4,183,537)
Net OPEB obligation (asset) June 30, 2014	($4,100,588)

NOTE 10 - PENSION PLANS (Continued)

The Plan's annual required contributions and actual contributions for the years ended June 30, 2012, 2013, and 2014 are set forth below:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2012	$184,210	$326,083	177%	($4,561,899)
6/30/2013	702,765	324,403	46%	(4,183,537)
6/30/2014	458,366	375,417	82%	(4,100,588)

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)	Overfunded (Underfunded) Actuarial Accrued Liability (A – B)	Funded Ratio (A/B)	Covered Payroll (C)	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll [(A – B)/C]
7/1/2008	$5,051,901	$4,386,044	$665,857	115.18%	$13,455,712	4.9%
7/1/2011	6,129,795	6,067,235	62,560	101.03%	12,707,312	0.5%
7/1/2014	7,457,704	7,020,530	437,174	106.23%	13,498,697	3.2%

NOTE 11 - DEFERRED COMPENSATION PLAN

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

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

NOTE 12 – RISK MANAGEMENT

A. Municipal Pooling Authority (MPA)

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

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

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

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

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

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

For the years ended June 30, 2014, 2013 and 2012 the amount of settlements did not exceed insurance coverage.

B. Liability for Uninsured Claims

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

NOTE 12 – RISK MANAGEMENT (Continued)

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

	June 30	
	2014	2013
Beginning balance	$25,018	$63,178
Provision for current fiscal year claims	24,882	25,094
Change in provision for prior fiscal year claims	19,209	(32,125)
Claims paid	(40,965)	(31,129)
Ending balance	$28,144	$25,018

NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES

A. REDEVELOPMENT DISSOLUTION

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

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

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

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

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

NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

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

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

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

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

Cash and investments of the Successor Agency as of June 30, 2014 are discussed in Note 3 above. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2014.

B. LOANS RECEIVABLE

The Successor Agency assumed the non-housing loans receivable of the Redevelopment Agency as of February 1, 2012. The Redevelopment Agency engaged in programs designed to encourage construction of or improvement to low-to-moderate income housing. Under these programs, grants or loans were provided under favorable terms to homeowners or developers who agreed to expend these funds in accordance with the Agency's terms. The balances of the notes receivable arising from these programs at June 30, 2014 are set forth below:

Plaza Sobrante	$55,272
Micro Loan Program	97,377
Total	$152,649

NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

C. PROPERTY HELD FOR RESALE

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

Included in the property held for resale is the Circle S Project Site, and in July 2013 the Successor Agency approved the transfer of "Block E" of the Site to the City as Housing Successor, which was subsequently approved by the Department of Finance. Therefore, the parcel with a carrying value of $358,210 was transferred to the City during fiscal year 2014.

D. CAPITAL ASSETS

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

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

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

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

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

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

NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

Capital assets recorded at June 30 comprise:

	Balance at June 30, 2013	Additions	Transfers to City (Note 6A)	Balance at June 30, 2014
Capital assets not being depreciated:				
Land and land improvements	$3,996,003		($1,176,610)	$2,819,393
Total capital assets not being depreciated	3,996,003		(1,176,610)	2,819,393
Capital assets being depreciated:				
Buildings and improvements	2,630,082			2,630,082
Machinery and equipment	92,202			92,202
Vehicles	145,213			145,213
Total capital assets being depreciated	2,867,497			2,867,497
Less accumulated depreciation for:				
Buildings and improvements	1,146,676	$65,752		1,212,428
Machinery and equipment	92,202			92,202
Vehicles	110,267	20,745		131,012
Total accumulated depreciation	1,349,145	86,497		1,435,642
Net capital assets being depreciated	1,518,352	(86,497)		1,431,855
Capital assets, net	$5,514,355	($86,497)	($1,176,610)	$4,251,248

NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

E. LONG-TERM OBLIGATIONS

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

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

1. Tax Allocation Bonds and Loans

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

	Original Issue Amount	Balance June 30, 2013	Additions	Retirements	Refunding	Balance June 30, 2014	Current Portion
Tax Allocation Bonds:							
Subordinate Tax Allocation Bonds Series 1999A							
3.75-5.65%, due 12/01/2023	$9,850,000	$4,065,000		$685,000		$3,380,000	$725,000
Tax Allocation Revenue Bonds Series 2001							
Current Interest Serial Bonds							
3.25-4.85%, due 12/01/2018	7,855,000	2,625,000		560,000	$2,065,000		
Current Interest Term Bonds							
5.00%, due 12/01/2029	2,280,000	2,280,000			2,280,000		
Capital Appreciation Bonds							
5.66-5.68%, due 12/01/2029	12,055,000	5,646,529	$324,527		3,837,533	2,133,523	
Tax Allocation Revenue Bonds Series 2004							
2.00-5.00%, due 12/01/2027	37,755,000	31,455,000		1,420,000	15,345,000	14,690,000	600,000
Subordinate Tax Allocation Bonds Series 2006							
Variable rate, due 12/01/2032	36,000,000	30,870,000		910,000	29,960,000		
SERAF Loan							
2%, due 5/10/2021	1,222,860	1,222,317				1,222,317	165,987
Tax Allocation Refunding Bonds Series 2014A							
2.00-5.00%, due 6/15/2031	47,595,000		47,595,000			47,595,000	1,275,000
Premium			6,429,385			6,429,385	
Total Tax Allocation Bonds		78,163,846	54,348,912	3,575,000	53,487,533	75,450,225	2,765,987
Housing Successor Loans:							
2010 Loan	3,000,000	3,000,000				3,000,000	
2011 Loan	2,865,000	2,865,000				2,865,000	
Total Housing Successor Loans		5,865,000				5,865,000	
Total Successor Agency Debt		$84,028,846	$54,348,912	$3,575,000	53,487,533	$81,315,225	$2,765,987

NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

2. Debt Service Requirements

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

For the Year Ending June 30	Principal (1)	Interest
2015	$2,765,987	$2,525,298
2016	2,380,491	2,416,852
2017	4,387,201	2,423,985
2018	3,548,945	2,262,518
2019	2,870,724	2,202,574
2020-2024	22,158,969	8,779,721
2025-2029	26,230,000	4,539,625
2030-2031	6,845,000	447,250
Total	$71,187,317	$25,597,823

(1) Includes unaccreted discount totaling $2,166,477

3. 1999 Tax Allocation Bonds

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

4. 2001 Tax Allocation Revenue Bonds

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

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

NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

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

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

After these refunding amounts, the 2001 Bonds Capital Appreciation Bonds unaccreted discount totaled $2,166,477 and the outstanding balance increased $324,527 due to the annual increase in accreted value. Principal and interest payments of $940,000, $840,000, $840,000, $560,000, $560,000 and $560,000 commence December 1, 2024 and continue through December 1, 2029.

5. 2004 Tax Allocation Revenue Bonds

On March 18, 2004, the Agency issued $37,755,000 of Tax Allocation Revenue Bonds, Series 2004 to defease $13,910,000 of outstanding 1993 Tax Allocation Bonds, and to fund capital projects in the Legacy and Tenth Township Project Areas. The defeased 1993 Bonds were called on December 1, 2004. The 2004 Bonds are special obligations of the Agency and are secured by the Agency's tax increment revenues. Annual principal payments on the 2004 Bonds are due December 1, and semi-annual interest payments are due June 1 and December 1, through 2015.

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

6. 2006 Subordinate Tax Allocation Bonds

On October 5, 2006 the Agency issued $36,000,000 of Tenth Township Redevelopment Project Area Subordinate Tax Allocation Bonds, Series 2006 to refund the remaining $12,350,000 principal amount of the 1993 Tax Allocation Bonds and to fund certain public improvements in the Tenth Township Project Area. In October 2006 the City defeased the outstanding 1993 Bonds by placing a portion of the proceeds from the 2006 Bonds in an irrevocable trust to provide amounts sufficient to pay on December 1, 2006 the prepayment price of 102% of the principal amount and accrued interest. The defeased 1993 Bonds were called on December 1, 2006. Principal payments on the 2006 Bonds are due annually on December 1 commencing December 1, 2009 and interest payments are due monthly, through December 1, 2032.

NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

The 2006 Subordinate Tax Allocation Bonds were originally issued as daily variable-rate demand obligations with municipal bond insurance from Ambac Assurance and a liquidity facility from Dexia Credit Local. The interest rate on the Bonds resets daily according to market conditions and is capped by California State law at 12%. During fiscal year 2008, the Agency substituted an irrevocable, direct-pay letter of credit issued by Union Bank of California for the Dexia liquidity facility in order to remarket the bonds at lower interest rates. The Union Bank letter of credit was valid through June 5, 2012 and it was amended during fiscal year 2012 and extended to June 5, 2013. The letter of credit was amended during fiscal year 2013 and 2014 and extended to September 5, 2014. The Agency is required to pay Union Bank an annual Letter of Credit Fee equal to 1.10% of the outstanding principal amount of the Bonds. In addition, the remarketing agent receives an annual Remarketing Fee equal to 0.0875% of the outstanding principal amount of the Bonds.

In October 2006 the Agency entered into a 26-year interest rate swap agreement for the entire $36,000,000 par amount of its 2006 Subordinate Tax Allocation Bonds. The combination of variable rate bonds and a floating-to-fixed interest rate swap agreement effectively created a synthetic fixed-rate obligation for the Agency.

On June 1, 2014, the Agency issued 2014 Series A Refunding Tax Allocation Bonds in the amount of $47,595,000 to refund the remaining $29,960,000 of the 2006 Subordinate Tax Allocation Bonds. In addition, the interest rate swap agreement was terminated with the issuance of the 2014 Series A Refunding Tax Allocation Bonds through a swap termination payment of $4,018,000.

NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

7. 2014 Tax Allocation Bonds, Series A, Forward Delivery Agreement and Series B

On June 1, 2014, the Agency issued $47,595,000 in 2014 Tax Allocation Bonds, Series A. The proceeds of these bonds, secured by property tax revenues in the Redevelopment Property Tax Trust Fund, were used to refund and defease the outstanding 2001 Tax Allocation Revenue Serial and Term Bonds, a portion of the 2001 Tax Allocation Revenue Capital Appreciation Bonds, a portion of the 2004 Tax Allocation Revenue Bonds and the outstanding balance of the 2006 Subordinate Tax Allocation Bonds. The refunding reduces the total debt service payments over 19 years by $4,048,958 and results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $4,034,727. The 2006 Bonds were called on June 27, 2014 and the outstanding balance of the defeased 2001 and 2004 Bonds was $21,531,556 as of June 30, 2014.

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

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

On September 4, 2014, the Successor Agency issued the 2014 Series B Tax Allocation Bonds in the principal amount of $6,970,000. The proceeds of these bonds, secured by property tax revenues in the Redevelopment Property Tax Trust Fund, are to be used to refund the total amount outstanding the 1999A Tax Allocations Bonds and a portion of the 2004 Tax Allocation Bonds.

8. SERAF Loan from State of California

The State of California adopted AB26 4X in July 2009 which directs that a portion of the incremental property taxes received by the redevelopment agencies, be paid instead to the County Supplemental Educational Revenue Augmentation Fund (SERAF) in fiscal years 2010 and 2011. The Agency did not have the resources to make the 2011 payment and instead was able to enter into a structured payment plan agreement with the State Department of Finance that allows the payment to the County to be made over a ten-year period. The Tenth Township and Legacy Project Areas will pay 88.6% and 11.4% of the loan, respectively. The loan bears interest at a rate of 2%. Annual payments commence on May 10, 2011 with one principal and interest payment, followed by two interest-only payments, then payments of principal and interest May 10, 2014 through May 10, 2020, followed by one final principal payment on May 10, 2021. However, during fiscal year 2014, the State rejected the Successor Agency's payment of principal and interest on May 10, 2014. Therefore, the payment that was due on May 10, 2014 will be paid in fiscal year 2015.

NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

9. Supplemental Education Revenue Augmentation Fund Loans from Housing Successor

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

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

The above loans had previously been reported as interfund advances within the Redevelopment Agency, but with the transfer of the Redevelopment Agency's liabilities to the Successor Agency, the advances are now reported as long-term debt of the Successor Agency, payable to the Low and Moderate Income Housing Asset Fund of the City of San Pablo, serving as the Housing Successor to the former Agency, pursuant to Health and Safety Code Section 34176(d). These loans were originally required to be repaid by June 30, 2015, however, repayment is now governed by Health and Safety Code Section 34176(e)(6). The State of California Department of Finance has stated that repayment cannot begin prior to fiscal year 2014-2015, and the maximum annual repayment amount is limited based on calculations in Health and Safety Code Section 34176(e)(6).

10. Pledged Revenues

As discussed above, the Agency has pledged all future tax increment revenues, less amounts required to be set aside in the Redevelopment Agency Low and Moderate Income Housing Fund, for the repayment of the Tax Allocation Bonds. The 1999A, 2001 and 2004 Bonds are considered senior parity obligations, while the 2006 and 2014A Bonds are subordinated to those Bonds. The pledge of all future tax increment revenues ends upon repayment of $96,785,140 remaining debt service on the Bonds above, which is scheduled to occur in 2031. With the issuance of the 2014A Bonds, projected tax increment revenues are expected to provide coverage over debt service of 149% - 241% over the life of the outstanding Bonds. With the dissolution of the Redevelopment Agency discussed above, Tax Increment is no longer distributed, and instead the Successor Agency receives payments from the County's Redevelopment Property Tax Trust Fund (RPTTF) that are to be used to fund debt service on the Bonds, with no distinction between housing and non-housing revenues.

Beginning in fiscal year 2012, under the provisions of the laws dissolving the Redevelopment Agency, the Successor Agency only receives the funds necessary to fulfill its approved obligations. Total tax increment available for distribution to the Successor Agency and other taxing entities for fiscal year 2014 calculated by the County Auditor-Controller was $8,094,033, and the total received by the Successor Agency for fiscal year 2014 debt service was $4,695,660, which represented coverage of 63% of the $7,503,553 of debt service. The lesser tax distribution was deemed sufficient, because the Agency had other revenues/resources available to direct towards debt service.

NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

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

F. COMMITMENTS AND CONTINGENCIES

State Approval of Enforceable Obligations

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

NOTE 14 - JOINT POWERS AGREEMENTS

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

WCCIWMA was established in 1991 to coordinate landfill use reduction in the West Contra Costa County Area as mandated by the State of California. The City was not required to make any contributions to WCCIWMA during fiscal year 2014. The City is represented by one Director.

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

B. West Contra Costa Transportation Advisory Committee (WCCTAC)

WCCTAC was established in 1990 to develop regional strategies and meet regional requirements established by Measure C and to cooperatively address West Contra Costa County transportation issues. The City's payments to WCCTAC are in accordance with a formula under which each member Agency pays a proportionate share of the expenditures based on the number of voting members representing each Agency. The City has one voting member on the WCCTAC and pays 9.1% of the expenditures. For fiscal year 2013-2014, the dues paid to WCCTAC were $25,482.

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

NOTE 15 - COMMITMENTS AND CONTINGENCIES

A. Litigation

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

B. Pollution Remediation

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

C. Federal and State Grant Programs

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

D. Encumbrances

The City uses an encumbrance system as an extension of normal budgetary accounting for governmental funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as restricted, committed or assigned fund balance, depending on the classification of the resources to be used to liquidate the encumbrance, since they do not constitute expenditures or liabilities. Outstanding encumbrances at year-end are automatically reappropriated for the following year. Unencumbered and unexpended appropriations lapse at year-end. Encumbrances outstanding as of June 30, 2014 were as follows:

	Amount
General Fund	$763,614
Public Works Construction Capital Projects Fund	1,067,687
Gas Tax Special Revenue Fund	117,055
Street Lighting and Landscaping Special Revenue Fund	104,411
Development Services Special Revenue Fund	39,543
NPDES Special Revenue Fund	18,000
Paratransit Special Revenue Fund	5,146

CITY OF SAN PABLO

City of New Directions

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

GAS TAX

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

PUBLIC SAFETY

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

STREET LIGHTING AND LANDSCAPING

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

N.P.D.E.S.

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

DEVELOPMENT SERVICES

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

MEASURE C / J

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

ASSET SEIZURES

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

PARATRANSIT

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

LAW ENFORCEMENT SERVICES

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

TRAFFIC CONGESTION RELIEF

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

HCD GRANT

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

CITY OF SAN PABLO

City of New Directions

CITY OF SAN PABLO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2014

	SPECIAL REVENUE FUNDS					
	Gas Tax	Public Safety	Street Lighting and Landscaping	N.P.D.E.S.	Development Services	Measure C / J
ASSETS						
Cash and investments available for operations	$284,966	$344,817	$369,765	$301,985	$342,603	$517,404
Accounts receivable				202		
Due from other governments		8,236				
Total Assets	$284,966	$353,053	$369,765	$302,187	$342,603	$517,404
LIABILITIES						
Accounts payable and accrued liabilities	$38,454		$12,948	$67	$48,914	
Due to other funds						
Total Liabilities	38,454		12,948	67	48,914	
FUND BALANCES						
Restricted	246,512	$353,053	356,817	302,120	293,689	$517,404
Total Fund Balance	246,512	353,053	356,817	302,120	293,689	517,404
Total Liabilities and Fund Balances	$284,966	$353,053	$369,765	$302,187	$342,603	$517,404

SPECIAL REVENUE FUNDS					
Asset Seizures	Paratransit	Law Enforcement Services	Traffic Congestion Relief	HCD Grant	Total Nonmajor Governmental Funds
$96,459	$514,884	$218,737	$144,525	$92,535	$3,228,680
					202
		8,827			17,063
$96,459	$514,884	$227,564	$144,525	$92,535	$3,245,945
$45,874	$487		$143,569		$290,313
45,874	487		143,569		290,313
50,585	514,397	$227,564	956	$92,535	2,955,632
50,585	514,397	227,564	956	92,535	2,955,632
$96,459	$514,884	$227,564	$144,525	$92,535	$3,245,945

CITY OF SAN PABLO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

	SPECIAL REVENUE FUNDS					
	Gas Tax	Public Safety	Street Lighting and Landscaping	N.P.D.E.S.	Development Services	Measure C / J
REVENUES						
Property taxes			$837,386			
Sales tax		$104,657				$359,642
Licenses and permits					$339,677	
Intergovernmental	$977,361			$341,712		
Charges for services	82,830			21,500	596,315	
Use of money and property						3,105
Miscellaneous	25,348		1,647	750	28,061	
Total Revenues	1,085,539	104,657	839,033	363,962	964,053	362,747
EXPENDITURES						
Current:						
Community:						
Development					871,815	
Public Works & Engineering	1,437,053		952,291	465,235		
Police						
Capital outlay	410		127,032			
Total Expenditures	1,437,463		1,079,323	465,235	871,815	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(351,924)	104,657	(240,290)	(101,273)	92,238	362,747
OTHER FINANCING SOURCES (USES)						
Transfers in	594,655		493,984	76,785	201,156	
Transfers (out)						(537,604)
Total Other Financing Sources (Uses)	594,655		493,984	76,785	201,156	(537,604)
NET CHANGE IN FUND BALANCES	242,731	104,657	253,694	(24,488)	293,394	(174,857)
Fund balances (deficits) at beginning of year	3,781	248,396	103,123	326,608	295	692,261
FUND BALANCES AT END OF YEAR	$246,512	$353,053	$356,817	$302,120	$293,689	$517,404

SPECIAL REVENUE FUNDS					
Asset Seizures	Paratransit	Law Enforcement Services	Traffic Congestion Relief	HCD Grant	Total Nonmajor Governmental Funds
					$837,386
					464,299
					339,677
	$247,828	$200,783			1,767,684
					700,645
$226	1,456		$443	$284	5,514
6,120					61,926
6,346	249,284	200,783	443	284	4,177,131
	225,607				1,097,422
					2,854,579
28,889		87,387			116,276
		19,894			147,336
28,889	225,607	107,281			4,215,613
(22,543)	23,677	93,502	443	284	(38,482)
					1,366,580
					(537,604)
					828,976
(22,543)	23,677	93,502	443	284	790,494
73,128	490,720	134,062	513	92,251	2,165,138
$50,585	$514,397	$227,564	$956	$92,535	$2,955,632

CITY OF SAN PABLO
BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	SPECIAL REVENUE FUNDS					
	GAS TAX			PUBLIC SAFETY		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Sales tax					$104,657	$104,657
Licenses and permits						
Intergovernmental	$938,666	$977,361	$38,695			
Charges for services	64,500	82,830	18,330			
Use of money and property						
Miscellaneous		25,348	25,348			
Total Revenues	1,003,166	1,085,539	82,373		104,657	104,657
EXPENDITURES						
Current:						
Community:						
Development						
Housing						
Public Works & Engineering	1,604,899	1,437,053	167,846			
Police						
Capital outlay	10,239	410	9,829			
Total Expenditures	1,615,138	1,437,463	177,675			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(611,972)	(351,924)	260,048		104,657	104,657
OTHER FINANCING SOURCES (USES)						
Transfers in	594,655	594,655				
Transfers out						
Total Other Financing Sources (Uses)	594,655	594,655				
NET CHANGE IN FUND BALANCES	($17,317)	242,731	$260,048		104,657	$104,657
Fund balances (deficit) at beginning of year		3,781			248,396	
FUND BALANCES AT END OF YEAR		$246,512			$353,053	

SPECIAL REVENUE FUNDS

STREET LIGHTING AND LANDSCAPING			N.P.D.E.S.			DEVELOPMENT SERVICES		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
$835,000	$837,386	$2,386						
						$270,000	$339,677	$69,677
			$343,184	$341,712	($1,472)			
				21,500	21,500	588,500	596,315	7,815
	1,647	1,647		750	750		28,061	28,061
835,000	839,033	4,033	343,184	363,962	20,778	858,500	964,053	105,553
						1,077,716	871,815	205,901
1,196,450	952,291	244,159	638,876	465,235	173,641			
140,839	127,032	13,807						
1,337,289	1,079,323	257,966	638,876	465,235	173,641	1,077,716	871,815	205,901
(502,289)	(240,290)	261,999	(295,692)	(101,273)	194,419	(219,216)	92,238	311,454
493,984	493,984		15,815	76,785	60,970	201,156	201,156	
493,984	493,984		15,815	76,785	60,970	201,156	201,156	
($8,305)	253,694	$261,999	($279,877)	(24,488)	$255,389	($18,060)	293,394	$311,454
	103,123			326,608			295	
	$356,817			$302,120			$293,689	

(Continued)

CITY OF SAN PABLO
BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	SPECIAL REVENUE FUNDS					
	MEASURE C / J			ASSET SEIZURES		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Sales tax	$307,831	$359,642	$51,811			
Licenses and permits						
Intergovernmental						
Charges for services						
Use of money and property	3,370	3,105	(265)		$226	$226
Miscellaneous					6,120	6,120
Total Revenues	311,201	362,747	51,546		6,346	6,346
EXPENDITURES						
Current:						
Community:						
Development						
Housing						
Public Works & Engineering						
Police				$15,741	28,889	(13,148)
Capital outlay				29,745		29,745
Total Expenditures				45,486	28,889	16,597
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	311,201	362,747	51,546	(45,486)	(22,543)	22,943
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers out	(848,805)	(537,604)	311,201			
Total Other Financing Sources (Uses)	(848,805)	(537,604)	311,201			
NET CHANGE IN FUND BALANCES	($537,604)	(174,857)	$362,747	($45,486)	(22,543)	$22,943
Fund balances (deficit) at beginning of year		692,261			73,128	
FUND BALANCES AT END OF YEAR		$517,404			$50,585	

SPECIAL REVENUE FUNDS					
PARATRANSIT			LAW ENFORCEMENT SERVICES		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
$195,000	$247,828	$52,828	$156,894	$200,783	$43,889
	1,456	1,456			
195,000	249,284	54,284	156,894	200,783	43,889
347,491	225,607	121,884			
			102,037	87,387	14,650
			19,894	19,894	
347,491	225,607	121,884	121,931	107,281	14,650
(152,491)	23,677	176,168	34,963	93,502	58,539
($152,491)	23,677	$176,168	$34,963	93,502	$58,539
	490,720			134,062	
	$514,397			$227,564	

CITY OF SAN PABLO

City of New Directions

AGENCY FUNDS

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

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

OAK PARK SPECIAL ASSESSMENT DISTRICT

This fund accounts for Oak Park Special Assessment District special assessment collections and debt service payments.

COMMUNITY ORGANIZATIONS AND ACTIVITIES

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

WEST CONTRA COSTA TRANSPORTATION ADVISORY COMMITTEE

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

CITY OF SAN PABLO
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2014

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
Oak Park Special Assessment District				
Assets				
Restricted cash and investments	$1,052,684	$170,752	$1,223,436	
Liabilities				
Due to bondholders	$1,052,684	$170,752	$1,223,436	
Community Organizations and Activities				
Assets				
Restricted cash and investments	$723,869	$67,875	$5,713	$786,031
Total Assets	$723,869	$67,875	$5,713	$786,031
Liabilities				
Accounts payable	$95,907	$94,843	$95,907	$94,843
Deposits held as agent for others	627,962	(26,968)	(90,194)	691,188
Total Liabilities	$723,869	$67,875	$5,713	$786,031
West Contra Costa Transportation Advisory Committee				
Assets				
Restricted cash and investments	$1,512,586	$851,814	$884,020	$1,480,380
Due from other governments	255,449	95,131	255,449	95,131
Total Assets	$1,768,035	$946,945	$1,139,469	$1,575,511
Liabilities				
Accounts payable	$55,724	$7,270	$55,724	$7,270
Deposits held as agent for others	1,712,311	939,675	1,083,745	1,568,241
Total Liabilities	$1,768,035	$946,945	$1,139,469	$1,575,511
Totals - All Agency Funds				
Assets				
Restricted cash and investments	$3,289,139	$1,090,441	$2,113,169	$2,266,411
Due from other governments	255,449	95,131	255,449	95,131
Total Assets	$3,544,588	$1,185,572	$2,368,618	$2,361,542
Liabilities				
Accounts payable	$151,631	$102,113	$151,631	$102,113
Deposits held as agent for others	2,340,273	912,707	993,551	2,259,429
Due to bondholders	1,052,684	170,752	1,223,436	
Total Liabilities	$3,544,588	$1,185,572	$2,368,618	$2,361,542

STATISTICAL SECTION

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

Financial Trends

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

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

Revenue Capacity

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

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

Debt Capacity

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

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

Demographic and Economic Information

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

1. Demographic and Economic Statistics
2. Principal Employers

Operating Information

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

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

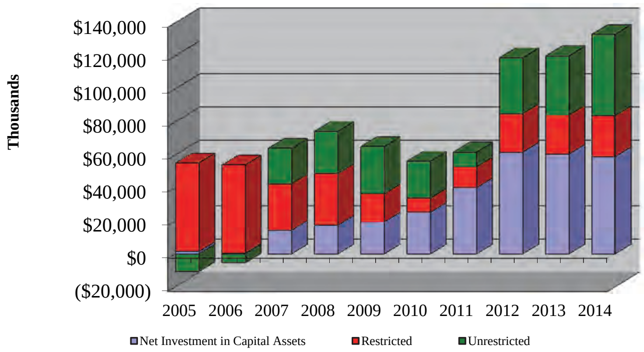
Sources

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

CITY OF SAN PABLO

City of New Directions

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



	Fiscal Year Ended June 30									
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013 (A)**	**2014**
Governmental activities										
Net investment in capital assets	$1,338,446	$391,982	$14,162,898	$17,233,098	$19,236,798	$25,129,231	$39,968,889	$61,548,129	$60,286,124	$58,716,354
Restricted	53,602,869	53,323,336	28,234,327	31,346,751	17,023,526	8,544,531	12,660,690	23,252,245	23,589,889	24,793,010
Unrestricted	(10,731,809)	(5,491,591)	21,442,740	25,591,054	28,686,988	22,456,421	8,948,361	33,879,184	35,928,112	49,328,968
Total governmental activities net position	$44,209,506	$48,223,727	$63,839,965	$74,170,903	$64,947,312	$56,130,183	$61,577,940	$118,679,558	$119,804,125	$132,838,332

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

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

	Fiscal Year Ended June 30,				
	2005	2006	2007	2008	2009
Expenses					
Governmental Activities:					
General Government	$6,247,087	$5,061,400	$2,632,986	$2,993,404	$3,200,437
Community					
Recreation	682,636	703,787	989,126	1,217,942	1,132,500
Development	8,047,233	6,190,032	4,140,354	6,428,706	23,541,394
Housing	316,338	2,456,860	228,296	194,708	554,770
Public Works & Engineering			5,674,920	5,892,638	6,424,687
Police	9,899,191	15,399,999	10,772,050	14,078,285	13,573,473
Interest and fiscal charges	3,336,076	3,281,931	4,498,283	4,220,723	4,035,250
Total Governmental Activities Expenses	28,528,561	33,094,009	28,936,015	35,026,406	52,462,511
Program Revenues					
Governmental Activities:					
Charges for Services:					
General Government	767,938	1,089,391	22,805	16,171	31,223
Community:					
Recreation	70,360	52,525	117,752	127,847	144,942
Development			556,322	444,499	438,378
Public Works & Engineering			130,443	157,591	57,724
Police	597,466	418,449	724,871	516,367	403,428
Operating Grants and Contributions	1,696,841	1,986,780	1,927,514	1,835,557	1,424,555
Capital Grants and Contributions	749,567	1,015,449	1,793,276	1,649,247	1,521,513
Total Government Activities Program Revenues	3,882,172	4,562,594	5,272,983	4,747,279	4,021,763
Net (Expense)/Revenue					
Governmental Activities	(24,646,389)	(28,531,415)	(23,663,032)	(30,279,127)	(48,440,748)
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes:					
Property Taxes	1,384,587	1,387,577	1,389,901	1,235,060	1,302,668
Incremental Property Taxes	11,577,262	12,251,525	14,959,091	15,434,058	14,675,932
ERAF	(780,327)	(801,770)			
Sales Taxes	1,442,957	1,414,077	1,304,189	1,400,911	1,342,904
In-Lieu Sales Tax	402,175	367,240	396,968	411,506	472,411
Utility Users Tax	2,053,248	2,158,865	1,594,338	1,632,823	1,366,676
Transient Occupancy Taxes (a)					
Franchise Taxes (a)					
Payment in Lieu of taxes (a)					
Business Licenses (nonregulatory)	280,518	290,935	326,195	296,836	327,507
Other Taxes	3,820,413	9,866,947	12,649,876	13,531,030	14,891,478
Intergovernmental unrestricted:					
Motor Vehicle In-Lieu Fees	2,516,011	2,276,752	2,476,028	2,634,391	2,532,312
Use of Money and Property	1,777,188	2,733,017	3,306,358	3,815,626	2,032,690
Gain on Sale of Property	56,981	315,000	497,534	13,275	6,091
Miscellaneous	143,876	285,471	378,792	204,549	266,488
Special item - transfer of loans and cash to County	(1,425,863)				
Special item - assets transferred from Successor Agency					
Extraordinary item - assets transferred to/liabilities assumed by Successor Agency					
Total Governmental Activities	23,249,026	32,545,636	39,279,270	40,610,065	39,217,157
Change in Net Position					
Governmental Activities	($1,397,363)	$4,014,221	$15,616,238	$10,330,938	($9,223,591)

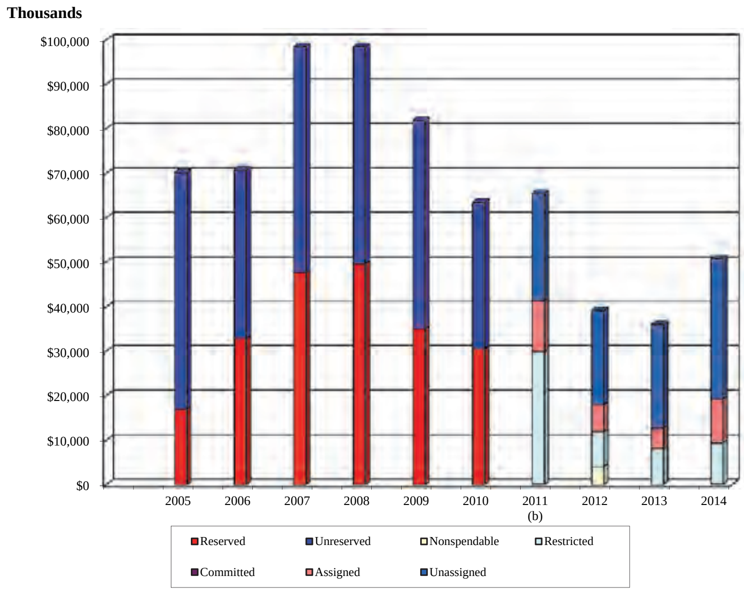
(a) Included in Other Taxes prior to fiscal year 2012.
(b) Includes business licenses previously included in Other Taxes.
(c) The City implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term “net assets” with the term “net position.”

	Fiscal Year Ended June 30,				
	2010	2011	2012	2013(c)	2014
	$3,746,905	$3,873,454	$4,041,867	$5,680,263	$5,918,919
	1,260,952	1,296,966	1,141,266	1,342,621	1,306,695
	17,744,655	4,482,336	2,062,972	1,176,592	1,115,441
	244,168	86,761	6,937	13,600	12,100
	6,390,441	7,379,061	7,447,687	8,064,981	7,304,089
	14,471,506	14,397,742	13,676,212	15,393,927	14,959,000
	3,894,561	3,813,714	2,175,282		
	47,753,188	35,330,034	30,552,223	31,671,984	30,616,244
	26,562	66,541	113,227	218,312	522,654
	166,294	251,779	204,475	245,934	236,757
	588,719	332,055	289,569	527,404	561,699
	118,661	106,798	85,258	143,158	168,230
	338,838	325,909	303,410	486,569	396,612
	1,620,850	2,497,146	2,158,891	1,930,939	1,962,725
	3,383,502	2,304,659	3,095,927	1,846,299	7,078,669
	6,243,426	5,884,887	6,250,757	5,398,615	10,927,346
	(41,509,762)	(29,445,147)	(24,301,466)	(26,273,369)	(19,688,898)
	1,099,009	1,129,241	1,345,016	1,229,599	1,515,310
	9,751,633	9,415,129	5,051,415		
	1,250,870	1,313,493	1,396,988	2,253,736	2,912,396
	456,357	316,486	421,134	468,552	548,465
	1,512,840	2,083,913	2,339,064	2,473,792	2,553,955
			309,167	356,177	424,570
			540,565	627,473	719,358
			1,757,473	1,792,638	1,828,490
	321,824	313,623	15,800,631	17,388,179 (b)	18,291,111
	15,332,960	16,217,232	85,790	109,928	114,542
	1,937,853	1,881,451	1,688,305	1,654,714	1,713,415
	777,955	666,850	394,790	238,115	246,226
		1,327,416			
	251,332	228,070	344,653	167,902	320,447
					1,534,820
			49,928,093	(1,176,610)	
	32,692,633	34,892,904	81,403,084	27,584,195	32,723,105
	($8,817,129)	$5,447,757	$57,101,618	$1,310,826	$13,034,207

CITY OF SAN PABLO

City of New Directions

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



	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011 (b)	2012	2013	2014
General Fund										
Reserved	$383,225	$387,568	$45,330	$55,576	$71,191	$32,630				
Unreserved	13,634,482	12,989,007	18,012,835	17,378,837	20,125,976	21,359,353				
Nonspendable							$94,156	$4,024,921	$28,503	$45,219
Restricted							206,626			
Assigned								20,215	227,579	763,614
Unassigned							24,008,243	21,100,922	23,285,950	31,512,493
Total General Fund	$14,017,707	$13,376,575	$18,058,165	$17,434,413	$20,197,167	$21,391,983	$24,309,025	$25,146,058	$23,542,032	$32,321,326 (a)
All Other Governmental Funds										
Reserved	$16,603,584	$32,450,547	$47,633,407	$49,546,081	$34,879,869	$30,555,643				
Unreserved, reported in:										
Special revenue funds	549,853	915,850	1,366,884	1,385,761	1,570,804	1,829,801				
Capital project funds	38,954,525	23,939,025	31,423,052	30,104,970	25,252,717	9,611,508				
Restricted							$29,624,123	$7,862,952	$8,117,456	$9,387,695
Assigned							11,451,201	6,112,651	4,365,599	9,082,664
Unassigned							(10,350)			
Total all other governmental funds	$56,107,962	$57,305,422	$80,423,343	$81,036,812	$61,703,390	$41,996,952	$41,064,974	$13,975,603	$12,483,055	$18,470,359 (a)

(a) The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis.
(b) The City implemented the provisions of GASB Statement 54 in fiscal year 2011.

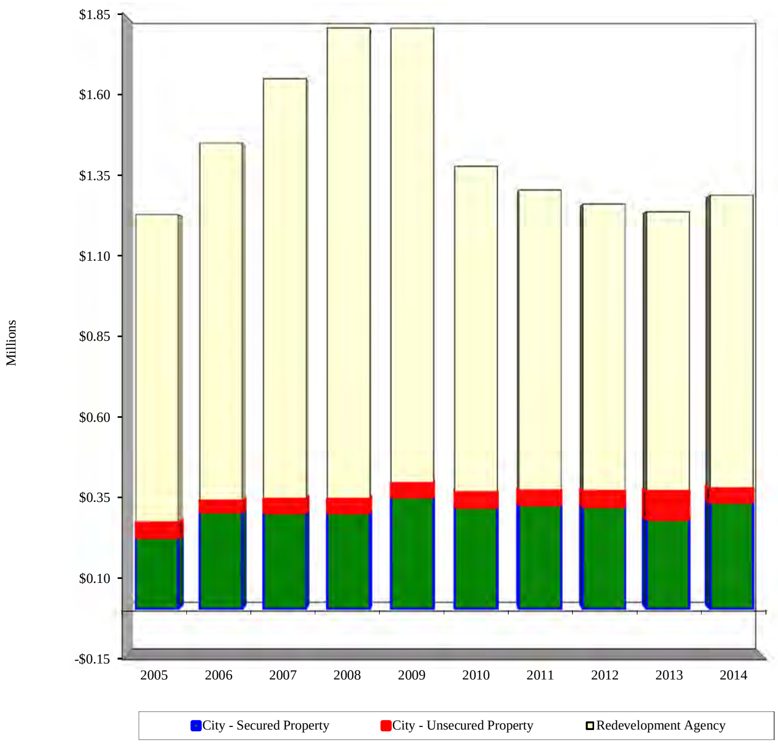
CITY OF SAN PABLO
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended June 30,				
	2005	2006	2007	2008	2009
Revenues					
Property taxes	$1,384,587	$1,387,577	$1,738,546	$1,584,784	$1,310,791
Incremental property taxes	11,577,262	12,251,525	14,959,091	15,434,058	14,675,932
Less ERAF	(780,327)	(801,770)			
Sales taxes	1,442,957	1,414,077	1,304,189	1,400,911	1,342,904
In-lieu sales tax	402,175	367,240	396,968	411,506	472,411
Utility users tax	2,053,248	2,158,865	1,594,338	1,632,823	1,366,676
Business license tax (a)					
Other taxes	3,820,413	9,866,947	12,649,876	13,531,030	14,891,478
Licenses and permits	280,518	290,935	326,195	296,836	327,507
Fines and forfeits	38,248	15,768	400,117	333,832	248,344
Intergovernmental	4,357,809	4,838,178	5,276,263	5,454,369	5,368,548
Charges for services	1,435,764	1,560,365	1,098,195	884,505	784,975
Use of money and property	2,544,289	3,373,908	4,165,686	4,339,988	2,217,675
Miscellaneous	302,606	269,703	276,206	178,633	237,809
Total Revenues	28,859,549	36,993,318	44,185,670	45,483,275	43,245,050
Expenditures					
Current:					
General government	6,075,454	5,153,650	2,462,270	3,502,819	3,092,038
Community					
Recreation	653,744	716,929	956,875	1,188,497	1,107,073
Development	6,083,560	3,871,099	4,215,123	6,723,506	10,911,000
Housing	849,562	1,320,060	518,764	4,192,021	5,778,117
Public Works & Engineering			2,947,864	3,569,382	3,266,892
Police	9,600,575	15,512,360	10,589,624	15,246,567	13,504,115
Pass Through to County					
Supplemental Educational Revenue Augmentation Fund Payment					
Estimated reduction in value of land held for redevelopment					12,520,417
Capital outlay	2,302,320	3,147,146	14,634,535	5,317,834	3,983,178
Debt service:					
Principal repayment	1,645,000	1,530,000	1,740,000	1,795,000	1,865,000
Interest and fiscal charges	3,145,231	3,079,872	4,097,085	3,993,540	3,794,982
Total Expenditures	30,355,446	34,331,116	42,162,140	45,529,166	59,822,812
Excess (deficiency) of revenues over (under) expenditures	(1,495,897)	2,662,202	2,023,530	(45,891)	(16,577,762)
Other Financing Sources (Uses)					
Transfers in	13,157,679	12,628,478	42,988,080	13,741,142	16,958,273
Transfers (out)	(13,157,679)	(12,628,478)	(42,988,080)	(13,741,142)	(16,958,273)
Proceeds or gain from sale of property	56,981	315,000	2,368,112	35,608	7,094
Loss from sale of property		(2,420,874)			
Issuance of debt			36,000,000		
Premium on bonds					
Payments to refunded bond escrow			(12,592,131)		
Property held for resale transferred to capital assets					
Total Other Financing Sources (Uses)	56,981	(2,105,874)	25,775,981	35,608	7,094
Special and Extraordinary Items					
Transfer of loans receivable and cash to the county	(1,425,863)				
Reversal of deferred revenues to offset the loans	1,005,931				
Assets transferred to Housing Successor					
Assets transferred to/liabilities assumed by Successor Agency/Housing Successor					
Total Special and Extraordinary Items	(419,932)	0	0	0	0
Change in Fund Balance	($1,858,848)	$556,328	$27,799,511	($10,283)	($16,570,668)
Debt service as a percentage of noncapital expenditures	17.1%	14.8%	21.2%	14.4%	10.1%

(a) Included in Other Taxes prior to fiscal year 2012.
(b) The Redevelopment Agency was dissolved on January 31, 2012.

Fiscal Year Ended June 30,				
2010	2011	2012	2013	2014
$1,104,259	$1,129,241	$1,345,016	$1,083,129	$1,515,310
9,751,633	9,415,129	5,051,415 (b)		
1,893,530	1,336,319	1,774,609	2,561,567	3,272,038
456,357	316,486	421,134	468,552	548,465
1,512,840	2,083,913	2,339,064	2,473,792	2,553,955
		15,501,584	17,105,522	17,951,434
15,332,960	16,217,232	2,692,995	2,862,216	3,064,960
321,824	313,623	299,047	282,657	339,677
253,830	175,236	160,779	199,033	178,497
5,792,474	6,927,565	6,732,431	5,341,904	10,466,512
980,009	786,693	733,972	1,324,955	1,622,447
904,473	1,275,476	1,070,834	886,060	494,277
135,070	143,404	125,916	105,815	265,763
38,439,259	40,120,317	38,248,796	34,695,202	42,273,335
3,608,932	5,077,971	4,051,309	5,644,563	5,798,844
1,232,619	1,281,164	1,045,283	1,198,105	1,173,065
8,120,814	3,231,110	1,776,767	1,116,502	1,097,422
680,286	214,996	6,937	1,850	12,100
3,173,331	2,912,684	3,039,965	3,108,904	3,153,976
14,281,329	14,109,881	13,601,625	14,879,348	14,858,753
5,939,603	1,222,860			
3,486,168				
9,741,894	4,993,318	8,925,221	11,656,245	2,912,525
3,050,000	3,165,543	3,290,000		
3,640,060	3,541,450	2,182,278		
56,955,036	39,750,977	37,919,385	37,605,517	29,006,685
(18,515,777)	369,340	329,411	(2,910,315)	13,266,650
15,160,490	21,666,427	15,145,921	8,671,125	3,904,184
(15,160,490)	(21,666,427)	(15,145,921)	(8,671,125)	(3,904,184)
4,155	1,327,416			
	1,222,860			1,141,738
	(911,727)			
4,155	1,638,549	0	0	1,141,738
		5,865,000		358,210
		(32,469,574)		
0	0	(26,604,574)	0	358,210
($18,511,622)	$2,007,889	($26,275,163)	($2,910,315)	$14,766,598
14.2%	19.1%	18.6%	0.0%	0.0%

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



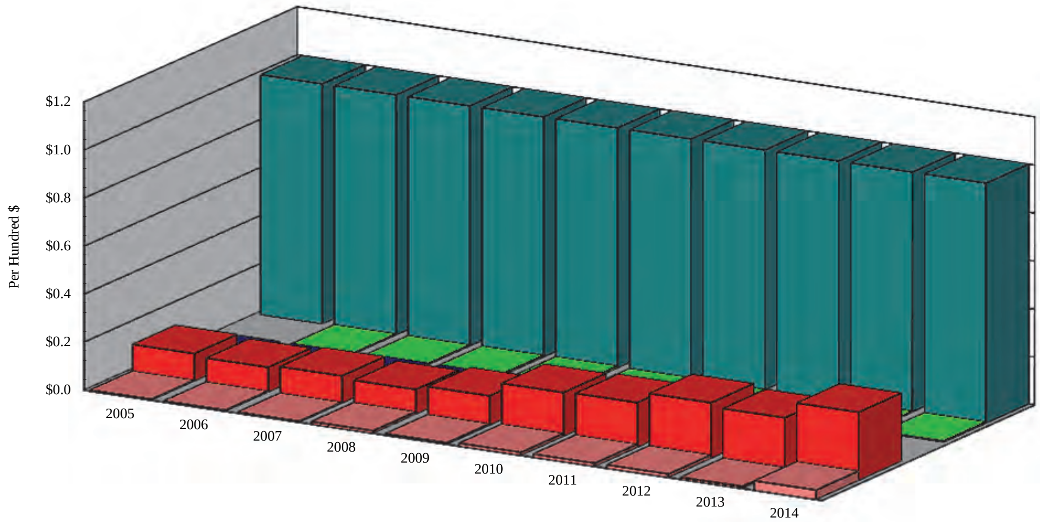
	Value of City Property Subject to Local Tax Rate			Value of Redevelopment Agency Property Subject to Local Tax Rate					
Fiscal Year	Secured Property	Unsecured Property	Total	Tenth Township	Legacy	Total	Total Assessed (a)	Estimated Full Market (a)	Total Direct Tax Rate (b)
2005	$220,397,081	$48,109,315	$268,506,396	$870,655,885	$89,092,924	$959,748,809	$1,228,255,205	$1,228,255,205	0.958%
2006	300,086,126	36,435,336	336,521,462	997,667,744	117,581,726	1,115,249,470	1,451,770,932	1,451,770,932	0.858%
2007	298,211,215	45,156,382	343,367,597	1,154,590,211	154,299,250	1,308,889,461	1,652,257,058	1,652,257,058	0.938%
2008	298,159,072	44,998,015	343,157,087	1,259,837,281	208,574,923	1,468,412,204	1,811,569,291	1,811,569,291	0.871%
2009	346,890,514	45,660,517	392,551,031	1,222,217,550	194,668,521	1,416,886,071	1,809,437,102	1,809,437,102	0.837%
2010	315,643,724	47,360,647	363,004,371	926,984,713	88,794,964	1,015,779,677	1,378,784,048	1,378,784,048	0.726%
2011	322,164,784	46,296,587	368,461,371	854,184,022	82,697,584	936,881,606	1,305,342,977	1,305,342,977	0.744%
2012	317,570,213	49,107,847	366,678,060	819,841,729	74,886,120	894,727,849	1,261,405,909	1,261,405,909	0.716%
2013	277,310,622	89,243,515	366,554,137	811,535,168	60,048,453	871,583,621	1,238,137,758	1,238,137,758	0.680%
2014	330,899,170	44,270,604	375,169,774	834,582,578	78,654,747	913,237,325	1,288,407,099	1,288,407,099	0.700%

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

(a) The State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of no more than two percent annually, plus any local over-rides. These values are considered to be full market values.

(b) California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area.

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



Direct and Overlapping Rates

Fiscal Year	Basic County Wide Levy (a)	Bay Area Rapid Transit	East Bay Regional Park District	West Contra Costa Unified School District	Community College	Total Direct and Overlapping Rates (b)	City's Share of 1% Levy per Prop 13 (c)	Redevel-opment Agency Rate (d)	Total Direct Rate (e)
2005	$1.00000		$0.00570	$0.11530	$0.00420	$1.12520	$0.09828	$1.00570	$0.79362
2006	1.00000	$0.00480	0.00570	0.10410	0.00470	1.11930	0.09828	1.00570	0.81544
2007	1.00000	0.00500	0.00850	0.11430	0.00430	1.13210	0.09828	1.00850	0.83751
2008	1.00000	0.00760	0.00800	0.10350	0.01080	1.12990	0.09828	1.00800	0.85082
2009	1.00000	0.00900	0.01000	0.12300	0.00660	1.14860	0.09828	1.01000	0.84696
2010	1.00000	0.00570	0.01080	0.18280	0.01260	1.21190	0.09828	1.01080	0.80472
2011	1.00000	0.00310	0.00840	0.18690	0.01330	1.21170	0.09828	1.00840	0.78904
2012	1.00000	0.00410	0.00710	0.23220	0.01440	1.25780	0.09828	1.00710	0.78177
2013	1.00000	0.00430	0.00510	0.21570	0.00870	1.23380	0.09828	0.00000	0.77265
2014	1.00000	0.00546	0.02590	0.28470	0.03970	1.35576	0.09830	0.00000	0.09750

Source: HdL Coren & Cone, Contra Costa County Assessor

(a) In 1978, California voters passed Proposition 13 which set the property tax rate at a 1% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the, 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

(b) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all City property owners.

(c) City's share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the City. ERAF general fund tax shifts may not be included in tax ratio figures.

(d) Redevelopment Agency (RDA) rate is based on the largest RDA tax rate area (TRA) and includes only rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of ABX1 26 eliminated Redevelopment from the State of California for fiscal year 2013 and years thereafter.

(e) Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information.

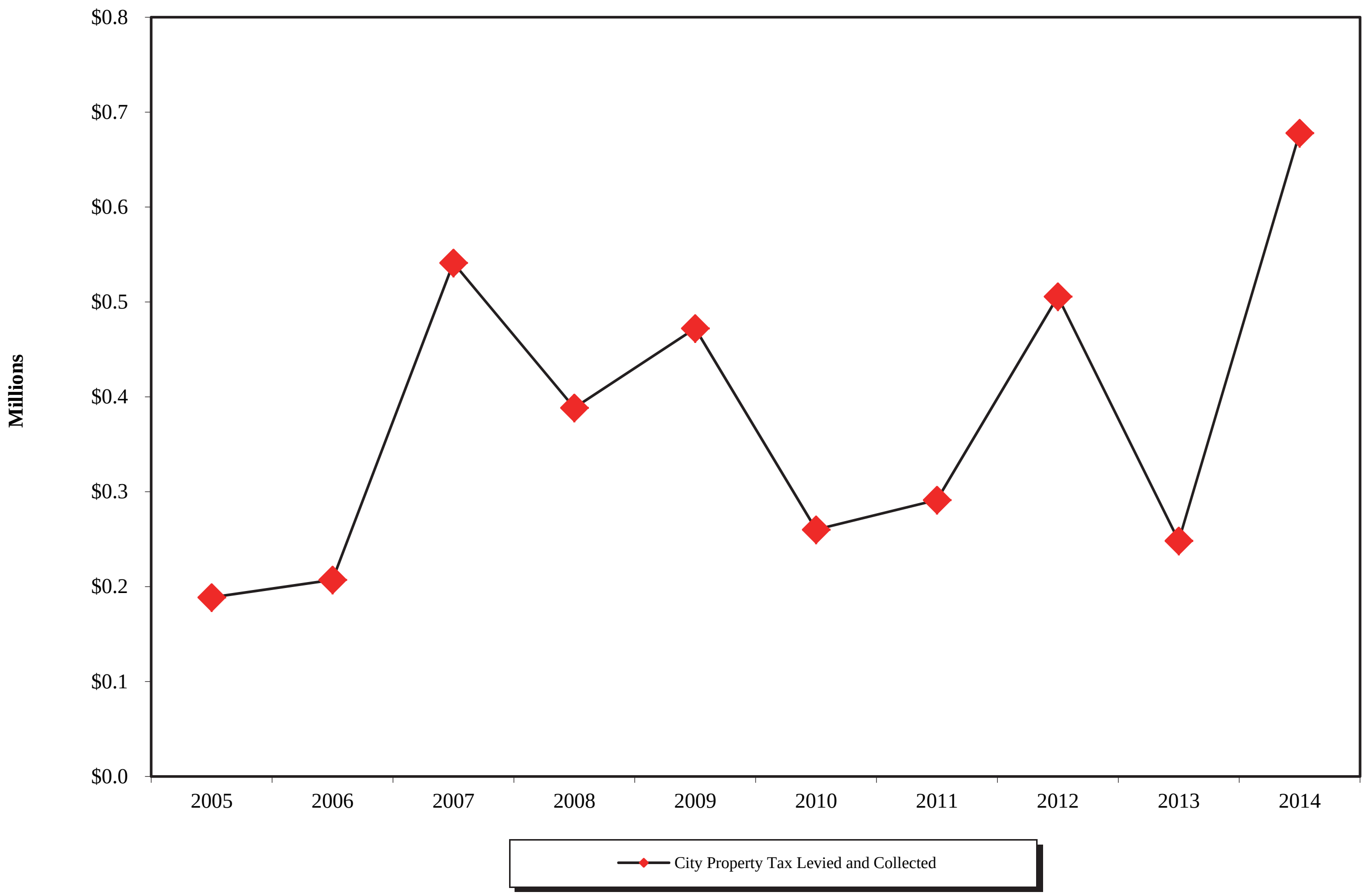
CITY OF SAN PABLO
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2013-2014 Taxable Assessed Value	2013-2014 Rank	2013-2014 Percentage of Total City Taxable Assessed Value	2004-2005 Taxable Assessed Value	2004-2005 Rank	2004-2005 Percentage of Total City Taxable Assessed Value
Donahue Schriber Realty Group	$21,752,504	1	1.7%			
CC San Pablo LP	14,667,490	2	1.1%			
San Pablo Retail Partners	14,426,257	3	1.1%			
3002 Giant Road LLC	14,079,966	4	1.1%			
Save Mart Supermarkets	13,475,017	5	1.0%	$11,367,650	6	0.9%
Public Storage, Inc.	10,640,147	6	0.8%	9,950,609	7	0.8%
Lucky NoCal Investor LLC	10,308,337	7	0.8%			
Gordon Creekside LLC	9,399,168	8	0.7%			
WEC 97K-31 Investment Trust	6,864,750	9	0.5%			
Vale Property LLC	6,321,881	10	0.5%			
Signature at Abella				19,555,022	1	1.6%
August partners LLC				15,456,922	2	1.3%
Princeton Plaza LLC				14,477,952	3	1.2%
West CCC Hospital Group				13,737,826	4	1.1%
Tenet Healthsystem Hospital Inc				13,273,550	5	1.1%
Murray and Janet Gordon Trust				8,140,702	8	0.7%
Lucky Stores Inc.				8,076,442	9	0.7%
Comcast of East San Fernando				6,267,476	10	0.5%
Subtotal	$121,935,517		9.5%	$120,304,151		9.8%

Total Net Assessed Valuation:
Fiscal Year 2013-2014 $1,288,407,099
Fiscal Year 2004-2005 $1,228,255,205

Source: HdL Coren & Cone, Contra Costa County Assessor

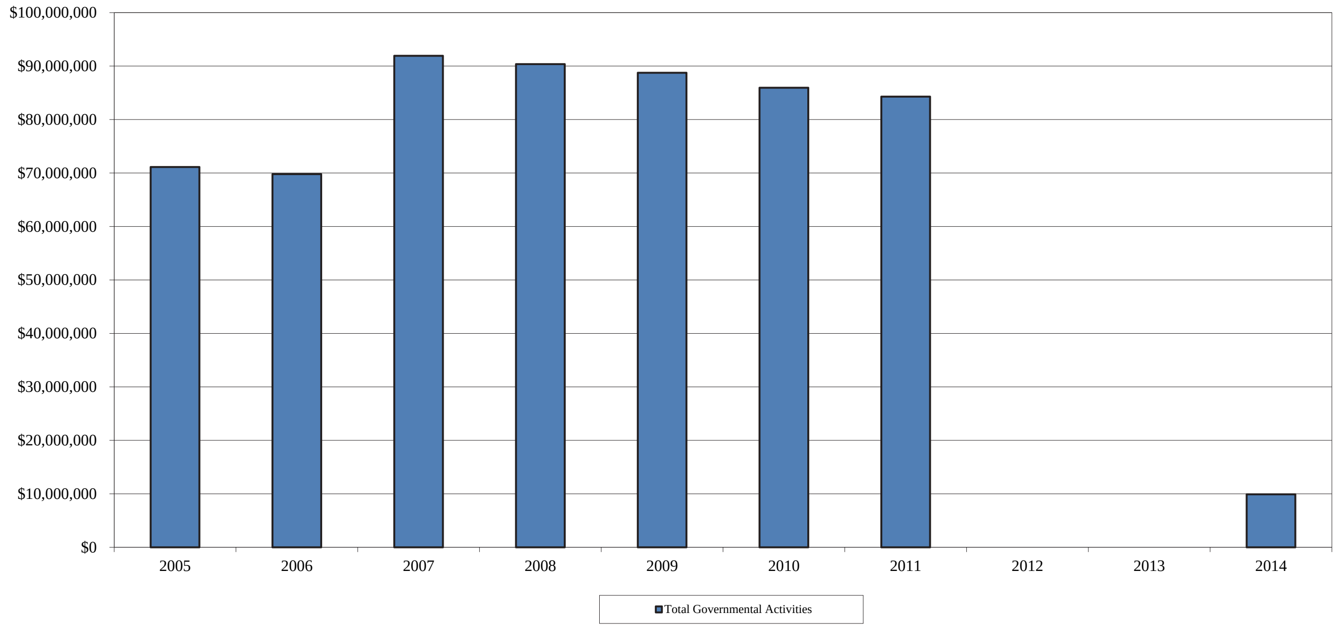
CITY OF SAN PABLO
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS



Fiscal Year	City Property Tax Levied and Collected (1)	Redevelopment Agency Property Tax Levied and Collected		Total Property Tax Levied and Collected (2)	Percent of Total Tax Collections to Tax Levy
2005	$188,707	$11,577,262		$11,765,969	100%
2006	207,171	12,251,525		12,458,696	100%
2007	541,189	14,959,091		15,500,280	100%
2008	388,457	15,434,058		15,772,515	100%
2009	472,141	14,675,932		15,148,073	100%
2010	260,080	9,751,633		10,011,713	100%
2011	291,311	9,415,129		9,706,440	100%
2012	505,693	5,051,415	(3)	5,557,108	100%
2013	248,288	0	(3)	248,288	100%
2014	677,924	0	(3)	677,924	100%

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

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



	Governmental Activities					
Fiscal Year	Tax Allocation Bonds	SERAF Loan	Capital Leases and Loans	Total Governmental Activities	Percentage of Personal Income (a)	Per Capita (a)
2005	$71,120,978			$71,120,978	14.19%	$2,269
2006	69,798,514			69,798,514	15.63%	2,236
2007	91,927,978			91,927,978	20.82%	2,969
2008	90,365,056			90,365,056	17.58%	2,897
2009	88,745,472			88,745,472	16.34%	2,790
2010	85,954,993			85,954,993	16.20%	2,675
2011	83,064,430	$1,222,317		84,286,747	16.85%	2,913
2012	0 (b)	0 (b)		0	0.00%	0
2013	0 (b)	0 (b)		0	0.00%	0
2014	0 (b)	0 (b)	$9,906,655	9,906,655	1.96%	336

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

Sources: City of San Pablo
California Employment Development Department

(a) See Schedule "Demographic and Economic Statistics" for personal income and population data.
(b) The Redevelopment Agency was dissolved as of January 31, 2012 and its debt assumed by a Successor Agency as of February 1, 2012.

CITY OF SAN PABLO
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2014

2013-14 Assessed Valuation	$1,288,407,099
Less: Redevelopment Incremental Valuation	913,237,325
Adjusted Assessed Valuation	$375,169,774

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	Net Debt Outstanding	Percentage Applicable To City of San Pablo	Amount Applicable To City of San Pablo
Direct Debt:			
None			
Overlapping Debt:			
Bay Area Rapid Transit District	$218,127,299	0.821%	$1,791,663
Contra Costa County Pension Debt	258,500,000	0.821%	2,123,278
Contra Costa County Lease Revenue Bonds	289,802,050	0.821%	2,380,389
Contra Costa County Fire Pension Obligation	99,945,000	1.781%	1,779,846
Contra Costa Community College District	495,035,000	0.825%	4,082,354
East Bay Regional Park District	88,692,412	0.821%	728,505
West Contra Costa Unified School District	1,129,407,931	5.439%	61,432,338
City of San Pablo	**0**	100.000%	**0**
Total Overlapping Debt	2,579,509,692		74,318,373
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	$2,579,509,692		$74,318,373 (1)

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

RATIOS TO 2013-14 ADJUSTED ASSESSED VALUATION:	
Direct Debt	0.00%
Total Direct and Overlapping Tax Assessment Debt	19.81%

Source: HdL Coren & Cone

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

CITY OF SAN PABLO
COMPUTATION OF LEGAL BONDED DEBT MARGIN
JUNE 30, 2014

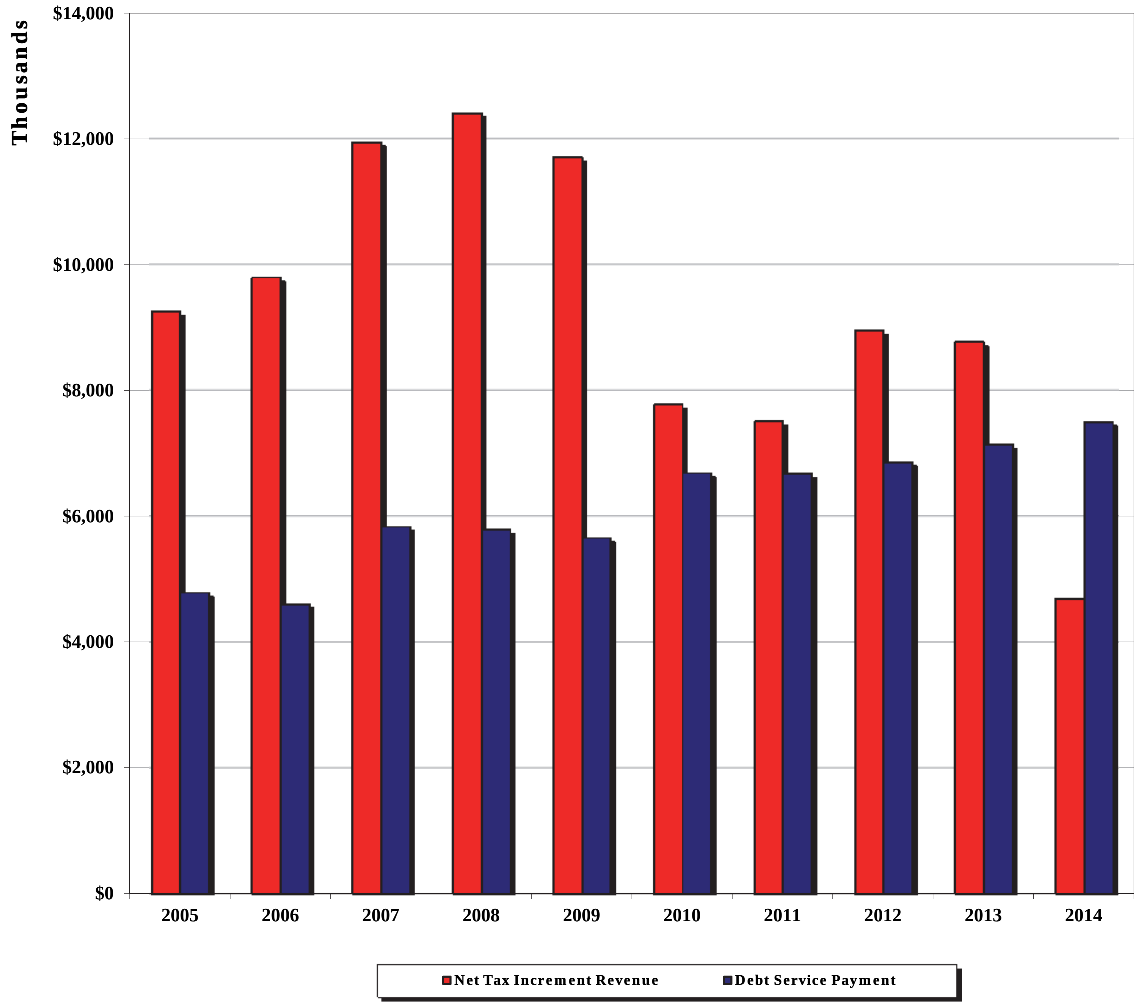
ASSESSED VALUATION:		
Secured property assessed value, net of exempt real property	$1,288,407,099	
BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)		$48,315,266
AMOUNT OF DEBT SUBJECT TO LIMIT:		
Total Bonded Debt	$0	
Less Tax Allocation Bonds and SERAF Loan not subject to limit	0	
Amount of debt subject to limit		0
LEGAL BONDED DEBT MARGIN		$48,315,266

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
2005	$46,059,570	$0	$46,059,570	0.00%
2006	54,441,410	0	54,441,410	0.00%
2007	61,921,066	0	61,921,066	0.00%
2008	67,933,848	0	67,933,848	0.00%
2009	67,853,891	0	67,853,891	0.00%
2010	51,704,402	0	51,704,402	0.00%
2011	48,950,362	0	48,950,365	0.00%
2012	47,302,722	0	47,302,722	0.00%
2013	46,430,166	0	46,430,166	0.00%
2014	48,315,266	0	48,315,266	0.00%

NOTE:

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

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



Fiscal Year	Redevelopment Agency Property Tax Increments		Less Low and Moderate Income Housing Set-Aside		Net Tax Increment Revenue	Debt Service Requirements Principal	Interest	Total		Coverage	
2005	$11,577,262		$2,315,452		$9,261,810	$1,645,000	$3,145,231	$4,790,231		1.93	
2006	12,251,525		2,450,280		9,801,245	1,530,000	3,079,872	4,609,872		2.13	
2007	14,959,091		3,009,430		11,949,661	1,740,000	4,097,085	5,837,085		2.05	
2008	15,434,058		3,021,571		12,412,487	1,795,000	3,993,540	5,788,540		2.14	
2009	14,675,932		2,965,190		11,710,742	1,865,000	3,794,982	5,659,982		2.07	
2010	9,751,633		1,972,660		7,778,973	3,050,000	3,640,060	6,690,060		1.16	
2011	9,415,129		1,903,187		7,511,942	3,165,000	3,516,993	6,681,993		1.12	
2012	8,952,532	(c)	0	(b)	8,952,532	3,290,000	3,577,017	6,867,017	(c)	1.30	
2013	8,773,589	(d)	0	(b)	8,773,589	3,430,000	3,718,205	7,148,205	(e)	1.23	(d)
2014	4,695,660	(d)	0	(b)	4,695,660	3,575,000	3,931,553	7,506,553	(e)	0.63	(d)

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

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

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

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

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

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

TENTH TOWNSHIP PROJECT AREA

Fiscal Year	Gross Tax Revenues		Housing Set-Aside		Pledged Tax Revenues	Debt Service On 1993 Bonds	1999 Bonds	2001 and 2004 Tenth Township Bonds	2006 Bonds	Total Debt Service		Debt Service Coverage
2005	$10,445,161		($2,089,032)		$8,356,129	$1,255,510	$903,738	$2,630,983		$4,790,231		1.74
2006	10,890,439		(2,178,088)		8,712,351	1,253,465	902,914	2,453,493		4,609,872		1.89
2007	13,186,910		(2,637,382)		10,549,528	0	895,583	2,860,073	$837,054	4,592,710		2.30
2008	13,230,168		(2,646,034)		10,584,134	0	896,438	2,990,278	1,700,661	5,587,377		1.89
2009	12,802,280		(2,560,456)		10,241,824	0	900,438	2,991,021	1,562,362	5,453,821		1.88
2010	9,051,332		(1,810,386)		7,240,946	0	897,782	2,553,326	2,963,452	6,414,560		1.13
2011	8,594,963		(1,737,391)		6,857,572	0	893,292	2,559,633	2,953,843	6,406,768		1.07
2012	8,529,190	(a)	0	(b)	8,529,190	0	887,070	2,942,173	2,762,899	6,592,142	(c)	1.29
2013	8,173,104	(d)	0	(b)	8,173,104	0	890,965	3,631,201	2,351,864	6,874,030	(e)	1.19
2014	8,345,826	(d)	0	(b)	8,345,826	0	893,377	3,652,390	2,683,687	7,229,454	(e)	1.15

LEGACY PROJECT AREA

Fiscal Year	Gross Tax Revenues		Housing Set Aside		Available Revenue	Debt Service on 2004 Legacy Bonds		Debt Service Coverage
2005	$1,132,101		($226,420)		$905,681			1.00
2006	1,360,967		(272,193)		1,088,774			1.00
2007	1,860,196		(372,048)		1,488,148	$334,225		4.45
2008	1,877,687		(375,537)		1,502,150	201,163		7.47
2009	2,023,668		(404,734)		1,618,934	206,161		7.85
2010	811,369		(162,274)		649,095	275,500		2.36
2011	820,166		(165,796)		654,370	275,225		2.38
2012	423,342	(a)	0	(b)	423,342	274,875	(c)	1.54
2013	600,485	(d)	0	(b)	600,485	274,175	(e)	2.19
2014	786,547	(d)	0	(b)	786,547	274,099	(e)	2.87

(a) The Redevelopment Agency was dissolved effective January 31, 2012 and its liabilities were assumed by a Successor Agency Agency effective February 1, 2012. Includes tax increment collected by the former Redevelopment Agency and property taxes collected by the Successor Agency After January 31, 2012, the distinction between the property taxes collected by the Tenth Township and Legacy Project Areas was not provided, therefore property taxes of $3,901,117 collected by the Successor Agency have been reported in the Tenth Township Project Area total.

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

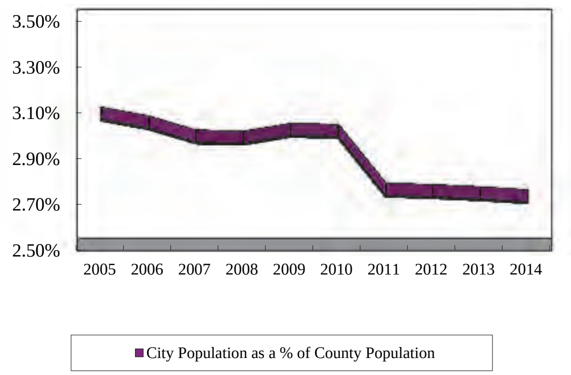
(c) Includes debt service paid by both the former Redevelopment Agency and the Successor Agency.

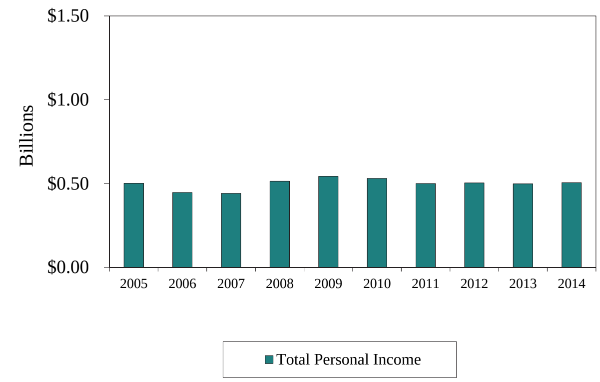
(d) Beginning in fiscal year 2013, tax increment reported in this table is the amount calculated by the County Auditor-Controller. Under the provisions of the laws dissolving the Redevelopment Agency, the Successor Agency only receives the funds funds necessary to fulfill its approved obligations.

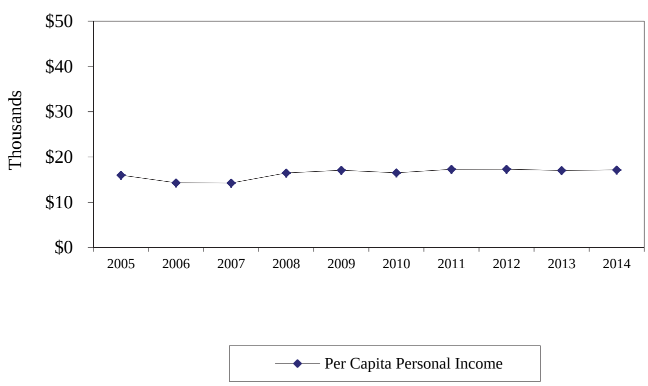
(e) Includes debt service paid by the Successor Agency.

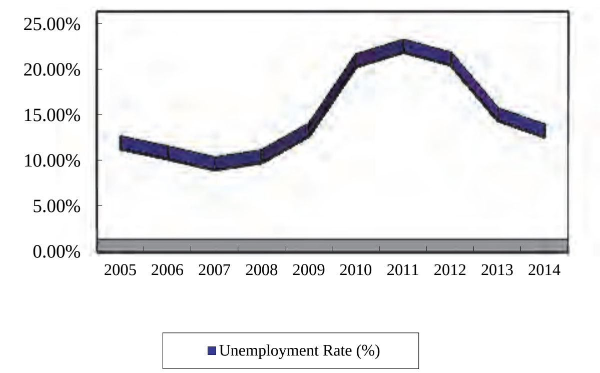
Sources: City of San Pablo Financial Statements

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









Fiscal Year	City Population	Total Personal Income		Per Capita Personal Income		Unemployment Rate (%)		Contra Costa County Population	City Population % of County
2005	31,344	$501,315,936	(a)	$15,994		11.3%		1,020,898	3.07%
2006	31,216	446,482,448	(a)	14,303		10.2%		1,029,377	3.03%
2007	30,965	441,498,970	(a)	14,258		9.0%		1,042,341	2.97%
2008	31,190	514,011,200	(a)	16,480		9.8%		1,051,674	2.97%
2009	31,808	543,217,024	(a)	17,078		12.7%		1,060,435	3.00%
2010	32,131	530,514,941	(a)	16,511		20.3%		1,072,953	2.99%
2011	28,931	500,216,990	(a)	17,290		21.9%		1,056,064	2.74%
2012	29,105	503,632,920		17,304	(c)	20.5%	(c)	1,065,117	2.73%
2013	29,266	498,078,000		17,019		14.4%		1,074,702	2.72%
2014	29,465	505,502,000		17,156		12.6%		1,087,008	2.71%

NOTES: (a) Data not available. Calculated by multiplying City Population by Per Capita Personal Income
(b) Data not available for the City for 2003 to 2004, therefore data presented is for Contra Costa County
(c) Data not available for fiscal year, therefore data presented is for prior calendar year

Sources: California State Department of Finance
California Employment Development Department

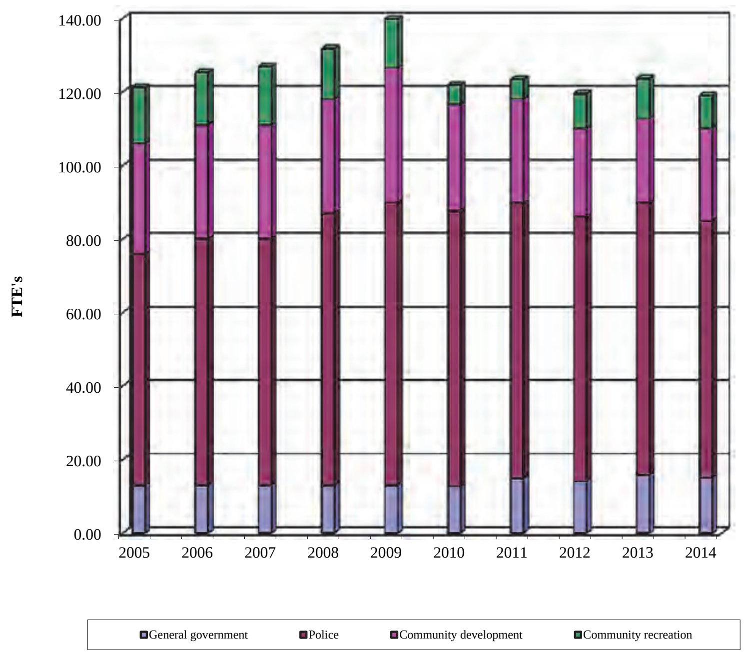
CITY OF SAN PABLO
Principal Employers
Current Year and Nine Years Ago

Employer	2013-2014 Number of Employees	2013-2014 Rank	2013-2014 Percentage of Total City Employment	2004-2005 Number of Employees	2004-2005 Rank	2004-2005 Percentage of Total City Employment
Doctor's Medical Center*	994	1	7.0%	491	1	N/A
Contra Costa College*	768	2	5.4%	258	3	N/A
Casino San Pablo*	489	3	3.5%	340	2	N/A
City of San Pablo*	216	4	1.5%	167	4	N/A
Vale Care Center*	169	5	1.2%	142	5	N/A
San Pablo Health Care Center*	153	6	1.1%			
Creekside Health Care Center*	127	7	0.9%	73	8	N/A
West County Health Center *	120	8	0.9%			
Food Maxx	99	9	0.7%	65	9	N/A
Las Mantanas	91	10	0.6%			
Brookvue Care Center*				120	6	N/A
Albertson's (Lucky's)				88	7	N/A
Raley's				63	10	N/A
Subtotal	3,226		22.9%	1,807		N/A
Total City Day Population	14,100			N/A		

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

*includes part time employees

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



	Adopted for Fiscal Year June 30									
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Function										
General government	13.00	13.00	13.00	13.00	13.00	12.70	14.88	14.00	15.80	15.00
Community development	30.00	31.00	31.00	31.00	36.50	28.86	28.22	24.00	22.90	25.00
Community recreation	15.25	14.25	15.90	13.75	13.30	5.35	5.39	9.50	10.90	9.00
Police	63.00	67.00	67.00	74.00	77.00	75.00	74.91	72.00	74.00	70.00
Total	121.25	125.25	126.90	131.75	139.80	121.91	123.40	119.50	123.60	119.00

CITY OF SAN PABLO
Operating Indicators by Function/Program

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

Source: Various City Departments

Notes:
Data is not available prior to 2006
N/A denotes information not available.

CITY OF SAN PABLO
Capital Asset Statistics by Function/Program

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

Source: Various City Departments

Notes:
Data is not available prior to 2006
(1) Wastewater services are provided by Contra Costa County

CITY OF SAN PABLO

City of New Directions

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions of the Indenture, the Lease, the Site Lease and the Assignment Agreement. This summary is not to be considered a full statement of the terms of such documents and accordingly is qualified by reference thereto and is subject to the full text thereof. Capitalized terms not otherwise defined in this summary or in this Official Statement have the respective meanings set forth in the Indenture.

DEFINITIONS

"Act" means Articles 1 through 4 (commencing with Section 6500), Chapter 5, Division 7, Title 1 of the Government Code of the State, as in existence on the Closing Date or as thereafter amended from time to time.

"Additional Bonds" mean the Bonds of an additional Series authorized by a Supplemental Indenture that are issued pursuant to the Indenture.

"Additional Rental Payments" means Additional Rental Payments due under the Lease.

"Annual Debt Service" means, for each Bond Year with respect to each of the Bonds, the sum of (a) the interest payable on the Outstanding Bonds in such Bond Year, and (b) the principal amount of the Outstanding Bonds scheduled to be paid in such Bond Year.

"Authorized Denominations" means $5,000 or any integral multiple thereof.

"Base Rental Payments" means the Series 2015A Base Rental Payments or the Series 2015B Base Rental Payments, as the context requires, and any additional base rental payments made under the Indenture with respect to any Additional Bonds issued in accordance with the Indenture.

"Bond Counsel" means (a) Norton Rose Fulbright US LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Authority of nationally recognized experience in the area of municipal finance.

"Bond Law" means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of the Act, as in existence on the Closing Date or as thereafter amended from time to time.

"Bond Year" means each twelve-month period extending from May 2 in one calendar year to May 1 of the succeeding calendar year, both dates inclusive, except that the first Bond Year shall begin on the Closing Date and shall end on May 1, 2015.

"Bonds" means the Series 2015A Bonds and the Series 2015B Bonds, and, where the context requires, any Additional Bonds.

"Business Day" means a day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in the city in which the Trustee maintains its Trust Office are authorized or required by law or executive order to close or (iii) a day on which the New York Stock Exchange is closed.

“Certificate of the Authority” means a certificate in writing signed by the Executive Director of the Authority or by any other officer of the Authority duly authorized by the Executive Director or any other officer of the Authority duly authorized for that purpose, as evidenced in writing to the Trustee.

“Certificate of the City” means a certificate in writing signed by the City Manager of the City or by any other officer of the City duly authorized for that purpose, as evidenced in writing to the Trustee.

“Closing Date” means the date of delivery of the Bonds to the Original Purchaser thereof.

“Code” means the Internal Revenue Code of 1986.

“Costs of Issuance” means all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds, including but not limited to all compensation, fees and expenses (including but not limited to fees and expenses for legal counsel) of the Authority and the Trustee, compensation to any financial consultants or underwriters, legal fees and expenses (including fees and expenses of Bond Counsel), filing and recording costs, rating agency fees, costs of preparation and reproduction of documents, costs of printing and fees, bond insurance premiums and costs for any guaranty, surety bond, letter of credit or other credit facility.

“Defeasance Securities” means, subject to certain requirements of the Insurer:

1) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series — “SLGS”)

2) Direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities.

3) Resolution Funding Corp. (REFCORP) Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable.

4) Pre-refunded municipal bonds rated “Aaa” by Moody’s and “AA+” by S&P. If however, the issue is only rated by S&P (i.e., there is no Moody’s rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or “AA+” rated pre-refunded municipals to satisfy this condition.

5) Obligations issued by the following agencies which are backed by the full faith and credit of the U.S.:

    a. U.S. Export-Import Bank (Eximbank)

        i Direct obligations or fully guaranteed certificates of beneficial ownership

    b. Farmers Home Administration (FmHA)

        i Certificates of beneficial ownership

    c. Federal Financing Bank

    d. General Services Administration

        i Participation certificates

e. U.S. Maritime Administration

i Guaranteed Title XI financing

f. U.S. Department of Housing and Urban Development (HUD)

i Project Notes

ii Local Authority Bonds

iii New Communities Debentures – U.S. government guaranteed debentures

iv U.S. Public Housing Notes and Bonds – U.S. government guaranteed public housing notes and bonds

"Depository" means DTC and its successors and assigns or if (a) the then Depository resigns from its functions as securities depository of the Bonds, or (b) the Authority discontinues use of the Depository pursuant to the Indenture, any other securities depository which agrees to follow the procedures requested to be followed by a securities depository in connection with the Bonds and which is selected by the Authority.

"Depository Participant" means a member of, or participant in, the Depository.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Event of Default" means any of the events described in the Indenture.

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term "fair market value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit the value of which is determined in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) the value of which is determined in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security-State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) the investment is the Local Agency Investment Fund of the State of California, but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States.

"Fiscal Year" means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority as its official fiscal year period.

"Independent Certified Public Accountant" means any certified public accountant or firm of certified public accountants appointed and paid by the Authority, and who, or each of whom:

(a) is in fact independent and not under domination of the Authority or the City;

(b) does not have any substantial interest, direct or indirect, in the Authority or the City; and

(c) is not connected with the Authority or the City as an officer or employee of the Authority or the City but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

"Information Services" means the Electronic Municipal Market Access System (referred to as "EMMA"), a facility of the Municipal Securities Rulemaking Board, at *http://emma.msrb.org*; provided, however, in accordance with then current guidelines of the Securities and Exchange Commission, Information Services shall mean such other organizations providing information with respect to called Bonds as the Authority may designate in writing to the Trustee.

"Insurance and Condemnation Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Insurer" means the Series 2015 Insurer, and any other insurer with respect to any Additional Bonds.

"Interest Component" means the interest component of any Base Rental Payments as set forth in the exhibit to the Lease relating to such Base Rental Payments.

"Joint Exercise of Powers Agreement" means that certain Joint Exercise of Powers Agreement, dated as of August 1, 1989, entered into under the Act by the City of San Pablo and the San Pablo Parking Authority, together with any amendments thereof and supplements thereto.

"Lease Revenue Fund" means the Series 2015A Lease Revenue Fund or the Series 2015B Lease Revenue Fund, as the context requires.

"Leased Property" means, collectively, those certain parcels of real property, together with the improvements thereon, leased by the Authority to the City pursuant to the Lease, as more fully described in the Lease, as such description may be revised and amended from time to time pursuant to the terms of the Indenture and of the Lease.

"Maximum Annual Debt Service" in respect of any Bond Year means the largest of the sums obtained for that or any succeeding Bond Year after totaling the following for each such Bond Year:

1. The principal amount of all Outstanding Series 2015A Bonds or Series 2015B Bonds, as applicable, maturing or required to be redeemed by mandatory sinking account redemption in such Bond Year; and

2. The interest that would be due during such Bond Year on the aggregate principal amount of Series 2015A Bonds or Series 2015B Bonds, as applicable, which would be Outstanding in such Bond Year if the Series 2015A Bonds or Series 2015B Bonds, as applicable, Outstanding on the date of such computation were to mature or be redeemed in accordance with the applicable maturity or mandatory sinking account redemption schedule. At the time and for the purpose of making such computation, the amount of Series 2015A Bonds or Series 2015B Bonds, as applicable already retired in advance of the above mentioned schedule or schedules shall be deducted pro rata from the remaining amounts thereon.

"Moody's" means Moody's Investors Service, and its successors and assigns.

"MSA" means the Municipal Services Agreement, dated September 20, 1999, between the Lytton Band of Pomo Indians, the City and the Redevelopment Agency of the City of San Pablo.

"Net Proceeds" means proceeds of any casualty or title insurance or condemnation awards, paid with respect to the Leased Property remaining after payment therefrom of all expenses in the collection thereof.

"Nominee" means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Indenture.

"Original Purchaser" means Stifel, Nicolaus & Company, Incorporated, or its successor.

"Outstanding," when used as of any particular time with reference to Bonds and Additional Bonds, means (subject to certain provisions of the Indenture) all Bonds and Additional Bonds theretofore executed, issued and delivered by the Authority under the Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds paid or deemed to have been paid within the meaning of the Indenture; and (c) Bonds in lieu of which or in substitution for which other Bonds shall have been executed, issued and delivered pursuant to the Indenture or any Supplemental Indenture.

"Owner" when used with respect to any Bond, means the person in whose name the ownership of such Bond shall be registered on the Registration Books.

"Permitted Encumbrances" means, with respect to the Leased Property, as of any particular time, (i) the Site Lease; (ii) the Lease, (iii) the Indenture, the Assignment Agreement and the Trustee's and the Authority's interests in the Leased Property, (iv) liens for taxes and assessments not then delinquent, (v) utility, access and other easements and rights of way, restrictions and exceptions that as certified in a Certificate of the City will not interfere with or impair the use intended to be made of the Leased Property; (vi) encumbrances upon any additions and improvements to the Leased Property as permitted in the Lease and which do not materially impair the use intended to be made of the portions of the Leased Property other than such additions and improvements; (vii) any sublease or use permitted by the Lease, (viii) covenants, conditions or restrictions or liens of record relating to the Leased Property and existing on the Closing Date; (ix) such minor defects, irregularities, encumbrances and clouds on title as normally exist with respect to property similar in character to the Leased Property and as do not materially impair the use intended to be made of property affected thereby; and (x) any encumbrances listed in the preliminary title report relating to the Leased Property.

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein (the Trustee is entitled to conclusively rely on a Request of the Authority directing investment in such Permitted Investment as a certification by the Authority to the Trustee that such Permitted Investment is a legal investment under the laws of the State), but only to the extent that the same are acquired at Fair Market Value:

(i) Direct 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) or obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America, including instruments evidencing a direct ownership interest in securities described in this paragraph such as Stripped Treasury Coupons at the time of purchase rated or assessed in the highest rating category by S&P and Moody's and held by a custodian for safekeeping on behalf of holders of such securities.

(ii) Bonds or notes which are exempt from federal income taxes and for the payment of which cash or obligations described in clause (i) of this definition in an amount sufficient to pay the principal of, premium, if any, and interest on when due have been irrevocably deposited with a trustee or other fiscal depositary and which at the time of purchase are rated the same rating as direct obligations of the United States of America by S&P and Moody's.

(iii) Obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following: Federal Home Loan Bank System, Government National Mortgage Association, Farmer's Home Administration, Federal Home Loan Mortgage Corporation or Federal Housing Administration; provided that with respect to the funds and accounts established under the Indenture, such obligations shall at no time exceed an amount equal to ten percent (10%) of the aggregate principal amount of the Bonds Outstanding.

(iv) Deposit accounts, certificates of deposit or savings accounts (i) fully insured by the Federal Deposit Insurance Corporation or (ii) with banks whose short term obligations are at the time of purchase rated no lower than A-1 by S&P and P-1 by Moody's including those of the Trustee and its affiliates.

(v) Federal funds or banker's acceptances with a maximum term of one year of any bank that at the time of purchase has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" by Moody's and "A-l" or "A" or better by S&P (including the Trustee).

(vi) Repurchase obligations with a term not exceeding 30 days pursuant to a written agreement between the Trustee and either a primary dealer on the Federal Reserve reporting dealer list which falls under the jurisdiction of the SIPC or a federally chartered commercial bank whose long-term debt obligations at the time of purchase are rated A or better by S&P and Moody's, with respect to any security described in clause (1); provided that the securities which are the subject of such repurchase obligation (i) must be free and clear of all liens, (ii) in the case of a SIPC dealer, were not acquired pursuant to a repurchase or reverse repurchase agreement, (iii) must be deposited with the Trustee and maintained through weekly market valuations in an amount equal to 104% of the invested funds plus accrued interest; and further provided that the Trustee must have a valid first perfected security interest in such securities.

(vii) Taxable government money market portfolios that at the time of purchase have a rating by S&P of Am-G or Am or better and rated in one of the three highest rating categories of Moody's, subject to a maximum permissible limit equal to six months of principal and interest on the Bonds including portfolios of the Trustee and its affiliates.

(viii) Tax-exempt government money market portfolios that at the time of purchase have a rating by S&P of Am-G or Am or better and rated in one of the three highest rating categories of Moody's consisting of securities which are rated in the highest Rating Categories of S&P and Moody's subject to a maximum permissible limit equal to six months of principal and interest on the Bonds.

(ix) Money market funds registered under the Investment Company Act of 1940, the shares in which are registered under the Securities Act of 1933 and that at the time of purchase have a rating by S&P of AAAm-G or AAAm and rated in one of the two highest Rating Categories of Moody's, including those managed or advised by the Trustee or its affiliates.

(x) Commercial paper having, at the time of investment or contractual commitment to invest therein, a rating from Moody's and S&P, of A1 and P1, respectively.

(xi) The Local Agency Investment Fund of the State, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

(xii) Investment agreements, including guaranteed investment contracts ("GICs") forward purchase agreements and reserve fund put agreements with banks or other financial institutions rated, or guaranteed by institutions rated, or with senior unsecured debt rated, at the time of purchase by S&P or Moody's, in one of the three highest rating categories assigned by such agencies.

(xiii) Any other investments which meet the criteria established by applicable published investment guidelines issued by each rating agency then rating the Bonds.

"Project Costs" means all costs which are paid from moneys on deposit in the Project Fund, including but not limited to:

(a) all costs required to be paid to any person under the terms of any agreement for or relating to the Project;

(b) obligations incurred for labor and materials in connection with the Project;

(c) the cost of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect in connection with the Project;

(d) all costs of engineering and architectural services, including the actual out-of-pocket costs for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees, sales commissions, and for supervising construction, as well as for the performance of all other duties required by or consequent to the Project;

(e) any sums required to reimburse the Authority or the City for advances made for any of the above items or for any other costs incurred and for work done which are properly chargeable to the Project; and

(f) all financing costs incurred in connection with the Project, including but not limited to Costs of Issuance and other costs incurred in connection herewith and the financing of the Project.

"Principal Component" means the principal component of any Base Rental Payments as set forth in the exhibit to the Lease relating to such Base Rental Payments.

"Project Fund" means the Series 2015A Project Fund or the Series 2015B Project Fund, as the context requires.

"Rebate Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Record Date" means, with respect to any Interest Payment Date, the fifteenth calendar day of the month immediately preceding such Interest Payment Date, whether or not such day is a Business Day.

"Registration Books" means the records maintained by the Trustee pursuant to the Indenture for the registration and transfer of ownership of the Bonds.

"Rental Payments" means, collectively, the Base Rental Payments, any additional base rental payments made in connection with Additional Bonds and any Additional Rental Payments.

"Request of the Authority" means a request in writing signed by the Chair or Executive Officer of the Authority or by any other officer of the Authority duly authorized by the Chair or by the Board for that purpose, as evidenced in writing to the Trustee.

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

"Reserve Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Reserve Fund Credit Instrument" means (a) the Series 2015 Reserve Policy and (b) an irrevocable standby or direct-pay letter of credit or surety bond or policy issued by a commercial bank, national banking association or insurance company and deposited with the Trustee pursuant to the Indenture; provided, that all of the following requirements are met: (i) at the time of issuance of such letter of credit or surety bond or policy, the long-term credit rating of such commercial bank or insurance company is "AA" or "Aa2" by S&P or Moody's, respectively, or higher, and, if rated by A.M. Best & Company, a minimum rating of "A"; (ii) such letter of credit or surety bond or policy has a term which ends no earlier than the last Interest Payment Date of the Series of Bonds to which the Reserve Requirement applies; (iii) such letter of credit or surety bond or policy has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released; and (iv) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond or policy to draw thereunder amounts necessary to carry out the purposes specified in the Indenture, including the replenishment of any Interest Account or Principal Account.

"Reserve Requirement" means an amount equal to the least of (i) ten percent (10%) of the original issue price of the Bonds; (ii) one hundred twenty-five percent (125%) of average Annual Debt Service Bonds as of the Closing Date; and (iii) Maximum Annual Debt Service on the Bonds.

"Responsible Officer" means any member of the Authority Board or any other person authorized by resolution of the Authority Board to act on behalf of the Authority under or with respect to the Lease or the Indenture.

"Revenues" means (i) all Base Rental Payments payable by the City pursuant to the Lease (including prepayments), (ii) any proceeds of Bonds deposited with the Trustee and all moneys on deposit in the funds and accounts (other than the Rebate Fund) established under the Indenture, (iii) investment income with respect to such moneys held by the Trustee and (iv) any insurance proceeds or condemnation awards received by or payable to the Trustee relating to the Base Rental Payments.

"S&P" means Standard & Poor's Financial Services LLC, and its successors and assigns.

"Securities Depositories" means The Depository Trust Company, New York, New York and its successors and assigns or if (i) the then Securities Depository resigns from its functions as depository of the Bonds or (ii) the Authority discontinues use of the then Securities Depository pursuant to the Indenture, any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the Bonds and which is selected by the Authority.

“Series” whenever used in the Indenture with respect to the Bonds or Additional Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange of or in lieu of or in substitution for (but not to refund) such Bonds as provided in the Indenture.

“Series 2015 Bonds” means the Series 2015A Bonds and the Series 2015B Bonds.

“Series 2015 Insurer” means Assured Guaranty Municipal Corp., New York stock insurance company, or any successor or assignee thereof, as issuer of the Series 2015A Insurance Policy, the Series 2015B Insurance Policy and the Series 2015 Reserve Policy.

“Series 2015 Insurance Policy” means the Series 2015A Insurance Policy or the Series 2015B Insurance Policy, as the context requires.

“Series 2015 Reserve Policy” means the municipal bond debt service reserve insurance policy issued by the Series 2015 Insurer in connection with the Series 2015 Bonds.

“Series 2015A Base Rental Payments” means all Series 2015A Base Rental Payments under the Lease.

“Series 2015A Costs of Issuance Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Series 2015A Insurance Policy” means the municipal bond insurance policy issued by the Series 2015 Insurer guaranteeing the scheduled payment of principal of and interest on the Series 2015A Bonds when due.

“Series 2015A Interest Account” means the account by that name established and held by the Trustee pursuant to the Indenture.

“Series 2015A Lease Revenue Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Series 2015A Principal Account” means the account by that name established and held by the Trustee pursuant to the Indenture.

“Series 2015A Project Fund” means the account by that name established and held by the Trustee pursuant to the Indenture.

“Series 2015A Revenues” means (i) all Series 2015A Base Rental Payments payable by the City pursuant to the Lease (including prepayments), (ii) any proceeds of Series 2015A Bonds originally deposited with the Trustee and all moneys on deposit in the funds and accounts (other than the Rebate Fund) established under the Indenture for the Series 2015A Bonds, (iii) investment income with respect to such moneys held by the Trustee and (iv) any insurance proceeds or condemnation awards received by or payable to the Trustee relating to the Series 2015A Base Rental Payments.

“Series 2015B Base Rental Payments” means all Series 2015A Base Rental Payments under the Lease.

"Series 2015B Costs of Issuance Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Series 2015B Insurance Policy" means the municipal bond insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Series 2015B Bonds when due.

"Series 2015B Interest Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Series 2015B Lease Revenue Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Series 2015B Principal Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Series 2015B Project Fund" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Series 2015B Revenues" means (i) all Series 2015B Base Rental Payments payable by the City pursuant to the Lease (including prepayments), (ii) any proceeds of Series 2015B Bonds originally deposited with the Trustee and all moneys on deposit in the funds and accounts established under the Indenture for the Series 2015B Bonds, (iii) investment income with respect to such moneys held by the Trustee and (iv) any insurance proceeds or condemnation awards received by or payable to the Trustee relating to the Series 2015B Base Rental Payments.

"Supplemental Indenture" means any agreement supplemental to or amendatory of the Indenture entered into in accordance with the provisions of the Indenture.

"Trust Office" means the corporate trust office of the Trustee in San Francisco, California or such other offices as may be specified to the Authority by the Trustee in writing.

"Written Request of the Authority" means a request in writing signed by a Responsible Officer.

THE INDENTURE

The Bonds

Method of Payment. Interest with respect to any Bond shall be payable in lawful money of the United States of America on each Interest Payment Date to the Owner thereof as of the close of business on the Record Date, such interest to be paid by check of the Trustee, mailed by first class mail no later than the Interest Payment Date to the Owner at his address as it appears, on such Record Date, on the Registration Books maintained by the Trustee; *provided, however,* that at the written request of the Owner of at least $1,000,000 in aggregate principal amount of Outstanding Bonds filed with the Trustee prior to any Record Date, interest on such Bonds shall be paid to such Owner on each succeeding Interest Payment Date (unless such request has been revoked in writing) by wire transfer of immediately available funds to an account in the United States designated in such written request. Payments of defaulted interest with respect to the Bonds shall be paid by check or draft to the registered Owners of the Bonds as of a special record date to be fixed by the Trustee, notice of which special record date shall be given to the registered Owners of the Bonds not less than ten days prior thereto. The principal of and premium, if any, on the Bonds are payable by check when due upon surrender thereof at the Trust Office in lawful money of the United States of America.

Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by his duly authorized attorney, upon presentation and surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed. Whenever any Bond shall be surrendered for transfer, the Authority shall execute and the Trustee shall thereupon authenticate and deliver to the transferee a new Bond or Bonds of like tenor, interest rate, maturity and aggregate principal amount in Authorized Denominations. The cost of printing any Bonds and any services rendered or expenses incurred by the Trustee in connection with any such transfer shall be paid by the Authority, except that the Trustee shall require the payment by the Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer. The Trustee shall not be required to transfer, pursuant to the Indenture, (a) any Bond during the period established by the Trustee for the selection of Bonds for redemption or (b) any Bond selected for certain redemptions pursuant to the Indenture.

Exchange of Bonds. Bonds may be exchanged at the Trust Office of the Trustee for the same aggregate principal amount of Bonds of the same tenor, interest rate, and maturity and of other Authorized Denominations. The cost of printing any Bonds and any services rendered or expenses incurred by the Trustee in connection with any such exchange shall be paid by the Authority, except that the Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The Trustee shall not be required to exchange, pursuant to the Indenture, (a) any Bond during the period established by the Trustee for the selection of Bonds for redemption or (b) any Bond selected for redemption pursuant to the Indenture.

Mutilated, Lost, Destroyed or Stolen Bonds. If any Bond shall become mutilated, the Authority, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor, maturity and aggregate principal amount in an Authorized Denomination in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it. If any Bond issued under the Indenture shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence shall be satisfactory to it and indemnity satisfactory to it shall be given, the Authority, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like series and tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been called for redemption, instead of issuing a substitute Bond the Trustee may pay the same without surrender thereof upon receipt of indemnity satisfactory to the Trustee). The Authority may require payment of a reasonable fee for each new Bond issued under the Indenture and of the expenses that may be incurred by the Authority and the Trustee. Any Bond issued under the provisions of the Indenture in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original contractual obligation on the part of the Authority whether or not the Bond alleged to be lost, destroyed or stolen shall be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of the Indenture with all other Bonds secured by the Indenture.

Registration Books. The Trustee will keep or cause to be kept at its Trust Office sufficient records for the registration and transfer of the Bonds, which shall at all times during regular business hours be open to inspection by the Authority with reasonable prior notice; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer, or cause to be registered or transferred, on said records, Bonds as provided in the Indenture.

Funds and Accounts; Pledge of Revenues

Cost of Issuance Funds. There is established a fund to be held by the Trustee known as the "Series 2015A Costs of Issuance Fund," into which shall be deposited a portion of the proceeds of the sale of the Series 2015A Bonds pursuant to the Indenture. The moneys in the Series 2015A Costs of Issuance Fund shall be used to pay Costs of Issuance related to the Series 2015A Bonds from time to time and shall be disbursed by the Trustee upon delivery to the Trustee of a requisition, substantially in the form attached to the Indenture, executed by an officer of the Authority. On the date that is 180 days following the Closing Date, or upon the earlier receipt by the Trustee of a Request of the Authority certifying that all Costs of Issuance related to the Series 2015A Bonds have been paid or provided for, the Trustee shall transfer any remaining amounts in the Series 2015A Costs of Issuance Fund to the Series 2015A Project Fund and the Trustee shall then close the Series 2015A Costs of Issuance Fund. There is hereby established a fund to be held by the Trustee known as the "Series 2015B Costs of Issuance Fund," into which shall be deposited a portion of the proceeds of the sale of the Series 2015B Bonds pursuant to the Indenture. The moneys in the Series 2015B Costs of Issuance Fund shall be used to pay Costs of Issuance related to the Series 2015B Bonds from time to time and shall be disbursed by the Trustee upon delivery to the Trustee of a requisition, substantially in the form attached to the Indenture, executed by an officer of the Authority. On the date that is 180 days following the Closing Date, or upon the earlier receipt by the Trustee of a Request of the Authority certifying that all Costs of Issuance related to the Series 2015B Bonds have been paid or provided for, the Trustee shall transfer any remaining amounts in the Series 2015B Costs of Issuance Fund to the Series 2015B Project Fund and the Trustee shall then close the Series 2015B Costs of Issuance Fund.

Project Funds. The Trustee shall establish, maintain and hold in trust a separate fund to be known as the "Series 2015A Project Fund." Except as otherwise provided in the Indenture, moneys in the Series 2015A Project Fund shall be used solely for the payment of Project Costs. The Trustee shall establish, maintain and hold in trust a separate fund to be known as the "Series 2015B Project Fund." Except as otherwise provided in the Indenture, moneys in the Series 2015B Project Fund shall be used solely for the payment of Project Costs. Before any payment from either Project Fund shall be made, the City shall file or cause to be filed with the Trustee, a Requisition of the City which shall be substantially in the form attached to the Indenture. The Trustee shall be entitled to rely on the representations of the City contained in such Requisition and shall not be required to independently verify the contents of such Requisition.

Within three (3) Business Days following receipt of each such Requisition, the Trustee shall pay the amount set forth in such Requisition as directed by the terms thereof out of the applicable Project Fund. Upon the Written Request of the City accompanied by a Written Certificate of the City stating that all Project Costs have been paid or provision made for their payment, any unexpended moneys in such Project Fund may be used to pay the costs associated with any other improvements of the City; *provided*, that in the opinion of Bond Counsel such use of the proceeds of the Series 2015A Bonds shall not adversely affect the exclusion of interest on the Series 2015A Bonds from gross income of the owners thereof.

Any unexpended moneys in a Project Fund subsequent to the payment of all Project Costs which are not used to pay the cost of other improvements of the City shall be transferred to the applicable Lease Revenue Fund upon receipt by the Trustee of a Written Request of the City accompanied by a Written Certificate of the City stating that all Project Costs have been paid or provision made for their payment.

Insurance and Condemnation Fund. Under the Indenture, there is established a separate fund to be known as the "Insurance and Condemnation Fund," into which shall be deposited Net Proceeds required to be deposited therein pursuant to the Lease. The Trustee shall disburse or transfer all amounts in the Insurance and Condemnation Fund, as stated in a Request of the City (as described below) for the payment of the cost of the reconstruction of the Leased Property (including reimbursement to the City for any such costs paid by it). Before any payment of money is made from the Insurance and Condemnation Fund, the Authority shall file or shall cause the City to file with the Trustee a requisition in substantially the form attached to the Indenture.

Pledge of Revenues; Assignment of Rights in Lease. Subject to the provisions of the Indenture, the Series 2015A Bonds shall be secured by a first lien on and pledge (which shall be effected in the manner and to the extent provided in the Indenture) of all of the Series 2015A Revenues, and all of the moneys in the Series 2015A Interest Account, the Series 2015A Principal Account and the Series 2015A Reserve Fund, including all amounts derived from the investment of such moneys. The Series 2015A Bonds shall be equally secured by a pledge, charge and lien upon the Series 2015A Revenues and such moneys without priority for number, date of the Series 2015A Bonds, date of execution or date of delivery; and the payment of the interest on and principal of the Series 2015A Bonds and any premiums upon the redemption of any portion thereof shall be and are secured by an exclusive pledge, charge and lien upon the 2015A Revenues and such moneys. So long as any of the Series 2015A Bonds are Outstanding, the 2015A Revenues and such moneys shall not be used for any other purpose; except that out of the 2015A Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by the Indenture.

Subject to the provisions of the Indenture, the Series 2015B Bonds shall be secured by a first lien on and pledge (which shall be effected in the manner and to the extent provided in the Indenture) of all of the Series 2015B Revenues, including all of the moneys in the Series 2015B Interest Account, the Series 2015B Principal Account and the Series 2015B Reserve Fund, and all amounts derived from the investment of such moneys. The Series 2015B Bonds shall be equally secured by a pledge, charge and lien upon the Series 2015B Revenues and such moneys without priority for number, date of the Series 2015B Bonds, date of execution or date of delivery; and the payment of the interest on and principal of the Series 2015B Bonds and any premiums upon the redemption of any portion thereof shall be and are secured by an exclusive pledge, charge and lien upon the Series 2015B Revenues and such moneys. So long as any of the Series 2015B Bonds are Outstanding, the Series 2015B Revenues and such moneys shall not be used for any other purpose; except that out of the Series 2015B Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by the Indenture.

The Authority hereby transfers in trust and assigns to the Trustee, for the benefit of the Owners from time to time of the Series 2015A Bonds, all of the 2015A Revenues and all of the right, title and interest of the Authority in the Lease with respect to the 2015A Revenues, including its rights to receive the Series 2015A Base Rental Payments scheduled to be paid by the City under and pursuant to the Lease and any and all of the other rights of the Authority under the Lease as may be necessary to enforce payment of such Series 2015A Base Rental Payments when due or otherwise to protect the interest of the Owners of the Series 2015A Bonds, including its leasehold title to the Leased Property leased to the City pursuant to the Lease with respect to the Series 2015A Base Rental Payments. The Trustee accepts such assignments. The Trustee shall be entitled to and shall receive all of the Series 2015A Revenues, and any Series 2015A Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Authority hereby transfers in trust and assigns to the Trustee, for the benefit of the Owners from time to time of the Series 2015B Bonds, all of the Series 2015B Revenues and all of the right, title and interest of the Authority in the Lease with respect to the Series 2015B Revenues, including its rights to receive the Series 2015B Base Rental Payments scheduled to be paid by the City under and pursuant to the Lease and any and all of the other rights of the Authority under the Lease as may be necessary to enforce payment of such Series 2015B Base Rental Payments when due or otherwise to protect the interest of the Owners of the Series 2015B Bonds, including its leasehold title to the Leased Property leased to the City pursuant to the Lease with respect to the Series 2015B Base Rental Payments.

The Trustee accepts such assignments. The Trustee shall be entitled to and shall receive all of the Series 2015B Revenues, and any Series 2015B Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee.

The Indenture shall be supplemented pursuant to a Supplemental Indenture to pledge revenues from additional base rental payments under the Lease for any series of Additional Bonds.

Series 2015A Lease Revenue Fund; Receipt, Deposit and Application of Revenues. All Series 2015A Revenues shall be deposited by the Trustee in a special fund designated as the "Series 2015A Lease Revenue Fund," which the Trustee shall establish, maintain and hold in trust under the Indenture.

On or before each Interest Payment Date, the Trustee shall transfer from the Series 2015A Lease Revenue Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Series 2015A Lease Revenue Fund), the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of 2015A Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) *2015A Interest Account.* The Trustee shall establish and maintain a separate account to be known as the "Series 2015A Interest Account." On or before each Interest Payment Date, the Trustee shall deposit in the Series 2015A Interest Account an amount required to cause the aggregate amount on deposit in the Series 2015A Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date on all respective Outstanding Series 2015A Bonds. No deposit shall be made into the Series 2015A Interest Account if the amount contained therein is at least equal to the interest becoming due and payable on all respective Outstanding Series 2015A Bonds on each succeeding Interest Payment Date within the then current Bond Year. All moneys in the Series 2015A Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Series 2015A Bonds as it shall become due and payable (including accrued interest on any Series 2015A Bonds redeemed prior to maturity).

(b) *2015A Principal Account.* The Trustee shall establish and maintain a separate account to be known as the "Series 2015A Principal Account." On or before each Interest Payment Date, the Trustee shall deposit in the Series 2015A Principal Account an amount required to cause the aggregate amount on deposit in the Series 2015A Principal Account to equal the principal amount of the Series 2015A Bonds maturing on such Interest Payment Date pursuant to the Indenture or pursuant to a Supplemental Indenture, as the case may be. No deposit shall be made into the Series 2015A Principal Account if the amount contained therein is at least equal to the principal becoming due and payable on all respective Outstanding Series 2015A Bonds on each succeeding Interest Payment Date, as applicable, within the then current Bond Year. All moneys in the Series 2015A Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Series 2015A Bonds.

(c) *Series 2015A Surplus.* On November 1 of each year the Trustee shall determine the amount, if any, remaining in the Series 2015A Lease Revenue Fund after making the deposits required by paragraphs (a) and (b) above, and any deposit necessary to replenish the Reserve Fund to the Reserve Requirement, and the transfers of investment earnings pursuant to the Indenture, and shall apply such amount as a credit against the next following Series 2015A Base Rental Payment. Notwithstanding the foregoing, if directed in a Request of the City, the Trustee shall, with respect to all or any portion of such amount, pay, or set aside an amount for the payment of, any Rebate Requirement (as defined in the Tax Certificate) in accordance with a computation made by the City.

Series 2015B Lease Revenue Fund; Receipt, Deposit and Application of Series 2015B Revenues. All Series 2015B Revenues shall be deposited by the Trustee in a special fund designated as the "Series 2015B Lease Revenue Fund," which the Trustee shall establish, maintain and hold in trust under the Indenture.

On or before each Interest Payment Date, the Trustee shall transfer from the Series 2015B Lease Revenue Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Series 2015B Lease Revenue Fund), the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of 2015B Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) *Series 2015B Interest Account.* The Trustee shall establish and maintain a separate account to be known as the "Series 2015B Interest Account." On or before each Interest Payment Date, the Trustee shall deposit in the Series 2015B Interest Account an amount required to cause the aggregate amount on deposit in the Series 2015B Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date on all respective Outstanding Series 2015B Bonds. No deposit shall be made into the Series 2015B Interest Account if the amount contained therein is at least equal to the interest becoming due and payable on all respective Outstanding Series 2015B Bonds on each succeeding Interest Payment Date within the then current Bond Year. All moneys in the Series 2015B Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Series 2015B Bonds as it shall become due and payable (including accrued interest on any Series 2015B Bonds redeemed prior to maturity).

(b) *Series 2015B Principal Account.* The Trustee shall establish and maintain a separate account to be known as the "Series 2015B Principal Account." On or before each Interest Payment Date, the Trustee shall deposit in the Series 2015B Principal Account an amount required to cause the aggregate amount on deposit in the Series 2015B Principal Account to equal the principal amount of the Series 2015B Bonds maturing on such Interest Payment Date pursuant to the Indenture or pursuant to a Supplemental Indenture, as the case may be. No deposit shall be made into the Series 2015B Principal Account if the amount contained therein is at least equal to the principal becoming due and payable on all respective Outstanding Series 2015B Bonds on each succeeding Interest Payment Date, as applicable, within the then current Bond Year. All moneys in the Series 2015B Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Series 2015B Bonds.

Series 2015B Surplus. On November 1 of each year the Trustee shall determine the amount, if any, remaining in the Series 2015B Lease Revenue Fund after making the deposits required by paragraphs (a) through (c) above and the transfers of investment earnings pursuant to the Indenture, and shall apply such amount as a credit against the next following Series 2015B Base Rental Payment.

Reserve Fund

The Trustee shall establish and maintain a separate fund to be known as the "Reserve Fund." All money in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of replenishing the applicable Interest Account or the applicable Principal Account in such order, in the event of any deficiency at any time in either of such accounts with respect to a Series of the Bonds, or for the purpose of paying the interest on or principal of or redemption premiums, if any, on the Bonds if no other money of the Authority is lawfully available therefor. All moneys in the Reserve Fund in excess of the Reserve Requirement may be applied to the retirement of all or a portion of the Bonds then Outstanding or as a credit against the next following applicable Base Rental Payment under the Lease as directed in a Request by the City. The Trustee shall establish such additional accounts in the Reserve Fund as necessary for the issuance and delivery of Additional Bonds, as directed by the Authority with the advice of Bond Counsel. A separate reserve fund may be established for a Series of Bonds by Supplemental Indenture, provided that such reserve fund is funded at the Reserve Requirement.

The Reserve Requirement may be satisfied by crediting to the Reserve Fund moneys or a Reserve Fund Credit Instrument or any combination thereof, which in the aggregate make funds available in the Reserve Fund in an amount equal to the Reserve Requirement. On the Closing Date the Series 2015 Reserve Policy will be deposited in the Reserve Fund. Upon the deposit with the Trustee of such Reserve Fund Credit Instrument to satisfy the Reserve Requirement, the Trustee shall transfer any excess amounts then on deposit in Reserve Fund into a segregated account of the Lease Revenue Funds to be established by the Trustee, which monies shall be applied at the written direction of the Authority either (i) to the payment within one year of the date of transfer of capital expenditures of the Authority permitted by law, or (ii) to the redemption of Bonds on the earliest succeeding date on which such redemption is permitted by the Indenture.

In any case where the Reserve Fund is funded with a combination of cash and a Reserve Fund Credit Instrument, the Trustee shall deplete all cash balances before drawing on any Reserve Fund Credit Instrument. Any available moneys not needed to pay debt service on the Bonds provided by the Authority to fund the Reserve Fund after a withdrawal shall be used first to reinstate the Reserve Fund Credit Instrument and second, to replenish the cash in the Reserve Fund. If the Reserve Fund Credit Instrument is drawn upon, the Authority shall make payment of interest on amounts advanced under the Reserve Fund Credit Instrument after making any payments pursuant to the Reserve Fund provisions of the Indenture.

Investments

All moneys in any of the funds or accounts established with the Trustee pursuant to the Indenture shall be invested by the Trustee solely in Permitted Investments pursuant to the written direction of the Authority given to the Trustee not less than two Business Days in advance of the making of such investments. In the absence of any such direction from the Authority, the Trustee shall invest any such moneys in money market funds described in subsection (i) of the definition of Permitted Investments. Moneys in the Reserve Fund shall not be invested in investments having maturities extending beyond 5 years; provided, however, that if such Permitted Investments may be redeemed at par so as to be available on each Interest Payment Date, any amount in the Reserve Fund may be invested in such redeemable Permitted Investments maturing on any date on or prior to the final scheduled payment date of the Bonds. Obligations purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account.

The Trustee shall transfer all investment earnings on amounts in a Principal Account, an Interest Account and a Reserve Fund (to the extent not necessary to replenish the applicable Reserve Fund to the Reserve Requirement), to the applicable Lease Revenue Fund. All investment earnings on amounts in the Insurance and Condemnation Fund shall be retained therein. For purposes of acquiring any investments under the Indenture, the Trustee may commingle funds held by it under the Indenture. The Trustee may act as principal or agent in the acquisition of any investment and may impose its customary charges therefor. The Trustee may act as manager, sponsor, advisor or depository with respect to any Permitted Investment. The Trustee shall incur no liability for losses arising from any investments made pursuant to this Section. The Authority acknowledges that regulations of the Comptroller of the Currency grant the Authority the right to receive brokerage confirmations of security transactions to be effected by the Trustee under the Indenture as they occur. The Authority specifically waives the right to receive such confirmation to the extent permitted by applicable law and agrees that it will instead receive periodic cash transaction statements which shall include detail for the investment transactions effected by the Trustee under the Indenture; provided, however, that the Authority retains its right to receive brokerage confirmation on any investment transaction requested by the Authority.

Valuation and Disposition of Investments**.** Except with respect to the Reserve Fund, for the purpose of determining the amount in any fund or account, Permitted Investments credited to such fund or account shall be valued at least semiannually on or before each Interest Payment Date at cost (excluding any brokerage commissions and excluding any accrued interest) by the Trustee. With respect to the Reserve Fund, investments shall be valued by the Trustee at fair market value and marked to market semiannually on or before each Interest Payment Date

Certain Covenants of the Authority

Punctual Payment**.** The Authority shall punctually pay or cause to be paid the principal, interest and premium (if any) to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of applicable Revenues and other assets pledged for such payment as provided in the Indenture.

Extension of Payment of Bonds**.** The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in the extension of payment of Bonds provision of Indenture shall be deemed to limit the right of the Authority to issue Additional Bonds, or issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the applicable Revenues and other assets pledged or assigned under the Indenture while any of the Bonds and Additional Bonds are Outstanding, except the pledge and assignment created by the Indenture and Supplemental Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Bond Law, and reserves the right to issue other obligations for such purposes.

Power to Issue Bonds and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the Bonds and to enter into the Indenture and to pledge and assign the Revenues, the Lease and other assets purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee (subject to the provisions of the Indenture) shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Owners under the Indenture against all claims and demands of all persons whomsoever.

Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions by the Trustee relating to the proceeds of Bonds, the Revenues, the Lease and all funds and accounts established pursuant to the

Indenture. Such books of record and account shall be available for inspection by the Authority and the City during regular business hours with reasonable prior notice.

Additional Obligations. The Authority covenants that no additional bonds, notes or indebtedness shall be issued or incurred that are payable out of the Revenues in whole or in part, other than the Additional Bonds.

Lease. The Trustee, as assignee of the Authority's rights under the Lease with respect to the Revenues pursuant to the Indenture and the Assignment Agreement(s), shall receive amounts due from the City pursuant to the Lease with respect to the Revenues. The Authority will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Lease required to be complied with, kept, observed and performed by it and, together with the Trustee, will enforce the Lease against the City in accordance with its terms.

So long as any Bond remains Outstanding, the Authority will not alter, amend or modify the Lease without (a) the prior written consent of the Insurer, which consent shall not be unreasonably withheld, and (b) the prior written consent of the Trustee, which consent shall be given only (i) if the Trustee receives an opinion of counsel selected by the Authority that such alteration, amendment or modification will not result in any material impairment of the covenants made or the security given or intended to be given for the payment of the applicable Base Rental Payments under the Lease, or (ii) if the Trustee first obtains the written consents of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding and the Insurer to such alteration, amendment or modification.

Prior to any amendment or modification of the Lease pursuant to this Section, the Authority shall deliver to the Trustee and the Insurer an opinion of nationally recognized bond counsel to the effect that such amendment or modification has been adopted in accordance with the requirements of the Indenture and will not, in and of itself, cause interest on the Bonds, as applicable, to be included in the gross income of the Owners of such Bonds.

Tax Covenants. The Authority shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner that if made or omitted, respectively, would cause the interest on any of the Bonds to become includable in the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the Authority receives a written opinion of Bond Counsel to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any Bond, the Authority shall comply with each of the specific tax covenants in the Indenture.

The Trustee

Appointment of Trustee. Wells Fargo Bank, National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, is appointed Trustee by the Authority for the purpose of receiving all moneys required to be deposited with the Trustee under the Indenture and to allocate, use and apply the same as provided in the Indenture. The Authority agrees that it will maintain a Trustee which has (or which is a wholly-owned subsidiary of a corporation which has) a combined capital and surplus of at least $75,000,000, and which is subject to supervision or examination by Federal or State authority, so long as any Bonds are Outstanding. If such bank or trust company or such parent corporation publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of the Indenture the combined capital and surplus of such bank or trust company or such parent corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee is authorized to pay the principal of and interest and redemption premium (if any) on the Bonds when duly presented for payment at maturity, or on redemption prior to maturity, and to cancel all Bonds upon payment thereof. The Trustee shall keep accurate records of all funds and accounts administered by it and of all Bonds paid and discharged.

Acceptance of Trusts. The Trustee accepts the trusts imposed upon it by the Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(b) Whenever in the administration of the Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action under the Indenture, the Trustee (unless other evidence is specifically prescribed by the Indenture) may, in the absence of bad faith on its part, rely upon a Certificate of the Authority.

(c) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Owners pursuant to the Indenture, unless such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(d) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond or other paper or document.

(e) The Trustee, prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default that may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture and no covenants of or against the Trustee shall be implied in the Indenture. In case an Event of Default under the Indenture or under the Lease has occurred (which has not been cured or waived), the Trustee may exercise such of the rights and powers vested in it by the Indenture and by the Lease, and shall use the same degree of care and skill in the exercise of such rights and powers as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(f) The Trustee may execute any of the trusts or powers under the Indenture and perform the duties required of it under the Indenture either directly or by or through attorneys, receivers or agents, shall not be liable for the acts or omissions of such attorneys, receivers or agents appointed with due care, and shall be entitled to advice of counsel concerning all matters of trust and its duties under the Indenture. The Trustee may conclusively rely on an opinion of counsel as full and complete authorization and protection for any action taken, suffered or omitted by it under the Indenture.

(g) The Trustee shall not be responsible for any recital in the Lease, or in the Bonds, or for any of the supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued under the indenture or intended to be secured by the Indenture and makes no representation as to the validity or sufficiency of the Bonds, the Indenture or the Lease. The Trustee shall not be bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the Authority under the indenture or on the part of the Authority or the City under the Lease.

(h) The Trustee may become the Owner or pledgee of Bonds secured by the Indenture with the same rights it would have if not the Trustee; may acquire and dispose of other bonds or evidences of indebtedness of the Authority with the same rights it would have if it were not the Trustee; and may act as a depositary for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Bonds, whether or not such committee shall represent the Owners of the majority in aggregate principal amount of the Bonds then Outstanding.

(i) The Trustee may rely and shall be protected in acting or refraining from acting, in good faith and without negligence, upon any notice, resolution, opinion, report, direction, request, requisition, consent, certificate, order, affidavit, letter, telegram or other paper or document believed by it to be genuine and to have been signed or presented by the proper person or persons. Any action taken or omitted to be taken by the Trustee in good faith and without negligence pursuant to the Indenture or the Lease upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Bond, shall be conclusive and binding upon all future Owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof. The Trustee shall not be bound to recognize any person as an Owner of any Bond or to take any action at his request unless the ownership of such Bond by such person shall be reflected on the Registration Books.

(j) The permissive right of the Trustee to do things enumerated in the Indenture or in the Lease shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct. The immunities and exceptions from liability of the Trustee shall extend to its officers, directors, employees and agents.

(k) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default under the Indenture or under the Lease except failure by the Authority or the City to make any of the payments to the Trustee required to be made by the Authority pursuant to the Lease or the Indenture or failure by the Authority or the City to file with the Trustee any document required by the Indenture or the Lease to be so filed subsequent to the issuance of the Bonds, unless the Trustee shall be specifically notified in writing of such default by the Authority or by the Owners of at least 25% in aggregate principal amount of the Bonds then Outstanding and all notices or other instruments required by the Indenture to be delivered to the Trustee must, to be effective, be delivered at the Trust Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default under the indenture except as aforesaid.

(l) At any and all reasonable times the Trustee and its duly authorized agents, attorneys, experts, accountants and representatives, shall have the right but shall not be required to inspect all books, papers and records of the Authority pertaining to the Bonds, and to make copies of any of such books, papers and records which are not privileged by statute or by law.

(m) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises of the Indenture.

(n) Notwithstanding anything elsewhere in the Indenture with respect to the execution of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of the Indenture, the Trustee shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, as may be deemed desirable for the purpose of establishing the right of the Authority to the execution of any Bonds, the withdrawal of any cash or the taking of any other action by the Trustee.

(o) All moneys received by the Trustee shall, until used or applied or invested as provided in the Indenture, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law.

(p) Whether or not expressly provided therein, every provision of the Indenture and the Lease relating to the conduct or affecting the liability of the Trustee shall be subject to the provisions of the Indenture.

(q) The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

(r) The Trustee is authorized and directed to enter into the Assignment Agreement in its capacity as Trustee.

Removal of Trustee. The Trustee may be removed at any time by an instrument or concurrent instruments in writing, filed with the Trustee and signed by the Owners of a majority in aggregate principal amount of the Outstanding Bonds. The Authority may also remove the Trustee at any time upon 30 days' notice, except during the existence of an Event of Default. The Trustee may be removed at any time for any breach of the Trustee's duties set forth in the Indenture.

Modification and Amendment of the Indenture

Amendment of the Indenture. The Indenture and the rights and obligations of the Authority and of the Owners of a Series of Bonds may be modified or amended at any time by a Supplemental Indenture, which shall become binding upon adoption, without consent of any Owner, to the extent permitted by law, but only for any one or more of the following purposes: (i) to issue Additional Bonds in accordance with the Indenture; (ii) to add to the covenants and agreements of the Authority in the Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or powers reserved in the Indenture to or conferred upon the Authority so long as such limitation or surrender of such rights or powers shall not materially adversely affect the applicable Owners; (iii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in any other respect whatsoever as the Authority may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not materially adversely affect the interests of the applicable Owners in the reasonable judgment of the Authority; (iv) to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes under the Code, if applicable; or (v) for any other purpose that does not materially adversely affect the interests of the Owners; provided, the written consent of the Insurer has been obtained.

Except as set forth in the preceding paragraph, the Indenture and the rights and obligations of the Authority and of the Owners may only be modified or amended at any time by a Supplemental Indenture, which shall become binding when the written consent of the Insurer and the Owners of a majority in aggregate principal amount of the Bonds of the applicable Series then Outstanding are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or redemption premiums (if any) 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, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) modify any of the rights or obligations of the Trustee without its written consent thereto.

Events of Default and Remedies of Owners

Events of Default. The following events shall be Events of Default under the Indenture:

(a) Default in the due and punctual payment of the principal of or premium on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, or by proceedings for redemption.

(b) Default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable.

(c) Any Default (as defined in the Lease) shall have occurred and be continuing.

(d) Failure by the Authority to observe and perform any of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, other than as referred to in the preceding clauses (a) and (b), for a period of 30 days after written notice, specifying such failure and requesting that it be remedied has been given to the Authority by the Trustee, or to the Authority by the Insurer, or to the Authority and the Trustee by the Owners of not less than 50% in aggregate principal amount of the Outstanding Bonds; *provided, however,* that if in the reasonable opinion of the Authority the failure stated in such notice can be corrected, but not within such 60-day period, the Trustee and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Authority within such 60-day period and diligently pursued until such failure is corrected.

(e) The filing by the Authority of a petition or answer seeking reorganization or arrangement under the Federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Authority, seeking reorganization under the Federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property.

Remedies. Upon the occurrence of an Event of Default the Trustee shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the Authority or any member, officer or employee thereof, to compel the Authority or any such member, officer or employee to perform and carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him contained in the Indenture or in the Lease;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(c) by suit in equity upon the happening of an Event of Default to require the Authority and its members, officers and employees to account as the trustee of an express trust.

If an Event of Default shall have occurred and be continuing and if requested so to do by the Insurer, or the Owners of a majority in aggregate principal amount of Outstanding Bonds of the applicable Series and the Trustee is indemnified as provided in the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Indenture, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Owners. No remedy by the terms of the Indenture conferred upon or reserved to the Trustee (or to the Owners) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or the Owners under the Indenture existing at law or in equity. No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver or any such Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient. The Trustee shall have no right to declare the principal of or interest on the Bonds to be due and payable immediately.

Application of Funds Following an Event of Default. All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of the Indenture shall be applied by the Trustee in the following order upon presentation of the Bond, and the stamping thereon of the amount of the payment if only partially paid or upon the surrender thereof if fully paid, and:

First, to the payment of the fees, costs and expenses of the Trustee, including reasonable compensation to its agents, attorneys and counsel;

Second, to the payment of the whole amount of interest on and principal of the Bonds of the applicable Series then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the lesser of 12% per annum or the maximum rate permitted by law, *provided, however,* that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied to the payment of such principal and interest without preference or priority of principal over interest, or interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest; and

Third, to the extent not already paid pursuant to Second above, to the payment of amounts due to the Insurer.

Power of Trustee to Control Proceedings. If the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds of the applicable Series, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; *provided, however,* that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in aggregate principal amount of the Outstanding Bonds opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation and if the Trustee is indemnified as provided in the Indenture. Any suit, action or proceeding which any Owner shall have the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners similarly situated and the Trustee is appointed (and the successive respective Owners issued under the indenture by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

Appointment of Receivers. Upon the occurrence of an Event of Default under the Indenture, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and other amounts pledged under the Indenture, pending such proceedings, with such powers as the court making such appointment shall confer.

Non-Waiver. A waiver of any default or breach of duty or contract by the Trustee or any Owners shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission of the Trustee or any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy conferred upon the Trustee or Owners by the Bond Law or by the Indenture may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Owners, as the case may be.

Rights of Owners. No Owner shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have 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 shall have made written request upon the Trustee to exercise the powers granted or to institute such action, suit or proceeding in its own name; (c) the Owners shall 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 shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee. Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Owner of any remedy under the Indenture; it being understood and intended that no one or more Owners shall have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner in the Indenture provided and for the equal benefit of all Owners. The right of any Owner to receive payment of the principal of and interest and premium (if any) on such Bond as provided or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of the Indenture or any other provision of the Indenture.

Termination of Proceedings**.** In case the Trustee shall have proceeded to enforce any right under the Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, the Authority, the Trustee and the Owners shall be restored to their former positions and rights under the Indenture, respectively, with regard to the property subject to the Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Defeasance; Discharge of the Indenture

If the Authority shall pay and discharge any or all of the Outstanding Bonds of a Series in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal of and interest and premiums (if any) on such Bonds of a Series, as and when the same become due and payable;

(b) by irrevocably depositing with the Trustee, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established with the Trustee pursuant to the Indenture, is fully sufficient to pay such Bonds of a Series, including all principal, interest and redemption premiums (if any);

(c) or by irrevocably depositing with the Trustee or an escrow agent, in trust pursuant to an escrow deposit agreement, Defeasance Securities in such amount as an Independent Certified Public Accountant shall determine in a written report acceptable to the Authority in form and substance, and addressed, to the Authority and the Trustee, filed with the Trustee (upon which report the Trustee may conclusively rely) will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established with the Trustee pursuant to the Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates;

(d) and delivering an opinion of Bond Counsel acceptable to the Authority in form and substance, and addressed, to the Authority and the Trustee to the effect that the Bonds of a Series are no longer Outstanding under the Indenture, and if such Bonds of a Series are to be redeemed prior to the maturity thereof notice of such redemption shall have been mailed pursuant to the Indenture or provision satisfactory to the Trustee shall have been made for the mailing of such notice, then, at the Request of the Authority, and notwithstanding that any of such Bonds of a Series shall not have been surrendered for payment, the pledge of the applicable Revenues to such Bonds of a Series and other funds provided for in the Indenture with respect to such Bonds, and all other pecuniary obligations of the Authority under the Indenture with respect to all such Bonds of a Series, shall cease and terminate, except only the obligation of the Authority to pay or cause to be paid to the applicable Owners not so surrendered and paid all sums due thereon from amounts set aside for such purpose as aforesaid, and all amounts due the Trustee. Any funds held by the Trustee following any payment or discharge of the Outstanding Bonds of a Series pursuant to the Indenture, which are not required for such purposes, shall after payment of amounts due the Trustee under the Indenture be paid over to the Authority for use by the Authority for any lawful purpose.

THE LEASE

Term

Pursuant to the Lease, the Authority leases to the City and the City leases from the Authority, on the terms and conditions set forth in the Lease, the Leased Property. The term of the Lease shall commence as set forth therein.

The term of the leasehold interest created by the Lease shall expire on the later of (i) the Expiration Date; (ii) the date the last Base Rental Payment is made under the provisions of the Lease; or (iii) the date of discharge of all of the Bonds and Additional Bonds pursuant to the Indenture. Notwithstanding the foregoing, the term of the Lease shall automatically be extended for a period of ten (10) years, if, on the Expiration Date, the Bonds and any Additional Bonds or amounts owed to the Insurer have not been fully discharged, and shall terminate on the date when the Bonds, any Additional Bonds or amounts owed to the Insurer have been fully paid or discharged.

Rental

Subject to the provisions of the Lease, the City agrees to pay to the Authority, its successors or assigns, as rental for the use and possession of the Leased Property, the following amounts at the following times:

Base Rental Payments. The City shall pay the Base Rental Payments to the Trustee, as assignee of the Authority, in accordance with the Base Rental Payment Schedules attached to the Lease less any amounts credited against the applicable Base Rental Payments pursuant to the Indenture. The City shall pay to the Trustee the Base Rental Payments coming due fifteen (15) Business Days prior to the next succeeding May 1 and November 1, respectively, as set forth in the Lease and such payments shall constitute payment in arrears in consideration for the City's use and possession of the Leased Property for the six-month period preceding the due date of such Base Rental Payments.

The obligation of the City to pay the Series 2015A Base Rental Payments with respect to the Series 2015A Bonds and to pay the Series 2015B Base Rental Payments with respect to the Series 2015B Bonds shall rank *pari passu* with the obligation of the City to pay base rental payments with respect to any Additional Bonds. Upon and after the issuance of any Additional Bonds secured by base rental payments with respect to the Leased Property, the City shall pay the Base Rental Payments with respect to such Additional Bonds as provided in the Supplemental Indenture for such Additional Bonds, in accordance with an additional Base Rental Payment schedule which shall be attached to the Lease as an additional exhibit prior to the delivery of such Additional Bonds, as adjusted for any prepayments.

Additional Rental Payments. The City shall also pay, as "Additional Rental Payments" under the Lease, in addition to the Base Rental Payments and any base rental payments under the Lease made with respect to Additional Bonds, to the Trustee, as assignee of the Authority, such amounts in each year as shall be required for the payment of all costs and expenses (not otherwise paid for or provided for out of the proceeds of sale of the Bonds) incurred by the Authority or the Trustee in connection with the execution, performance or enforcement of the Lease or the assignment thereof, the Indenture, or the Authority's or the Trustee's interest in the Leased Property, including, but not limited to, all fees, costs and expenses, all administrative costs of the Authority relating to the Leased Property (including, without limiting the generality of the foregoing, salaries and wages of employees, overhead, insurance premiums, taxes and assessments (if any), expenses, compensation and indemnification of the Trustee payable by the Authority under the Indenture), fees of auditors, accountants, attorneys or engineers, all other reasonable and necessary administrative costs of the Authority or charges required to be paid by it to comply with the terms of the Bonds or of the Indenture. The City shall also pay to the Insurer as "Additional Rental Payments," in addition to the Base Rental Payments: (i) all interest on Insurer Advances (as more fully described in the Indenture), (ii) all amounts payable to the Insurer pursuant to Lease and (iii) all Series 2015 Reserve Policy Costs (as more fully described in the Indenture).

Such Additional Rental Payments shall be billed to the City by the Authority or the Trustee from time to time. Amounts so billed shall be paid by the City within sixty (60) days after receipt of the bill by the City, or as otherwise required to pay amounts required to be made to the Insurer under the Indenture.

Fair Rental Value. Payments of Base Rental Payments and Additional Rental Payments for each rental payment period shall constitute the total rental for such rental payment period, and shall be paid by the City in each rental payment period for and in consideration of the right of the use and possession of, and the continued quiet use and enjoyment of, the Leased Property during each such period for which said rental is to be paid. The City represents and covenants that the useful life of the Leased Property is not shorter than the final maturity of the Bonds. The parties to the Lease specifically acknowledge that the annual fair rental value of the Leased Property is in excess of the maximum annual Base Rental Payments. In making such determination, consideration has been given to other obligations of the parties under the Lease, the uses and purposes which may be served by the Leased Property and the benefits therefrom which will accrue to the City and the general public. The determination of fair rental value of the Leased Property pursuant to this paragraph shall not be deemed to be controlling in connection with a determination of fair value of the Leased Property by the parties to the Lease for any other purpose.

Payment of Base Rental Payments. Each installment of Base Rental Payments and Additional Rental Payments payable under the Lease shall be paid in lawful money of the United States of America to the order of the Trustee at the corporate trust office of the Trustee in San Francisco, California, or such other place as the Trustee shall designate. All Base Rental Payments shall be made on a *pari passu* basis with each other. Notwithstanding any dispute between the City and the Authority, the City shall make all Base Rental Payments and Additional Rental Payments when due, without deduction or offset of any kind, and shall not withhold any Base Rental Payments pending the final resolution of any such dispute. In the event of a determination that the City was not liable for said Base Rental Payments or any portion thereof, such Base Rental Payments or excess of payments, as the case may be, shall, at the option of the City, be credited against subsequent Base Rental Payments due under the Lease or be refunded at the time of such determination.

Increases in Aggregate Base Rental Payments. The City covenants that it shall not permit an increase in the aggregate Base Rental Payments or permit additional base rental payments with respect to Additional Bonds without first obtaining an opinion of Bond Counsel to the effect that the incurring of such increased Base Rental Payments will not (i) impair the validity and enforceability of the Lease and (ii) in and of itself impair the exclusion of interest on the Bonds and, to the extent applicable, any Additional Bonds from the gross income of the owners thereof for federal income tax purposes.

Covenant to Budget and Appropriate. The City covenants to take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments due under the Lease in its annual budget and to make the necessary annual appropriations for all such Base Rental Payments and Additional Rental Payments, subject only to abatement as provided in Section 16 hereof. In furtherance of this covenant, the City agrees that each September, upon the receipt of revenue under the MSA, the City will transfer to the Trustee for deposit into the applicable Lease Revenue Fund if available an amount of such revenues equal to total annual Base Rental Payments and Additional Rental due during the then-current fiscal year (or such other lesser amount as received under the MSA). The City is not obligated to make such transfer if Base Rental Payments or Additional Rental are subject to abatement or otherwise are not required under the Lease to be paid in such fiscal year. The obligation of the City to make Base

Rental Payments and Additional Rental Payments is solely from the City's General Fund. No separate pledge of revenue received by the City from the MSA is made in the Indenture or the Lease.

The City will furnish to the Authority and the Trustee annually, on or before September 1, a certificate stating that it has complied with the covenants set forth in this paragraph. The covenants on the part of the City contained in the Lease shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Lease agreed to be carried out and performed by the City.

The obligation of the City to make Base Rental Payments or Additional Rental Payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Bonds and any Additional Bonds nor the obligation of the City to make Base Rental Payments or Additional Rental Payments constitutes an indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Substitution and Release of Leased Property

The parties to the Lease specifically acknowledge that the annual fair rental value of the Leased Property is in excess of the maximum annual Base Rental Payments. With the prior written consent of the Insurer, which consent shall not be unreasonably withheld, the City shall have, so long as the Lease is in effect, and is granted by the Lease, the option at any time and from time to time, to substitute other real property (the "Substitute Property") for any portion of the Leased Property (the "Former Property") or release any identifiable real property and/or improvements currently constituting the Leased Property; provided, that the City shall satisfy all of the following requirements, which are conditions precedent to such substitution:

(a) No default under the default provisions of the Lease or Event of Default shall have occurred and be continuing;

(b) The City shall file with the Authority, the Insurer and the Trustee, and cause to be recorded in the office of the County Recorder, sufficient memorialization of amendments to the Lease and the Site Lease which replaces the affected exhibits to the Lease and the Site Lease with a description of such Substitute Property which deletes therefrom the description of the Former Property;

(c) The City shall obtain an extended California Land Title Association ("CLTA") policy of title insurance insuring the City's fee or leasehold estate in such Substitute Property, the City's leasehold estate under the Lease, and the Authority's leasehold estate under the Site Lease in such Substitute Property, subject only to Permitted Encumbrances, in an amount not less than the aggregate principal amount of the Outstanding Bonds; provided, however, that this requirement shall not apply to Substitute Property that consists only of Former Property less any released portion; provided, that all encumbrances, endorsements and restrictions to such CLTA title policy must be acceptable to the Insurer and such CLTA policy may not permit the title insurer (i) to purchase any Series 2015 Bonds in lieu of providing payment under the policy unless, upon purchase, such Series 2015 Bonds are canceled, or (ii) to settle claims with any person other than the Trustee, acting with the consent of the Insurer;;

(d) The City shall provide a Certificate of the City to the Authority, the Insurer and the Trustee stating that such Substitute Property constitutes property which the City is permitted to lease under the laws of the State of California; provided, however, that this requirement shall not apply to Substitute Property that consists only of Former Property less any released portion;

(e) The substitution of the Substitute Property shall not cause the City to violate any of its covenants, representations and warranties made in the Lease;

(f) The City shall file with the Authority, the Insurer and the Trustee a Certificate of the City or other evidence which establishes that the annual fair rental value of the Substitute Property after substitution or release will be at least equal to 100% of the maximum amount of the Base Rental Payments becoming due in the then current fiscal year or in any subsequent fiscal year and the useful economic life of the Substitute Property shall be at least equal to the maximum remaining term of the Lease; and

(g) The City shall furnish to the Trustee an opinion of Bond Counsel addressed to the Trustee, the Insurer, the City and the Authority to the effect that the substitution or release is permitted under the Lease and will not in and of itself (i) impair the validity and enforceability of the Lease or (ii) impair the exclusion of interest on the Bonds and, if applicable, any Additional Bonds from the gross income of the owners thereof for federal income tax purposes.

Upon the satisfaction of all such conditions precedent, and upon the City delivering to the Authority, the Insurer and the Trustee a Certificate of the City certifying that the conditions set forth in subsections (a), (c) and (e) above have been satisfied, the Term of the Lease shall thereupon end as to the Leased Property and shall thereupon commence as to the Substitute Property, and all references to the Leased Property shall apply with full force and effect to the Substitute Property. The City shall not be entitled to any reduction, diminution, extension or other modification of the Base Rental Payments whatsoever as a result of any substitution or removal under the Lease.

Changes to the Leased Property

The City shall have the right during the term of the Lease to acquire and construct improvements or to attach fixtures, structures or signs to the Leased Property if such improvements, fixtures, structures or signs are necessary or beneficial for the use of the Leased Property by the City; provided, however, that no such acquisition or construction shall result in a material reduction in the value of the Leased Property, reduce the fair rental value thereof or substantially alter the nature of the Leased Property.

Upon termination of the Lease, the City may remove any fixture, structure or sign added by the City, but such removal shall be accomplished so as to leave the Leased Property, except for ordinary wear and tear and damage by casualty, in substantially the same condition as it was in before the fixture, structure or sign was attached.

Insurance

The City shall secure and maintain or cause to be secured and maintained at all times with insurers of recognized responsibility or through a program of self-insurance acceptable to the Insurer to the extent such self-insurance specifically permitted in the Lease, all coverage on the Leased Property required by the Lease. Provided that such insurance shall be issued by an insurance provider rated at least "A" by Standard & Poor's, unless waived by the Insurer, and shall be otherwise approved by the Insurer.

Such insurance shall consist of:

1. Comprehensive general liability coverage against claims for damages including death, personal injury, bodily injury or property damage arising from operations involving the Leased Property. Such insurance shall afford protection with a combined single limit of not less than $1,000,000 per occurrence with respect to bodily injury, death or property damage liability, or such greater amount as may from time to time be recommended by the City's risk management officer or an independent insurance consultant retained by the City for that purpose, subject to a deductible clause of not to exceed $400,000. The City's obligations under this provision may be satisfied by self-insurance;

2. Casualty insurance against loss or damage to any or all of the Leased Property by fire and lightning, with extended coverage and vandalism and malicious mischief insurance, and against loss of Leased Property by theft. Such extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. The insurance required by this paragraph shall be in an amount equal to the lesser of the replacement cost (subject to deductible clauses not in excess of $400,000 for any one loss) of improvements located or to be located on the Leased Property and the principal amount of the Bonds the Outstanding;

3. Workers' compensation insurance issued by a responsible carrier authorized under the laws of the State to insure employers against liability for compensation under the Labor Code of the State, or any act enacted as an amendment or supplement thereto or in lieu thereof, such workers' compensation insurance to cover all persons employed by the City in connection with the Leased Property and to cover full liability for compensation under any such act; provided, however, that the City's obligations under this paragraph may be satisfied by self-insurance; and

4. Rental interruption insurance in an amount not less than the maximum remaining scheduled Base Rental Payments in any twenty-four-month period, by an insurance provider rated at least "A" by A.M. Best & Company, to insure against loss of use of the Leased Property caused by perils covered by the insurance required in the Lease. Such insurance may be maintained as part of or in conjunction with any other rental interruption insurance carried by the City and must list the Authority and the Trustee as an additional insured party. Such insurance shall be in place as of the Closing Date. The Net Proceeds of such insurance shall be paid to the Trustee and deposited in the applicable Lease Revenue Fund, and shall be credited toward the payment of the Base Rental Payments in the order in which such Base Rental Payments come due and payable.

5. The City shall, on or before the Closing Date, deliver a CLTA title insurance policy insuring the leasehold interests in the Leased Property of the City and the Authority, in an amount not less than the aggregate principal amount of the Outstanding Bonds.

Damage, Destruction and Condemnation; Application of Net Proceeds

If prior to the termination of the term of the Lease (a) the Leased Property is destroyed (in whole or in part) or is damaged by fire of other casualty, or (b) title to, or the temporary use of, any portion of the Leased Property or the estate of the Authority or the City in the Leased Property or any portion shall be taken under the exercise of the power of eminent domain by any governmental body or by any person or firm or corporation acting under governmental authority, then the City and the Authority shall, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the repair or replacement thereof, unless the City elects not to repair or replace the Leased Property or portion thereof, in accordance with the provisions of this provision. If Net Proceeds are insufficient to repair or replace the Leased Property or portion thereof, the City shall, to the extent permitted by law, use its best efforts to fund any deficiency from any legally available funds.

If there is an abatement of rental payments pursuant to the Lease as a result of such casualty or event, and the City elects to apply such insurance proceeds and such other sums as are deposited by the City pursuant to the Lease to the prepayment of Base Rental Payments rather than replacing or repairing the destroyed or damaged portion of the Leased Property, then the Lease shall terminate with respect to the destroyed or damaged portion of the Leased Property as of the later of the date of such election by the City or the date the amount required by the Lease is received by the Trustee.

The provisions of Section 1932, Subdivision 2, and Section 1933, Subdivision 4, of the California Civil Code, including any amendments thereto and any other law which may be in force during the term of the Lease which authorizes the termination of the Lease upon the partial or complete destruction of the Leased Property, are waived by the City.

The City covenants and agrees, to the extent it may lawfully do so, that so long as any of the Bonds and any Additional Bonds remain outstanding and unpaid, the City will not exercise the power of condemnation with respect to the Leased Property. The City further covenants and agrees, to the extent it may lawfully do so, that if for any reason the foregoing covenant is determined to be unenforceable or if the City should fail or refuse to abide by such covenant and condemns the Leased Property, the value of the Leased Property shall not be less than the greater of (i) if Outstanding Bonds are then subject to redemption, the principal and interest due on the Outstanding Bonds through the date of their redemption, or (ii) if such Outstanding Bonds are not then subject to redemption, the amount necessary to defease such Outstanding Bonds to the first available redemption date in accordance with the Indenture.

The City shall deposit any proceeds received from insurance and condemnation awards with respect to the destruction or partial destruction of Leased Property with the Trustee for deposit into the: (a) Insurance and Condemnation Fund if the City elects to repair the Leased Property or (b) the applicable Lease Revenue Fund if the City elects to redeem the Outstanding Bonds. The City shall have 45 days from the date of any such destruction or partial destruction to determine whether to repair the Leased Property or use insurance and condemnation award proceeds received to redeem such bonds. To the extent that the City determines not to repair the Leased Property and cannot use insurance and condemnation award proceeds to redeem such bonds, the City shall and hereby covenants to substitute property for such Leased Property of equivalent or greater value in accordance with the substitution provisions of the Indenture. If the City determines to repair the Leased Property, disbursements by the Trustee shall only be made upon presentation of a requisition in a form substantially similar to Exhibit C of the Indenture. If the City determines to cause the redemption of less than the full amount of the Outstanding Bonds, such redemption shall only be made to the extent the remaining fair rental value of the Leased Property is sufficient to support the remaining Base Rental Payments supporting debt service on the Outstanding Bonds.

Mechanics' Liens

In the event the City shall at any time during the term of the Lease cause any improvements or other work to be done or performed or materials to be supplied, in or upon the Leased Property, the City shall pay, when due, all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the City in, upon or about the Leased Property and which may be secured by any mechanics', materialmen's or other liens against the Leased Property or the Authority's interest therein, and will cause any such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that, if the City desires to contest any such lien it may do so. If any such lien shall be reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, the City shall forthwith pay and discharge said judgment.

Assignment

The parties understand that the Lease and the rights of the Authority under the Lease, with certain exceptions, will be assigned to the Trustee as provided in the Indenture and the Assignment Agreement, to which assignments the City consents.

Neither the Lease nor any interest of the City under the Lease shall be mortgaged, pledged, assigned or transferred by the City by voluntary act or by operation of law or otherwise; provided, subject to the provisions of the Lease, that the Leased Property may be subleased in whole or in part by the City, but only subject to the following conditions, which are made conditions precedent to any such sublease:

(i) The Lease and the obligation of the City to make all Base Rental Payments and Additional Rental Payments under the Lease shall remain the primary obligation of the City;

(ii) The City shall, within 30 days after the delivery thereof, furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of such sublease;

(iii) No such sublease by the City shall cause the Leased Property to be used for a primary purpose other than a governmental or proprietary function authorized under the provisions of the Constitution and laws of the State of California, as evidenced by a Certificate of the City that is delivered to the Trustee;

(iv) Any sublease of the Leased Property by the City shall explicitly provide that such sublease is subject to all rights of the Authority under the Lease; and

(v) The City shall have filed or caused to be filed with the Authority and the Trustee an opinion of Bond Counsel to the effect that such sublease will not, in and of itself, cause the interest on the Bonds and any Additional Bonds (that are intended to be tax-exempt) to be included in gross income for federal income tax purposes.

Amendment

The Lease may be amended in writing as may be mutually agreed by the Authority and the City; *provided*, that no such amendment which materially adversely affects the rights of the Owners shall be effective unless it shall have been consented to by the Owners of more than a majority in aggregate principal amount of the affected Bonds and any Additional Bonds then Outstanding, and *provided further*, that no such amendment shall (a) extend the payment date of any Base Rental Payment, without the prior written consent of the Owner of each Bond and any Additional Bond so affected, or (b) reduce the percentage of the Outstanding Bonds the consent of the Owners of which is required for the execution of any amendment of the Lease.

The Lease and the rights and obligations of the Authority and the City under the Lease may also be amended or supplemented at any time by an amendment thereof or supplement thereto which shall become binding upon execution by the Authority and the City without the written consents of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(a) to add to the agreements, conditions, covenants and terms required by the Authority or the City to be observed or performed in the Lease and other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority or the City, or to surrender any right or power reserved in the Lease to or conferred in the Lease on the Authority or the City, and which in either case shall not materially adversely affect the interests of the Owners;

(b) to make such provisions for the purpose of curing any ambiguity or correcting, curing or supplementing any defective provision contained in the Lease or in regard to questions arising under the Lease which the Authority or the City may deem desirable or necessary and not inconsistent with the Lease, and which shall not materially adversely affect the interests of the Owners;

(c) to effect a substitution or release of the Leased Property;

(d) to increase the amount of Base Rental Payment payable under the Lease for the purpose of allowing the Authority to add any real property to be acquired and leased under the Lease or for the issuance of Additional Bonds; or

(e) for any other purpose which shall not materially adversely affect the interests of the Owners.

Events of Default and Remedies

(a) Each of the following events constitutes an Event of Default under the Lease:

(1) Failure by the City to pay any Base Rental Payment or other payment (including Additional Rental Payments) required to be paid under the Lease at the time specified in the Lease.

(2) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Lease, other than as referred to in the preceding subsection (1), for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Authority or the Insurer. However, if the City notifies the Authority that in its reasonable opinion the failure stated in the notice can be corrected, but not within such 30 day period, the failure will not constitute an Event of Default if the City commences to cure the failure within such 30 day period and thereafter diligently and in good faith cures such failure in a reasonable period of time; provided, that such cure period shall not extend beyond 60 days, unless otherwise consented to by the Insurer.

(3) The filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment or attachment, or adjudication of the City as a bankrupt, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.

The Authority expressly waives the right to receive any amount from the City pursuant to Section 1951.2(a)(3) of the California Civil Code.

(b) Whenever any Event of Default has happened and is continuing, the Authority may exercise any and all remedies available under law or granted under the Lease, provided that the Insurer shall control all remedies for default under the Lease, so long as the Series 2015A Insurance Policy or the Series 2015B Insurance Policy is in full force and effect. Notwithstanding anything herein to the contrary, there shall be no right under any circumstances to accelerate the Base Rental Payments or otherwise declare any Base Rental Payments not then in default to be immediately due and payable. Each and every covenant of the Lease to be kept and performed by the City is expressly made a condition and upon the breach thereof the Authority may exercise any and all rights granted under the Lease; provided, that no termination of the Lease will be effected either by operation of law or acts of the parties hereto, except only in the manner herein expressly provided and with the consent of the Insurer. Upon the occurrence and during the continuance of any Event of Default, the Authority may exercise each and every one of the following remedies:

(1) *Enforcement of Payments Without Termination.* If the Authority does not elect to terminate the Lease in the manner hereinafter provided for in subsection (b)(2) of this Section, the City agrees to remain liable for the payment of all Base Rental Payments and the performance of all conditions herein contained, and the Authority may take whatever action at law or in equity may appear necessary or desirable, to collect each Base Rental Payment as it becomes due under the Lease. The City will reimburse the Authority for any deficiency arising out of the re-leasing or sale of the Leased Property or portion thereof, or, if the Authority is unable to re-lease or sell the Leased Property, then for the full amount of all Base Rental Payments to the end of the term of the Lease, but said Base Rental Payments and/or deficiency will be payable only at the same time and in the same manner as hereinabove provided for the payment of Base Rental Payments, notwithstanding such entry or re-entry by the Authority or any suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Leased Property or portion thereof or the exercise of any other remedy by the Authority.

(2) The City hereby irrevocably appoints the Authority as the agent and attorney-in-fact of the City and the shall allow the Trustee at the direction of the Insurer to enter upon and re-lease the Leased Property upon the occurrence and continuation of an Event of Default and to remove all personal property whatsoever situated upon the Leased Property, to place such property in storage or other suitable place in the State of California for the account of and at the expense of the City, and the City hereby agrees to save harmless the Authority from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-leasing of the Leased Property and the removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions herein contained. The City agrees that the terms of the Lease constitute full and sufficient notice of the right of the Authority to re-lease the Leased Property in the event of such re-entry without effecting a surrender of the Lease, and further agrees that no acts of the Authority in effecting such re-leasing constitute a surrender or termination of the Lease irrespective of the term for

which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise, but that, on the contrary, in the event of such default by the City the right to terminate the Lease will vest in the Authority to be effected in the sole and exclusive manner hereinafter provided for in subsection (2) of this Section. The City agrees to surrender and quit possession of the Leased Property upon demand of the Authority for the purpose of enabling the Leased Property to be re-let under this paragraph. Any rental obtained by the Authority in excess of the unpaid Base Rental Payments will be applied as a credit against future Base Rental Payments.

(3) *Termination of Lease.* If an Event of Default occurs and is continuing under the Lease, the Authority at its option may terminate the Lease and re-lease all or any portion of the Leased Property. If the Authority terminates the Lease at its option and in the manner hereinafter provided on account of default by the City (and notwithstanding any re-entry upon the Leased Property by the Authority in any manner whatsoever or the re-leasing of the Leased Property), the City nevertheless agrees to pay to the Authority all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as is herein provided in the case of payment of Base Rental Payments. Any surplus received by the Authority from such re-leasing will be applied as a credit against future Base Rental Payments. Neither notice to pay rent or to deliver up possession of the premises given under law nor any proceeding in unlawful detainer taken by the Authority will of itself operate to terminate the Lease, and no termination of the Lease on account of default by the City will be or become effective by operation of law, or otherwise, unless and until the Authority has given written notice to the City of the election on the part of the Authority to terminate the Lease. The City agrees that no surrender of the Leased Property, or of the remainder of the term hereof or any termination of the Lease will be valid in any manner or for any purpose whatsoever unless stated or accepted by the Authority by such written notice.

(3) *Proceedings at Law or In Equity.* If an Event of Default occurs and continues under the Lease, the Authority may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the Lease or to enforce any other of its rights under the Lease.

(4) *Remedies under the Site Lease*. If an Event of Default occurs and continues under the Lease, the Authority may exercise its rights under the Site Lease, provided, however, the Insurer shall control all remedies for default under the Site Lease.

Prepayment of the Lease

Prepayment From Net Proceeds. The City may prepay, from Net Proceeds of insurance or a condemnation award received by it pursuant to the Lease, the Principal Component of Base Rental Payments then unpaid (and corresponding Interest Component), in whole or in part on any date, pursuant to the Lease, at a prepayment price equal to the sum of the Principal Component prepaid plus accrued interest thereon to the date of prepayment. Prepayments made pursuant to this provision of the Lease shall be allocated *pro rata* among the Principal Components of Base Rental Payments relating to the Bonds and any Additional Bonds.

Optional Prepayment

The City may at its option prepay from any source of available moneys for redemption of Bonds pursuant to the Indenture, all or any part (in an integral multiple of $5,000) of the Principal Component of Base Rental Payments (and corresponding Interest Component), so that the aggregate annual amounts of Principal Component of Base Rental Payments which shall be payable after such prepayment shall each be an integral multiple of $5,000, at a prepayment price equal to the principal amount to be redeemed, plus accrued but unpaid interest to the prepayment date, without premium.

Before making any prepayment pursuant to this provision of the Lease, the City shall give written notice to the Trustee specifying the date on which the prepayment will be made, which date shall be not less than forty-five (45) days from the date such notice is given unless the Trustee agrees to a shorter period.

The Authority and the City agree that any prepayment in part and the redemption of any Bonds by the Authority pursuant to the Indenture shall be credited towards the City's obligations under the Lease at the option of the City in any manner determined in writing delivered to the Trustee by the City. A prepayment made pursuant to this provision shall not cause a defeasance of any Bonds unless the requirements of the Indenture are satisfied.

In the event of prepayment in full of the Principal Component of all Base Rental Payments, such that the Lease shall be terminated by its terms as provided in the Lease, all amounts then on deposit under the Indenture which are to be credited to the City's obligations to make Base Rental Payments shall be credited towards the amounts then required to be so prepaid. In the event of the prepayment of some but not all of the Principal Components of the Base Rental Payments, the City shall replace the applicable Base Rental Schedule with a revised Base Rental Payment Schedule reflecting such prepayment of the Principal Components of such Base Rental Payments.

THE SITE LEASE

Pursuant to the Site Lease, the City leases the Leased Property to the Authority, and the Authority leases the Leased Property to the City, upon the terms and conditions of the Site Lease. Certain of the Authority's rights under the Site Lease will be assigned to the Trustee pursuant to the Assignment Agreement.

THE ASSIGNMENT AGREEMENT

Pursuant to the Assignment Agreement, the Authority assigns all of its right, title and interest in and to the Lease and the Site Lease (other than with respect to certain specified rights of indemnification) to the Trustee, including its right to receive and collect 2015 Base Rental Payments, Additional Rental Payments and prepayments thereof, in trust for the benefit of the Owners of the Bonds.

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement"), dated as of March 1, 2015, is executed and delivered by the City of San Pablo (the "City") and Wells Fargo Bank, National Association, as Disclosure Dissemination Agent (the "Disclosure Dissemination Agent") for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule").

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

"Annual Report" means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

"Annual Filing Date" means the date, set in Section 2(a) and Section 2(f), by which the Annual Report is to be filed with the MSRB.

"Annual Financial Information" means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

"Audited Financial Statements" means the financial statements (if any) of the City for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

"Bonds" means, collectively, $4,255,000 City of San Pablo Joint Powers Financing Authority Lease Revenue Bonds, Series 2015A (Tax-Exempt) and $11,555,000 City of San Pablo Joint Powers Financing Authority Lease Revenue Bonds, Series 2015B (Taxable).

"Certification" means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Notice Event notice, or Failure to File Event notice delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Notice Event notice, or Failure to File Event notice, required to be submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the City and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

"Disclosure Representative" means the Finance Manager of the City or his or her designee, or such other person as the City shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Disclosure Dissemination Agent” means Wells Fargo Bank, National Association, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the City pursuant to Section 9 hereof.

“Failure to File Event” means the City’s failure to file an Annual Report on or before the Annual Filing Date.

“Force Majeure Event” means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent’s reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

“Holder” means any person (i) having 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 (ii) treated as the owner of any Bonds for federal income tax purposes.

“Information” means, collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, and the Failure to File Event notices.

“Issuer” means the City of San Pablo Joint Powers Financing Authority.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Marketplace Access (EMMA) website of the MSRB, currently located at *http://emma.msrb.org*.

“Notice Event” means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

“Obligated Person” means any person, including the City, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities). With respect to the Bonds, only the City constitutes the Obligated Person.

“Official Statement” means that Official Statement, dated February 18, 2015, prepared by the Issuer and the City in connection with the Bonds.

“Trustee” means Wells Fargo Bank, National Association, as trustee under the Indenture, dated as of March 1, 2015, by and between the Issuer and the Trustee, as amended and supplemented, providing for the issuance of the Bonds.

SECTION 2. Provision of Annual Reports and Other Disclosures.

(a) The City shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy for the Trustee, not later than the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB no later than March 1 following the end of each fiscal year, commencing with the report for Fiscal Year 2014-15. Such date and each anniversary thereof is the Annual Filing Date. 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 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the City of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the City will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Failure to File Event has occurred and to immediately send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 6:00 p.m. Eastern time on the Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the City irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit A without reference to the anticipated filing date for the Annual Report.

(d) If Audited Financial Statements of the City are prepared but not available prior to the Annual Filing Date, the City shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, together with a copy for the Trustee, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

(i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;

(ii) upon receipt, promptly file each Annual Report received under Sections 2(a) and 2(b) with the MSRB;

(iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;

(iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed by the City pursuant to Section 4(a) or 4(b)(ii) (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:

1. “Principal and interest payment delinquencies;”

2. “Non-Payment related defaults, if material;”

3. “Unscheduled draws on debt service reserves reflecting financial difficulties;”

4. “Unscheduled draws on credit enhancements reflecting financial difficulties;”

5. “Substitution of credit or liquidity providers, or their failure to perform;”

6. “Adverse tax opinions, IRS notices or events affecting the tax status of the security;”

7. “Modifications to rights of securities holders, if material;”

8. “Bond calls, if material;”

9. “Defeasances;”

10. “Release, substitution, or sale of property securing repayment of the securities, if material;”

11. “Rating changes;”

12. “Tender offers;”

13. “Bankruptcy, insolvency, receivership or similar event of the obligated person;”

14. “Merger, consolidation, or acquisition of the obligated person, if material;” and

15. “Appointment of a successor or additional trustee, or the change of name of a trustee, if material;”

(v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit A to this Disclosure Agreement with the MSRB, identifying the filing as “Failure to provide annual financial information as required” when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;

(f) The City may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, Trustee (if any) and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the

MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports.

(a) Each Annual Report shall contain Annual Financial Information consisting of updated information comparable to the information in the following tables as they appear in Official Statement:

1. Table 1 entitled "General Fund Balance Sheet" for the most recent Fiscal Year;

2. Table 2 entitled "General Fund – Statement of Revenues, Expenditures, and Changes in Fund Balance" for the most recent Fiscal Year;

3. Table 4 entitled "Assessed Valuation of Taxable Property" for the current year; and

4. Table 5 entitled "Property Tax Levies and Collections" for the most recent Fiscal Year.

(b) Audited Financial Statements prepared in accordance with generally accepted accounting principles ("GAAP") as described in the Official Statement will also be included in the Annual Report. If audited financial statements are not available, then, unaudited financial statements, prepared in accordance with GAAP as described in the Official Statement will be included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the City is an Obligated Person, which have been previously filed with the Securities and Exchange Commission or available to the public on the MSRB Internet website. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The City will clearly identify each such document so incorporated by reference.

Any Annual Financial Information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. 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 Bonds, or other material events affecting the tax status of the Bonds;

7. Modifications to rights of Bond holders, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the Bonds, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

    Note to subsection (a)(12) of this Section 4: For the purposes of the event described in subsection (a)(12) of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

13. 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, if material; and

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The City shall, in a timely manner not in excess of ten business days after its occurrence, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the City desires to make, contain the written authorization of the City for the Disclosure Dissemination Agent to disseminate such information, and identify the date the City desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the City or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the City determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the City desires to make, contain the written authorization of the City for the Disclosure Dissemination Agent to disseminate such information, and identify the date the City desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed by the City as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with the MSRB in accordance with Section 2(e)(iv) hereof.

SECTION 5. CUSIP Numbers. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, Notice Event notices, and Failure to File Event notices, the City shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations. The City acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the City, and that the failure of the Disclosure Dissemination Agent to so advise the City shall not constitute a breach by the Disclosure Dissemination Agent of any of its duties and responsibilities under this Disclosure Agreement. The City acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filings. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Audited Financial Statements, Notice Event notice, or Failure to File Event notice, in addition to that required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report, Audited Financial Statements, Notice Event notice, or Failure to File Event notice in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Audited Financial Statements, Notice Event notice, or Failure to File Event notice.

SECTION 8. Termination of Reporting Obligation. The obligations of the City and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the City is no longer an Obligated Person with respect to such Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required with respect to such Bonds.

SECTION 9. Disclosure Dissemination Agent. The City has appointed Wells Fargo Bank, National Association as the initial Disclosure Dissemination Agent under this Disclosure Agreement. The City may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of the Disclosure Dissemination Agent, whether by notice of the City or the Disclosure Dissemination Agent, the City agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the City shall remain liable, until payment in full, for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the City.

SECTION 10. Remedies in Event of Default. In the event of a failure of the City or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) Article VI of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture. The Disclosure Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. and the City agrees to indemnify and save the Disclosure Dissemination Agent, the Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of the disclosure of information pursuant to this Disclosure Agreement or arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Disclosure Dissemination Agent's negligence or willful misconduct. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the City has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the City and shall not be deemed to be acting in any fiduciary capacity for the City, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the City's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the City has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the City at all times.

The obligations of the City under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the City.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Disclosure Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the City and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the City nor the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days prior written notice of the intent to do so together with a copy of the proposed amendment to the City. No such amendment shall become effective if the City shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Trustee of the Bonds, the Disclosure Dissemination Agent, the participating underwriters (as defined in the Rule), and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of California (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

The Disclosure Dissemination Agent and the City have caused this Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Disclosure Dissemination Agent

By: ____
Name: ______________________________________
Title: _______________________________________

CITY OF SAN PABLO, CALIFORNIA,
as Obligated Person

By: ____
Name: ______________________________________
Title: _______________________________________

EXHIBIT A
NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Issuer:	City of San Pablo Joint Powers Financing Authority
Obligated Person:	City of San Pablo, California
Name of Bond Issue:	$4,255,000 City of San Pablo Joint Powers Financing Authority Lease Revenue Bonds, Series 2015A (Tax-Exempt)
	$11,555,000 City of San Pablo Joint Powers Financing Authority Lease Revenue Bonds, Series 2015B (Taxable)
Date of Issuance:	March 4, 2015

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Disclosure Agreement between the City and the Disclosure Dissemination Agent named therein. The City has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by ____________.

Dated: ______, 20__

____________________, as Disclosure Dissemination Agent, on behalf of the City

____

cc: City Manager, City of San Pablo

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APPENDIX E

FORM OF OPINION OF BOND COUNSEL

On the delivery date of the Bonds, Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, proposes to render its final approving opinion substantially in the following form:

[Closing Date]

City of San Pablo Joint Powers Financing Authority
13831 San Pablo Avenue
San Pablo, California 94806

City of San Pablo
13831 San Pablo Avenue
San Pablo, California 94806

$4,255,000 City of San Pablo Joint Powers Financing Authority Lease Revenue Bonds Series 2015A (Tax-Exempt)	$11,555,000 City of San Pablo Joint Powers Financing Authority Lease Revenue Bonds Series 2015B (Taxable)

Ladies and Gentlemen:

We have acted as Bond Counsel to the City of San Pablo Joint Powers Financing Authority (the "Authority") in connection with the issuance by the Authority of its $4,255,000 City of San Pablo Joint Powers Financing Authority Lease Revenue Bonds, Series 2015A (Tax-Exempt) (the "Series 2015A Bonds") and $11,555,000 City of San Pablo Joint Powers Financing Authority Lease Revenue Bonds, Series 2015B (Taxable) (the Series 2015B Bonds and, together with the Series 2015A Bonds, the "Bonds"). The Bonds are being issued under the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6584) of the California Government Code (the "Bond Law"), and pursuant to an Indenture, dated as of March 1, 2015 (the "Indenture"), by and between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee").

The Bonds are limited obligations of the Authority secured under the Indenture by a pledge of applicable Revenues and certain other moneys held under the Indenture. The Revenues for each Series consist of (i) the applicable Base Rental Payments made by the City of San Pablo (the "City") pursuant to a Lease Agreement, dated as of March 1, 2015 (the "Lease"), by and between the Authority, as lessor, and the City, as lessee, (ii) any proceeds of Bonds originally deposited with the Trustee and all moneys on deposit in the funds and accounts (other than the Rebate Fund) established under the Indenture, (iii) investment income with respect to such moneys held by the Trustee and (iv) any insurance proceeds or condemnation awards received by or payable to the Trustee relating to the applicable Base Rental Payments. The City has leased certain real property and improvements (the "Leased Property") to the Authority pursuant to the Site and Facility Lease, dated as of March 1, 2015 (the "Site Lease"), by and between the City and the Authority. Pursuant to the Assignment Agreement, dated as of March 1, 2015 (the "Assignment Agreement"), by and between the Authority and the Trustee, the Authority has assigned to the Trustee, for the benefit of the Owners, certain of the Authority's rights under the Site Lease and the Lease, including the right to receive Base Rental Payments under the Lease.

As Bond Counsel, we have reviewed the Indenture, the Site Lease, the Lease, the Assignment Agreement and certifications of the Authority, the City, the Trustee and others, opinions of counsel to the Authority, the City and the Trustee, and such other documents, opinions and instruments as we deemed necessary to render the opinions set forth herein. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

Based upon the foregoing, we are of the opinion that:

1. The Bonds constitute valid and binding limited obligations of the Authority as provided in the Indenture, and are entitled to the benefits of the Indenture.

2. The Indenture has been duly and validly authorized, executed and delivered by the Authority and, assuming the enforceability thereof against the Trustee, constitutes the legally valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms. The Indenture creates a valid pledge, to secure the payment of principal of and interest on the Bonds, of the Revenues and certain other amounts held by the Trustee in certain funds and accounts established pursuant to the Indenture, subject to the provisions of the Indenture permitting the application thereof for other purposes and on the terms and conditions set forth therein.

3. The Lease and Site Lease have been duly and validly authorized, executed and delivered by the Authority and the City and constitute the legally valid and binding obligations of the Authority and the City, enforceable against the Authority and the City in accordance with their terms.

4. The Assignment Agreement has been duly and validly authorized, executed and delivered by the Authority and, assuming the enforceability thereof against the Trustee, constitutes the legally valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms.

5. Under existing statutes, regulations, rulings and court decisions, interest on the Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the covenants mentioned herein, interest on the Series 2015A Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. It is the further opinion of Bond Counsel that, under existing statutes, regulations, rulings and court decisions, the Series 2015A Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, that interest on the Series 2015A Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code. Receipt or accrual of interest on Series 2015A Bonds owned by a corporation may affect the computation of the alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

   The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2015A Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Non-compliance with such requirements could cause the interest on the Series 2015A Bonds to fail to be excluded from the gross income of the owners thereof retroactive to the date of issuance of the Series 2015A Bonds. Pursuant to the Indenture and in the *Tax Certificate Pertaining to Arbitrage and Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of*

1986 being delivered by the Authority in connection with the issuance of the Series 2015A Bonds, the Authority are making representations relevant to the determination of, and is undertaking certain covenants regarding or affecting, the exclusion of interest on the Series 2015A Bonds from the gross income of the owners thereof for federal income tax purposes.

In reaching our opinions described in the immediately preceding paragraphs, we have assumed the accuracy of such representations and the present and future compliance by the Authority with such covenants. Further, except as stated in the preceding paragraph, we express no opinion as to any federal or state tax consequence of the receipt of interest on, or the ownership or disposition of, the Series 2015A Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequence with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel.

The opinions expressed in paragraphs 1, 2, 3 and 4 above are qualified to the extent the enforceability of the Bonds and the Indenture may be limited by applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally or as to the availability of any particular remedy. The enforceability of the Bonds and the Indenture is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in California.

No opinion is expressed herein on the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully submitted,

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APPENDIX F

BOOK-ENTRY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that each of the Authority and the City believes to be reliable, but the Authority and the City take no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 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*. The information set forth on such website is not incorporated herein by reference.

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority, the City or the 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, the Trustee, the Authority 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 Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

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APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ________________________________

Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
31 West 52nd Street, New York, N.Y. 10019
(212) 974-0100