



AGENDA COVER

Regular Joint Meeting of the
CAPITOLA CITY COUNCIL/REDEVELOPMENT AGENCY
and the Special Meeting of the
CAPITOLA FINANCING AUTHORITY
MEETING DATE: THURSDAY, JANUARY 13, 2011

CITY COUNCIL CHAMBERS: 420 CAPITOLA AVENUE, CAPITOLA

CLOSED SESSION 5:30 P.M.
SPECIAL MEETING OF THE CAPITOLA FINANCING AUTHORITY 6:50 P.M.
JOINT CITY COUNCIL/REDEVELOPMENT AGENCY REGULAR MEETING
Immediately following the Special Meeting of the Capitola Financing Authority

Elected Officials

Dennis Norton, Mayor
Michael Termini, Vice Mayor
Stephanie Harlan, Council Member
Kirby Nicol, Council Member
Sam Storey, Council Member

Jacques Bertrand, City Treasurer

City Staff Members

Jamie Goldstein, City Manager
John G. Barisone, City Attorney
Pamela Greeninger, City Clerk
Mike Card, Chief of Police
Derek Johnson,
Community Development Director
Steven Jesberg, Public Works Director

Notice regarding City Council Meetings: The City Council meets regularly on the 2nd and 4th Thursday of each month immediately following the Redevelopment Agency Meeting, at approximately 7:00 p.m., in the City Hall Council Chambers located at 420 Capitola Avenue, Capitola.

Notice regarding Redevelopment Agency Meetings: Redevelopment Agency meetings are held on the 2nd and 4th Thursday of each month commencing between 6 p.m. and 7 p.m. The exact time of commencement will be determined by the Executive Director (based upon his/her estimate of time required) and shall be set forth in the notice of meeting posted at the place of meeting in accordance with Govt. Code §54954.2(a). Exceptions are the 2nd meeting in November is held on the 4th Tuesday, and in December when there is only one regular meeting on the 2nd Thursday of the month.

Agenda and Agenda Packet Materials: The City Council/Redevelopment Agency Agenda and the complete Agenda Packet are available on the Internet at the City's website: www.ci.capitola.ca.us. Agendas are also available at the Capitola Post Office located at 826 Bay Avenue, Capitola.

Agenda Document Review: The complete agenda packet is available at City Hall and at the Capitola Branch Library, 2005 Wharf Road, Capitola, on the Monday prior to the Thursday meeting. Need more information? Contact the City Clerk's office at 831-475-7300.

Agenda Materials Distributed after Distribution of the Agenda Packet: Pursuant to Government Code §54957.5, materials related to an agenda item submitted after distribution of the agenda packet are available for public inspection at the Reception Office at City Hall, 420 Capitola Avenue, Capitola, California, during normal business hours.

Americans with Disabilities Act: Disability-related aids or services are available to enable persons with a disability to participate in this meeting consistent with the Federal Americans with Disabilities Act of 1990. Assisted listening devices are available for individuals with hearing impairments at the meeting in the City Council Chambers. Should you require special accommodations to participate in the meeting due to a disability, please contact the City Clerk's office at least 24 hours in advance of the meeting at (831) 475-7300. In an effort to accommodate individuals with environmental sensitivities, attendees are requested to refrain from wearing perfumes and other scented products.

Televised Meetings: City Council/Redevelopment Agency meetings are cablecast "Live" on Charter Communications Cable TV Channel 8 and are recorded to be replayed at 12:00 Noon on the Saturday following the meetings on Community Television of Santa Cruz County (Charter Channel 71 and Comcast Channel 25). Meetings can also be viewed from the City's website: www.ci.capitola.ca.us.



AGENDA

Regular Joint Meeting of the
CAPITOLA CITY COUNCIL/REDEVELOPMENT AGENCY
and the Special Meeting of the
CAPITOLA FINANCING AUTHORITY
Thursday, January 13, 2011

5:30 P.M - CLOSED SESSION - CITY MANAGER'S OFFICE

An announcement regarding the items to be discussed in Closed Session will be made in the City Hall Council Chambers prior to the Closed Session. Members of the public may, at this time, address the City Council/Redevelopment Agency Directors on closed session items only.

CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION (Govt. Code §54956.9a)
Surf and Sand, LLC vs. City of Capitola, et al (Surf & Sand Mobile Home Park) [Superior Court of the State of California for County of Santa Cruz, Case #CV 167716]

Surf and Sand, LLC vs. City of Capitola, et al (Surf & Sand Mobile Home Park) [U.S. District Court N.D., Case No. C09-05542 RS (Judge Richard Seeborg)]

Los Altos/El Granada Investors vs. City of Capitola, et al (Castle Mobile Estates) [U.S. District Court N.D., Case No. CV 04-05138 JF (Judge Jeremy Fogel)]

Vieira Enterprises, Inc. vs. City of Capitola (Cabrillo Mobile Estates)

CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Significant exposure to litigation pursuant to subdivision (b) of Government Code §54956.9:
One Case: Vieira Enterprises, Inc. vs. City of Capitola (Cabrillo Mobile Estates)

The City is in receipt of a December 30, 2010, Fair Return rent increase application for Cabrillo Mobilehome Park, which claims that if it is not granted in its entirety, the City will be liable for the unconstitutional taking of Mr. Vieira's property and further claims that the City's past enforcement of its rent control ordinance has already functioned to effect such a taking.

**6:50 SPECIAL MEETING OF THE
CAPITOLA FINANCING AUTHORITY**

1. ROLL CALL

Board Members Harlan, Termini, Nicol, Storey, and Chair Norton

2. ORAL COMMUNICATIONS

3. CONSENT CALENDAR

All matters listed under "Consent Calendar" are considered by the Agency to be routine and will be enacted by one motion in the form listed below. There will be no separate discussion on these items prior to the time the Directors vote on the action unless members of the public or the Agency request specific items to be discussed for separate review.

A. Minute Approval – Approve Minutes of the Special Meeting of the Capitola Financing Authority held on January 28, 2010.

B. Accept Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2010.

4. ADJOURNMENT

* * * * *

**REGULAR JOINT MEETING
OF THE CAPITOLA CITY COUNCIL/REDEVELOPMENT AGENCY**

ROLL CALL AND PLEDGE OF ALLEGIANCE

Council Members/Directors Harlan, Termini, Nicol, Storey,
and Mayor/Chairperson Norton

*** * * PRESENTATIONS * * ***

Proclamation for National Blood Donor Month – January 2011
to Donor Recruitment Account Manager Patti Childress
of the American Red Cross

Recognition of Ron Burke for his service on the
Capitola Planning Commission from December 2006 to December 2010

Presentation by Catherine Patterson-Valdez, Program Director
from Community Bridges – Lift Line Program

Presentation by Lisa Berkowitz, Program Director
from Community Bridges - Meals on Wheels

1. REPORT ON CLOSED SESSION

2. ORAL COMMUNICATIONS

A. Additions and Deletions to Agenda

B. Public Comments

Oral Communications allows time for members of the Public to address the City Council/Redevelopment Agency on any item not on the Agenda. Presentations will be limited to three minutes per speaker. Individuals may not speak more than once during Oral Communications. All speakers must address the entire legislative body and will not be permitted to engage in dialogue. All speakers are requested to print their name on the sign-in sheet located at the podium so that their name may be accurately recorded in the minutes. A MAXIMUM of 30 MINUTES is set aside for Oral Communications at this time.

C. Staff Comments

D. City Council/RDA Director/Treasurer Comments/Committee Reports

City Council Members/Redevelopment Agency Directors/City Treasurer may comment on matters of a general nature or identify issues for staff response or future council/RDA consideration. Council Members/RDA Directors/Committee Representatives may present oral updates from standing committees at this time.

E. Committee Appointments

Council Members/RDA Directors/Committee Representatives may present oral updates from standing committees at this time. Committee appointments may also be made by the City Council/Redevelopment Agency at this time.

- 1) Council Member Harlan appointments to the Finance Advisory Committee, the Commission on the Environment, and the Traffic & Parking Commission. Council Member Termini to confirm his appointment to the Traffic & Parking Commission.
- 2) Reconsideration of the City Council's nomination of Council Member Harlan to the Local Agency Formation Commission (LAFCO)
- 3) RDA: Appointments/reappointments to the Redevelopment Agency Library Ad hoc Committee. Staff recommendation: Director appointments/reappointments.

F. Approval of Check Register Reports

- 1) City: Approval of City Check Register Reports for December 3, 10, 17, and 23, 2010
- 2) RDA: Approval of Redevelopment Agency Check Register Reports dated December 3, 10, and 23, 2010

3. CONSENT CALENDAR

All matters listed under "Consent Calendar" are considered by the City Council/ Redevelopment Agency to be routine and will be enacted by one motion in the form listed below. There will be no separate discussion on these items prior to the time the Council votes on the action unless members of the public or the Council request specific items to be discussed for separate review. Items pulled for separate discussion will be considered following "Other Business."

- A. Approve Reading by Title of all Ordinances and Resolutions and declare that said Titles which appear on the Public Agenda shall be determined to have been read by Title and Further Reading Waived.
- B. Approve City Council Minutes of the Regular Meeting of November 23, 2010, the Special Closed Session Meetings of November 29 and December 20, 2010, and the Special Meeting of December 8, 2010.
- C. RDA: Approve Minutes of the Regular Meeting of the Capitola Redevelopment Agency of December 9, 2010.
- D. Receive City Treasurer's Report for the month ended November 30, 2010 (Unaudited).
- E. Receive California Public Employees' Retirement System Annual Actuarial Valuation Reports as of June 30, 2009.
- F. Adopt Resolution Approving a Rate Schedule for Residential and Commercial Garbage Collection and Recycling in Capitola for 2011.
- G. Receive and file First Quarter 2010-2011 Sales Tax and Transient Occupancy Tax Status Report (Unaudited) for the City of Capitola.
- H. City/RDA: Accept Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2010.

4. PUBLIC HEARINGS – None

5. OTHER BUSINESS

- A. Request from JFS, Inc., operators of Capitola Boat and Bait, to exercise their option to extend the Wharf Lease and Mooring Concession Agreement for one year, and for rent relief for the months of January, February and March 2011. Staff recommendation: approve extension of Wharf Lease to December 31, 2011, and Council direction regarding request for rent waiver.
- B. City Council conceptual review of Public Art Project on 41st Avenue. Staff recommendation: receive report and provide direction.
- C. Budgeting Principals and Budget Calendar for Fiscal Year 2011-12. Staff recommendation: approve FY 2011-12 Budget Calendar.
- D. Appointment/Reappointment of Standby City Council Members. Staff recommendation: City Council determination.
- E. Paper reduction for City Council/Redevelopment Agency Meeting Agenda Packets. Staff recommendation: Council direction.
- F. City/RDA: City Council/Redevelopment Agency Minutes. Staff recommendation: approve implementation of Action Minute format as the City's formal record of City Council/Redevelopment Agency Minutes.
- G. RDA: Resolution Amending Section 3.02 of the Redevelopment Agency Bylaws Pertaining to Regular Meeting Time. Staff recommendation: adopt Agency Resolution.
- H. Grant for Electric Vehicle Charging Station Installation. Staff recommendation: approve recommended action accepting grant from Coulomb Technologies, Inc., authorizing the City Manager to execute agreements, approve installation of charging stations in Pacific Cove Parking Lot, and approve Notice of Exemption from CEQA for the installation of the charging stations.

AT THIS POINT, ITEMS REMOVED FROM CONSENT CALENDAR WILL BE CONSIDERED

6. COUNCIL/RDA DIRECTOR/STAFF COMMUNICATIONS

7. ADJOURNMENT

Adjourn to the next Joint Regular Meeting of the City Council/Redevelopment Agency to be held on Thursday, January 27, 2011, at 7:00 p.m., in the City Hall Council Chambers, 420 Capitola Avenue, Capitola, California.



CFA Item #: **3.A.**

CAPITOLA FINANCING AUTHORITY AGENDA REPORT

SPECIAL MEETING OF JANUARY 13, 2011

FROM: Office of the Secretary

DATE: January 5, 2011

SUBJECT: **Minute Approval** – Minutes of the Special Meeting of January 28, 2010

Recommended Action: Motion to approve subject minutes as submitted. *(NOTE: Boardmembers Harlan and Termini were not members of the Board at that time and should abstain from voting on the minutes.)*

DISCUSSION

Attached for Boardmember review and approval are the Minutes to the Special Meeting of the Capitola Financing Authority held January 28, 2010.

ATTACHMENTS

Minutes of January 28, 2010

Report Prepared By: Pamela Greeninger, Secretary
Capitola Financing Authority

A handwritten signature in black ink, appearing to be "P. Greeninger", is written over the typed name of the secretary.

Reviewed and Forwarded
By Executive Director:

A handwritten signature in black ink, appearing to be "J. [unclear]", is written next to the text "By Executive Director:".

January 28, 2010
Capitola, California

**CAPITOLA FINANCING AUTHORITY
MINUTES OF A SPECIAL MEETING**

Chair Storey called the Special Meeting of the Capitola Financing Authority to order at 7:04 p.m. on January 28, 2010, in the City Hall Council Chambers, 420 Capitola Avenue, Capitola, California.

1. ROLL CALL

PRESENT: Board Members Ron Graves, Dennis Norton, Kirby Nicol, Robert "Bob" Begun, and Chair Sam Storey
ABSENT: Treasurer-Controller Jacques Bertrand
OTHERS: Executive Director Rich Hill and Secretary Pamela Greeninger

2. ORAL COMMUNICATIONS

Chair Storey pointed out that this was a meeting of the Capitola Financing Authority, and asked if there were any communications from the public or Board Members on items not on the agenda. There were no comments.

3. CONSENT CALENDAR

Chair Storey asked if anyone from the public or board member wished to pull any of the items on the Consent Calendar. None of the items were pulled.

A. Minute Approval – Approve Minutes of the Special Meeting of the Capitola Financing Authority of January 22, 2009.

ACTION: Board Member Nicol moved, seconded by Board Member Norton, to approve the Minutes of the Special Meeting of the Capitola Financing Authority of January 22, 2009, as submitted. The motion carried on the following vote: AYES: Board Members Graves, Norton, Nicol, and Chair Storey. NOES: None. ABSENT: None. ABSTAIN: Board Member Begun.

B. Accept Comprehensive Annual Financial Report for Fiscal Year Ended 6/30/09. [335-20]

ACTION: Board Member Nicol moved, seconded by Board Member Norton, to accept the Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2009, on behalf of the Capitola Financing Authority, as submitted. The motion carried on the following vote: AYES: Board Members Graves, Norton, Nicol, Begun, and Chair Storey. NOES: None. ABSENT: None. ABSTAIN: None.

C. Adopt Capitola Financing Authority Resolution Approving the Closeout Analysis and Findings Report Prepared by NBS for the Capitola Financing Authority 1998 Reassessment Revenue Bonds; Authorizing Application of Excess Investment Earnings of \$36,719.16 Against Unreimbursed City Finance Staff Time from 7/1/05-12/31/09; and Authorizing Transfer of Funds in the Amount of \$36,719.16 to the City of Capitola General Fund. [335-40]

ACTION: Board Member Nicol moved, seconded by Board Member Norton, to adopt Capitola Financing Authority Resolution No. 006, Resolution Approving the Closeout Analysis and Findings Report Prepared by NBS for the Capitola Financing Authority 1998 Reassessment Revenue Bonds; Authorizing Application of Excess Investment Earnings of \$36,719.16 Against Unreimbursed City Finance Staff Time from 7/1/05-12/31/09; and Authorizing Transfer of Funds in the Amount of \$36,719.16 to the City of Capitola General Fund, as submitted. The motion carried on the following vote: AYES: Board Members Graves, Norton, Nicol, Begun, and Chair Storey. NOES: None. ABSENT: None. ABSTAIN: None.

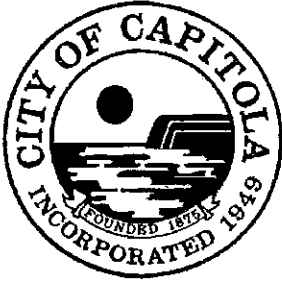
4. ADJOURNMENT

The Special Meeting of the Capitola Financing Authority adjourned at 7:06 p.m.

Sam Storey, Chair

ATTEST:

Pamela Greeninger, Secretary



CITY COUNCIL/REDEVELOPMENT AGENCY/CAPITOLA FINANCING AUTHORITY AGENDA REPORT

MEETING OF JANUARY 13, 2011

FROM: FINANCE DEPARTMENT
DATE: JANUARY 3, 2011
SUBJECT: COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR JUNE 30, 2010

Recommended Action: By motion, receive and file the Comprehensive Annual Financial Reports for the City of Capitola and Capitola Redevelopment Agency for June 30, 2010.

BACKGROUND

At the end of each fiscal year, state law requires that an independent audit firm is retained by the City of Capitola and the Redevelopment Agency to audit the general-purpose financial statements and issue an opinion. In accordance with Government Code section 12460, this document has been submitted to the California State Controller's Office and the California Department of Housing and Community Development pursuant to the December 31, 2010 deadline. The fiscal year 2009-10 Comprehensive Annual Financial Report (CAFR) for the City of Capitola, including the Capitola Redevelopment Agency, is herewith presented to the City Council, Redevelopment Agency Board, the Capitola Financing Authority, and citizens of Capitola.

DISCUSSION

The financial report presents the financial condition, results of operations, and current economic condition for the fiscal year ended June 30, 2010 for the City of Capitola, the Redevelopment Agency of the City of Capitola, and its component units. The independent audit firm of Teaman, Ramirez & Smith, Certified Public Accountants, have issued the following opinion on the City's financial records, found on page 1 of the CAFR: "In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Capitola, California, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America."

ATTACHMENTS (Included in the Agenda packet with Capitola Financing Authority Item 3.B. only.)

1. City of Capitola Comprehensive Annual Financial Report, June 30, 2010
2. Basic Financial Stmtts. of the Redevelopment Agency of the City of Capitola, June 30, 2010
3. City of Capitola Single Audit Report on Federal Award Programs, December 14, 2010
4. City of Capitola Management Representation Letter, December 14, 2010
5. Internal Controls and Compliance letter, December 14, 2010
6. Management Letter Items for Consideration, December 14, 2010 and Mgmt. Response
7. Report on Appropriations Limits letter, December 14, 2010
8. Professional Standards Letter, December 14, 2010

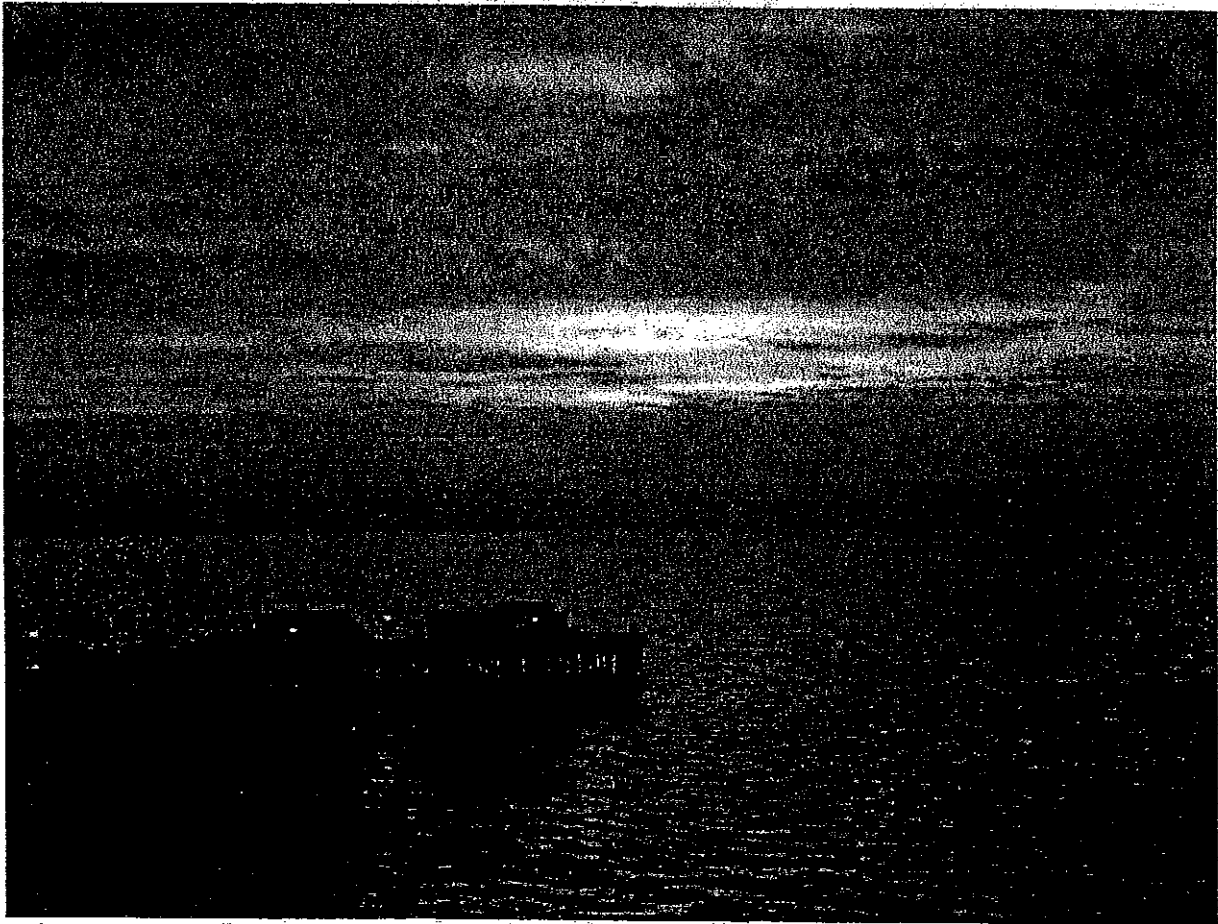
Report Prepared By: Lonnie Wagner
Accountant II

Reviewed and Forwarded by City
Manager/Executive Director

(Signature)

(Signature)

City of Capitola, California
Comprehensive Annual Financial
Report



For the Fiscal Year Ended

June 30, 2010

**CITY OF CAPITOLA,
CALIFORNIA**

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Prepared by the Capitola Finance Department

**City of Capitola
Comprehensive Annual Financial Report
Year Ended June 30, 2010**

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**City of Capitola
Comprehensive Annual Financial Report
Year Ended June 30, 2010**

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INTRODUCTORY SECTION



420 CAPITOLA AVENUE
CAPITOLA, CALIFORNIA 95010
TELEPHONE (831) 475-7300
FAX (831) 479-8879

December 14, 2010

Honorable Mayor,
Members of the City Council, and
Citizens of the City of Capitola

SUBJECT: Comprehensive Annual Financial Report – June 30, 2010

The Comprehensive Annual Financial Report (CAFR) for the City of Capitola for the fiscal year ended June 30, 2010 is hereby submitted.

State law requires that the accounts and fiscal affairs of all municipal entities be examined annually by an independent certified public accountant. The City's independent auditor, Teaman, Ramirez & Smith, Inc., has audited the City's financial statements and issued an unqualified opinion that financial statements for fiscal year ended June 30, 2010 are fairly presented in conformity with generally accepted accounting principles. This opinion, along with the basic financial statements of the City, are hereby submitted and included in the financial section of this report in fulfillment of the above requirement.

This report consists of City management's representations concerning the finances of the City of Capitola. Consequently, management assumes full responsibility for completeness, accuracy of data, and fairness of presentation, including all footnotes and disclosures. Management believes the data presented is accurate in all material respects and that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City. To provide a reasonable basis for making these representations, City management has established a comprehensive framework of internal controls designed both to protect the City's assets from loss, theft, or misuse and to compile sufficiently reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles. Because the cost of internal controls should not exceed their benefits, the City's internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements are free of material misstatements. The audit provides users with reasonable assurance that the information presented is free from material misstatements. As management, I assert that to the best of my knowledge and belief, this financial report is complete and reliable in all material respects.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found in the Financial Section of this document, immediately following the report of the independent auditor.

The City of Capitola Comprehensive Annual Financial Report is organized as follows:

- I. Introductory section – Letter of Transmittal, Directory of Officials, Organization Chart, and Awards for Financial Reporting
- II. Financial Section – Independent Auditors' Report, Management Discussion & Analysis, Government-wide Financial Statements, Fund Financial Statements, Notes to Financial Statements, Required Supplementary Information, and Supplementary Information
- III. Statistical Section – Historical trends for Financial Trends, Revenue Capacity, Debt Capacity, Demographic and Economic Information, and Operating Information

CITY OF CAPITOLA PROFILE

Capitola, a general law city incorporated January 11, 1949, is an intimate suburban, recreational and tourist beach village of approximately two square miles, located on the northern edge of the Monterey Bay, 35 miles north of Monterey and 75 miles south of San Francisco. The City is home to numerous family-oriented annual events, including the Begonia Festival, celebrating its 58th year in 2010 and the Wharf to Wharf Race, celebrating its 38th year. The City also sponsors several annual series of events, such as Twilight Concerts at the Beach, Art Shows at the Beach, Movies at the Beach, along with the Capitola Water Festival. The City provides police protection, street, park and facilities maintenance, recreation, building, planning, zoning, administrative, and financial services for Capitola. Independent special districts provide fire protection, water, sewer, and drainage services.

FINANCIAL CONDITION

The Comprehensive Annual Financial Report includes all financial activities of the City and the Redevelopment Agency of the City of Capitola, two separate legal entities. City Council members also serve as the governing board members of the Redevelopment Agency and the City Manager serves as its Executive Director. The Capitola Financing Authority, a joint powers authority created by and between the City and the RDA, was formed in 1996 to facilitate a 1996 refunding bond issue and the subsequent 1998 Reassessment Revenue Bonds.

The City's accounting records are maintained on a modified accrual basis. Revenues are recorded when measurable and available and expenditures are recorded when goods or services are received and the liability incurred. The annual budget serves as the foundation for the City of Capitola's financial planning and control. In accordance with the City's Municipal Code, the budget is to be adopted by resolution on or before June 30th for the ensuing fiscal year. Expenditures authorized in the final budget resolution are appropriated at the budget unit. Capital projects are budgeted at the individual project level. City Council may appropriate, amend, or transfer funds by an affirmative vote of three Council members at any regular or special Council meeting.

An affirmative vote of three members of the City Council at any regular or special meeting may create, eliminate, revise, or otherwise amend amounts set aside as reserves in a fund which in the opinion of the council are no longer necessary, amounts appropriated as contingencies in a fund, transfers between budget units, or other budgetary designations.

Local Economy

The current economic challenges at the international, national, state and local levels continued in fiscal 2009-10. Capitola reacted swiftly to the initial downturn and adapted long term operational changes under the assumption the subpar, unpredictable economy would continue into the future. City leaders worked with employee groups to establish a "16 days over 16 months" furlough plan from March, 2009 to June, 2010, which was quickly implemented. The City also initiated pay and hiring freezes and offered early retirement plans. Additional attention was given, and continues to be given, to control all other expenditures. This has kept the City in reasonably good condition given the surrounding economic climate.

In 2007-08, 48% of Capitola's general fund revenue was from sales tax. That subsequently declined to 40% in 2008-09 and 41% in 2009-10. The initial drop of \$1.6 million or 24% in 2008-09, was followed by a \$200,000 or 4.4% increase in 2009-10. These results include the loss of four of the City's top 10 sales tax revenue contributors. Two major automobile dealerships left the City during this time - one at the end of fiscal 2007-08 and one midway through 2008-09. Those dealerships were replaced by the expansion of one of the existing tenants; and the addition of several new automobile dealerships. Two major retail chains in the City also went out of business - one midway through 2008-09 and one at the end of fiscal 2008-09. The first site was unoccupied for four quarters but reopened with a different national retailer in mid 2009-10. The second site remains empty, but was recently acquired by a major national retail chain and is anticipated to open in fiscal year 2011-12.

Other recent economic development projects include the 2008-09 opening of a national liquor store chain and the 2009-10 openings of a national natural/organic grocery store chain and a family restaurant chain. An 84 room hotel is current in construction, and anticipated to open in late fiscal year 2009-10. All of these projects occurred on sites that had been underperforming or vacant prior to fiscal year 2009-10.

Many smaller and mid-sized businesses and restaurants in Capitola have been negatively affected by the regional economic climate during this period as well. Consumer confidence and spending continue to be low, adding to the lower revenue across all segments of sales tax revenue producers. The City continues to seek redevelopment opportunities that will help to update and upgrade the City's major retail corridor and mall area.

Capitola's relatively fixed property ownership base kept property tax revenues level for the past three fiscal years. Property tax accounted for 12% of 2007-08 revenue and increased slightly in 2008-09 and 2009-10 to 13.4% of general fund revenue. Transient occupancy tax paid by hotels, motels, and vacation rentals within the City of Capitola has remained relatively steady at 4.9% for 2007-08, 2008-09, and 2009-10. The addition of the 84 room hotel in late fiscal year 2009-10 is anticipated to increase transient occupancy tax significantly.

The City has also initiated a General Plan update process. That process will include efforts to identify locations and opportunities to encourage redevelopment within the City. Potential changes which may be considered in the General Plan update to help spur economic development include revised zoning standards, identification of priority public infrastructure improvements and appropriate locations for additional hotel development projects.

Long-term Financial Planning

As the State of California continues to struggle with its finances, accentuated by the general economic meltdown, State borrowing and delay in distribution of tax monies and grant funds have affected City finances. As part of the 2009-10 State Budget package, the California Legislature suspended local agency protections of Proposition 1A and passed a plan in which the State could exercise the right to retain local agency funds to close the State budget gap. Capitola participated in a third party securitization through the California Statewide Communities Development Authority Proposition 1A Securitization bond offering, which provided the City with 8% of 2008-09 property tax revenue, or \$229,040 in anticipation of the State Legislature's suspension of local agency protections.

The City's adopted Economic Development Plan calls for the establishment of additional visitor serving overnight accommodations to capture additional revenue from the large influx of seasonal visitors to the community. A number of sites for additional hotels have been considered, and will be further analyzed in the General Plan update.

A federal planning grant from the Economic Development Administration has been secured to study the feasibility of developing a parking structure on City property to facilitate coastal access and redevelopment in Capitola Village. The results of this study will be considered by the City Council in early 2011.

To reduce the City's risk that employee retirement costs will increase in the long term, the City has established a contribution cap with all employee bargaining units. The cap sets the maximum percentage of an employee's salary the City will contribute toward retirement costs.

The City's 1/4 % sales tax will expire December 31, 2017. Prior to the expiration of that tax, additional revenue sources will have to be identified, or services cut to offset the revenue loss.

Cash Management and Investments

On a fiscal year basis, the City's annual budget balances expenditures and revenue in the General Fund. Due to the timing of revenue receipts, General Fund expenditures outpace revenue for most of the fiscal year. The most significant factor causing the shortfall is the State Triple flip which exchanges and defers 0.25% of taxable sales (currently about \$1 million of City sales tax revenue) with property tax each year. This allows the pledge of a steady revenue stream to the trustee for debt service payments to the bondholders of California Fiscal Recovery Financing Act Bonds. Through the end of fiscal 2009-10 this cash flow was supplemented in the short term from the Contingency Reserve Fund, then from internal service funds. By fiscal year end, all fund balances were returned to positive balances and all operating cash was returned to the originating funds. Similarly, the Workers' Compensation Fund runs negative due to prepayment of annual premiums and is also supplemented throughout the year.

A formal process for this supplemental cash flow was implemented for fiscal 2010-11. Necessary cash is loaned in advance from Contingency Reserve to the General Fund. Per Capitola's Financial Management Policy, the Contingency Reserve was established to "provide a prudent level of financial resources to protect against temporary revenue shortfalls or unanticipated operating costs, and/or to meet short-term cash flow requirements." Although it is anticipated the Contingency Reserve loan will be sufficient to provide operational cash in the General Fund, in some fiscal years the General Fund may temporarily borrow additional funds from Internal Service Funds, particularly in November and December prior to the receipt of Property Tax revenue. It is anticipated that the Contingency Reserve loan to General Fund will be repaid by June 30 each year.

The City's investment policy establishes the priorities in investing the City's temporarily idle funds as safety, liquidity, then earnings. During fiscal 2009-10, cash that was not held by bond fiscal agents or used in conjunction with ongoing daily City business was invested in the California Local Agency Investment Fund (LAIF), consistent with the City's investment policy.

Risk Management

The City is one of ten participants in the Monterey Bay Area Self Insurance Authority (MBASIA), a joint powers agency created pursuant to California Law. The City is exposed to various risks including tort liability, theft, damage or destruction of assets, errors and/or omissions, and natural disasters. With respect to risks other than workers' compensation, the City and other pool participants pay an annual premium estimated by the pool administrator to be sufficient to cover all liability claims for which the pool is obligated. If a covered entity's losses exceed its premiums, there is no individual supplemental assessment, and if covered losses are lower than its assessment, it does not receive a refund. The pool views its activities in the aggregate and makes overall adjustments to the premiums charged, and is therefore intended to be self-sustaining through member premiums.

Risk of loss is retained by the City for general liability claims up to \$10,000 per occurrence. The authority pays from \$10,000 to \$1 million of a claim and carries excess loss coverage for general liability claims between \$1 million and \$20,000,000 per insured event. The City is uninsured for losses in excess of \$20,000,000 per event. Unpaid claims at fiscal year end, as reported by the fund, were not material. There was no reduction in the City's insurance coverage as compared to the previous fiscal year, nor have there been any losses exceeding coverage during any of the three previous years. Premium payment amounts are determined by the Board, and are charged to the City's general fund as expenditures when paid. For Workers' Compensation, the City pays all salary costs and the JPA covers medical and legal expenses from \$500,000 to \$5 million. The City is uninsured for costs over \$5 million.

Pension and Other Post Employment Benefits

The City of Capitola contributes to the California Public Employees Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. The City is required to contribute an actuarially determined amount necessary to fund the benefits of its members. The actuarial methods and assumptions used in the determination are those adopted by the CalPERS Board of Administration.

As required by the Governmental Accounting Standards Board (GASB), Capitola implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions". GASB 45 establishes standards for measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

Additional detail regarding the City of Capitola's pension and postemployment benefits can be found in *Section II. Financial Section, Basic Financial Statements, Notes to Financial Statements* of this document - *Notes IV. Other Information, C) City Employees' Retirement System and D) Post Employment Benefits*, pages 37-41.

Awards and Acknowledgements

The Certificate for Outstanding Financial Reporting was awarded to the City of Capitola for the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009 by the California Society of Municipal Finance Officers (CSMFO). The City has received this award every year since fiscal 1999-2000 and we believe that the current CAFR meets the Certificate for Outstanding Financial Reporting requirements and have submitted it to CSMFO for this year's award.

I wish to express my thanks and appreciation to the Mayor, members of the City Council, and the City and RDA Treasurers for their leadership, interest, and continued support in planning and conducting the financial operations of the City of Capitola in a responsible and prudent manner in the best interests of the citizens of Capitola.

Respectfully submitted,

Jamie Goldstein
City Manager

**CITY OF CAPITOLA
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2010**

ELECTED OFFICIALS

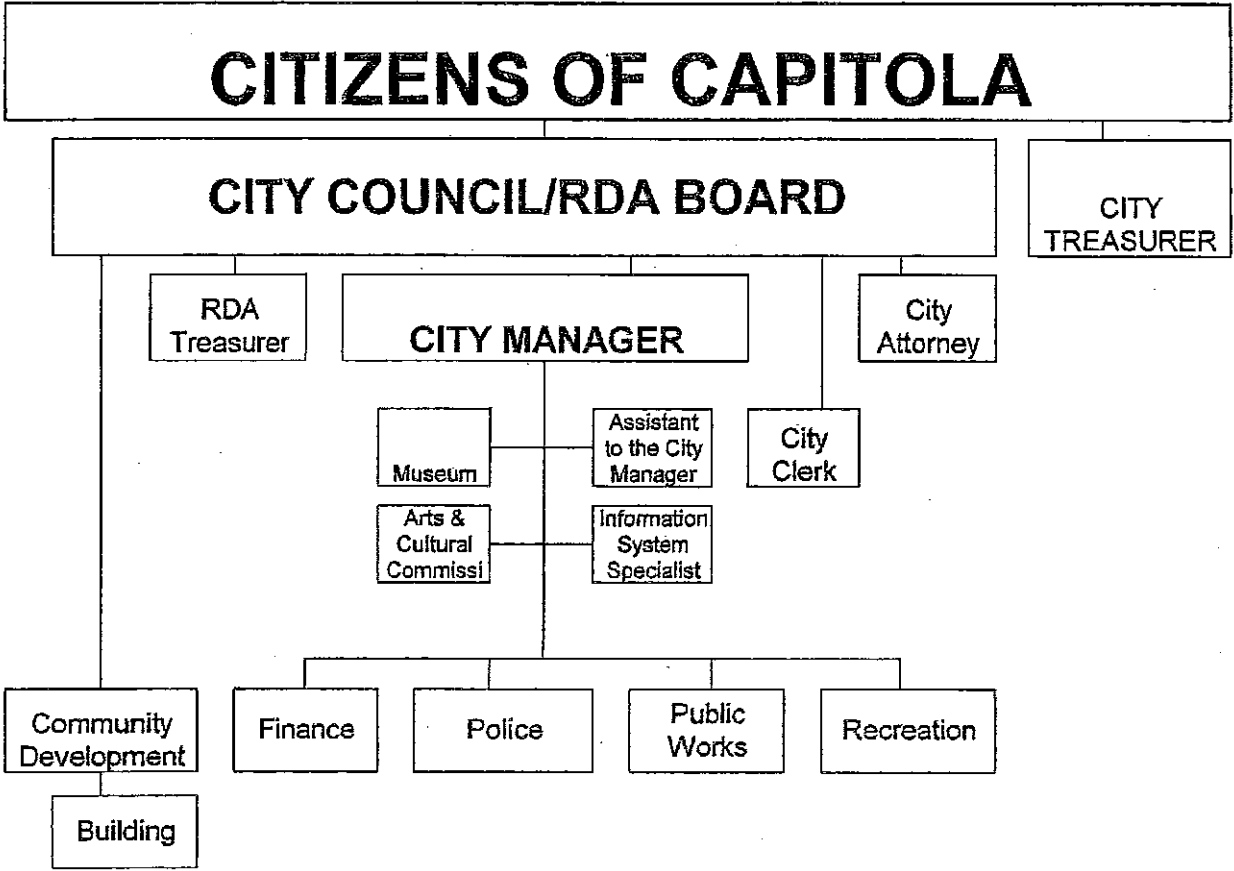
MAYOR	Sam Storey
VICE MAYOR	Dennis Norton
COUNCIL MEMBER	Bob Begun
COUNCIL MEMBER	Ron Graves
COUNCIL MEMBER	Kirby Nicol
CITY TREASURER	Jacques Bertrand

APPOINTED OFFICIALS

RDA TREASURER	Debbie Johnson
CITY MANAGER	Rich Hill
CITY ATTORNEY	Atchison, Barisone, Condotti & Kovacevich

DEPARTMENT DIRECTORS/ADMINISTRATORS

BUILDING OFFICIAL	Mark Wheeler
CITY CLERK	Pamela Greeninger
COMMUNITY DEVELOPMENT DIRECTOR	Jamie Goldstein
FINANCE DIRECTOR	vacant
POLICE CHIEF	Mike Card
PUBLIC WORKS DIRECTOR	Steve Jesberg



*California Society of
Municipal Finance Officers*

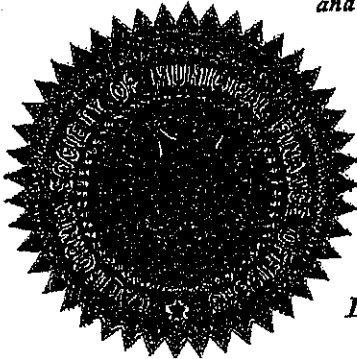
Certificate of Award

*Outstanding Financial Reporting for the Fiscal
Year ending June 30, 2009*

Presented to the

City of Capitola

*This certificate is issued in recognition of meeting professional standards and criteria in reporting
which reflect a high level of quality in the annual financial statements
and in the underlying accounting systems from which the reports were prepared.*



Ronnie Campbell

Ronnie Campbell, President

Jesse Takahashi

Jesse Takahashi
Recognition Committee

Dedicated Excellence in Municipal Financial Management

FINANCIAL SECTION

Independent Auditors' Report

The Honorable City Council
City of Capitola, California

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2010 on our consideration of the City of Capitola's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Teaman Ramirez & Smith, Inc.

December 14, 2010

Management's Discussion and Analysis

The management of the City of Capitola offers the following narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2010. The information presented here should be considered in conjunction with the additional information provided in the Letter of Transmittal included in the Introductory Section of this document and the basic financial statements that follow this Management Discussion and Analysis.

Fiscal Year 2009-10 Financial Highlights

- The City's total net assets at fiscal year-end were \$21.6 million.
- Total City revenues, including program and general revenues, were \$17.8 million, offset by total expenses of \$16.5 million.
- Governmental Program Revenues were \$6.7 million, while Governmental Program Expenses were \$16.5 million.
- General Fund Revenues were \$12.0 million, offset by General Fund Expenditures of \$10.9 million.

Details and comparisons to prior fiscal year are provided in the Government-Wide Financial Analysis and Financial Analysis of Fund Financial Statements sections of this Management's Discussion and Analysis.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are presented in three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. The Financial Section also includes other supplemental information: Management's Discussion and Analysis (this section), the Required Supplementary Information that further supports the information in the financial statements, and the Supplementary Information of additional supporting schedules and combining statements.

Government-wide Financial Statements are designed to provide a broad overview of the finances of the City as a whole, in a manner similar to private sector business. The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and/or decreases in net assets may serve to indicate whether the financial position of the City is improving or declining. The Statement of Activities shows how the City's net assets changed during the most recent fiscal year. It includes all revenues and expenses based on when they are earned or incurred regardless of the timing of cash receipt or disbursement. The City's financial position, presented in the Statement of Net Assets, and all of the City's financial activities, presented in the Statement of Activities are required to be grouped into government activities and business-type activities. As of June 30, 2010, the City of Capitola has only governmental activity. They include the activities of the Redevelopment Agency of the City, for which the City is financially accountable.

Fund Financial Statements provide more detailed information about the City's most significant funds, rather than the City as a whole. A fund is a grouping of related accounts used to maintain control over resources that are segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with certain financial requirements. The major funds for the City are presented in the basic financial statement section of this report, along with non-major funds presented in summary. The City has two fiduciary funds, all others are governmental.

Governmental funds are used to account for the same functions as governmental activities in the government-wide financial statements. However, governmental fund financial statements focus on near-term inflows and outflows of spendable resources and the balance of spendable resources available at fiscal year-end. This information may be of use in evaluating a government's near term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, a better understanding of the long-term impact of the City's near-term financial decisions can be gained.

The City maintains four major governmental funds: General Fund, Federal Home Loan Reuse, RDA Low and Moderate Income Housing, and RDA Debt Service. The financial information for each major fund is shown individually and the remaining funds are shown in aggregate in the basic financial statements. The City's governmental activities include the activities of the Redevelopment Agency of the City because the City is financially accountable for the Agency. The City maintains seven internal service funds that provide goods and services solely for City governmental activities and are eliminated at fiscal year-end with any related fund balance reported.

In the Required Supplementary and Supplementary sections, individual Schedules of Revenues, Expenditures, and Changes to Fund Balance – Budget and Actual are presented for each major and non-major fund. Also included are Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major Governmental Funds and Combining Balance Sheet - Non-Major Governmental Funds.

Fiduciary funds are used to account for resources held for the benefit of parties other than the City. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds are not reflected in the government-wide financial statements because these resources cannot be used by the City. Combining Statements of Fiduciary Assets and Liabilities – Agency Funds and Statement of Changes in Fiduciary Net Assets – Agency Funds are shown in the Supplementary Information.

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

Other information presents certain supplemental information, including Schedules of Revenue, Expenditures, and Changes in Fund Balance for major funds, Combining Statements for Non-major Governmental Funds, and Schedules of Revenue, Expenditures, and Changes in Fund Balance for non-major funds and the fiduciary fund, in addition to the basic financial statements and accompanying notes.

Government-Wide Financial Analysis

This analysis focuses on the net assets and changes in net assets at the city-wide level as presented in the Statement of Net Assets and Statement of Activities. As noted previously, increases and/or decreases in net assets over time may serve to indicate changes in the financial position of the City.

Net assets increased \$1.3 million or 6.3% from 2008-09 to 2009-10. The City's largest investment, net capital assets of \$15.6 million or 72.4% of total net assets, include land, buildings, machinery, equipment, and infrastructure used to provide services to the City's citizens. These funds are not available for future spending. \$1.4 million or 6.4% of the City's net assets are restricted funds with external limitations on their use. The remaining \$4.6 million or 21.2% is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors. A condensed comparative is shown below.

Governmental Net Assets (\$000)		
Governmental Activities	2010	2009
Cash & Investments	\$ 9,904	\$ 10,936
Capital Assets	16,667	16,729
Other Assets	5,986	4,042
Total Assets	\$ 32,557	\$ 31,707
Long-term Debt	\$ 7,373	\$ 7,578
Other Liabilities	3,630	3,854
Total Liabilities	\$ 11,003	\$ 11,432
Net Assets		
Net Capital Assets	\$ 15,598	\$ 15,659
Restricted	1,381	1,180
Unrestricted	4,575	3,435
Total Net Assets	\$ 21,554	\$ 20,274

All revenue for the City of Capitola is governmental revenue. Revenue increased \$1.8 million from 2008-09 to 2009-10, including a major adjustment from the State Board of Equalization that reduced 2008-09 revenue and increased 2009-10 revenue by approximately \$400,000. Major revenue sources are Sales and Use Taxes (28.0%), Charges for Services (27.1%) and Property Taxes (22.8%). Increases were \$1.2 million in operating grants revenue and \$900,000 in charges for services.

Changes in Governmental Net Assets (\$000)		
Revenues:	2010	2009
Program Revenues:		
Charges for services	\$ 4,831	\$ 3,923
Operating Grants & Contributions	1,469	286
Capital Grants & Contributions	388	527
General Revenues:		
Property Taxes	4,066	4,148
Sales and Use Taxes	4,994	4,859
Other Taxes	1,336	1,342
Investment Income	238	394
Other	488	508
Total Revenues	\$ 17,810	\$ 15,987
Expenses:		
General Government	\$ 5,103	\$ 4,482
Public Safety	5,533	5,927
Community Development	2,428	2,218
Cultural and Leisure	1,025	1,035
Transportation	1,932	2,530
Interest on Long-term Debt	509	533
Total Expenses	\$ 16,530	\$ 16,725
Change in Net Assets	\$ 1,280	\$ (738)
Prior Period Adjustment	-	-
Net Assets at Beginning of Year	\$ 20,274	\$ 21,012
Net Assets at End of Year	\$ 21,554	\$ 20,274

City tax revenue was up \$46,000 for the year. Property tax revenue was down 2.0% (\$82,000) from prior year due to the primarily mature, low turnover nature of Capitola real estate. This was more than offset by a \$140,000 increase in Capitola's ¼% local Transaction and Use Tax as a result of the State Board of Equalization adjustment and local residents' participation in the Cash-for-Clunkers program.

Taxes By Type (\$000)		
	2010	2009
Property Tax	\$ 4,066	\$ 4,148
Sales taxes	4,066	4,071
1/4% Transaction & Use Tax	928	788
Transient Occupancy Tax	591	605
Business License Tax	282	278
Franchise Taxes	462	459
Total Tax Revenues	\$ 10,395	\$ 10,349
Total City Revenue	\$ 17,810	\$ 15,987
Sales Tax as a % of Total Tax Revenue	48.0%	47.0%
Sales Tax as a % of Total City Revenue	28.0%	30.4%

Program revenue increased \$2 million or 41.2% primarily due to the \$1.7 million or 96.5% increase in Community Development revenue. Source of the increase was receipt of federal HOME grant funding for Bay Avenue Senior Housing Project. Total expenditures from governmental activities remained flat. As shown below, Public Safety had the highest expenditures with \$5.5 million or 33.5% of total expenditures.

Program Revenues and Expenses - Governmental Activities (\$000)

	2010			2009		
	Expense	Revenue	Net	Expense	Revenue	Net
			Rev/(Exp)			Rev/(Exp)
General Government	\$ 5,103	\$ 822	\$ (4,281)	\$ 4,482	\$ 673	\$ (3,809)
Public Safety	\$ 5,533	\$ 1,274	\$ (4,259)	\$ 5,927	\$ 1,036	\$ (4,891)
Community Development	\$ 2,428	\$ 3,453	\$ 1,025	\$ 2,218	\$ 1,757	\$ (462)
Cultural and Leisure	\$ 1,025	\$ 697	\$ (328)	\$ 1,035	\$ 709	\$ (326)
Transportation	\$ 1,932	\$ 441	\$ (1,491)	\$ 2,530	\$ 561	\$ (1,969)
Total	\$ 16,021	\$ 6,687	\$ (9,334)	\$ 16,192	\$ 4,736	\$ (11,456)
Interest on Long Term Debt	\$ 509	\$ -	\$ (509)	\$ 533	\$ -	\$ (533)
Total	\$ 16,530	\$ 6,687	\$ (9,843)	\$ 16,725	\$ 4,736	\$ (11,989)

Financial Analysis of Fund Financial Statements

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

Major Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflow, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of the City's new resources available for spending at the end of each fiscal year.

The General Fund is the chief operating fund of the City. The total fund balance of the General Fund at fiscal year-end was \$6.3 million, a \$257,000 or 4.3% increase over prior year. At June 30, 2010, the unreserved fund balance of the General Fund was \$ 4.3 million. As a measure of General Fund liquidity, it can be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. At June 30, 2010, unreserved fund balance represented 39.2% of total General Fund expenditures, a 6.0% point improvement, while total fund balance represented 57.3% of total General Fund expenditures, a 7.6% point increase over fiscal 2008-09.

Included within the fund balance of the General Fund are the fiscal year-end designations associated with the City Council Designated Reserves, which total \$4 million at June 30, 2010. The designations are as follows:

Designated General Fund		
	2010	2009
Contingency Reserve	\$ 1,247,152	\$ 1,247,152
Emergency Reserves	627,083	627,083
Compensated Absences Fund	116,857	193,475
Information Technology Fund	141,401	123,074
Self Insurance Liability Fund	253,893	201,151
Workers Compensation Fund	174,999	175,150
Stores Fund	25,272	14,757
Equipment Replacement Fund	282,538	255,760
Public Space	256	256
Public Employee Retirement Reserve	520,524	422,698
Disabled Parking	15,186	-
General Plan Update	599,165	542,645
Total General Government	\$ 4,004,326	\$ 3,803,201

General Fund Budget comparison is located in the Required Supplementary Information following the Notes to the Financial Statements. Over the course of the year, the City Council revises the City budget for amendments and appropriations to reflect carryovers of unspent contractual obligations and appropriations from the prior year and newly approved appropriations for City decisions that have been made since generation of the budget. General Fund revenue budget of \$12.3 million was decreased by \$348,000 during fiscal 2009-10. Total actual General Fund revenues were \$12.0 million or \$50,100 or 0.4% over the final budget. General Fund operating expenditures budget of \$11.6 million was minimally decreased during 2009-

10. Total actual General Fund operating expenditures were \$10.9 million, which is 6.7% lower than (favorable to) the final amended budget. The overall favorable expenditure variance was the result of a concerted effort to control expenditures during difficult economic times. These included a 4.6% employee furlough program initiated in March, 2009 that ran the entire fiscal 2009-10 year. As a result of the favorable revenue and expenditure performances versus budget, ending Fund Balance for the year was \$450,000 favorable to the final amended budget.

The Federal HOME Loan Reuse Fund is for depositing loan payments from recipients of the HOME program loans made within the City. All deposits into this HOME Program Reuse Fund must be used to fund additional affordable housing activities in the City, in accordance with the Federal HOME Program Reuse Guidelines. Currently there are four groups of outstanding home loans recorded in this fund: a set of share loans to assist mobile home park residents purchase their park, First Time Homebuyer Program providing deferred second mortgages, housing rehabilitation loans to bring mobile homes and homes up to standard, and a combination of rehabilitation and acquisition loans to assist residents in the acquisition of their mobile home park. Fiscal 2009-10 activity included \$12,300 in principal and interest revenue from the Wharf Road Manor Acquisition and Rehabilitation Loan.

The RDA Low Income Housing Fund is funded from 20% of gross tax increment set aside required under California Redevelopment Law. As required by law, it is segregated in a separate fund and all principal repayments and interest payments for loans and grants are returned to the fund. Current year source of revenue of \$489,000 is primarily tax increment housing set aside. Expenditures were composed of \$76,000 in emergency housing funding, \$55,000 First Time Homebuyer loan, \$31,000 in professional services for mobile home park, \$11,000 in security deposit subsidies, \$11,000 in mobile home park rent subsidies, and \$50,000 in contract administration expense. Total revenues of \$3,900 plus \$485,100 in transfers in were offset by total expenditures of \$242,300 resulting in a \$246,700 increase in fund balance to \$920,570.

The RDA Debt Service Fund is funded primarily from Redevelopment Agency tax increment. For 2009-10, expenditures and transfers out were \$422,500 greater than fund revenues of \$2.5million. Pass throughs and related transfers out for 20% housing set aside requirements were \$969,000 and \$485,000, respectively. Supplemental Educational Revenue Augmentation Fund (SERAF) payment of \$703,100 and principal and interest payments of \$324,300 were other statutory and contractual obligations paid. Other expenditures were \$197,100 for Construction in Progress, \$92,200 for securing and site planning for Rispin property, and \$101,100 in general operating expenditures, including tourism/economic development (\$57,000) and county property tax administration fee (31,000).

The RDA Debt Service fund includes a \$618,000 debt to the City for reimbursement of previously rendered but uncharged administrative services and \$1,350,000 debt to the City for a loan relating to purchase of 5.4 acres of the Rispin property in July, 2003. The \$618,000 loan is to be paid on demand but not later than twenty-five years the date of the agreement which is December 13, 2026. The \$1,350,000 loan, initially due and payable in full on the maturity date of June 24, 2017, is now due June 24, 2022 based on amendment of the Redevelopment Plan for the Capitola Redevelopment Project to extend the time limit on receipt of tax increment revenues. Terms dictate the maturity date shall automatically be extended until the last date on which the Agency may receive tax increment under the Redevelopment Plan, as amended.

Capital Asset and Debt Administration key components are net capital assets for the City and total long term debt, along with debt due within one year.

Capital Assets for governmental activities increased \$886,000 or 2.6% to \$35.3 million at fiscal year-end 2009-10. Net capital assets of \$16.7 million at June 30, 2010 are relatively unchanged from prior year. Additional detail on capital assets can be found in Note III.D. of the notes to the financial statements.

Capital Assets - Governmental Activities (\$000)		
	2010	2009
Land	\$ 4,884	\$ 4,884
Construction in Progress	\$ 871	\$ 1,238
Buildings & Improvements	\$ 3,256	\$ 3,252
Machinery & Equipment	\$ 2,948	\$ 2,645
Infrastructure	\$ 23,372	\$ 22,426
Total Capital Assets	\$ 35,331	\$ 34,445
Accumulated Depreciation	\$ (18,664)	\$ (17,716)
Net Capital Assets	\$ 16,667	\$ 16,729

Long-term Debt is summarized in the table below. At June 30, 2010, total long term debt was \$8.0 million, including \$4.3 million remaining on the 10 year 2007 Pension Obligation Bond, \$1million interest only note at 4.75% expiring September, 2014, and a \$101,400 capital lease at 4.20% for a street sweeper that matures October, 2011.

Long Term Debt				
	Balance			Balance
	July 1, 2009	Additions	Reductions	June 30, 2010
2007 Pension Obligation Bond	\$ 4,670,000	\$ -	\$ 405,000	\$ 4,265,000
Capital Leases Payable	101,430	-	32,429	69,001
Notes Payable	1,016,602	-	6,420	1,010,182
Compensated Absences	696,243	56,034	-	752,277
Net OPEB Obligation	-	149,108	-	149,108
RDA Pass Throughs	1,774,787	85,085	91,026	1,768,846
Total	\$ 8,259,062	\$ 290,227	\$ 534,875	\$ 8,014,414

Economic Outlook and Next Year's Budget

The global economic downturn which began in 2007 appears to have stabilized, however consumer confidence continues to be relatively weak and economic activity low as compared to pre-2007 levels. On a county level, Santa Cruz County has lost 4,700 jobs, or 4.6% of the total employment base since 2006. The primary areas of decline, by number of jobs lost, are construction, retail, manufacturing and business services. Notices of default, the first step in the foreclosure process, have quadrupled during the same time period, from 418 in 2006 to 1,643 in calendar 2009. The City of Capitola's job base, which is heavily retail, has had unemployment rise from 2.7% in 2006 to 6.2% in 2009.

The City's adopted 2010-11 budget includes a projection that revenues will increase slightly as compared to fiscal year 2009-10. City management is cautiously optimistic that the economy is slowly picking up. Management is closely monitoring major revenue sources and minimizing expenditures to the extent possible without harming the economic health and function of the City. Significant attention is being given to funding ongoing expenditures with ongoing revenues and limiting use of reserves to one-time or short term projects.

In reacting to the downturn, the City established a furlough program in March, 2009 which extended through the entire fiscal year 2009-10 and included an effective reduction of 4.6% in employee pay rates. The City also instituted a cap on its contribution to employee retirement costs in December 30, 2007. The result of this is that employees bear all retirement cost increases, rather than the City.

General Fund revenues for fiscal year 2010-11 are budgeted at \$12.3 million, \$336,000 above 2009-10 actual of \$12.0 million. Budgeted operating expenditures of \$12.3million are \$451,000 higher than prior year spending.

The City's fiscal management policy is to maintain contingency reserves at 10% of operating expenditures and emergency reserves at 5%. Fiscal 2009-10 ended with these reserves at 10.5% and 5.3% respectively.

This is a particularly important accomplishment in a year in which the economic declines caught many municipalities, corporations, and experts by surprise. For fiscal 2010-11, the City anticipates funding levels of \$1,247,100 for the contingency reserve and \$627,100 for the emergency reserve, maintaining coverage of the \$12,329,500 in operating expenditures at 10.1% and 5.1%.

In 2010, an agreement to redevelop the Rispin Mansion site in the Capitola Redevelopment Area expired. Originally anticipated to create a new facility, improve site infrastructure, attract visitors, add jobs, and increase sales and hotel tax, the RDA is now exploring development/demolition options for the structure.

The City and RDA are participating in the Bay Avenue Senior Housing Project, a 109 unit senior low income housing rehabilitation project in Capitola being developed by a non-profit agency. As part of the \$28 million project, the City provided \$2.3 million in project funding through a \$1.4 million residual receipts loan from the Redevelopment Agency and \$1.9 million grant funding which the City received from the California Department of Housing and Community Development (HCD).

Under the American Recovery and Reinvestment Act, Capitola was awarded and accepted a \$230,000 grant for a Street Rehabilitation Project in February, 2010. The project which totaled \$355,000 was completed in fiscal 2010-10 with additional funding from the Capitola Redevelopment Agency.

The City of Capitola has established a tradition of fiscally conservative management, with an enterprising spirit that emphasis civic involvement and economic development.

Requests for Information

This financial report is designed to provide a general overview of the City's finances and to demonstrate the City's accountability for its fiscal activities to citizens, taxpayers, investors, creditors, and any other interested parties. If you have questions about this report or need additional information, contact the City Manager, City of Capitola at 420 Capitola Avenue, Capitola, California 95010.

BASIC FINANCIAL STATEMENTS

City of Capitola
Statement of Net Assets
June 30, 2010

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 9,903,633
Accounts Receivable (Net of Allowance for Uncollectibles)	122,861
Due from Other Governments	1,493,433
Loans Receivable	4,165,956
Debt Issuance Costs	87,640
Prepays	115,788
Capital Assets:	
Non-depreciable:	
Land	4,883,789
Construction in Progress	871,212
Depreciable:	
Equipment	2,948,211
Buildings and Improvements	3,256,481
Infrastructure	23,372,225
Accumulated Depreciation	<u>(18,664,524)</u>
Total Assets	<u>32,556,705</u>
LIABILITIES	
Accounts Payable	595,429
Accrued Liabilities	394,510
Interest Payable	106,803
Deposits Payable	179,866
Unearned Revenue	1,711,768
Noncurrent Liabilities:	
Due Within One Year	641,529
Due in More Than One Year	<u>7,372,885</u>
Total Liabilities	<u>11,002,790</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	15,598,393
Restricted for:	
Community Development	1,317,373
Transportation	63,166
Unrestricted	<u>4,574,983</u>
Total Net Assets	<u>\$ 21,553,915</u>

The accompanying notes are an integral part of this statement.

**City of Capitola
Statement of Activities
Year Ended June 30, 2010**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 5,102,874	\$ 805,684	\$ 16,666	\$	\$ (4,280,524)
Public Safety	5,533,158	1,008,627	265,787		(4,258,744)
Community Development	2,427,571	2,265,980	1,187,028		1,025,437
Culture and Recreation	1,025,289	696,608			(328,681)
Transportation	1,932,234	53,600		387,650	(1,490,984)
Interest on Long-Term Debt	509,056				(509,056)
Total Governmental Activities	\$ 16,530,182	\$ 4,830,499	\$ 1,469,481	\$ 387,650	(9,842,552)
General Revenues:					
Taxes:					
					4,065,897
					461,937
					3,288,654
					927,983
					591,925
					281,739
					777,207
					201,832
					287,330
					237,926
					<u>11,122,430</u>
					Change in Net Assets 1,279,878
					<u>Net Assets - Beginning 20,274,037</u>
					<u>Net Assets - Ending \$ 21,553,915</u>

The accompanying notes are an integral part of this statement.

**City of Capitola
Balance Sheet
Governmental Funds
June 30, 2010**

	General	Federal Home Loan Reuse	RDA Low Income Housing	RDA Debt Service
ASSETS				
Cash and Investments	\$ 4,302,128	\$ 5,126	\$ 938,071	\$ 2,771,308
Accounts Receivable	72,996	5	3,404	19,331
Due from Other Governments	1,192,556			208,153
Due from Other Funds	36,837			
Advances to Other Funds	1,968,028			
Loans Receivable		1,903,589	2,100,485	
Prepays	7,088			108,700
Total Assets	\$ 7,579,633	\$ 1,908,720	\$ 3,041,960	\$ 3,107,492
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 412,496	\$	\$ 20,905	\$ 40,522
Accrued Liabilities	387,721			
Deferred Revenue	346,768	1,903,589	2,100,485	
Due to Other Funds				
Advances from Other Funds				1,968,028
Deposits Payable	178,866			
Total Liabilities	1,325,851	1,903,589	2,121,390	2,008,550
Fund Balances:				
Reserved for:				
Prepays	7,088			108,700
Advances to Other Funds	1,968,028			
Unreserved, Reported In:				
General Fund	4,278,666			
Debt Service Funds				990,242
Special Revenue Funds		5,131	920,570	
Capital Projects Funds				
Total Fund Balances	6,253,782	5,131	920,570	1,098,942
Total Liabilities and Fund Balances	\$ 7,579,633	\$ 1,908,720	\$ 3,041,960	\$ 3,107,492

The accompanying notes are an integral part of this statement.

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,887,000	\$ 9,903,633
27,125	122,861
92,724	1,493,433
	36,837
	1,968,028
161,882	4,165,956
	115,788
<u>\$ 2,168,731</u>	<u>\$ 17,806,536</u>
\$ 121,506	\$ 595,429
6,789	394,510
190,794	4,541,636
36,837	36,837
	1,968,028
1,000	179,866
<u>356,926</u>	<u>7,716,306</u>
	115,788
	1,968,028
	4,278,666
468,186	1,458,428
716,931	1,642,632
626,688	626,688
<u>1,811,805</u>	<u>10,090,230</u>
<u>\$ 2,168,731</u>	<u>\$ 17,806,536</u>

The accompanying notes are an integral part of this statement.

City of Capitola
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2010

Fund balances of governmental funds \$ 10,090,230

In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation.

Capital Assets at Historical Cost	35,331,918	
Accumulated Depreciation	<u>(18,664,524)</u>	
Net		16,667,394

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. This amount represents interest payable at year-end. (106,803)

In governmental funds, other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 2,829,868

Long term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Notes Payable	(1,010,182)	
RDA Obligations	(1,768,846)	
Compensated Absences Payable	(752,277)	
Pension Obligation Bonds	(4,265,000)	
Capital Leases Payable	(69,001)	
Net OPEB Obligation	<u>(149,108)</u>	
Total		(8,014,414)

Issuance costs net of accumulated amortization were reported as expenditures in the governmental funds. 87,640

Net assets of governmental activities \$ 21,553,915

City of Capitola
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2010

	General	Federal Home Loan Reuse	RDA Low Income Housing	RDA Debt Service
REVENUES				
Taxes	\$ 7,688,040	\$.	\$	\$ 2,425,564
Licenses & Permits	589,535			
Fines & Forfeitures	803,198			
Intergovernmental	1,090,705			
Charges for Services	1,214,082			
Use of Money and Property	475,348	12,305	3,883	23,837
Other Revenue	162,410			
Total Revenues	12,023,318	12,305	3,883	2,449,401
EXPENDITURES				
Current:				
General Government	2,143,986			2,062,506
Public Safety	5,276,037			
Community Development	767,123	1,953	242,328	
Culture and Recreation	906,222			
Transportation	1,788,985			
Capital Outlay	32,324			
Debt Service:				
Principal				91,026
Interest & Fiscal Charges				233,250
Total Expenditures	10,914,677	1,953	242,328	2,386,782
Excess (Deficiency) of Revenues over Expenditures	1,108,641	10,352	(238,445)	62,619
OTHER FINANCING SOURCES (USES)				
Transfer In			485,113	
Transfer Out	(851,449)			(485,113)
Total Other Financing Sources (Uses)	(851,449)	-	485,113	(485,113)
Net Change in Fund Balances	257,192	10,352	246,668	(422,494)
Fund Balances, Beginning	5,996,590	(5,221)	673,902	1,521,436
Fund Balances, Ending	\$ 6,253,782	\$ 5,131	\$ 920,570	\$ 1,098,942

The accompanying notes are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 171,417	\$ 10,285,021
19,304	608,839
	803,198
1,841,702	2,932,407
165,964	1,380,046
79,469	594,842
	162,410
<u>2,277,856</u>	<u>16,766,763</u>
25,204	4,231,696
165,203	5,441,240
1,326,683	2,338,087
79,679	985,901
227,812	2,016,797
815,316	847,640
443,849	534,875
273,428	506,678
<u>3,357,174</u>	<u>16,902,914</u>
<u>(1,079,318)</u>	<u>(136,151)</u>
851,449	1,336,562
	(1,336,562)
<u>851,449</u>	<u>-</u>
(227,869)	(136,151)
<u>2,039,674</u>	<u>10,226,381</u>
<u>\$ 1,811,805</u>	<u>\$ 10,090,230</u>

The accompanying notes are an integral part of this statement.

City of Capitola
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2010

Net change in fund balances-total governmental funds	\$ (136,151)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital assets of \$887,601 was less than depreciation expense of \$949,011 in the period.	(61,410)
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities.	534,875
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. This is the change in accrued interest payable.	10,143
In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This represents the change in compensated absences during the year.	(56,034)
In governmental funds, notes receivable are offset by deferred revenue as they are not available to pay for current period expenditures. This represents the net change in deferred revenue and unearned revenue from the prior year.	1,235,168
Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as governmental fund expenditures.	(149,108)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Amortization of Costs of Issuance	(12,520)
Other Long-term Debt Issuance	(85,085)
	(97,605)
Change in net assets of governmental activities	\$ 1,279,878

City of Capitola
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2010

ASSETS

Cash and Investments	\$ 35,769
Cash with Fiscal Agent	-
Accounts Receivable	-
	<hr/>
Total Assets	<u>35,769</u>

LIABILITIES

Due to Bondholders	35,769
Bond Reserve	-
	<hr/>
Total Liabilities	<u>\$ 35,769</u>

The accompanying notes are an integral part of this statement.

City of Capitola
Notes to Financial Statements
Year Ended June 30, 2010

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
I	Summary of Significant Accounting Policies	19 - 24
II	Reconciliation of Government-Wide and Fund Financial Statements	24
III	Detailed Notes on All Funds	24 - 35
IV	Other Information	35 - 42

City of Capitola
Notes to Financial Statements
Year Ended June 30, 2010

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Description of Reporting Entity

The accompanying 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 basic financial statements. The City's component units which are described below are all blended.

The City Council serves in separate session as the governing bodies of the Capitola Redevelopment Agency and the Capitola Financing Authority, although these agencies are legal entities apart from the City.

The Capitola Redevelopment Agency and Capitola Financing Authority are included as component units in the accompanying financial statements. The financial activities of the foregoing entities have been aggregated and merged (termed "blending") with those of the City in the accompanying financial statements, as each meets the criteria for inclusion as set forth in Governmental Accounting Standards Board Statement (GASB) No. 14, as amended by GASB Statement No. 39.

The Capitola Redevelopment Agency was established in 1980 by the City Council to eliminate blight within the defined project areas by encouraging and assisting planned development of low income housing and commercial projects. The Capitola Financing Authority is a joint powers authority whose board of directors comprises the City's elected council. Both the Redevelopment Agency and the Capitola Financing Authority exist for the purpose of facilitating the City's capital financing program. Separate financial statements are prepared by the Capitola Redevelopment Agency and are available at City Hall. The Capitola Financing Authority does not prepare separate financial statements.

B) Government-Wide and Fund Financial Statements

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

Government-Wide Financial Statements: The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

City of Capitola
Notes to Financial Statements
Year Ended June 30, 2010

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B) Government-Wide and Fund Financial Statements - Continued

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

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met.

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

Taxes, intergovernmental revenues, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and are therefore recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The Agency funds are reporting only assets and liabilities under the accrual basis of accounting and have no measurement focus.

The City reports the following major governmental funds:

General Fund

This fund accounts for all financial resources except those to be accounted for in another fund. It is the general operating fund for the City.

Federal Home Loan Reuse Fund

This fund accounts for housing loan principal and interest payments that will be available for a similar future federal program.

RDA Low Income Housing Fund

This fund accounts for 20% of the Redevelopment Agency tax increment revenues that are set aside by state law, and the use of those revenues.

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2010**

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

RDA Debt Service Fund

This fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs in the RDA.

The City also reports the following fund type:

Fiduciary Funds

These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organization, other governmental units, and/or other funds. The City maintains two Agency funds - Brookvale Assessment District and Auto Center Assessment District - as an agent for bondholders.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Direct expenses have not been eliminated from the functional categories; indirect expenses and internal payments have been eliminated.

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

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

D) Assets, Liabilities, and Net Assets or Equity

1) Cash and Investments

Investments are reported in the accompanying balance sheet at fair market value, except for nonparticipating certificates of deposit and investment contracts that would be reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

Changes in fair market value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair market value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

The City pools cash and investments of all funds. Each fund's share in this pool is displayed in the accompanying financial statements as *cash and investments*.

The City pools idle cash from all funds in order to increase income earned through its investment program. Investment income from pooled investments is allocated to those funds that are required by law or administrative action to receive interest. Investment income is allocated on a monthly basis based on the cash balance in each fund.

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2010**

D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D) Assets, Liabilities, and Net Assets or Equity - Continued

2) Receivables and Payables

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

Noncurrent portions of long-term interfund loan receivables are reported as advances and such amounts are offset equally by a fund balance reserve account that indicates they do not constitute expendable available financial resources and therefore are not available for appropriation.

California Constitution Article XIII A, limits the combined property tax rate to one percent of a property's assessed valuation. Additional taxes may be imposed with voter approval. Assessed value is calculated at one hundred percent of a property's fair value, as defined by Article XIII A, and may be increased no more than two percent per year unless a change in ownership occurs. The state legislature has determined the method of distributing the one percent tax levy among the various taxing jurisdictions.

Property tax revenues are recognized in the fiscal year for which taxes have been levied, and collected within sixty days of fiscal year end. Property taxes are billed and collected as follows:

	<u>Secured</u>	<u>Unsecured</u>
Valuation/Lien Date(s)	January 1	January 1
Levy Date(s)	July 1	July 1
Due Date(s)	November 1 (50%) February 1 (50%)	August 1
Delinquency Date(s)	December 10 (Nov.) April 10 (Feb.)	August 31

The City adopted an alternative method of property tax distribution (the "Teeter Plan"). Under this method, the City receives 100% of its secured property tax levied in exchange for foregoing any interest and penalties collected on delinquent taxes. The City receives payments as a series of advances made by the County throughout the fiscal year. The secured property tax levy is recognized as revenue upon receipt including the final payment, which generally is received within 60 days after the fiscal year.

3) Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed. City policy is to capitalize all tangible property with a useful life of two or more years and a cost or assigned value exceeding \$5,000, with the exception of infrastructure valued at \$50,000 or more.

City of Capitola
Notes to Financial Statements
Year Ended June 30, 2010

D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D) Assets, Liabilities, and Net Assets or Equity - Continued

3) Capital Assets - Continued

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

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 fiscal year represents that fiscal year's pro rata share of the cost of capital assets. GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over the estimated useful lives. Depreciation is provided using the straight line method which means the cost of the assets is divided by its expected useful life in years and the result is charged to expense each fiscal year until the assets are fully depreciated. The City has assigned the useful lives listed below to capital assets.

Structures and Improvements	50 years
Equipment	5 - 25 years
Infrastructure	15 - 50 years

4) Deferred Revenue

Revenues received, but not yet earned, are deferred until such time as those monies meet the revenue recognition criteria. In the case of intergovernmental revenues in the fund financial statements, e.g., grants, entitlements and shared revenue, the basis of accounting for such revenue is determined according to the procedures common to each fund type in which the grant, entitlement, or shared revenue is recorded. Grants, entitlements, and shared revenues received earlier than the time established by the revenue recognition criteria are reported as deferred revenues.

Revenues earned, but not yet received, may not be available in a timely manner to pay current expenditures or obligations. Such receivables, not meeting the availability criteria necessary for accrual under modified accrual basis accounting principles, are classified as deferred revenues for that period in the fund financial statements. In the government-wide financial statements, however, availability criteria are not considered. Instead, revenues are recognized at the point in time when revenue is earned through performance or similar recognition standards.

5) Compensated Absences

In compliance with Governmental Accounting Standards Board Statement No. 16, the City has established a liability for accrued sick leave and vacation in relevant funds. For governmental fund types, the current liability appears in the respective funds and the long-term liability appears in the government-wide financial statements.

This liability is set up for the current employees at the current rates of pay. If sick leave and vacation are not used by the employee during the term of employment, compensation is payable to the employee at the time of retirement. Such compensation is calculated at the employee's prevailing rate at the time of retirement or termination. Each fiscal year, an adjustment to the liability is made based on pay rate changes and adjustments for the current portion. The General Fund is primarily responsible for the repayment of the governmental portion of compensated absences.

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2010**

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E) Use of Estimates

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and necessarily include amounts based on estimates and assumptions by management. Actual results could differ from those amounts.

F) New Pronouncements

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, will be required to be adopted and implemented by the City for the fiscal year 2010-11.

II) RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balances of total governmental funds* and *net assets of governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains "Other long-term assets are not available to pay for current period expenditures and are deferred in the funds." The details of this \$2,829,868 difference are as follows:

Loans Receivable	\$	1,631,777
Grants Receivable		1,196,676
Developer Fees		1,415
	\$	2,829,868

III) DETAILED NOTES ON ALL FUNDS

A) Cash and Investments

The composition of cash and investments as of June 30, 2010, by fund type is as follows:

	Available For Operations	Restricted	Total
General Fund	\$ 4,302,128	\$ -	\$ 4,302,128
Special Revenue Funds	1,650,343	-	1,650,343
Capital Projects Funds	709,371	-	709,371
Debt Service Funds	-	3,241,791	3,241,791
Fiduciary Funds	-	35,769	35,769
	\$ 6,661,842	\$ 3,277,560	\$ 9,939,402

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2010**

III) DETAILED NOTES ON ALL FUNDS - Continued

A) Cash and Investments - Continued

Classification

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

Cash and Investments	\$ 9,903,633
Total City Cash and Investments	<u>9,903,633</u>
Cash and Investments	35,769
Cash and Investments with Fiscal Agent	-
Total Cash and Investments in Fiduciary Fund (separate statement)	<u>35,769</u>
Total Cash and Investments	<u>\$ 9,939,402</u>

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

The table below identifies the investment types that are authorized by the City's investment policy and the California Government Code. The table also identifies certain provisions that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Bills	5 years	60%	None
Negotiable Certificates of Deposit	1 year	None	None
Money Market Mutual Funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	None	None
Guaranteed Investment Contracts	15 months	None	None

Disclosures Relating to Interest Rate Risk

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

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

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2010**

III) DETAILED NOTES ON ALL FUNDS - Continued

A) Cash and Investments - Continued

Disclosures Relating to Interest Rate Risk - Continued

Investment Type	Carrying Amount	Remaining Maturity (in Months)			
		12 Months Or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
State Investment Pool – LAIF	\$ 8,307,915	\$ 8,307,915	\$ -	\$ -	\$ -

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code or the City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End		
				AAA	Aa	Not Rated
State Investment Pool - LAIF	\$ 8,307,915	N/A	\$ -	\$ -	\$ -	\$ 8,307,915

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total City investments.

Custodial Credit Risk

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

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2010**

III) DETAILED NOTES ON ALL FUNDS - Continued

A) Cash and Investments - Continued

Custodial Credit Risk - Continued

None of the City's deposits with financial institutions in excess of the Federal Depository Insurance Corporation's limits were held in uncollateralized accounts.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investments in securities through the use of mutual funds or government investment pools (such as LAIF).

Investment in State Investment Pool

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

B) Interfund Receivables, Payables and Transfers

Due to/from other funds at June 30, 2010 is as follows:

		DUE FROM	
		Non-Major Funds	Total
DUE TO	General Fund	\$ 36,837	\$ 36,837
	Total	\$ 36,837	\$ 36,837

The interfund payable balances represent routine and temporary cash flow assistance from and to the General Fund until the amounts receivable from other agencies are collected to reimburse eligible expenditures.

Advances to/from other funds at June 30, 2010 are as follows:

		ADVANCES TO	
		Debt Service Fund	Total
ADVANCES FROM	General Fund	\$ 1,968,028	\$ 1,968,028
	Total	\$ 1,968,028	\$ 1,968,028

City of Capitola
Notes to Financial Statements
Year Ended June 30, 2010

III) DETAILED NOTES ON ALL FUNDS - Continued

B) Interfund Receivables, Payables and Transfers - Continued

The Redevelopment Agency has incurred substantial costs for a proposed expansion of the redevelopment area and amendment of the redevelopment plan. The City has been providing staff and administrative services without compensation to the Agency since the fiscal year 1997/1998. The City and the Agency entered into an agreement to identify the staff and administrative costs due to the City since the fiscal year 1997/1998. The parties agreed that the Agency will pay the City for its past administrative services, plus interest calculated at the Local Agency Investment Fund (LAIF) rate published for the quarter ending March. In June 2006, the City and Agency agreed to amend the interest rate to the greater of the following: a) the interest rate charged by the Public Employees Retirement System for the City's unfunded liability, b) the true interest cost of any obligation bond sold by the City, c) the State of California LAIF rate, or d) 5%. The parties further agreed that the amount owed has been calculated at an overhead rate of fifteen percent of net tax increment, with simple interest. The principal amount of this reimbursement shall be paid as Agency funds become available, but in no event later than twenty-five years. As of June 30, 2010, the Agency owes the City \$618,028.

In July 2003, the City of Capitola sold the Rispin Mansion property to the Redevelopment Agency of Capitola in exchange for a \$1,350,000 note. The parties agreed to calculate interest on the advance at 5% per annum. In June 2006, the City and Agency agreed to amend the interest rate to the greater of the following: a) the interest rate charged by the Public Employees Retirement System for the City's unfunded liability; b) the true interest cost of any pension obligation bond sold by the City; c) the State of California LAIF rate; or d) 5%. The outstanding principal sum of this Note shall be due and payable in full on June 24, 2017 ("Maturity Date"), provided, however, that if the Redevelopment Plan for the Capitola Redevelopment Project is amended to extend the time limit on receipt of tax increment revenues, then the Maturity Date shall automatically be extended until the last date on which the Agency may receive tax increment under the Redevelopment Plan, as amended. Payment of interest is due on a quarterly basis. As of June 30, 2010, the Agency owes the City \$1,350,000. In April 2007, the RDA Board of Directors passed a resolution that credited the RDA cap with \$629,059 as a result of state legislation regarding previous Educational Relief Augmentation Fund (ERAF) payments made by the Capitola Redevelopment Agency.

Interfund transfers for the year ended June 30, 2010 are as follows:

		TRANSFERS IN				Total
		Parking Reserve	RDA Low Income Fund	2007 POB Debt Service	Capital Projects	
TRANSFERS OUT	General Fund	\$ 78,649	\$ -	\$ 622,800	\$ 150,000	\$ 851,449
	RDA Debt Service	-	485,113	-	-	485,113
	Total	<u>\$ 78,649</u>	<u>\$ 485,113</u>	<u>\$ 622,800</u>	<u>\$ 150,000</u>	<u>\$ 1,336,562</u>

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2010**

III) DETAILED NOTES ON ALL FUNDS - Continued

B) Interfund Receivables, Payables and Transfers - Continued

Transfers to the Parking Reserve Fund totaled \$78,649 and were made from the General Fund from the increases in parking meter revenues. One half of these increased revenues were to be allocated to the General Fund and one half to the Parking Reserve Fund in the 2009/10 fiscal year.

Transfers to the RDA Low Income Housing Fund totaled \$485,113 and were made from the RDA Debt Service Fund. The California Health and Safety Code requires the Agency project area to deposit 20% of allocated incremental property tax revenues (or 20% of net bond proceeds plus 20% of incremental revenues in excess of debt service payments on the bonds) into a Low/Moderate Income Housing Project Fund. This money is restricted for the purpose of increasing and improving the community's supply of low and moderate income housing. The Agency accounts for these revenues in a special revenue fund.

Transfers to the 2007 POB Debt Service Fund totaled \$622,800 and were transferred from the General Fund. The transfer was made to pay for the debt service on the Pension Obligation Bonds.

Transfers to the Capital Projects Fund totaled \$150,000 and were made from the General Fund for the acquisition or construction of major capital facilities and equipment by the City.

C) Housing and Community Development Loan Program

The City uses Federal Home Loan Reuse, Housing and CDBG Program Income funds to provide housing rehabilitation loans to eligible applicants. Such loans are made to low and moderate income persons to improve or rehabilitate residences. The City accounts for this program in the Special Revenue Funds. Rehabilitation loans receivable of \$4,004,074 at June 30, 2010 have been reflected in the accompanying financial statements as loans receivable with an offsetting deferred revenue in the fund financial statements.

D) Capital Assets

Capital assets activity for the year ended June 30, 2010 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets, Not Depreciated:				
Land	\$ 4,883,789	\$	\$	\$ 4,883,789
Construction in Progress	1,238,186	139,505	(506,479)	871,212
Total Capital Assets Not Depreciated	<u>6,121,975</u>	<u>139,505</u>	<u>(506,479)</u>	<u>5,755,001</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	3,251,481	5,000		3,256,481
Equipment	2,645,251	302,960		2,948,211
Infrastructure	22,425,610	946,615		23,372,225
Total Capital Assets Being Depreciated	<u>28,322,342</u>	<u>1,254,575</u>	<u>-</u>	<u>29,576,917</u>
Less Accumulated Depreciation	<u>(17,715,513)</u>	<u>(949,011)</u>		<u>(18,664,524)</u>
Net Capital Assets Being Depreciated	<u>10,606,829</u>	<u>305,564</u>	<u>-</u>	<u>10,912,393</u>
Net Capital Assets	<u>\$ 16,728,804</u>	<u>\$ 445,069</u>	<u>\$ (506,479)</u>	<u>\$ 16,667,394</u>

City of Capitola
Notes to Financial Statements
Year Ended June 30, 2010

III) DETAILED NOTES ON ALL FUNDS - Continued

D) Capital Assets - Continued

Depreciation Allocations

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

Governmental Activities:	
General Government	\$ 800,443
Public Safety	66,546
Cultural and Recreation	31,739
Transportation	<u>50,283</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 949,011</u>

E) Long-Term Debt

2007 Pension Obligation Bonds

In July of 2007, the City issued \$5,040,000 of Pension Obligation Bonds in order to pre-fund a portion of the PERS Side Fund liability as determined by PERS for the City's Safety and Miscellaneous Plans. Payments of interest are payable semi-annually on August 1 and February 1 of each year with a stated interest rate of 6.010%. The Bonds mature through August 1, 2017. The bonds are payable from any source of legally available funds of the City, including amounts on deposit in the General Fund.

The debt-service maturity schedule for the Pension Obligation Bonds is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 435,000	\$ 243,255	\$ 678,255
2012	455,000	216,510	671,510
2013	485,000	188,263	673,263
2014	515,000	158,213	673,213
2015	545,000	126,360	671,360
2016	575,000	92,704	667,704
2017	610,000	57,095	667,095
2018	<u>645,000</u>	<u>19,382</u>	<u>664,382</u>
Total	<u>\$ 4,265,000</u>	<u>\$ 1,101,782</u>	<u>\$ 5,366,782</u>

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2010**

III) DETAILED NOTES ON ALL FUNDS - Continued

E) Long-Term Debt - Continued

Capital Leases Payable

In the 2007-08 fiscal year, the City entered into a Lease Purchase Agreement to lease a Street Sweeper from First Municipal Leasing Corporation for \$165,450. Principal and interest payments with a rate of 4.20% are due annually on October 10 until maturity in 2011.

The lease payments for the Street Sweeper Capital Lease are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 33,791	\$ 2,898	\$ 36,689
2012	35,210	1,479	36,689
Total	\$ 69,001	\$ 4,377	\$ 73,378

Notes Payable

On September 29, 2000, the Agency borrowed \$1,000,000 to provide temporary, short-term financing for various capital projects included in the five year plan. The loan allowed for the principal to be fully prepaid without premium by the Agency upon 30 day written notice to the lender at any time after September 29, 2001. On March 30, 2006, Chase NYC took over the WestAmerica note and established a new expiration date of September 29, 2014. Interest is 4.75% (\$47,500/year) payable semiannually on March 29 and September 29.

During the 2005-06 fiscal year, the City entered into an energy conservation assistance account loan agreement with the California Energy Resources Conservation and Development Commission (the "Commission"), which provided for a maximum loan of \$40,000, at an interest rate of 4.5 percent per annum. Principal, together with interest thereon, is due and payable in semiannual installments of \$3,548 beginning December 2006. The balance at June 30, 2010 was \$10,182.

The following is a summary of principal and interest to be paid on the notes payable in future years:

Fiscal Year Ending June 30,	Principal	Interest
2011	\$ 6,712	\$ 47,884
2012	3,470	47,578
2013	-	47,500
2014	1,000,000	47,500
	\$ 1,010,182	\$ 190,462

City of Capitola
Notes to Financial Statements
Year Ended June 30, 2010

III) DETAILED NOTES ON ALL FUNDS - Continued

E) Long-Term Debt - Continued

Compensated Absences

Governmental Accounting Standards Board Statement No. 16 identifies certain items that should be accrued as a liability as the benefits are earned by the employees but only to the extent it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employee's termination or retirement.

City employees accumulate earned but unused benefits that can be converted to cash at termination of employment. The non-current portion of these vested benefits, payable in accordance with various collective bargaining agreements, totals \$752,277 as of June 30, 2010.

Redevelopment Agency Pass-Through Agreements

Previous California redevelopment law permitted redevelopment agencies to negotiate agreements with overlapping taxing jurisdictions, whereby the Agency pays a portion of its tax increment revenues to other jurisdictions whose revenue and function(s) may be adversely impacted by the Agency. The terms of such agreements were negotiable in accordance with the needs of the Agency and the jurisdictions. Accordingly, the Agency negotiated agreements with certain overlapping jurisdictions which called for deferred payment of portions of the Agency's tax increment revenues. A summary of these deferred liabilities is as follows:

County Library Fund and County Special District Funds

The Agency entered into an agreement in 1984 with the County of Santa Cruz which provided that the Agency would not be required to pass through to the County Library Fund or Special District Funds any tax increments during years one through twenty of the Capitola Redevelopment Project. Instead, the Agency is required to pay these funds over a ten-year period beginning in year twenty-one (fiscal year ended June 30, 2002). The deferred pass-through payments are \$45,910/year for the County Library Fund and \$20,116/year for the County Special District Funds, for ten years ending June 30, 2012. There is no provision for interest in the agreement.

Principal balance at June 30, 2010	<u>\$ 132,052</u>
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County Library Building Fund

In August 2004, the Agency entered into an Implementation Agreement with the County of Santa Cruz to clarify and confirm provisions in the original Pass-Through Agreement, and First and Second Library Agreements. The Implementation Agreement requires that the Agency design and commence construction of a library building and related on-site improvements no later than June 30, 2018. The Agency's maximum obligation for this project, beginning with the 2004-05 fiscal year, is \$1,400,000, which is increased 5% per annum (compounded annually) until the fiscal year in which the library construction is completed or the full amount of the Agency assistance has been paid to the County.

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2010**

III) DETAILED NOTES ON ALL FUNDS - Continued

E) Long-Term Debt - Continued

Redevelopment Agency Pass-Through Agreements - Continued

Beginning February 1, 2005, and February 1st of each fiscal year thereafter through February 1, 2018, or until the total amount of the Agency assistance is funded or the Library construction is completed, the Agency is required to pay minimum scheduled payments into a County trust account, which earns interest at a rate equivalent to the County's pooled investment fund rate.

The Agency may prefund any portion of the obligation at any time. "Prefund" means to provide the total amount of funding needed in a particular year to achieve the total Agency obligation as of that fiscal year. The maximum obligation of the Agency through the fiscal year ending June 30, 2018 is \$2,640,000. The Agency has recorded the initial debt of \$1,400,000 as of the 2004-05 fiscal year, which is increased by 5% each year and reduced by the minimum scheduled payment each year. The principal balance at June 30, 2010 is \$1,636,794.

A schedule of the Agency assistance obligation (increased by 5% per year) and the minimum scheduled payments is as follows:

<u>Fiscal Year</u>	<u>Total Amount of Agency Assistance Obligation</u>	<u>Minimum Scheduled Payment Amount</u>
2004-05	\$ 1,400,000	\$ 25,000
2005-06	1,470,000	25,000
2006-07	1,543,000	25,000
2007-08	1,620,675	25,000
2008-09	1,701,709	25,000
2009-10	1,786,794	25,000
2010-11	1,876,134	162,900
2011-12	1,969,941	179,502
2012-13	2,068,438	211,720
2013-14	2,171,860	250,243
2014-15	2,280,452	287,116
2015-16	2,394,475	325,579
2016-17	2,514,199	366,577
2017-18	2,639,909	417,640

Debt service payments for debt existing at fiscal year end are generally made from the following sources:

Pension Obligation Bonds - General fund revenues.

Notes Payable - General fund revenues and RDA tax increment.

Redevelopment Agency Pass-Throughs - Tax increment revenues of the Redevelopment Agency.

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2010**

III) DETAILED NOTES ON ALL FUNDS - Continued

E) Long-Term Debt - Continued

Changes in Long-Term Debt

Following is a summary changes in long-term debt during the 2009-2010 fiscal year:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
2007 POB	\$ 4,670,000	\$ -	\$ 405,000	\$ 4,265,000	\$ 435,000
Capital Leases Payable	101,430	-	32,429	69,001	33,791
Notes Payable	1,016,602	-	6,420	1,010,182	6,712
Compensated Absences	696,243	56,034	-	752,277	75,000
Net OPEB Obligation	-	149,108	-	149,108	-
RDA Pass-Throughs	1,774,787	85,085	91,026	1,768,846	91,026
Totals	<u>\$ 8,259,062</u>	<u>\$ 290,227</u>	<u>\$ 534,875</u>	<u>\$ 8,014,414</u>	<u>\$ 641,529</u>

F) Net Assets and Fund Balances

GASB Statement No. 34 adds the concept of Net Assets, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

1) Net Assets

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

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

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

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

2) Fund Balances, Reserves, and Designations

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

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2010**

III) DETAILED NOTES ON ALL FUNDS – Continued

F) Net Assets and Fund Balances - Continued

Designations:

Included within the fund balance of the General Fund are the fiscal year-end designations associated with the City Council Designated Reserves, which total \$4,004,326 at June 30, 2010. The Designations are as follows:

<u>Council Designations</u>	<u>June 30, 2010</u>
Public Employee Retirement Reserve	\$ 520,524
Contingency Reserve	1,247,152
Information Technology	141,401
Self Insurance Liability	253,893
Workers Compensation	174,999
Stores	25,272
Equipment Replacement	282,538
Compensated Absences	116,857
Emergency Reserves	627,083
Public Space	256
Disabled Parking	15,186
General Plan Update	<u>599,165</u>
Total General Government	<u>\$ 4,004,326</u>

Reserves:

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

Reserved for Prepaids - This reserve is established for prepaid expenditures.

Reserved for Advances to Other Funds - This reserve is established for Redevelopment Agency Advances.

IV) OTHER INFORMATION

A) Risk Management

The City participates in the Monterey Bay Area Self-Insurance Agency (Authority), a joint powers agency comprising the City and nine other local jurisdictions, created pursuant to California law for liability and workers compensation insurance services. The Monterey Bay Area Self-Insurance Authority's Board of Directors is elected from representatives of the member governments, and controls operations of the fund, including selection of management and approval of operating budgets. It is independent of the individual member influence, except for their representation on the board, and is therefore not a component unit of the City for reporting purposes.

City of Capitola
Notes to Financial Statements
Year Ended June 30, 2010

IV) OTHER INFORMATION - Continued

A) Risk Management - Continued

The City is exposed to various risks including worker injuries, tort liability, theft, damage or destruction of assets, errors and omissions, and natural disasters. With respect to risks other than workers' compensation, the City and other pool participants pay an annual premium estimated by the pool administrator to be sufficient to cover all liability claims for which the pool is obligated. If a covered entity's losses exceed its premiums, there is no individual supplemental assessment, and if a covered entity's losses are lower than its assessment, it does not receive a refund. However, annual budget appropriations are experience-based. The pool views its activities in the aggregate and makes overall adjustments to the premiums charged, and is therefore intended to be self-sustaining through member contributions (premiums). Risk of loss is retained by the City for general liability claims up to \$10,000 per occurrence. The fund carries excess loss coverage for general liability claims between \$990,000 and \$20,000,000 per insured event, and is uninsured for losses in excess of \$20,000,000 per event. Unpaid claims at fiscal year end, as reported by the fund, were not material. There was no reduction in the City's insurance coverage as compared to the previous fiscal year, nor have there been any losses exceeding coverage during any of the three previous years.

Premium payment amounts are determined by the funds Board, and are charged to the City's general fund as expenditures when paid.

In the proper course of operation, the Authority issued debt in the aggregate principal amount of \$5,150,000 on October 1, 2004. The Authority is required to collect and disburse the loan premiums in accordance with the loan agreement, Article VI, Section 6.03. The Member agencies are required by the Amended and Restated Joint Powers Agreement Relating to the Monterey Bay Area Self-Insurance Authority, Article 20 to pay to the Authority their individual debt service amount and associated expenses, as determined by the Authority. Furthermore, the Member Agencies contribution will be payable from any source of available funds of the Member, including amounts on deposit in the general fund of the Member.

B) Joint Ventures

Santa Cruz Consolidated Emergency Communications Center

The City is a member of the Santa Cruz Consolidated Emergency Communications Center, a Joint Powers Authority created to establish and operate a consolidated communications center which provides emergency call receiving and dispatching services. Other members of the Authority include the Cities of Santa Cruz and Watsonville, and the County of Santa Cruz. The members, including the City of Capitola, are responsible for funding the operations of the Authority through annual assessments. The annual assessments are based on percentages calculated for each member.

In addition, the Authority and member agencies have entered into a Use Agreement relating to the issuance of the Authority's Santa Cruz County Public Financing Authority 2002 Lease Revenue Refunding Bonds, Series A, in the aggregate principal amount of \$5,760,000. The Agreement obligates the member agencies to pay use payments each year as rental for the use and occupancy of the related facilities.

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2010**

IV) OTHER INFORMATION - Continued

B) Joint Ventures - Continued

The following represents the City of Capitola's obligation for future use payments:

<u>Fiscal Year Ending June 30.</u>	<u>Annual Use Payment</u>
2011	\$ 51,068
2012	36,822
2013	37,348
2014	36,879
2015	35,574
2016-2020	185,555
2021-2024	147,253

Other Activities

The City participates in other joint activities for the provisions of law enforcement activities, including the Santa Cruz County Narcotics Enforcement Team (SCCNET) and the Criminal Justice Council. None of these activities are conducted as a separate legal entity; therefore, they are not joint ventures, but are cost-sharing arrangements only. No separate financial statements are prepared for these activities, nor is the City exposed to risk of additional costs beyond reimbursement of its share of on-going operating costs.

C) City's Employees' Retirement Plan

Public Employee's Retirement System

Plan Description

The City of Capitola contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing 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. The contract offers a "2.5% at 55" plan for Miscellaneous Plan members and "3% at 50" plan for Safety Plan Members. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of CalPERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, California 95814. The City of Capitola Miscellaneous Plan converted to 2.5% at 55, effective December 30, 2007.

Funding Policy

Active plan members are required to contribute a percentage of their annual covered salary. The City of Capitola pays the member contributions for both the Miscellaneous Plan and the Safety Plan: 7% and 9% respectively. The actual rate for the Miscellaneous Plan is 8%, of which the City pays for 7%, and the employees pay for 1%. The City of Capitola is required to make an additional contribution at an actuarially determined rate. The required employer contribution rates for the fiscal year 2009-10 were 10.658% for the Miscellaneous Plan members and 18.504% for

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2010**

IV) OTHER INFORMATION - Continued

C) City's Employees' Retirement Plan - Continued

Public Employee's Retirement System - Continued

Safety Plan members. The contribution requirements for plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Three Year Trend Information for the City of Capitola Miscellaneous Employees' Retirement Plan

Fiscal Year	Required Contributions	Percentage Contributed
06/30/08	\$ 248,258	100%
06/30/09	\$ 286,734	100%
06/30/10	\$ 384,507	100%

Three Year Trend Information for the City of Capitola Safety Employees' Retirement Plan

Fiscal Year	Required Contributions	Percentage Contributed
06/30/08	\$ 359,196	100%
06/30/09	\$ 392,074	100%
06/30/10	\$ 383,836	100%

Public Agency Retirement System

Overview

The Federal Omnibus Budget Reconciliation Act of 1990 (FOBRA 90), mandated that all public sector employees not covered by their employers' existing retirement system(s) as of January 1, 1992, be covered by Social Security or an alternate plan. The City has provided these employees with a plan called The Public Agency Retirement System, which qualifies under Internal Revenue Code Sections 401(a) and 501.

Plan Description

The Public Agency Retirement System (PARS) is a defined contribution plan covering part-time, temporary or seasonal employees and all employees not covered by another retirement plan. The Plan is sponsored and paid for by employees and employer contributions. Members are 100% vested. Benefits are paid to the members in lump sum payments at termination, or if payment is in excess of \$3,500, the employee has the option of a lump sum payment at termination or at normal retirement age (60).

The City has the right to terminate or amend the Plan at any time.

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2010**

IV) OTHER INFORMATION - Continued

C) City's Employees' Retirement Plan - Continued

Public Agency Retirement System - Continued

Contributions

A total annual contribution of 7.5% of covered earnings is contributed to the PARS account for each eligible employee. The City of Capitola contributes 1.3% and the employee contributes 6.2%. During the fiscal year 2009-10 contributions totaled \$30,471: \$5,359 by the City and \$25,112 by employees. The City acts as administrator, with a trustee managing the investments and accounts. Fees are charged by the trustee and are paid from member earnings. Employer liabilities under the Plan are limited to the amount of the current contributions.

The City's contribution for fiscal year 2009-10 differs from the contribution totals provided by PARS in the following table because PARS reports on a calendar year, rather than a fiscal year basis.

Plan Net Assets and Changes in Net Assets

Balance 1/1/09	\$	58,613
Contributions		30,061
Earnings		3,100
Subtotal		91,774
Less: Expenses		(4,107)
Disbursements		(13,662)
Balance 12/31/09	\$	74,005

D) Post Employment Benefits

Plan Description

The City's defined benefit postemployment healthcare plan, (City of Capitola Retiree Healthcare Plan, CRHP), provides medical benefits to eligible retired City employees and spouses. CRHP is an agent multiple-employer plan administered by California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statute within the Public Employees' Retirement Law. CRHP selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through City resolution. CalPERS issues a Comprehensive Annual Financial Report (CAFR). The CAFR is issued in aggregate and includes the sum of all CalPERS plans. Copies of the CalPERS CAFR may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City Council. The City contributes the Public Employees' Medical and Hospital Care Act (PEMHCA) minimum.

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2010**

IV) OTHER INFORMATION - Continued

D) Post Employment Benefits - Continued

The City is required to contribute the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 1.7% of the annual covered payroll. The City Council, through resolution, determined the City will make contributions on the “pay-as-you-go” method, making contributions to the plan at about the same time and in about the same amount as benefit payments and expenses become due.

Annual OPEB Cost

The City’s annual OPEB cost, net OPEB obligation (asset) and the related information for 2010 were as follows:

Annual Required Contribution	\$	93,151
Interest on Net Pension Obligation (Asset)		3,285
Adjustment to Annual Required Contribution		(3,097)
Annual OPEB Cost		93,339
Contributions Made		(17,227)
Pension Asset Amortization		-
Increase (Decrease) in Net Pension Obligation (Asset)		76,112
Net Pension Obligation (Asset) Beginning of Year		72,996
Net Pension Obligation (Asset) End of Year	\$	149,108

For 2010, the City’s annual OPEB cost (expense) of \$93,339 for CRHP was greater than the ARC by \$188. The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding years were as follows:

<u>THREE-YEAR TREND INFORMATION FOR CRHP</u>			
Fiscal Year	Annual OPEB Cost (AOC)	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/10	\$ 93,339	18.5%	\$ 149,108
6/30/09	\$ 87,219	16.3%	\$ 72,996
6/30/08	*	*	*

* The information for the year ending June 30, 2008 is unavailable. GASB 45 was implemented prospectively in fiscal year 2009.

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2010**

IV) OTHER INFORMATION - Continued

D) Post Employment Benefits - Continued

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2008, was as follows:

Actuarial Accrued Liability (AAL)	\$	1,043,809
Actuarial Value of Plan Assets	\$	0
Unfunded Actuarial Accrued Liability (UAAL)	\$	1,043,809
Funded Ratio (Actuarial Value of Plan Assets/AAL)		0%
Covered Payroll (Active Plan Members)	\$	3,125,748
UAAL as a Percentage of Covered Payroll		33.34%

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

Actuarial Methods and Assumptions

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

The following is a summary of the actuarial assumptions and methods:

Valuation Date	July 1, 2008
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	30 Years as of the Valuation Date
Actuarial Assumptions:	
Investment Rate of Return	4.50%
Projected Salary Increase	3.25%
Health Care Trend Rate	10.00%

E) Commitments and Contingent Liabilities

Claims and lawsuits have been filed against the City in the normal course of business. The outcome of these matters is not presently determinable. However, in the opinion of management, the resolution of these matters is not expected to have a significant impact on the financial condition of the City.

City of Capitola
Notes to Financial Statements
Year Ended June 30, 2010

IV) OTHER INFORMATION - Continued

E) Commitments and Contingent Liabilities - Continued

Other Contingencies

The City has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

F) Proposition 1A Borrowing by the State of California

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California State Legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in-lieu sales tax, and the supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The State is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City was \$229,040.

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The City participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its right under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

REQUIRED SUPPLEMENTARY INFORMATION

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 8,408,900	\$ 7,375,750	\$ 7,688,040	\$ 312,290
Licenses & Permits	190,000	540,000	589,535	49,535
Fines & Forfeitures	755,000	759,700	803,198	43,498
Intergovernmental	333,700	1,163,723	1,090,705	(73,018)
Charges for Services	2,122,900	1,537,200	1,214,082	(323,118)
Use of Money and Property	439,800	444,800	475,348	30,548
Other Revenue	71,000	152,000	162,410	10,410
Total Revenues	<u>12,321,300</u>	<u>11,973,173</u>	<u>12,023,318</u>	<u>50,145</u>
EXPENDITURES				
Current:				
General Government	2,241,916	2,385,685	2,143,986	241,699
Public Safety	5,597,787	5,570,537	5,276,037	294,500
Community Development	826,091	832,752	767,123	65,629
Culture and Recreation	951,951	943,993	906,222	37,771
Transportation	1,962,922	1,931,241	1,788,985	142,256
Capital Outlay		32,324	32,324	-
Total Expenditures	<u>11,580,667</u>	<u>11,696,532</u>	<u>10,914,677</u>	<u>781,855</u>
Excess (Deficiency) of Revenues over Expenditures	<u>740,633</u>	<u>276,641</u>	<u>1,108,641</u>	<u>832,000</u>
OTHER FINANCING SOURCES (USES)				
Transfers In			-	-
Transfers Out	(568,900)	(468,900)	(851,449)	(382,549)
Total Other Financing Sources (Uses)	<u>(568,900)</u>	<u>(468,900)</u>	<u>(851,449)</u>	<u>(382,549)</u>
Net Change in Fund Balances	171,733	(192,259)	257,192	449,451
Fund Balances, Beginning	<u>5,996,590</u>	<u>5,996,590</u>	<u>5,996,590</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 6,168,323</u>	<u>\$ 5,804,331</u>	<u>\$ 6,253,782</u>	<u>\$ 449,451</u>

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Federal Home Loan Reuse Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Use of Money and Property	\$ 4,800	\$ 4,800	\$ 12,305	\$ 7,505
Total Revenues	4,800	4,800	12,305	7,505
EXPENDITURES				
Current:				
Community Development	14,500	14,500	1,953	12,547
Total Expenditures	14,500	14,500	1,953	12,547
Excess (Deficiency) of Revenues over Expenditures	(9,700)	(9,700)	10,352	20,052
Fund Balances, Beginning	(5,221)	(5,221)	(5,221)	-
Fund Balances, Ending	\$ (14,921)	\$ (14,921)	\$ 5,131	\$ 20,052

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - RDA Low Income Housing Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Use of Money and Property	\$ 16,500	\$ 16,500	\$ 3,883	\$ (12,617)
Total Revenues	<u>16,500</u>	<u>16,500</u>	<u>3,883</u>	<u>(12,617)</u>
EXPENDITURES				
Current:				
Community and Development	834,200	827,748	242,328	585,420
Total Expenditures	<u>834,200</u>	<u>827,748</u>	<u>242,328</u>	<u>585,420</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(817,700)</u>	<u>(811,248)</u>	<u>(238,445)</u>	<u>572,803</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	464,460	464,460	485,113	20,653
Total Other Financing Sources (Uses)	<u>464,460</u>	<u>464,460</u>	<u>485,113</u>	<u>20,653</u>
Net Change in Fund Balance	(353,240)	(346,788)	246,668	593,456
Fund Balance, Beginning	<u>673,902</u>	<u>673,902</u>	<u>673,902</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 320,662</u>	<u>\$ 327,114</u>	<u>\$ 920,570</u>	<u>\$ 593,456</u>

City of Capitola
Schedule of Funding Progress for CRHP
Year Ended June 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B - A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
07/01/08	\$ -	\$ 1,043,809	\$ 1,043,809	0%	\$ 3,125,748	33.34%

*GASB 45 was implemented prospectively in fiscal year 2009. There were no previous actuarial valuations.

City of Capitola
Notes to Required Supplementary Information
Year Ended June 30, 2010

BUDGETS AND BUDGETARY ACCOUNTING

The City adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for governmental funds. The City's budget ordinance requires that in April of each fiscal year, the City Manager must submit a preliminary budget that includes projected expenditures and the means of financing them, to the City Council for the fiscal year commencing the following July 1. As modified during public study sessions, the preliminary budget becomes the proposed budget. Following public hearings on the proposed budget, the final annual budget is adopted by the City Council in June of the following fiscal year. After adoption of the final budget, transfers of appropriations within a general fund department, or within each fund can be made by the City Manager. Budget modifications between funds, increases or decreases to a fund's overall budget, transfers between general fund departments or transfers that affect capital projects must be approved by the City Council or Agency Board. Numerous properly authorized amendments are made during the fiscal year. Appropriations lapse at fiscal year end.

Budgetary control is enhanced by integrating the budget into the general ledger. Encumbrance accounting is employed (e.g., purchase orders) to avoid over-expenditure. Encumbrances outstanding at fiscal year end are automatically rebudgeted in the following fiscal year, unless specifically cancelled by Council action. Per Capitola Municipal Code 3.20.060.C: "The appropriation for the uncompleted balance of executory contracts should not lapse at year-end, but is automatically appropriated for the succeeding fiscal year unless specifically cancelled by council action."

SUPPLEMENTARY INFORMATION

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - RDA Debt Service Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,322,300	\$ 2,322,300	\$ 2,425,564	\$ 103,264
Use of Money and Property	49,700	49,700	23,837	(25,863)
Total Revenues	<u>2,372,000</u>	<u>2,372,000</u>	<u>2,449,401</u>	<u>77,401</u>
EXPENDITURES				
Current:				
General Government	4,248,500	5,201,480	2,062,506	3,138,974
Capital Outlay	60,000	60,000		60,000
Debt Service:				
Principal	91,000	91,000	91,026	(26)
Interest and Fiscal Charges	208,200	233,200	233,250	(50)
Total Expenditures	<u>4,607,700</u>	<u>5,585,680</u>	<u>2,386,782</u>	<u>3,198,898</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(2,235,700)</u>	<u>(3,213,680)</u>	<u>62,619</u>	<u>3,276,299</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	464,460	(464,460)	(485,113)	(20,653)
Total Other Financing Sources (Uses)	<u>464,460</u>	<u>(464,460)</u>	<u>(485,113)</u>	<u>(20,653)</u>
Net Change in Fund Balance	(1,771,240)	(3,678,140)	(422,494)	3,255,646
Fund Balance, Beginning	1,521,436	1,521,436	1,521,436	-
Fund Balance, Ending	<u>\$ (249,804)</u>	<u>\$ (2,156,704)</u>	<u>\$ 1,098,942</u>	<u>\$ 3,255,646</u>

City of Capitola Non-Major Governmental Funds

SPECIAL REVENUE FUNDS

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

Supplemental Law Enforcement Fund - This fund account for the receipt and expenditure of Supplemental Law Enforcement revenues provided by the State of California.

Gas Tax Fund - Accounts for receipts and expenditures of gasoline tax revenues as provided by State law.

Wharf Fund - In accordance with the State law and contractual commitments, this fund accounts for wharf operating revenues and expenditures.

Development Fees Fund - Account for receipts and expenditures of fees assessed on development to alleviate the impact of traffic problems due to that development.

Parking Reserve Fund - Accounts for the revenues received from the increased rates for parking meter fees.

Technology Fees Fund - Accounts for revenues received from technology fees.

PEG Cable TV Access Fee Fund - Accounts for Public Education and Government (PEG) Cable TV access fees.

Capitola Village and Wharf BIA Fund - Accounts for the receipt and expenditure of assessments for the Business Improvement Area.

Community Development Block Grants Fund - Accounts for housing loans receivable under federal housing programs.

CDBG Program Income - Accounts for housing loan principal and interest repayments for the Community Development Block Grant (CDBG) Program.

HOME Grant Fund - Accounts for the revenues and expenditures for the CalHOME grant to assist with affordable housing within the City.

Affordable Housing Fund - Accounts for the creation of new affordable housing and rehabilitation of existing affordable housing.

BEGIN Grant Fund - Accounts for receipts and expenditures of the Building Equity and Growth in Neighborhoods (BEGIN) grant.

DEBT SERVICE FUNDS

2007 POB Debt Service Fund - Accounts for the accumulation of resources for, and payment of long-term debt principal and interest related to the 2007 Pension Obligation Bonds.

CAPITAL PROJECTS FUNDS

Capital Projects Fund - Accounts for financial resources segregated for the acquisition of major capital facilities and equipment by the City.

**City of Capitola
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2010**

	Special Revenue				
	Supplemental Law Enforcement	Gas Tax	Wharf	Development Fees	Parking Reserve
ASSETS					
Cash and Investments	\$	\$ 45,102	\$ 41,726	\$	\$ 78,649
Accounts Receivable	8,392		117		
Due from Other Governments	17,473	43,178			
Loans Receivable					
Total Assets	<u>\$ 25,865</u>	<u>\$ 88,280</u>	<u>\$ 41,843</u>	<u>\$ -</u>	<u>\$ 78,649</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 96	\$ 23,699	\$ 2,732	\$	\$
Accrued Liabilities	4,492				
Deferred Revenue				1,415	
Due to Other Funds	20,323				
Deposits Payable			1,000		
Total Liabilities	<u>24,911</u>	<u>23,699</u>	<u>3,732</u>	<u>1,415</u>	<u>-</u>
Fund Balances:					
Unreserved:					
Undesignated	954	64,581	38,111	(1,415)	78,649
Total Fund Balances	<u>954</u>	<u>64,581</u>	<u>38,111</u>	<u>(1,415)</u>	<u>78,649</u>
Total Liabilities and Fund Balances	<u>\$ 25,865</u>	<u>\$ 88,280</u>	<u>\$ 41,843</u>	<u>\$ -</u>	<u>\$ 78,649</u>

Technology Fees	PEG Cable TV Access	Capitola Village and Wharf BIA	CDBG	CDBG Program Income	HOME Grant	Affordable Housing	BEGIN Grant
\$ 3,902	\$ 80,048 112 4,576	\$ 8,667 3,204	\$ 18,747 15,300	\$	\$	\$ 370,305	\$ 60,000
				161,882			
<u>\$ 3,902</u>	<u>\$ 84,736</u>	<u>\$ 11,871</u>	<u>\$ 34,047</u>	<u>\$ 161,882</u>	<u>\$ -</u>	<u>\$ 370,305</u>	<u>\$ 60,000</u>
\$	\$ 1,869	\$ 4,434	\$	\$ 3,493	\$	\$ 2,500	\$
				161,882 8,993	7,521		
-	1,869	4,434	-	174,368	7,521	2,500	-
3,902	82,867	7,437	34,047	(12,486)	(7,521)	367,805	60,000
3,902	82,867	7,437	34,047	(12,486)	(7,521)	367,805	60,000
<u>\$ 3,902</u>	<u>\$ 84,736</u>	<u>\$ 11,871</u>	<u>\$ 34,047</u>	<u>\$ 161,882</u>	<u>\$ -</u>	<u>\$ 370,305</u>	<u>\$ 60,000</u>

Continued

City of Capitola
Combining Balance Sheet - Continued
Non-Major Governmental Funds
June 30, 2010

	<u>2007 POB Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Cash and Investments	\$ 470,483	\$ 709,371	\$ 1,887,000
Accounts Receivable			27,125
Due from Other Governments		27,497	92,724
Loans Receivable			161,882
	<u>\$ 470,483</u>	<u>\$ 736,868</u>	<u>\$ 2,168,731</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$	\$ 82,683	\$ 121,506
Accrued Liabilities	2,297		6,789
Deferred Revenue		27,497	190,794
Due to Other Funds			36,837
Deposits Payable			1,000
	<u>2,297</u>	<u>110,180</u>	<u>356,926</u>
Fund Balances:			
Unreserved:			
Undesignated	<u>468,186</u>	<u>626,688</u>	<u>1,811,805</u>
Total Fund Balances	<u>468,186</u>	<u>626,688</u>	<u>1,811,805</u>
Total Liabilities and Fund Balances	<u>\$ 470,483</u>	<u>\$ 736,868</u>	<u>\$ 2,168,731</u>

City of Capitola
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2010

	Special Revenue				
	Supplemental Law Enforcement	Gas Tax	Wharf	Development Fees	Parking Reserve
REVENUES					
Taxes	\$	\$ 171,417	\$	\$	\$
Licenses and Permits					
Intergovernmental	181,621	91,403			
Charges for Services					
Use of Money and Property		200	77,144		
Total Revenues	<u>181,621</u>	<u>263,020</u>	<u>77,144</u>	<u>-</u>	<u>-</u>
EXPENDITURES					
Current:					
General Government					
Public Safety	165,203				
Community Development					
Culture and Recreation			72,155		
Transportation		227,812			
Capital Outlay			100,540		
Debt Service:					
Principal		38,849			
Interest & Fiscal Charges		4,936			
Total Expenditures	<u>165,203</u>	<u>271,597</u>	<u>172,695</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>16,418</u>	<u>(8,577)</u>	<u>(95,551)</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Transfers In					78,649
Transfers Out					
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,649</u>
Net Change in Fund Balances	<u>16,418</u>	<u>(8,577)</u>	<u>(95,551)</u>	<u>-</u>	<u>78,649</u>
Fund Balances, Beginning	<u>(15,464)</u>	<u>73,158</u>	<u>133,662</u>	<u>(1,415)</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 954</u>	<u>\$ 64,581</u>	<u>\$ 38,111</u>	<u>\$ (1,415)</u>	<u>\$ 78,649</u>

Technology Fees	PEG Cable TV Access	Capitola Village and Wharf BIA	CDBG	CDBG Program Income	HOME Grant	Affordable Housing	BEGIN Grant
\$	\$	\$	\$	\$	\$	\$	\$
	19,304						
3,902		69,975	11,848		1,169,180	15,878	
	532	203		116			
3,902	19,836	70,178	11,848	116	1,169,180	15,878	-
	23,704						
		77,351	5,427	20,111	1,176,701	47,093	
-	23,704	77,351	5,427	20,111	1,176,701	47,093	-
3,902	(3,868)	(7,173)	6,421	(19,995)	(7,521)	(31,215)	-
-	-	-	-	-	-	-	-
3,902	(3,868)	(7,173)	6,421	(19,995)	(7,521)	(31,215)	-
-	86,735	14,610	27,626	7,509	-	399,020	60,000
\$ 3,902	\$ 82,867	\$ 7,437	\$ 34,047	\$ (12,486)	\$ (7,521)	\$ 367,805	\$ 60,000

Continued

City of Capitola
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Continued
Non-Major Governmental Funds
Year Ended June 30, 2010

	2007 POB Debt Service	Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$	\$	\$ 171,417
Licenses and Permits			19,304
Intergovernmental		387,650	1,841,702
Charges for Services		76,209	165,964
Use of Money and Property		1,274	79,469
		<u>465,133</u>	<u>2,277,856</u>
Total Revenues	-	465,133	2,277,856
EXPENDITURES			
Current:			
General Government	1,500		25,204
Public Safety			165,203
Community Development			1,326,683
Culture and Recreation		7,524	79,679
Transportation			227,812
Capital Outlay		714,776	815,316
Debt Service:			
Principal	405,000		443,849
Interest & Fiscal Charges	268,492		273,428
	<u>674,992</u>	<u>722,300</u>	<u>3,357,174</u>
Total Expenditures	674,992	722,300	3,357,174
Excess (Deficiency) of Revenues Over Expenditures	<u>(674,992)</u>	<u>(257,167)</u>	<u>(1,079,318)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	622,800	150,000	851,449
Transfers Out			-
	<u>622,800</u>	<u>150,000</u>	<u>851,449</u>
Total Other Financing Sources (Uses)	622,800	150,000	851,449
Net Change in Fund Balances	(52,192)	(107,167)	(227,869)
Fund Balances, Beginning	<u>520,378</u>	<u>733,855</u>	<u>2,039,674</u>
Fund Balances, Ending	<u>\$ 468,186</u>	<u>\$ 626,688</u>	<u>\$ 1,811,805</u>

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Supplemental Law Enforcement Fund
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 174,200	\$ 174,200	\$ 181,621	\$ 7,421
Total Revenues	<u>174,200</u>	<u>174,200</u>	<u>181,621</u>	<u>7,421</u>
EXPENDITURES				
Current:				
Public Safety	<u>174,100</u>	<u>174,100</u>	<u>165,203</u>	<u>8,897</u>
Total Expenditures	<u>174,100</u>	<u>174,100</u>	<u>165,203</u>	<u>8,897</u>
Excess (Deficiency) of Revenues over Expenditures	100	100	16,418	16,318
Fund Balance, Beginning	<u>(15,464)</u>	<u>(15,464)</u>	<u>(15,464)</u>	<u>-</u>
Fund Balance, Ending	<u>\$ (15,364)</u>	<u>\$ (15,364)</u>	<u>\$ 954</u>	<u>\$ 16,318</u>

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Gas Tax Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 178,400	\$ 178,400	\$ 171,417	\$ (6,983)
Intergovernmental	95,900	95,900	91,403	(4,497)
Use of Money and Property			200	200
Total Revenues	<u>274,300</u>	<u>274,300</u>	<u>263,020</u>	<u>(11,280)</u>
EXPENDITURES				
Current:				
Transportation	267,100	236,538	227,812	8,726
Debt Service:				
Principal	37,000	37,000	38,849	(1,849)
Interest & Fiscal Charges			4,936	(4,936)
Total Expenditures	<u>304,100</u>	<u>273,538</u>	<u>271,597</u>	<u>1,941</u>
Excess (Deficiency) of Revenues over Expenditures	(29,800)	762	(8,577)	(9,339)
Fund Balance, Beginning	<u>73,158</u>	<u>73,158</u>	<u>73,158</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 43,358</u>	<u>\$ 73,920</u>	<u>\$ 64,581</u>	<u>\$ (9,339)</u>

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Wharf Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Use of Money and Property	\$ 72,100	\$ 72,100	\$ 77,144	\$ 5,044
Other Revenue				-
Total Revenues	<u>72,100</u>	<u>72,100</u>	<u>77,144</u>	<u>5,044</u>
EXPENDITURES				
Current:				
Culture and Recreation	105,800	105,800	72,155	33,645
Capital Outlay	27,300	125,311	100,540	24,771
Total Expenditures	<u>133,100</u>	<u>231,111</u>	<u>172,695</u>	<u>58,416</u>
Excess (Deficiency) of Revenues over Expenditures	(61,000)	(159,011)	(95,551)	63,460
Fund Balance, Beginning	<u>133,662</u>	<u>133,662</u>	<u>133,662</u>	-
Fund Balance, Ending	<u>\$ 72,662</u>	<u>\$ (25,349)</u>	<u>\$ 38,111</u>	<u>\$ 63,460</u>

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Development Fees Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$ 67,000	\$ 67,000	\$	\$ (67,000)
Use of Money and Property	2,200	2,200		(2,200)
Total Revenues	<u>69,200</u>	<u>69,200</u>	<u>-</u>	<u>(69,200)</u>
EXPENDITURES				
Current:				
Community Development				-
Capital Outlay				-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	69,200	69,200	-	(69,200)
Fund Balance, Beginning	<u>(1,415)</u>	<u>(1,415)</u>	<u>(1,415)</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 67,785</u>	<u>\$ 67,785</u>	<u>\$ (1,415)</u>	<u>\$ (69,200)</u>

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Parking Reserve Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$	\$	\$	\$ -
Charges for Services				-
Use of Money and Property				-
Total Revenues	-	-	-	-
EXPENDITURES				
Current:				
Transportation		114		114
Total Expenditures	-	114	-	114
Excess (Deficiency) of Revenues over Expenditures	-	(114)	-	114
OTHER FINANCING SOURCES (USES)				
Transfers In	102,800	102,800	78,649	(24,151)
Total Other Financing Sources (Uses)	102,800	102,800	78,649	(24,151)
Net Change in Fund Balances	102,800	102,686	78,649	(24,037)
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ 102,800	\$ 102,686	\$ 78,649	\$ (24,037)

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Technology Fees Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$	\$	\$ 3,902	\$ 3,902
Total Revenues	-	-	3,902	3,902
EXPENDITURES				
Current:				
Transportation				-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	3,902	3,902
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$	\$	\$ 3,902	\$ 3,902

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - PEG Cable TV Access Fund
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Licenses and Permits	\$ 22,400	\$ 22,400	\$ 19,304	\$ (3,096)
Use of Money and Property	2,700	2,700	532	(2,168)
Total Revenues	<u>25,100</u>	<u>25,100</u>	<u>19,836</u>	<u>(5,264)</u>
EXPENDITURES				
Current:				
General Government	22,400	22,400	23,704	(1,304)
Total Expenditures	<u>22,400</u>	<u>22,400</u>	<u>23,704</u>	<u>(1,304)</u>
Excess (Deficiency) of Revenues over Expenditures	2,700	2,700	(3,868)	(6,568)
Fund Balance, Beginning	<u>86,735</u>	<u>86,735</u>	<u>86,735</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 89,435</u>	<u>\$ 89,435</u>	<u>\$ 82,867</u>	<u>\$ (6,568)</u>

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Capitola Village and Wharf BIA Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$ 70,700	\$ 70,700	\$ 69,975	\$ (725)
Use of Money and Property			203	203
Total Revenues	<u>70,700</u>	<u>70,700</u>	<u>70,178</u>	<u>(522)</u>
EXPENDITURES				
Current:				
Community Development	<u>80,000</u>	<u>80,000</u>	<u>77,351</u>	<u>2,649</u>
Total Expenditures	<u>80,000</u>	<u>80,000</u>	<u>77,351</u>	<u>2,649</u>
Excess (Deficiency) of Revenues over Expenditures	(9,300)	(9,300)	(7,173)	2,127
Fund Balance, Beginning	<u>14,610</u>	<u>14,610</u>	<u>14,610</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 5,310</u>	<u>\$ 5,310</u>	<u>\$ 7,437</u>	<u>\$ 2,127</u>

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - CDBG Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 980,000	\$ 991,800	\$ 11,848	\$ (979,952)
Total Revenues	980,000	991,800	11,848	(979,952)
EXPENDITURES				
Current:				
Community Development	980,000	981,972	5,427	976,545
Total Expenditures	980,000	981,972	5,427	976,545
Excess (Deficiency) of Revenues over Expenditures	-	9,828	6,421	(3,407)
Fund Balance, Beginning	27,626	27,626	27,626	-
Fund Balance, Ending	<u>\$ 27,626</u>	<u>\$ 37,454</u>	<u>\$ 34,047</u>	<u>\$ (3,407)</u>

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - CDBG Program Income Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Use of Money and Property	\$ 6,300	\$ 6,300	\$ 116	\$ (6,184)
Total Revenues	<u>6,300</u>	<u>6,300</u>	<u>116</u>	<u>(6,184)</u>
EXPENDITURES				
Current:				
Community Development	<u>6,400</u>	<u>3,600</u>	<u>20,111</u>	<u>(16,511)</u>
Total Expenditures	<u>6,400</u>	<u>3,600</u>	<u>20,111</u>	<u>(16,511)</u>
Excess (Deficiency) of Revenues over Expenditures	(100)	2,700	(19,995)	(22,695)
Fund Balance, Beginning	<u>7,509</u>	<u>7,509</u>	<u>7,509</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 7,409</u>	<u>\$ 10,209</u>	<u>\$ (12,486)</u>	<u>\$ (22,695)</u>

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - HOME Grant Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,750,000	\$ 1,750,000	\$ 1,169,180	\$ (580,820)
Total Revenues	<u>1,750,000</u>	<u>1,750,000</u>	<u>1,169,180</u>	<u>(580,820)</u>
EXPENDITURES				
Current:				
Community Development	1,753,000	1,795,000	1,176,701	618,299
Total Expenditures	<u>1,753,000</u>	<u>1,795,000</u>	<u>1,176,701</u>	<u>618,299</u>
Excess (Deficiency) of Revenues over Expenditures	(3,000)	(45,000)	(7,521)	37,479
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	<u>\$ (3,000)</u>	<u>\$ (45,000)</u>	<u>\$ (7,521)</u>	<u>\$ 37,479</u>

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Affordable Housing Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$ 75,000	\$ 75,000	\$ 15,878	\$ (59,122)
Total Revenues	75,000	75,000	15,878	(59,122)
EXPENDITURES				
Current:				
Community Development	113,300	133,300	47,093	86,207
Total Expenditures	113,300	133,300	47,093	86,207
Excess (Deficiency) of Revenues over Expenditures	(38,300)	(58,300)	(31,215)	27,085
Fund Balance, Beginning	399,020	399,020	399,020	-
Fund Balance, Ending	<u>\$ 360,720</u>	<u>\$ 340,720</u>	<u>367,805</u>	<u>\$ 27,085</u>

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - BEGIN Grant Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 180,000	\$ 180,000	\$ -	\$ (180,000)
Total Revenues	180,000	180,000	-	(180,000)
EXPENDITURES				
	240,000	240,000	-	240,000
Total Expenditures	240,000	240,000	-	240,000
Excess (Deficiency) of Revenues over Expenditures	(60,000)	(60,000)	-	60,000
Fund Balance, Beginning	60,000	60,000	60,000	-
Fund Balance, Ending	\$ -	\$ -	\$ 60,000	\$ 60,000

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - 2007 POB Debt Service Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Use of Money and Property	\$	\$	\$	\$ -
Total Revenues	-	-	-	-
EXPENDITURES				
Current:				
General Government	2,000	2,000	1,500	500
Debt Service:				
Principal	405,000	405,000	405,000	-
Interest and Fiscal Charges	268,500	268,497	268,492	5
Total Expenditures	675,500	675,497	674,992	505
Excess (Deficiency) of Revenues over Expenditures	(675,500)	(675,497)	(674,992)	505
OTHER FINANCING SOURCES (USES)				
Transfers In	622,800	622,800	622,800	-
Total Other Financing Sources (Uses)	622,800	622,800	622,800	-
Net Change in Fund Balance	(52,700)	(52,697)	(52,192)	505
Fund Balance, Beginning	520,378	520,378	520,378	-
Fund Balance, Ending	\$ 467,678	\$ 467,681	\$ 468,186	\$ 505

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Capital Projects Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 387,956	\$ 387,956	\$ 387,650	\$ (306)
Charges for Services	31,000	31,000	76,209	45,209
Use of Money and Property			1,274	1,274
Total Revenues	<u>418,956</u>	<u>418,956</u>	<u>465,133</u>	<u>46,177</u>
EXPENDITURES				
Current:				
Culture and Recreation	16,300	23,300	7,524	15,776
Capital Outlay	721,455	721,455	714,776	6,679
Total Expenditures	<u>737,755</u>	<u>744,755</u>	<u>722,300</u>	<u>22,455</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(318,799)</u>	<u>(325,799)</u>	<u>(257,167)</u>	<u>68,632</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	150,000	150,000	150,000	-
Transfers Out				-
Total Other Financing Sources (Uses)	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>
Net Change in Fund Balances	(168,799)	(175,799)	(107,167)	68,632
Fund Balance, Beginning	<u>733,855</u>	<u>733,855</u>	<u>733,855</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 565,056</u>	<u>\$ 558,056</u>	<u>\$ 626,688</u>	<u>\$ 68,632</u>

City of Capitola
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2010

	Refinance Assessment District	Brookvale Assessment District	Auto Center Assessment District	Total
ASSETS				
Cash and Investments	\$	\$ 15,738	\$ 20,031	\$ 35,769
Cash with Fiscal Agent				-
Accounts Receivable				-
Total Assets	<u>\$ -</u>	<u>\$ 15,738</u>	<u>\$ 20,031</u>	<u>\$ 35,769</u>
LIABILITIES				
Due to Bond Holders	<u>\$</u>	<u>\$ 15,738</u>	<u>\$ 20,031</u>	<u>\$ 35,769</u>
Total Liabilities	<u>\$ -</u>	<u>\$ 15,738</u>	<u>\$ 20,031</u>	<u>\$ 35,769</u>

City of Capitola
Statement of Changes in Fiduciary Net Assets
Agency Funds
Year Ended June 30, 2010

	Balance at July 1, 2009	Additions	Deletions	Balance at June 30, 2010
<u>REFINANCE ASSESSMENT DISTRICT</u>				
ASSETS				
Cash and Investments	\$ 195,704	\$	\$ 195,704	\$ -
Cash with Fiscal Agent	401,543		401,543	-
Accounts Receivable	11,063		11,063	-
Total Assets	<u>\$ 608,310</u>	<u>-</u>	<u>\$ 608,310</u>	<u>\$ -</u>
LIABILITIES				
Accounts Payable	\$ -	\$	\$	\$ -
Due to Bond Holders	359,628		359,628	-
Bond Reserve	248,682		248,682	-
Total Liabilities	<u>\$ 608,310</u>	<u>-</u>	<u>\$ 608,310</u>	<u>\$ -</u>
<u>BROOKVALE ASSESSMENT DISTRICT</u>				
ASSETS				
Cash and Investments	\$	\$ 15,738	\$	\$ 15,738
Accounts Receivable				-
Total Assets	<u>\$ -</u>	<u>\$ 15,738</u>	<u>\$ -</u>	<u>\$ 15,738</u>
LIABILITIES				
Accounts Payable	\$	\$	\$	\$ -
Due to Bond Holders		15,738		15,738
Bond Reserve				-
Total Liabilities	<u>\$ -</u>	<u>\$ 15,738</u>	<u>\$ -</u>	<u>\$ 15,738</u>
<u>AUTO CENTER ASSESSMENT DISTRICT</u>				
ASSETS				
Cash and Investments	\$	\$ 20,031	\$	\$ 20,031
Accounts Receivable				-
Total Assets	<u>\$ -</u>	<u>\$ 20,031</u>	<u>\$ -</u>	<u>\$ 20,031</u>
LIABILITIES				
Accounts Payable	\$	\$	\$	\$ -
Due to Bond Holders		20,031		20,031
Bond Reserve				-
Total Liabilities	<u>\$ -</u>	<u>\$ 20,031</u>	<u>\$ -</u>	<u>\$ 20,031</u>

Continued

City of Capitola
Statement of Changes in Fiduciary Net Assets - Continued
Agency Funds
Year Ended June 30, 2010

TOTALS - ALL AGENCY FUNDS

ASSETS

Cash and Investments	\$ 195,704	\$ 35,769	\$ 195,704	\$ 35,769
Cash with Fiscal Agent	401,543		401,543	-
Accounts Receivable	11,063		11,063	-
	<u>608,310</u>	<u>35,769</u>	<u>608,310</u>	<u>35,769</u>
Total Assets	<u>\$ 608,310</u>	<u>\$ 35,769</u>	<u>\$ 608,310</u>	<u>\$ 35,769</u>

LIABILITIES

Accounts Payable	\$	\$	\$	\$ -
Due to Bond Holders	359,628	35,769	359,628	35,769
Bond Reserve	248,682		248,682	-
	<u>608,310</u>	<u>35,769</u>	<u>608,310</u>	<u>35,769</u>
Total Liabilities	<u>\$ 608,310</u>	<u>\$ 35,769</u>	<u>\$ 608,310</u>	<u>\$ 35,769</u>

STATISTICAL SECTION

CITY OF CAPITOLA
Comprehensive Annual Financial Report
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CITY OF CAPITOLA, CALIFORNIA
 Net Assets by Component
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 (accrual basis of accounting)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Primary government activities	\$	\$	\$	\$	\$	\$	\$	\$
Invested in capital assets								
net of related debt	14,533,052	15,551,194	15,006,404	14,571,522	15,650,094	15,636,246	15,659,423	15,598,393
Restricted for								
Debt service	1,379,324	436,491	-	-	-	-	-	-
Community Development	1,590,217	1,742,349	2,156,616	3,310,474	3,633,337	1,717,350	1,106,642	1,317,373
Transportation	-	-	-	41,836	601,540	463,361	73,158	63,166
Public Safety	-	-	-	-	13,818	4,320	-	-
Total Restricted	2,969,541	2,178,840	2,156,616	3,352,310	4,248,695	2,185,031	1,179,800	1,380,539
Unrestricted	3,227,150	3,546,948	1,943,983	4,731,976	5,135,202	3,191,038	3,434,814	4,574,983
Total Primary govt net assets	20,729,743	21,276,982	19,107,003	22,655,808	25,033,991	21,012,315	20,274,037	21,553,915

NOTES: The City of Capitola has no business-type activities; governmental and primary government figures are the same.

Source: City of Capitola Finance Department

2010-1

CITY OF CAPITOLA, CALIFORNIA
 Changes in Net Assets
 Last Eight Fiscal Years
 (accrual basis of accounting)

EXPENSES	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Primary government activities	\$	\$	\$	\$	\$	\$	\$	\$
General government	4,566,816	4,654,130	4,206,288	3,963,341	4,343,363	4,398,218	4,482,326	5,102,874
Public safety	4,297,742	4,253,893	4,541,764	5,350,140	5,733,164	5,297,536	5,926,915	5,533,158
Community development	957,882	1,051,726	4,176,740	1,227,338	1,549,716	2,192,786	2,217,702	2,427,571
Cultural and Leisure	1,518,293	1,385,415	1,475,701	1,510,595	1,596,235	1,658,276	1,035,537	1,025,289
Transportation	1,494,765	1,432,259	1,397,287	1,500,389	1,697,195	1,521,834	2,529,717	1,932,234
Interest on long-term debt	184,529	170,608	171,091	152,089	189,871	589,508	532,701	509,056
Total primary government expenses	13,020,027	12,948,031	15,968,871	13,703,892	15,109,544	15,658,158	16,724,898	16,530,182
PROGRAM REVENUES								
Primary government activities								
Charges for services:								
General government	698,716	1,217,689	1,046,335	724,337	704,859	793,429	658,366	805,684
Public safety	569,094	616,649	608,554	555,527	688,362	736,410	905,263	1,008,627
Community development	353,420	428,732	510,031	1,477,704	1,468,596	1,153,116	1,616,500	2,265,980
Cultural and Leisure	699,505	704,702	769,023	685,472	749,249	726,006	708,426	696,608
Transportation	41,231	32,040	34,447	11,170	17,738	13,135	33,696	53,600
Operating grants and contributions	338,739	301,600	290,607	812,227	1,010,467	1,420,068	285,966	1,469,481
Capital grants and contributions	582,866	496,587	323,840	160,510	514,150	-	527,390	387,650
Total primary govt program revenues	3,283,571	3,797,999	3,582,837	4,426,947	5,153,421	4,842,164	4,735,607	6,687,630
NET PRIMARY GOVT REV/(EXP):	(9,736,456)	(9,150,032)	(12,386,034)	(9,276,945)	(9,956,123)	(10,815,994)	(11,989,291)	(9,842,552)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:								
Primary government activities								
Taxes:								
Sec and Unsec Property taxes	2,396,806	2,656,740	2,902,999	3,464,933	3,915,955	4,033,686	4,147,459	4,065,897
Transaction and Use tax	-	-	208,858	975,377	1,047,714	1,015,944	787,706	927,983
Sales and Use tax	5,300,068	5,394,876	5,234,955	4,132,287	4,174,104	3,939,085	2,857,549	3,288,654
Transient occupancy taxes	492,539	493,364	515,578	543,438	603,997	643,541	605,365	591,925
Franchise taxes	321,027	363,655	390,908	417,451	438,412	437,065	459,042	461,937
Business license tax	274,871	-	-	302,890	325,946	299,394	277,959	281,739
Other taxes	60,717	-	-	-	-	-	-	-
Intergovernmental	593,959	501,686	261,377	1,414,629	1,421,057	1,507,201	1,417,265	979,039
Investment income	365,690	281,245	509,839	225,995	287,069	379,439	394,135	237,926
Other general revenues	11,702	23,992	191,541	108,750	120,052	451,939	304,533	287,330
Transfers	-	-	-	-	-	-	-	-
Total primary government activities	9,817,379	9,715,558	10,216,055	11,585,750	12,334,306	12,707,294	11,251,013	11,122,430
CHANGES IN NET ASSETS:								
Total primary government activities	80,923	565,526	(2,169,979)	2,308,805	2,378,183	1,891,300	(738,278)	1,279,878
NET ASSETS:								
07/01 prior year	20,648,820	20,711,456	21,276,982	19,107,003	22,655,808	25,033,991	21,012,315	20,274,037
06/30/200x	20,729,743	21,276,982	19,107,003	22,655,808	25,033,991	21,012,315	20,274,037	21,553,915
Prior period adjustment	-	-	-	1,240,000	-	(5,912,976)	-	-

NOTES: The City of Capitola has no business-type activities; governmental and primary government figures are the same.
 Prior period adjustment is Library Fund for 2005-06 and Pension Obligation Bond for 2007-08

Source: City of Capitola Finance Department

2010-2

CITY OF CAPITOLA, CALIFORNIA
Fund Balances of Government Funds
Last Eight Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
	\$	\$	\$	\$	\$	\$	\$	\$
GENERAL FUND								
Reserved								
Prepaid	-	-	1,196	-	-	-	20,853	115,788
Advances	618,028	1,968,028	1,968,028	1,968,028	1,968,028	1,968,028	1,968,028	1,968,028
Total Reserved	618,028	1,968,028	1,969,224	1,968,028	1,968,028	1,968,028	1,988,881	2,083,816
Unreserved								
Designated	954,769	1,421,163	2,059,809	3,175,075	3,467,381	3,185,350	2,659,209	2,928,666
Unrestricted	578,170	682,198	886,059	1,339,240	1,342,000	1,350,000	1,350,000	1,350,000
Total Unreserved	1,532,939	2,103,361	2,945,868	4,514,315	4,809,381	4,535,350	4,009,209	4,278,666
Total General Fund	2,150,967	4,071,389	4,915,092	6,482,343	6,777,409	6,503,378	5,998,090	6,362,482
ALL OTHER GOVERNMENT FUNDS								
Reserved								
Low income housing	1,590,217	1,742,349	1,655,280	1,790,164	1,807,669	-	-	-
Debt service	1,379,324	457,941	6,321	38,291	608,444	-	-	-
Total Reserved	2,969,541	2,200,290	1,661,601	1,828,455	2,416,113	-	-	-
Unreserved, reported in:								
Unrestricted	1,820,029	-	-	-	-	-	-	-
Special revenue funds	-	612,680	611,586	713,936	937,554	3,422,865	2,975,558	1,642,632
Capital project funds	-	839,755	194,188	474,807	440,345	1,873,736	1,322,114	626,688
Debt service funds	-	(397,433)	(301,731)	-	-	-	-	1,458,428
Total Unreserved	1,820,029	1,055,002	504,043	1,188,743	1,377,899	5,296,601	4,297,672	3,727,748
Total All Other Govt Funds	4,789,570	3,255,292	2,165,644	3,017,198	3,794,012	5,296,601	4,297,672	3,727,748
TOTAL	6,940,537	7,326,681	7,080,736	9,499,541	10,571,421	11,799,979	10,295,762	10,090,230

Source: City of Capitola Finance Department

2010-3

CITY OF CAPITOLA
 Changes in Fund Balances of Governmental Funds
 Last Eight Fiscal Years
 (modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES:								
Taxes	8,846,028	8,908,635	9,253,298	11,375,438	12,047,049	12,008,557	10,239,518	10,285,021
Licenses, permits, and fees	199,589	746,009	834,819	357,259	255,435	269,903	664,514	608,839
Intergovernmental	1,531,972	1,206,150	918,167	750,310	1,224,583	1,121,274	1,745,535	2,932,407
Charges for services	1,503,110	1,405,002	1,577,491	2,091,960	2,263,383	2,466,957	1,743,732	1,380,046
Fines and forfeitures	533,631	575,401	571,264	511,705	639,058	671,668	701,767	803,198
Use of money and property	365,690	440,327	509,839	777,472	971,428	1,045,753	811,611	594,842
Other	208,139	192,602	299,119	85,746	88,687	434,315	177,820	162,410
Total revenues	13,188,159	13,474,126	13,963,997	15,949,890	17,489,623	18,018,427	16,084,497	16,766,763
EXPENSES:								
Current:								
General government	3,711,558	3,698,985	3,437,489	3,265,855	3,582,565	3,671,896	3,591,214	4,231,696
Public safety	4,079,761	4,086,832	4,726,001	5,260,696	5,630,694	5,246,604	5,869,382	5,441,240
Community development	949,508	1,074,691	1,547,188	1,358,540	1,831,423	2,324,254	2,361,533	2,338,087
Cultural and leisure	1,477,379	1,345,556	1,446,014	1,477,705	1,563,949	1,630,039	1,008,727	985,901
Transportation	1,312,281	1,325,546	1,435,550	1,493,339	1,690,172	1,476,103	2,574,732	2,016,797
Capital outlay	630,518	1,640,404	884,584	413,272	1,857,835	1,014,575	1,223,950	847,640
Subtotal	12,161,005	13,172,014	13,476,826	13,269,407	16,156,638	15,363,471	16,629,538	15,861,361
Debt service:								
Principal retirement	1,020,362	958,639	559,138	91,026	91,026	123,102	499,111	534,875
Interest and agent fees	192,446	196,046	173,978	170,652	170,079	470,570	529,446	506,678
Cost of Issuance	-	-	-	-	-	125,200	-	-
Subtotal	1,212,808	1,154,685	733,116	261,678	261,105	718,872	1,028,557	1,041,553
Total expenditures	13,373,813	14,326,699	14,209,942	13,531,085	16,417,743	16,082,343	17,658,095	16,902,914
Excess/(deficiency) of revenues over/(under) expenditures	(185,654)	(852,573)	(245,945)	2,418,805	1,071,880	1,936,084	(1,573,598)	(136,151)
OTHER FINANCING SOURCES/(USES)								
Transfers in	1,979,910	1,624,478	469,414	1,052,862	1,764,355	2,753,600	1,775,395	1,336,562
Transfers out	(1,979,910)	(1,624,478)	(469,414)	(1,052,862)	(1,764,355)	(2,753,600)	(1,775,395)	(1,336,562)
Sale of capital assets	-	1,238,717	-	-	-	165,450	-	-
Issuance of bonds	-	-	-	-	-	5,040,000	-	-
Payment to bond escrow agent	-	-	-	-	-	-	-	-
Total other financing sources/(uses)	-	1,238,717	-	-	-	5,205,450	-	-
Special Items								
Prefunding of PERS liability	-	-	-	-	-	(5,912,976)	-	-
Net change in fund balances	(185,654)	386,144	(245,945)	2,418,805	1,071,880	1,228,558	(1,573,598)	(136,151)
Beginning Fund balance	7,126,191	6,940,537	7,326,681	7,080,736	9,499,541	10,571,421	11,799,979	10,226,381
Changes	(185,654)	386,144	(245,945)	2,418,805	1,071,880	1,228,558	(1,573,598)	(136,151)
Ending Fund balance	6,940,537	7,326,681	7,080,736	9,499,541	10,571,421	11,799,979	10,226,381	10,090,230
Debt service as a percentage of noncapital expenditures	9.97%	8.77%	5.44%	1.97%	1.62%	4.68%	6.19%	6.57%

Source: City of Capitola Finance Department

2010-4

CITY OF CAPITOLA, CALIFORNIA
 Assessed Value and Estimated Actual Value of Taxable Property
 Last Thirteen Fiscal Years
 (\$000)

Fiscal Year	City of Capitola					City of Capitola Redevelopment Agency				
	Secured (\$000)	Unsecured (\$000)	Less Exemptions (\$000)	Plus Reim-bursed Home-owners Exemption (\$000)	Taxable Assessed Value (\$000)	Secured (\$000)	Unsecured (\$000)	Less Exemp-tions (\$000)	Plus Reim-bursed Home-owners Exemption (\$000)	Taxable Assessed Value (\$000)
1998	850,104	(1)	24,742	10,803	836,165					-
1999	850,024	56,732	17,882	10,946	899,820					-
2000	916,373	59,420	17,089	11,132	969,836					-
2001	979,304	59,888	17,142	11,110	1,033,160					-
2002	1,062,124	62,487	20,825	12,144	1,115,930					-
2003	1,136,170	63,858	32,853	12,279	1,179,454					-
2004	1,222,957	63,534	24,504	11,691	1,273,678					-
2005	1,409,131	62,603	32,012	10,878	1,450,600	207,571	32,157	3,850	448	236,326
2006	1,531,428	68,903	29,922	10,725	1,581,134	216,849	35,131	3,917	447	248,510
2007	1,643,540	71,369	30,385	10,728	1,695,252	228,497	35,405	3,994	448	260,356
2008	1,708,219	73,545	36,208	10,710	1,756,266	235,447	36,450	4,087	476	268,286
2009	1,706,927	68,288	28,067	10,500	1,757,648	245,860	33,375	4,412	482	275,305
2010	1,722,042	71,726	32,453	10,279	1,771,594	245,533	35,458	4,161	487	277,317

Separate RDA figures are not available

NOTE: RDA figures were included in the City figures for 1998-2004.
 (1) Secured and unsecured values were combined for 1998.

Source: Santa Cruz County Assessor's District Valuation by Fund

2010-5

CITY OF CAPITOLA
 Direct and Overlapping Property Tax Rates
 Last Thirteen Fiscal Years
 (Rate per \$100 of assessed value)

	Fiscal Year												
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
City Direct Rates													
City basic rate									0.250000%	0.250000%	0.250000%	0.250000%	0.250000%
Redevelopment Agency									0.000000%	0.000000%	0.000000%	0.000000%	0.000000%
Total City Direct Rate									0.250000%	0.250000%	0.250000%	0.250000%	0.250000%
Overlapping Rates													
<u>General Fund</u>													
Santa Cruz County General Fund									1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
<u>Board Governed Districts</u>													
<u>Autonomous Districts</u>													
<u>City</u>													
<u>School Districts</u>													
Soquel Elementary School GO DS 2002 Series A	DATA NOT AVAILABLE								0.011936%	0.011416%	0.011416%	0.011222%	0.011608%
Soquel Elementary School GO DS 2002 Series B									0.009208%	0.009186%	0.009186%	0.008852%	0.009028%
Soquel Elementary School GO DS 2002 Series C									n/a	0.007113%	0.007113%	0.003123%	0.003007%
Santa Cruz High School GO DS 1998 A&B/2005REF									0.005190%	0.016340%	0.016340%	0.017417%	0.016863%
Santa Cruz High School GO DS 1998 Series C									0.008477%	0.002895%	0.002895%	0.005321%	0.011120%
Cabrillo College GO DS 1998 Series A									0.000214%	0.001075%	0.001075%	n/a	n/a
Cabrillo College GO DS 1998 Series B									0.006081%	0.006259%	0.006259%	0.006463%	0.007056%
Cabrillo College GO DS 1998 Series C									0.001910%	0.002316%	0.002316%	0.002518%	0.003046%
Cabrillo College GO DS 1998 Series D									0.000731%	0.001332%	0.001332%	0.001529%	0.001754%
Cabrillo College GO DS 2004 Series A									0.012362%	0.008221%	0.008221%	0.009212%	0.009878%
Cabrillo College GO DS 2004 Series B									n/a	0.003965%	0.003965%	0.005218%	0.005523%
Cabrillo College GO DS 1998A REF 2004									0.005398%	0.006835%	0.006835%	0.008296%	0.008724%
Total overlapping debt repaid with property taxes									0.061507%	0.076953%	0.076953%	0.079171%	0.087607%
Total Direct Rate									1.061507%	1.076953%	1.076953%	1.079171%	1.087607%

NOTE: In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies within which the subject property resides. In addition to the 1.00% fixed amount, property tax owners are charged taxes as a percent of assessed property values for the payment of local school district bonds.

2010-6

CITY OF CAPITOLA, CALIFORNIA
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2010		2001	
	2010 Gross Assessed Valuation	Percent of Total City Gross Assessed Valuation	2001 Gross Assessed Valuation	Percent of Total City Gross Assessed Valuation
		%	\$	%
Macerich Partnership LP	67,573,275	3.77	51,515,530	4.40
Baskin Properties LLC	15,094,921	0.84	12,930,837	1.10
KLA Capitola LLC	14,626,696	0.82		0.00
George Ow, Jr. Trustees et al	11,667,392	0.65	9,773,511	0.84
Brown Ranch Properties	10,016,245	0.56	5,391,713	0.46
Bay Avenue Senior Housing LP	7,630,410	0.43		0.00
Values Pacific	7,569,238	0.42		0.00
Sea Ridge Limited Partnership	7,390,825	0.41		0.00
1100 41st Avenue LLC	7,230,009	0.40		0.00
Macy's West Inc.	6,921,490	0.39	7,130,577	0.61
Dodds Douglas U/M	6,409,310	0.36		0.00
Crossroads Associates	6,101,782	0.34		0.00
Loma Vista Estates Owners Assoc	5,641,412	0.31		0.00
Sears Roebuck & Company	5,613,900	0.31	5,466,006	0.47
Cristina Properties LLC	5,544,954	0.31		0.00
Bochner, Dan Zw/m Jt Etal	-	0.00	10,796,007	0.92
Salvation Army Corporation	-	0.00	8,349,393	0.71
Leavesly Ocean Inn-Vestors	-	0.00	5,693,439	0.49
	<u>185,031,859</u>	<u>10.32</u>	<u>117,047,013</u>	<u>10.00</u>
Memo: Gross Assessed Value	1,793,768,090	100.00	1,170,470,130	100.00

NOTES: Only nine taxpayers are identified for 2001 because Macerich Partnership was identified as two separate entities for the 2001 CAFR.

Source: Santa Cruz County Assessor's Office Recapitulation of Assessment Rolls and Parcels with Gross Value over \$2,000,000; Residential over \$4,000,000 (2001,2010).

2010-7

CITY OF CAPITOLA, CALIFORNIA
Property Tax Levies and Collections
Last Thirteen Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
	\$	\$	%		\$	%
1998	1,659,088	1,659,088	100.00	-	1,659,088	100.00
1999	1,654,149	1,654,149	100.00	-	1,654,149	100.00
2000	1,614,781	1,614,781	100.00	-	1,614,781	100.00
2001	1,786,246	1,786,246	100.00	-	1,786,246	100.00
2002	2,618,311	2,618,311	100.00	-	2,618,311	100.00
2003	2,039,535	2,039,535	100.00	-	2,039,535	100.00
2004	2,200,889	2,200,889	100.00	-	2,200,889	100.00
2005	2,268,012	2,268,012	100.00	-	2,268,012	100.00
2006	2,412,712	2,412,712	100.00	-	2,412,712	100.00
2007	2,605,158	2,605,158	100.00	-	2,605,158	100.00
2008	2,715,388	2,715,388	100.00	-	2,715,388	100.00
2009	2,851,724	2,851,724	100.00	-	2,851,724	100.00
2010	2,783,546	2,783,546	100.00	-	2,783,546	100.00

NOTES: Figures presented include City property taxes and Redevelopment Agency tax increment, as well as amounts collected by the City and Redevelopment Agency that are pass throughs for other agencies. In fiscal year 1993-94, Santa Cruz County adopted the Teeter Plan under which the City of Capitola receives its entire tax levy, regardless of delinquencies as long as it qualifies for the Teeter Plan.

Source: Santa Cruz County Auditor-Controller Summary of Revenues and City of Capitola

Finance Department

2010-8

CITY OF CAPITOLA, CALIFORNIA
 Gann Appropriation Limit
 Last Thirteen Fiscal Years and Current Fiscal Year

Fiscal Year Ended June 30:	Inflation Factor	Population Factor	Ratio of Change	Appropriation Limit	% Change from Prior Year	Appropriation Subject to Limit	% of Limit Appropriated
				\$	%	\$	%
1998	1.2138	1.0125	1.2290	6,917,267	22.90	5,992,644	86.63
1999	1.0467	1.0126	1.0599	7,331,531	5.99	5,119,375	69.83
2000	1.0415	1.0223	1.0647	7,806,068	6.47	5,281,165	67.65
2001	1.0453	1.0152	1.0612	8,283,710	6.12	5,785,772	69.85
2002	1.0782	1.0095	1.0884	8,925,610	7.75	6,668,189	74.71
2003	1.0396	1.0105	1.0505	10,206,170	14.35	7,089,747	69.47
2004	1.0236	1.0057	1.0294	10,506,892	2.95	7,182,700	68.36
2005	1.0328	1.0050	1.0380	10,905,776	3.80	7,580,600	69.51
2006	1.0526	1.0053	1.0582	11,540,261	5.82	9,100,600	78.86
2007	1.0396	1.0075	1.0474	12,121,418	5.04	9,329,300	76.97
2008	1.0442	1.0105	1.0552	12,790,085	5.52	9,439,100	73.80
2009	1.0496	1.0115	1.0616	13,578,208	6.16	9,268,400	68.26
2010	1.0772	1.0107	1.0887	14,782,595	8.87	8,463,700	57.25
2011	0.6888	1.0127	0.6976	10,312,043	(30.24)	8,115,800	78.70

SOURCE: State of California Department of Finance, Santa Cruz County Auditor-Controller,
 City of Capitola Finance Department,

2010-9

CITY OF CAPITOLA, CALIFORNIA
Top 25 Sales Tax Taxpayers
Alphabetical, as of June 30, 2010

TOP 25 SALES TAX TAXPAYERS

AT&T Wireless
AJ's Fuel Market (Chevron)
Bed Bath & Beyond
Beverages & More
Big 5 Sporting Goods
Capitola 76 (Union 76)
Chevron Service Station
CVS
Gawfco Enterprises (Union 76)
Kohls
Macy's Department Store
Nob Hill General Stores
O'Neill Surf Shop
Orchard Supply Hardware
Peninsula Petroleum
Rite Aid Drug Stores
Ross Stores
Santa Cruz Mazda
Save Mart Supermarkets
Sears Roebuck & Company
Shadowbrook Restaurant
Toyota of Santa Cruz
Trader Joe's
Verizon Wireless
Whole Foods

NOTE: Information presented is as of June 30, 2010. It is alphabetical and is not indicative of relative nor total sales volume.

Source: California State Board of Equalization

2010-10

CITY OF CAPITOLA, CALIFORNIA
 Ratios of Outstanding Debt by Type
 Last Thirteen Fiscal Years
 (\$ unless otherwise noted)

Fiscal Year Ended	Government/Total Primary Government Activities (1)			\$ of Debt per		
	General Obligation Bonds (2)	Lease Revenue Bonds	Other debt (3)	Tot. Govt./ Primary Gov't.	\$ of per capita personal	Debt per Capita (4)
	\$	\$	\$	\$	\$	\$
1998	-	4,975,000	-	4,975,000	163	450
1999	-	4,300,000	-	4,300,000	130	386
2000	-	3,595,000	1,000,000	4,595,000	117	458
2001	-	2,860,000	1,000,000	3,860,000	100	383
2002	-	2,090,000	1,711,005	3,801,005	100	377
2003	-	1,280,000	1,738,856	3,018,856	81	299
2004	-	440,000	1,703,322	2,143,322	54	214
2005	-	-	2,928,408	2,928,408	70	295
2006	-	-	2,886,924	2,886,924	63	292
2007	-	-	2,845,020	2,845,020	55	287
2008	5,040,000	-	2,807,848	7,847,848	153	786
2009	4,670,000	-	2,775,079	7,445,079	146	739
2010	4,265,000	-	2,768,854	7,033,854	138	690

(1) The City of Capitola has no business-type activities; governmental and total primary government figures are the same.

(2) In July, 2008, the City of Capitola issued a \$5,040,000 Pension Obligation Bond (POB) which was used to pay off the City's CalPERS unfunded pension liability at that point in time.

(3) Other debt figures are composed of the following:

	Tax Anticipation Loan	County Library	RDA Deferred Pass Throughs	Notes Payable	Capital Leases	Total Other Debt
1998	-	-	-	-	-	-
1999	-	-	-	-	-	-
2000	1,000,000	-	-	-	-	1,000,000
2001	1,000,000	-	-	-	-	1,000,000
2002	1,000,000	-	516,225	105,965	88,815	1,711,005
2003	1,000,000	-	594,234	80,545	64,077	1,738,856
2004	1,000,000	-	528,208	137,261	37,853	1,703,322
2005	1,000,000	1,375,000	462,184	81,483	9,741	2,928,408
2006	1,000,000	1,420,000	396,158	70,766	-	2,886,924
2007	1,000,000	1,468,000	330,130	46,890	-	2,845,020
2008	1,000,000	1,521,000	264,105	22,743	-	2,807,848
2009	1,000,000	1,577,000	198,079	-	-	2,775,079
2010	1,000,000	1,636,800	132,054	-	-	2,768,854

(4) Santa Cruz County figures are used for per capita income because it is not available for the City of Capitola as a separate entity. Population figures are for the City of Capitola.

	Santa Cruz County per capita personal income	City of Capitola population
1998	30,600	11,050
1999	33,000	11,136
2000	39,200	10,033
2001	38,600	10,091
2002	37,900	10,089
2003	37,500	10,084
2004	39,800	10,011
2005	41,917	9,214
2006	45,925	9,901
2007	51,669	9,921
2008	51,140	9,988
2009	51,140	10,073
2010	51,140	10,198

NOTE: U.S. Department of Commerce Bureau of Economic Analysis provided data August, 2010 by county. The 2008 figure is used for 2009 and 2010.

Source: City of Capitola Financial Statements, BondLogistix Arbitrage Rebate Analysis

CITY OF CAPITOLA, CALIFORNIA
Ratios of General Bonded Debt Outstanding
Last Thirteen Fiscal Years

Fiscal Year Ended June 30:	Government/Total Primary Government Activities		Total Governmental / Primary Government Activities	\$ of Debt per \$ of per capita personal income (1)	Debt per Capita (1)
	General Obligation Bonds	Lease Revenue Bonds			
	\$	\$	\$	\$	\$
1998	-	4,975,000	4,975,000	163	450
1999	-	4,300,000	4,300,000	130	386
2000	-	3,595,000	3,595,000	92	358
2001	-	2,860,000	2,860,000	74	283
2002	-	2,090,000	2,090,000	55	207
2003	-	1,280,000	1,280,000	34	127
2004	-	440,000	440,000	11	44
2005	-	-	-	-	-
2006	-	-	-	-	-
2007	-	-	-	-	-
2008	5,040,000	-	5,040,000	99	505
2009	4,670,000	-	4,670,000	91	464
2010	4,265,000	-	4,265,000	83	418

NOTES: The City of Capitola has no business-type activities; governmental and total primary government figures are the same.

In July, 2008, the City of Capitola issued a \$5,040,000 Pension Obligation Bond which was used to pay down the CalPERS pension liability.

U.S. Department of Commerce Bureau of Economic Analysis provided data as of april, 2009 for 2005-2007 by county. The 2007 figure is used for 2008 and 2009.

	Santa Cruz County per capita personal income	City of Capitola population
	\$	
1998	30,600	11,050
1999	33,000	11,136
2000	39,200	10,033
2001	38,600	10,091
2002	37,900	10,089
2003	37,500	10,084
2004	39,800	10,011
2005	41,917	9,914
2006	45,925	9,901
2007	51,669	9,921
2008	51,140	9,988
2009	51,140	10,073
2010	51,140	10,198

CITY OF CAPITOLA, CALIFORNIA
 Direct & Overlapping Debt
 Fiscal Year end
 June 30, 2010

2009-10 Assessed Valuation	\$ 1,758,537,227
Redevelopment Incremental Valuation	\$ 241,401,152
Adjusted Assessed Valuation	\$ 1,517,136,075

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable (1)</u>	<u>Total Debt 6/30/2010</u>	<u>City's Share of Debt 6/30/2010</u>
Cabrillo Joint Community College District	5.541%	\$168,076,753	\$9,313,133
Santa Cruz City High School District	14.823	46,959,646	6,960,828
Live Oak School District	9.660	18,739,975	1,810,282
Soquel Union School District	55.799	12,910,000	7,203,651
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		<u>\$246,686,374</u>	<u>\$25,287,894</u>

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>	<u>% Applicable (1)</u>	<u>Total Debt 6/30/2010</u>	<u>City's Share of Debt 6/30/2010</u>
Santa Cruz County Certificates of Participation	5.602%	\$67,857,442	\$3,801,374
Santa Cruz County Office of Education Certificates of Participation	5.602	11,390,000	638,068
Cabrillo Joint Community College District Certificates of Participation	5.541	2,210,000	122,456
Live Oak School District Certificates of Participation	9.660	15,127,892	1,461,354
Soquel Union School District	55.799	2,470,000	1,378,235
Santa Cruz City Schools Certificates of Participation	14.823	4,680,000	693,716
City of Capitola General Fund Obligations	100.000	375,544	375,544
City of Capitola Pension Obligation Bond	100.000	4,265,000	4,265,000
Monterey Bay Unified Air Pollution Control Authority Certificates of Participation	1.944	2,440,000	47,434
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		<u>\$110,815,878</u>	<u>\$12,783,181</u>

COMBINED TOTAL DEBT \$ 357,502,252 \$ 38,071,075 (2)

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

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

Ratios to 2009-10 Assessed Valuation	
Total Overlapping Tax and Assessment Debt	1.44%
Ratios to Adjusted Assessed Valuation	
Combined Direct Debt (\$4,640,544)	0.31%
Combined Total Debt	2.51%
STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/10	\$0

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CITY OF CAPITOLA
 Legal Debt Margin Information
 Last Thirteen Fiscal Years
 (\$000)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Assessed Valuation	850,103	906,756	975,793	1,039,192	1,124,611	1,200,028	1,286,491	1,471,735	1,600,330	1,714,909	1,781,764	1,775,215	1,793,768
RDA Base Valuation	147,099	145,036	156,563	160,978	173,198	188,349	194,534	202,415	214,599	226,445	234,306	241,324	243,336
Adj. assessed valuation	703,004	761,720	819,230	878,214	951,413	1,011,679	1,091,957	1,269,320	1,385,731	1,488,464	1,547,458	1,533,891	1,550,432
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	105,451	114,258	122,885	131,732	142,712	151,752	163,794	190,398	207,860	223,270	232,119	230,084	232,565
Net applicable debt													
Gen. obligation bonds	4,975	4,300	3,595	2,860	2,090	1,280	440	-	-	-	5,040	4,670	4,265
Legal debt margin	100,476	109,958	128,137	128,872	140,622	150,472	163,354	190,398	207,860	223,270	227,079	225,414	228,300
RATIO	4.95%	3.91%	2.81%	2.22%	1.49%	0.85%	0.27%	0.00%	0.00%	0.00%	2.22%	2.07%	1.87%

NOTES: The bonded indebtedness of the City may not in the aggregate exceed the sum of fifteen (15%) of the total assessed valuation of property within the City, exclusive of any indebtedness that has been or may hereafter be incurred for the purposes of acquiring, constructing, extending, or maintaining municipally owned assets for which purposes a further indebtedness may be incurred by the issuance of bonds, subject only to the provisions of the City of Capitola bylaws and the State Constitution.
 2008 addition to General Obligation bonds represents the July, 2007 Pension Obligation Bond issued by the City of Capitola.

Source: Santa Cruz County Auditor-Controller's Office District Valuation by Fund, Santa Cruz County Assessor's Office Recapitulation of Assessment Roll, and City of Capitola Comprehensive Annual Financial Statements.

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CITY OF CAPITOLA
Pledged-Revenue Coverage
Last Thirteen Fiscal Years
(\$000)

Fiscal Year Ended June 30	Other Revenue Bonds				Tax Allocation Bonds			
	Debt Service				Debt Service			
	Available Revenue	Principal	Interest	Coverage	Tax Increment	Principal	Interest	Coverage
	\$	\$	\$	\$	\$	\$	\$	\$
1998	-	-	-	n/a	-	-	-	n/a
1999	-	-	-	n/a	-	-	-	n/a
2000	-	-	-	n/a	-	-	-	n/a
2001	-	-	-	n/a	-	-	-	n/a
2002	-	-	-	n/a	-	-	-	n/a
2003	-	-	-	n/a	-	-	-	n/a
2004	-	-	-	n/a	-	-	-	n/a
2005	-	-	-	n/a	-	-	-	n/a
2006	-	-	-	n/a	-	-	-	n/a
2007	-	-	-	n/a	-	-	-	n/a
2008	-	-	-	n/a	-	-	-	n/a
2009	-	-	-	n/a	-	-	-	n/a
2010	-	-	-	n/a	-	-	-	n/a

Note: The City of Capitola has no tax allocation bonds or other revenue bonds.

SOURCE: City of Capitola financial statements

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CITY OF CAPITOLA
 Demographic and Economic Statistics
 Last Thirteen Fiscal Years

Calendar Year	Population	Per Capita Personal Income \$	Median Age	Unemployment Rate %
1998	11,050	30,600	35	5.7
1999	11,136	33,000	35	5.4
2000	10,033	39,200	35	4.7
2001	10,091	38,600	35	4.2
2002	10,089	37,900	35	4.6
2003	10,084	37,500	38	3.8
2004	10,011	39,800	38	3.4
2005	9,914	41,917	37	3.1
2006	9,901	45,925	37	4.9
2007	9,921	51,669	37	5.3
2008	9,988	51,140	38	7.1
2009	10,073	51,140	38	11.6
2010	10,198	51,140	39	11.4

SOURCES: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-2010, with 2000 Benchmark (Sacramento, California, May, 2010.); U.S. Department of Commerce, Bureau of Economic Analysis (2008 most current available data); City-data.com; U.S. Department of Labor, Bureau of Labor Statistics Database; 1998-2004 Santa Cruz County Community Assessment Project (CAP); State of California LaborMarket Info.

2010-16

CITY OF CAPITOLA
Principal Employers - Top Ten
Current year and Nine years ago

Employer	2010				2001		
	Ranking	Number of Employees	% of Total Employment (2)	Cumulative % of Top Ten	Ranking	Number of Employees	% of Total Employment (2)
Macy's	1	131	(2)	14.8%			
Whole Foods	2	121	(2)	28.5%			
Gayle's	3	110	(2)	41.0%	8	125	(2)
Toyota	4	105	(2)	52.8%			
Shadowbrook	5	81	(2)	61.9%			
Nob Hill	6	70	(2)	69.8%	10	110	(2)
Kohls	7	70	(2)	77.7%			
Sears	8	68	(2)	85.4%	6	170	(2)
New Leaf	9	67	(2)	92.9%			
City of Capitola	10	63	(2)	100.0%	7	160	(2)
Santa Cruz County Office of Education (1)					1	360	(2)
Gottchalks (1)					2	257	(2)
Soquel Elementary School District (1)					3	245	(2)
Mervyn's (1)					4	233	(2)
Spa Fitness					5	200	(2)
Orchard Supply Hardware					9	110	(2)
Memo: Total Top Ten 2010		884	(2)			1565	(2)
Memo: Total Employment (2)		(2)	(2)			(2)	(2)

SOURCE for 2010: 2010 telephone survey

SOURCE for 2001: 2001 City of Capitola Comprehensive Annual Financial Report.

(1) Business no longer located in the City of Capitola.

(2) Total employment not available separately for Capitola.

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CITY OF CAPITOLA
 Full-time and Part-time City Employees by Function
 Last Thirteen Fiscal Years

Function	1998	1999	2000	2001	2002	2003	2004	2006	2007	2008	2009	2010
General government												
City Manager	4.25	5.25	5.75	6.25	7.25	7.25	7.50	7.50	7.50	7.50	7.50	7.50
Finance	5.00	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.38	4.38	4.38
City Attorney	1.00	1.00	1.50	1.50	0.30	0.30	0.00	1.00	1.00	1.00	1.00	1.00
	<u>10.25</u>	<u>11.50</u>	<u>12.50</u>	<u>13.00</u>	<u>12.80</u>	<u>12.80</u>	<u>12.75</u>	<u>13.75</u>	<u>13.75</u>	<u>13.88</u>	<u>12.88</u>	<u>12.88</u>
Police												
Chief, Captain, Sgts.	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	6.00	6.00
Officers	14.00	14.00	14.00	14.00	13.00	12.00	13.00	14.00	15.00	15.00	15.00	15.00
CSOs	1.00	1.00	2.00	2.00	2.00	2.00	2.00	3.00	3.00	3.00	3.00	2.00
Code enforcement	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Administrative	2.55	3.55	3.30	3.30	3.30	3.30	3.25	5.75	6.50	6.50	6.50	4.75
	<u>27.55</u>	<u>28.55</u>	<u>29.30</u>	<u>29.30</u>	<u>28.30</u>	<u>27.30</u>	<u>28.25</u>	<u>32.75</u>	<u>34.50</u>	<u>34.50</u>	<u>33.50</u>	<u>30.75</u>
Public Works												
Streets	8.33	8.33	8.33	8.33	8.33	8.33	8.33	8.33	8.00	8.33	8.33	7.33
Parks	4.00	4.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	4.00
Fleet Maintenance	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
	<u>13.33</u>	<u>13.33</u>	<u>14.33</u>	<u>14.33</u>	<u>14.33</u>	<u>14.33</u>	<u>14.33</u>	<u>14.33</u>	<u>14.00</u>	<u>14.33</u>	<u>14.33</u>	<u>12.33</u>
Recreation												
Supervisor	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Other - full year	2.50	2.50	3.25	3.50	3.50	3.50	2.00	2.00	2.00	2.00	1.50	1.50
	<u>3.50</u>	<u>3.50</u>	<u>4.25</u>	<u>4.50</u>	<u>4.50</u>	<u>4.50</u>	<u>3.00</u>	<u>3.00</u>	<u>3.00</u>	<u>3.00</u>	<u>2.50</u>	<u>2.50</u>
Community Development	2.67	2.67	4.67	4.67	3.67	3.67	3.67	4.67	4.00	4.67	4.67	3.67
Building	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.00
Total City Employees	<u>59.30</u>	<u>61.55</u>	<u>67.05</u>	<u>67.80</u>	<u>65.60</u>	<u>64.60</u>	<u>64.00</u>	<u>70.50</u>	<u>71.25</u>	<u>72.38</u>	<u>69.88</u>	<u>63.13</u>

NOTE: Full time equivalents (FTE); does not include temporary or seasonal employees

SOURCE: City of Capitola Adopted Budgets (2006 - 2008). 2009 - 2010 source is payroll system data.

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CITY OF CAPITOLA
 Operating Indicators by Function
 Last Thirteen Fiscal Years (except as noted)

INDICATOR	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
Police department (calendar years)														
Adult arrests	Data not available			799	780	791	852	877	879	1,069	1,000	908	850	
Calls for service	Data not available			20,591	19,213	19,292	22,422	18,364	21,241	22,196	20,528	19,641	19,993	
Public works														
Miles paved	26	26	26	26	26	26	26	26	26	26	26	26	26	
New construction														
Commercial units (2)	-	1	-	-	-	1	2	-	2	3	1	1	1	
Valuation (\$000) (2)	-	\$2,915	-	-	-	\$ 500	\$ 1,175	-	\$ 4,250	\$ 4,980	\$ 800	\$ 750	\$ 13,187	
Residential units (1)	13	20	11	23	16	9	7	10	17	18	69	122	8	
Valuation (\$000) (1)	\$2,437	\$6,060	\$ 1,985	\$ 3,632	\$ 4,816	\$ 1,807	\$ 2,954	\$ 3,900	\$ 6,275	\$ 5,882	\$ 11,363	\$ 20,392	\$ 1,724	
Recreation Revenue														
Classes	Data not available			\$265,400	\$254,500	\$313,900	\$296,000	\$329,600	\$320,800	\$335,300	\$356,000	\$378,400	\$336,100	\$318,550
Sports fees	Data not available			63,400	80,500	88,400	87,400	79,200	61,400	72,400	81,700	69,700	70,900	58,888
Junior Guard	Data not available			130,400	122,500	147,000	152,200	141,700	171,100	169,400	183,800	175,000	193,800	213,946
Camp Capitola	Data not available			68,700	89,100	83,700	61,300	54,200	70,600	66,700	75,800	80,000	79,700	79,459
Aquatics (3)	Data not available			14,000	20,100	26,700	29,300	24,000	27,100	26,600	23,100	19,700	-	
Net Class Rev	Data not available			\$541,900	\$566,700	\$659,700	\$626,200	\$628,700	\$651,000	\$670,400	\$720,400	\$722,800	\$680,500	\$670,842
Jade St. Rental	Data not available			\$ 18,700	\$ 12,300	\$ 10,000	n/a	\$ 7,500	\$ 16,100	\$ 15,300	\$ 8,100	\$ 6,600	\$ 4,000	\$ 5,212
Net Recreation Rev	Data not available			\$560,600	\$579,000	\$669,700	\$626,200	\$636,200	\$667,100	\$685,700	\$728,500	\$729,400	\$684,500	\$676,054

(1) Residential units and associated valuations are total additional, new or substantially new (by code definition) units.
 (2) 2010 increase includes Fairfield Hotel
 (3) Aquatics was discontinued as a City of Capitola Recreation Department offering in late 2007 due to lack of access to the local Community College pool.

Source: City of Capitola Police Department, Public Work Director, Building Official, and City financial records. 2010-19

CITY OF CAPITOLA
 Captial Asset Statistics by Function
 Last Thirteen Fiscal Years

Indicator	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Police													
Stations	1	1	1	1	1	1	1	1	1	1	1	1	1
Public works													
Streets (miles)	26	26	26	26	26	26	26	26	26	26	26	26	26
Streetlights	Data not available			71	71	71	71	71	71	71	71	71	71
Traffic signals	Data not available			8	8	8	8	8	8	8	8	8	8
Parks and recreation:													
Parks	7	7	7	7	7	7	7	7	7	7	7	7	7
Community centers	1	1	1	1	1	1	1	1	1	1	1	1	1
General													
Commercial buildings	2	2	2	2	2	2	2	2	2	2	2	2	2

Source: City of Capitola Public Works Director

2010-20

Basic Financial Statements
Redevelopment Agency of the
City of Capitola, California

For the Fiscal Year Ended

June 30, 2010

**REDEVELOPMENT AGENCY OF THE
CITY OF CAPITOLA**

FINANCIAL STATEMENTS

Year Ended June 30, 2010

Redevelopment Agency of the City of Capitola
Financial Statements
Year Ended June 30, 2010

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Independent Auditors' Report

Board Members
Redevelopment Agency of the City of Capitola
Capitola, California

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

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

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

The Agency has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2010 on our consideration of the Agency'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 on compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Teaman Ramirez & Smith, Inc.

December 14, 2010

BASIC FINANCIAL STATEMENTS

Redevelopment Agency of the City of Capitola
Statement of Net Assets
June 30, 2010

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and Investments	\$ 3,709,379
Due From Other Governments	208,153
Interest Receivable	22,735
Loans Receivable	2,100,485
Prepays	<u>108,700</u>
Total Current Assets	<u>6,149,452</u>
Noncurrent Assets:	
Capital Assets:	
Nondepreciable Assets - Land	<u>1,038,880</u>
Total Capital Assets	<u>1,038,880</u>
Total Assets	<u>7,188,332</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	61,427
Unearned Revenue	1,377,392
Noncurrent Liabilities:	
Due Within One Year	91,026
Due in More Than One Year	<u>4,645,848</u>
Total Liabilities	<u>6,175,693</u>
NET ASSETS	
Restricted for Low/Moderate Income Housing	920,570
Restricted for Debt Service	3,066,970
Unrestricted	<u>(2,974,901)</u>
Total Net Assets	<u>\$ 1,012,639</u>

The accompanying notes are an integral part of this statement.

Redevelopment Agency of the City of Capitola
Statement of Activities
Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General Government	\$ 2,062,506	\$	\$	\$	\$ (2,062,506)
Community Development	272,663				(272,663)
Interest on Long-Term Debt	233,250				(233,250)
Total Governmental Activities	\$ 2,568,419	\$ -	\$ -	\$ -	(2,568,419)
General Revenues:					
Property Taxes					2,425,564
Investment Earnings					27,720
Total General Revenues and Extraordinary Items					2,453,284
Change in Net Assets					(115,135)
Total Net Assets - Beginning					1,127,774
Total Net Assets - Ending					\$ 1,012,639

The accompanying notes are an integral part of this statement.

Redevelopment Agency of the City of Capitola
Balance Sheet
Governmental Funds
June 30, 2010

	Low and Moderate Income Housing	Debt Service	Capital Projects	Total Govern- mental Funds
ASSETS				
Cash and Investments	\$ 938,071	\$ 2,771,308	\$ -	\$ 3,709,379
Due From Other Governments		208,153		208,153
Interest Receivable	3,404	19,331		22,735
Loans Receivable	2,100,485			2,100,485
Prepays		108,700		108,700
	<u>3,041,960</u>	<u>3,107,492</u>	<u>-</u>	<u>6,149,452</u>
Total Assets	<u>\$ 3,041,960</u>	<u>\$ 3,107,492</u>	<u>\$ -</u>	<u>\$ 6,149,452</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 20,905	\$ 40,522	\$ -	\$ 61,427
Deposits				0
Deferred Revenue	2,100,485			2,100,485
	<u>2,121,390</u>	<u>40,522</u>	<u>-</u>	<u>2,161,912</u>
Total Liabilities	<u>2,121,390</u>	<u>40,522</u>	<u>-</u>	<u>2,161,912</u>
Fund Balances:				
Reserved for:				
Prepays		108,700		108,700
Unreserved, Reported in:				
Special Revenue Funds	920,570			920,570
Debt Service Funds		2,958,270		2,958,270
	<u>920,570</u>	<u>3,066,970</u>	<u>-</u>	<u>3,987,540</u>
Total Fund Balances	<u>920,570</u>	<u>3,066,970</u>	<u>-</u>	<u>3,987,540</u>
Total Liabilities and Fund Balances	<u>\$ 3,041,960</u>	<u>\$ 3,107,492</u>	<u>\$ -</u>	<u>\$ 6,149,452</u>

The accompanying notes are an integral part of this statement.

Redevelopment Agency of the City of Capitola
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2010

Fund balances of governmental funds	\$ 3,987,540
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet.

Capital assets at historical cost	1,038,880
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Long-term liabilities are not due and payable in the current period. Therefore, they are not reported in the Governmental Funds Balance Sheet. The long-term liabilities were adjusted as follows:

Advances payable	(1,968,028)
Note payable	(1,000,000)
RDA obligations	(1,768,846)

In governmental funds, other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

	<u>723,093</u>
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Net assets of governmental activities	<u><u>\$ 1,012,639</u></u>
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Redevelopment Agency of the City of Capitola
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2010

	Low and Moderate Income Housing	Debt Service	Capital Projects	Total Govern- mental Funds
Revenues				
Taxes	\$	\$ 2,425,564	\$	\$ 2,425,564
Use of Money and Property	3,883	23,837		27,720
Total Revenues	<u>3,883</u>	<u>2,449,401</u>	<u>-</u>	<u>2,453,284</u>
Expenditures				
Current:				
General Government		1,359,426		1,359,426
Community Development	242,328			242,328
Debt Service:				
Principal		91,026		91,026
Interest and Fiscal Charges		233,250		233,250
SERAF Payment		703,080		703,080
Total Expenditures	<u>242,328</u>	<u>2,386,782</u>	<u>-</u>	<u>2,629,110</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(238,445)</u>	<u>62,619</u>	<u>-</u>	<u>(175,826)</u>
Other Financing Sources (Uses)				
Transfers In	485,113			485,113
Transfers Out		(485,113)		(485,113)
Total Other Financing Sources (Uses)	<u>485,113</u>	<u>(485,113)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	246,668	(422,494)	-	(175,826)
Fund Balances, Beginning of Year	<u>673,902</u>	<u>3,489,464</u>	<u>-</u>	<u>4,163,366</u>
Fund Balances, End of Year	<u>\$ 920,570</u>	<u>\$ 3,066,970</u>	<u>\$ -</u>	<u>\$ 3,987,540</u>

The accompanying notes are an integral part of this statement.

Redevelopment Agency of the City of Capitola
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2010

Net change in fund balances - total governmental funds	\$	(175,826)
Amounts reported for governmental activities in the Statement of Activities are different because:		
In governmental funds, repayment of long-term debt is reported as an expenditure.		91,026
The Agency's long-term obligation relating to the County Library Building is increased by 5% each year according to the agreement. This is the amount reported as an expense in the Statement of Activities, due to the increase in long-term debt.		(85,085)
In governmental funds, notes receivable are offset by deferred revenue as they are not available to pay for current period expenditures. This represents the change in deferred revenue for the fiscal year.		<u>54,750</u>
Change in Net Assets of Governmental Activities	<u>\$</u>	<u>(115,135)</u>

The accompanying notes are an integral part of this statement.

Redevelopment Agency of the City of Capitola
Notes to Financial Statements
Year Ended June 30, 2010

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
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Redevelopment Agency of the City of Capitola
Notes to Financial Statements
Year Ended June 30, 2010

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Reporting Entity

The Agency is a blended component unit of the City. The Agency was created by the City of Capitola City Council (City Council) in 1980. The City Manager acts as the Agency's Executive Director and the City Council acts as the governing commission, which exerts significant influence over its operations. The primary purpose of the Agency is to eliminate blighted areas by encouraging the development of residential, commercial, industrial, recreational, and public facilities.

Funds for redevelopment projects are provided from various sources, including incremental property tax revenues, tax allocation bonds, and advances from the City.

B) Basis of Presentation

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

Government-Wide Financial Statements

The Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All Agency activities are governmental; no business-type activities are reported in these financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of given functions or segments are offset by program revenues. Direct expenses are expenses that are clearly identifiable with a specific program, project, function or segment. Program revenues of the Agency include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items that are properly not included among program revenues are reported instead as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which

Redevelopment Agency of the City of Capitola
Notes to Financial Statements
Year Ended June 30, 2010

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Interest associated with the current fiscal period is considered to be susceptible to accrual, and is therefore recognized as revenues of the current fiscal period.

The Agency reports the following major governmental funds:

The Low/Moderate Income Housing Fund is used to reflect Low and Moderate Income Housing Activities.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of redevelopment projects and administrative expenses.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Direct expenses have not been eliminated from the functional categories; indirect expenses and internal payments have been eliminated, if any.

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

Deferred revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is recognized as revenue.

D) Assets, Liabilities and Net Assets or Equity

1) Receivables

Incremental property tax revenues represent property taxes in the project area arising from increased assessed valuations over base valuations established at the inception of the project area. Incremental property taxes from the project area accrue to the Agency until all liabilities and commitments of the project area have been repaid

Redevelopment Agency of the City of Capitola
Notes to Financial Statements
Year Ended June 30, 2010

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D) Assets, Liabilities and Net Assets or Equity - Continued

(including cumulative funds provided or committed by the Agency). After all such indebtedness has been repaid, all property taxes from the project area revert back to the various taxing authorities.

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date	March 1	
Levy Year	July 1 to June 30	
Due Dates	November 1	1 st Installment
	February 1	2 nd Installment
Delinquent Dates	December 10	1 st Installment
	April 10	2 nd Installment

Under the California law, property taxes are assessed and collected by counties up to 1% of assessed value, plus other increases approved by voters. Property tax revenues are pooled and then allocated to agencies based on complex formulas prescribed by state statutes.

2) Capital Assets

The Agency's assets are capitalized at historical cost or estimated historical cost. Agency policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair value when received. Depreciation is recorded on a straight-line basis over the useful lives of these assets, as follows:

Infrastructure	15 - 50 years
Structures and Improvements	50 years
Equipment	5 years

E) Use of Estimates

The financial statements have been prepared in accordance with generally accepted accounting principles and necessarily include amounts based on estimates and assumptions by Management. Actual results could differ from those amounts.

F) Relationship to the City of Capitola

The Agency is an integral part of the reporting entity of the City of Capitola. The funds of the Agency have been blended within the financial statements of the City because the City Council of the City of Capitola is the governing board of the Agency and exercises control over the operations of the Agency. Only the funds of the Agency are included herein; therefore, these financial statements do not purport to represent the financial position or results of operations of the City of Capitola.

Redevelopment Agency of the City of Capitola
Notes to Financial Statements
Year Ended June 30, 2010

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

G) Low/Moderate Income Housing

The California Health and Safety Code requires the Agency project area to deposit 20% of allocated incremental property tax revenues (or 20% of net bond proceeds plus 20% of incremental revenues in excess of debt service payments on the bonds) into a Low/Moderate Income Housing Fund. This money is restricted for the purpose of increasing and improving the community's supply of low and moderate income housing. The Agency accounts for these revenues in a special revenue fund.

H) Net Assets

Government-wide Financial Statements

Invested in Capital Assets, Net of Related Debt - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the capital assets.

Restricted Net Assets - This amount represents net assets restricted by external creditors, grantors, contributors, or laws or regulations.

Unrestricted Net Assets - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets".

Fund Financial Statements

Fund Balances - Reservations of fund balances of governmental funds are created to either satisfy legal covenants, including State laws, that require a portion of the fund balances be segregated or identify the portion of the fund balance not available for future expenditures.

2) CASH AND INVESTMENTS

Cash and Investments as of June 30, 2010 consisted of the following:

Statement of Net Assets:	
Cash and Investments Pooled with the City	<u>\$ 3,709,379</u>
Total Cash and Investments	<u>\$ 3,709,379</u>

See the City's Comprehensive Annual Financial Reported for disclosures related to cash and investments and the related custodial risk categorization.

Redevelopment Agency of the City of Capitola
Notes to Financial Statements
Year Ended June 30, 2010

3) INTERFUND TRANSACTIONS

Interfund Operating Transfers

	Transfers In	Transfers Out
Low/Moderate Income Housing Fund	\$ 485,113	\$ -
Debt Service Fund	-	485,113
	\$ 485,113	\$ 485,113

This transfer was made in order to deposit 20% of the tax increment in the Low/Moderate Income Housing Fund.

4) LOANS RECEIVABLE

The Agency loans the low and moderate tax increment set-aside taxes to low and moderate income families. The loans are collateralized by the property and generally mature upon the sale of the property. The loan's principal and interest amounts are deferred and due at maturity. At June 30, 2010, these outstanding loans totaled \$2,100,485 and bear interest at 3%.

5) CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Non Depreciable Capital Assets:				
Land	\$ 1,038,880	\$ -	\$ -	\$ 1,038,880
Construction in Progress	-	-	-	-
Total Non Depreciable Capital Assets	1,038,880	-	-	1,038,880
Depreciable Capital Assets:				
Equipment	-	-	-	-
Infrastructure	-	-	-	-
Building and Improvements	-	-	-	-
Total Depreciable Capital Assets	-	-	-	-
Total Capital Assets	1,038,880	-	-	1,038,880
Less Accumulated Depreciation	-	-	-	-
Net Capital Assets	\$ 1,038,880	\$ -	\$ -	\$ 1,038,880

Redevelopment Agency of the City of Capitola
Notes to Financial Statements
Year Ended June 30, 2010

6) LONG-TERM DEBT

Advances from City

The Redevelopment Agency has incurred substantial costs for a proposed expansion of the redevelopment area and amendment of the redevelopment plan. The City has been providing staff and administrative services without compensation to the Agency since the fiscal year 1997/1998. The City and the Agency entered into an agreement to identify the staff and administrative costs due to the City since the fiscal year 1997/1998. The parties agreed that the Agency will pay the City for its past administrative services, plus interest calculated at the Local Agency Investment Fund (LAIF) rate published for the quarter ending March. In June 2006, the City and Agency agreed to amend the interest rate to the greater of the following: a) the interest rate charged by the Public Employees Retirement System for the City's unfunded liability, b) the true interest cost of any obligation bond sold by the City, c) the State of California LAIF rate, or d) 5%. The parties further agreed that the amount owed has been calculated at an overhead rate of fifteen percent of net tax increment, with simple interest. The principal amount of this reimbursement shall be paid as Agency funds become available, but in no event later than twenty-five years. As of June 30, 2010, the Agency owes the City \$618,028.

In July 2003, the City of Capitola sold the Rispin Mansion property to the Redevelopment Agency of Capitola in exchange for a \$1,350,000 note. The parties agreed to calculate interest on the advance at 5% per annum. In June 2006, the City and Agency agreed to amend the interest rate to the greater of the following: a) the interest rate charged by the Public Employees Retirement System for the City's unfunded liability; b) the true interest cost of any pension obligation bond sold by the City; c) the State of California LAIF rate; or d) 5%. The outstanding principal sum of this Note shall be due and payable in full on June 24, 2017 ("Maturity Date"), provided, however, that if the Redevelopment Plan for the Capitola Redevelopment Project is amended to extend the time limit on receipt of tax increment revenues, then the Maturity Date shall automatically be extended until the last date on which the Agency may receive tax increment under the Redevelopment Plan, as amended. Payment of interest is due on a quarterly basis. As of June 30, 2010, the Agency owes the City \$1,350,000. In April 2007, the RDA Board of Directors passed a resolution which credited the RDA cap with \$629,059 as a result of state legislation regarding previous Educational Relief Augmentation Fund (ERAF) payments made by the Capitola Redevelopment Agency.

Redevelopment Agency Pass-Through Agreements

Previous California redevelopment law permitted redevelopment agencies to negotiate agreements with overlapping taxing jurisdictions, whereby the agency pays a portion of its tax increment revenues to other jurisdictions whose revenues and function(s) may be adversely impacted by the Agency. The terms of such agreements were negotiable in accordance with the needs of the Agency and the jurisdictions. Accordingly, the Agency negotiated agreements with certain overlapping jurisdictions, which call for deferred payment of portions of the Agency's tax increment revenues. A summary of these deferred liabilities is as follows:

County Library Fund and County Special District Funds

The Agency entered into an agreement in 1984 with the County of Santa Cruz which provided that the Agency would not be required to pass through to the County Library Fund or Special District Funds any tax increments during years one through twenty of the Capitola Redevelopment Project. Instead, the Agency is required to pay these funds over a ten-year period beginning in year twenty-one (fiscal year ended June 30, 2002). The deferred pass-through payments are \$45,910/year for the County Library Fund and \$20,116/year for the County Special District Funds, for ten years ending June 30, 2012. There is no provision for interest in the agreement.

Principal balance at June 30, 2010	<u>\$ 132,052</u>
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Redevelopment Agency of the City of Capitola
Notes to Financial Statements
Year Ended June 30, 2010

6) LONG-TERM DEBT - Continued

County Library Building Fund

In August 2004, the Agency entered into an Implementation Agreement with the County of Santa Cruz to clarify and confirm provisions in the original Pass-Through Agreement, and First and Second Library Agreements. The Implementation Agreement requires that the Agency design and commence construction of a library building and related on-site improvements no later than June 30, 2018. The Agency's maximum obligation for this project, beginning with the 2004-05 fiscal year, is \$1,400,000, which is increased 5% per annum (compounded annually) until the fiscal year in which the library construction is completed or the full amount of the Agency assistance has been paid to the County.

Beginning February 1, 2005, and February 1st of each fiscal year thereafter through February 1, 2018, or until the total amount of the Agency assistance is funded or the Library construction is completed, the Agency is required to pay minimum scheduled payments into a County trust account, which earns interest at a rate equivalent to the County's pooled investment fund rate.

The Agency may prefund any portion of the obligation at any time. "Prefund" means providing the total amount of funding needed in a particular year to achieve the total Agency obligation as of that fiscal year. The maximum obligation of the Agency through the fiscal year ending June 30, 2018 is \$2,640,000. The Agency has recorded the initial debt of \$1,400,000 as of the 2004-05 fiscal year, which is increased by 5% each year and reduced by the minimum scheduled payment each year. The principal balance at June 30, 2010 is \$1,636,794. A schedule of the Agency assistance obligation (increased by 5% per year) and the minimum scheduled payments is as follows:

<u>Fiscal Year</u>	<u>Total Amount of Agency Assistance Obligation</u>	<u>Minimum Scheduled Payment Amount</u>
2004-05	\$ 1,400,000	\$ 25,000
2005-06	1,470,000	25,000
2006-07	1,543,500	25,000
2007-08	1,620,675	25,000
2008-09	1,701,709	25,000
2009-10	1,786,794	25,000
2010-11	1,876,134	162,900
2011-12	1,969,941	179,502
2012-13	2,068,438	211,720
2013-14	2,171,860	250,243
2014-15	2,280,452	287,116
2015-16	2,394,475	325,579
2016-17	2,514,199	366,577
2017-18	2,639,909	417,640
		<u>\$ 2,351,277</u>

Note Payable

On September 29, 2000, the Agency borrowed \$1,000,000 to provide temporary, short-term financing for various capital projects included in the five year plan. The loan allowed for the principle to be fully prepaid without premium by the

Redevelopment Agency of the City of Capitola
Notes to Financial Statements
Year Ended June 30, 2010

6) LONG-TERM DEBT - Continued

Note Payable - Continued

Agency upon 30 day written notice to the lender at any time after September 29, 2001. On March 30, 2006, Chase NYC took over the WestAmerica note and established a new expiration of September 29, 2014. Interest is a 4.75% (\$47,500/year) payable semiannually on March 29, and September 29.

Changes in Long-Term Debt

Following is a summary of long-term debt for the 2009-2010 fiscal year:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Current Portion
Advances Payable	\$ 1,968,028	\$ -	\$ -	\$ 1,968,028	\$ -
Note Payable	1,000,000	-	-	1,000,000	-
RDA Pass-Throughs	1,774,787	85,085	91,026	1,768,846	91,026
Totals	<u>\$ 4,742,815</u>	<u>\$ 85,085</u>	<u>91,026</u>	<u>4,736,874</u>	<u>\$ 91,026</u>

7) LOW AND MODERATE INCOME HOUSING FUND

California Redevelopment Law requires that each year, 20% of the Agency's gross tax increment revenue be set aside to enhance the City's supply of housing available to low and moderate income persons. During fiscal year 2009/2010, the Agency set-side for this purpose was \$485,113.

The Redevelopment Agency expended \$242,328 during fiscal year 2009/2010, for low and moderate income housing programs, and administration thereof.

8) RISK MANAGEMENT

The City (and Agency) participates in the Monterey Bay Area Self-Insurance Agency (Authority), a joint powers agency comprising the City and nine other local jurisdictions, created pursuant to California law for liability and workers compensation insurance services. The Monterey Bay Area Self-Insurance Authority's Board of Directors is elected from representatives of the member governments, and controls operations of the fund, including selection of management and approval of operating budgets. It is independent of the individual member influence, except for their representation on the board, and is therefore not a component unit of the City for reporting purposes.

The City is exposed to various risks including worker injuries, tort liability, theft, damage or destruction of assets, errors and omissions, and natural disasters. With respect to risks other than workers' compensation, the City and other pool participants pay an annual premium estimated by the pool administrator to be sufficient to cover all liability claims for which the pool is obligated. If a covered entity's losses exceed its premiums, there is no individual supplemental assessment, and if a covered entity's losses are lower than its assessment, it does not receive a refund. However, annual

Redevelopment Agency of the City of Capitola
Notes to Financial Statements
Year Ended June 30, 2010

8) RISK MANAGEMENT - Continued

budget appropriations are experience-based. The pool views its activities in the aggregate and makes overall adjustments to the premiums charged, and is therefore intended to be self-sustaining through member contributions (premiums). Risk of loss is retained by the City for general liability claims up to \$10,000 per occurrence. The fund carries excess loss coverage for general liability claims between \$990,000 and \$20,000,000 per insured event, and is uninsured for losses in excess of \$20,000,000 per event. Unpaid claims at fiscal year end, as reported by the fund, were not material. There was no reduction in the City's insurance coverage as compared to the previous fiscal year, nor have there been any losses exceeding coverage during any of the three previous years.

Premium payment amounts are determined by the funds Board, and are charged to the City's general fund as expenditures when paid.

In the proper course of operation, the Authority issued debt in the aggregate principal amount of \$5,150,000 on October 1, 2004. The Authority is required to collect and disburse the loan premiums in accordance with the loan agreement, Article VI, Section 6.03. The Member agencies are required by the Amended and Restated Joint Powers Agreement Relating to the Monterey Bay Area Self-Insurance Authority, Article 20 to pay to the Authority their individual debt service amount and associated expenses, as determined by the Authority. Furthermore, the Member Agencies contribution will be payable from any source of available funds of the Member, including amounts on deposit in the general fund of the Member.

9) NEW PRONOUNCEMENTS

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, will be required to be adopted and implemented by the Agency for the fiscal year 2010-11.

REQUIRED SUPPLEMENTARY INFORMATION

Redevelopment Agency of the City of Capitola
Statement of Revenues, Expenditures, and Changes in Fund Balances
Low and Moderate Income Housing Fund
Budget and Actual
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variances with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Use of Money and Property	\$ 16,500	\$ 16,500	\$ 3,883	\$ (12,617)
Total Revenues	16,500	16,500	3,883	(12,617)
Expenditures				
Community Development	834,200	827,748	242,328	585,420
Total Expenditures	834,200	827,748	242,328	585,420
Excess (Deficiency) of Revenues over Expenditures	(817,700)	(811,248)	(238,445)	572,803
Other Financing Sources (Uses)				
Transfers In	464,460	464,460	485,113	20,653
Total Other Financing Sources (Uses)	464,460	464,460	485,113	20,653
Net Change in Fund Balance	(353,240)	(346,788)	246,668	593,456
Fund Balance - Beginning of Year	673,902	673,902	673,902	-
Fund Balance - End of Year	\$ 320,662	\$ 327,114	\$ 920,570	\$ 593,456

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board Members
Redevelopment Agency of the City of Capitola
Capitola, California

We have audited the financial statements of the governmental activities and each major fund of the Redevelopment Agency of the City of Capitola (the Agency), as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated December 14, 2010. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Capitola Redevelopment Agency are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. We noted certain matters that we reported to management in a separate letter dated December 14, 2010.

This report is intended solely for the information and use of the management, Board Members of the Capitola Redevelopment Agency, others within the entity, and the State Controller's Office, Division of Accounting and Reporting and is not intended to be and should not be used by anyone other than these specified parties.

Teaman Ramirez & Smith, Inc.

December 14, 2010

**CITY OF CAPITOLA
Capitola, California**

**SINGLE AUDIT REPORT ON
FEDERAL AWARD PROGRAMS**

Year Ended June 30, 2010

CITY OF CAPITOLA
SINGLE AUDIT REPORT ON FEDERAL AWARD PROGRAMS
Year Ended June 30, 2010

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City Council
City of Capitola
Capitola, California

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Capitola, California (the "City") as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 14, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to Management of the City of Capitola in a separate letter dated December 14, 2010.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Council, management, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Truman Ramirez & Smith, Inc.

December 14, 2010

City Council
City of Capitola
Capitola, California

**Independent Auditor's Report on Compliance with Requirements That Could
Have a Direct and Material Effect on Each Major Program and on Internal
Control Over Compliance in Accordance With OMB Circular A-133**

Compliance

We have audited the City of Capitola's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Capitola's major federal programs for the year ended June 30, 2010. The City of Capitola's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Capitola's management. Our responsibility is to express an opinion on the City of Capitola's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Capitola's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Capitola's compliance with those requirements.

In our opinion, the City of Capitola complied, in all material aspects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the City of Capitola is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Capitola's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Capitola's internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Capitola as of and for the year ended June 30, 2010, and have issued our report thereon dated December 14, 2010. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Capitola's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the City Council, management, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Traman Ramirez & Smith, L.L.C.

December 14, 2010

CITY OF CAPITOLA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Domestic Assistance Number	Grant Identification Number	Program Expenditures
U.S. Department of Housing and Urban Development			
<i>Passed through the State of California Housing and Community Development Department:</i>			
Community Development Block Grant	14.218	07-PTAE-3124	\$ 5,157
CDBG Program Income Rehabilitation Revolving Loan Fund	14.218	01-STBG-1571	23,984
HOME Investments Partnership Program	14.239	06-HOME-2403	1,247,801*
HOME Program Income	14.239	94-HOME-0087	<u>1,953*</u>
Total U.S Department of Housing and Urban Development			<u>1,278,895</u>
U.S. Department of Commerce			
Direct Assistance:			
Economic Adjustment Assistance (ARRA)	11.307	07-69-06484	<u>10,414</u>
Total U.S Department of Commerce			<u>10,414</u>
National Highway Traffic Safety Administration			
<i>Passed through the State of California Office of Traffic Safety:</i>			
Avoid the Nine	20.600	AL0758	9,960
DUI & Safety Seats	20.600	PT0906	13,820
Avoid the Nine	20.600	AL10101	<u>49,139</u>
Total National Highway Traffic Safety Administration			<u>72,919</u>
U.S. Department of Homeland Security			
<i>Passed through the County of Santa Cruz Office of Emergency Services:</i>			
Homeland Security Grant Program	97.067	N/A	<u>8,976</u>
Total U.S. Department of Homeland Security			<u>8,976</u>
U.S. Department of Justice			
Direct Assistance:			
Bulletproof Vest Partnership Program	16.607	1121-0235	2,081
Edward Byrne Memorial Justice Assistance Grant	16.804	2009-SB-B9-0598	27,324
Public Safety Partnership (ARRA)	16.710	2009-BUBX-0904-7364	<u>67,760</u>
Total U.S. Department of Justice			<u>97,165</u>

Continued

CITY OF CAPITOLA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
Year Ended June 30, 2010

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Domestic Assistance Number	Grant Identification Number	Program Expenditures
U.S. Department of Transportation Federal Transit Administration			
<i>Passed through the County of Santa Cruz Regional Transportation Commission:</i>			
Highway Infrastructure Investment Program (ARRA)	20.205	ESPL-5304(007)	\$ 230,000
Total U.S. Department of Transportation Federal Transit Administration			<u>230,000</u>
Total Federal Financial Assistance			<u>\$ 1,698,369</u>

*Major Program

CITY OF CAPITOLA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLICABLE TO THE SCHEDULE OF FEDERAL AWARDS

a) Scope of Presentation

The accompanying schedule presents only the expenditures incurred (and related awards received) by the City of Capitola that are reimbursable under programs of federal agencies providing financial assistance. For the purpose of this schedule, financial assistance includes both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the City of Capitola from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

b) Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the City of Capitola becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported include any property or equipment acquisitions incurred under the federal program.

c) Major Programs

The City had one major program for the year ended June 30, 2010, consisting of the U.S. Department of Housing and Urban Development HOME Investment Partnership Program Grant with total disbursements of \$1,249,754. This amount calculates to 74% of the total disbursements from federal awards.

CITY OF CAPITOLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of Auditors' Report Issued:	Unqualified
Internal Control Over Financial Reporting:	
Material Weakness(es) Identified?	No
Significant Deficiencies Identified not Considered to be Material Weaknesses?	No
Noncompliance Material to Financial Statements Noted?	No

Federal Awards

Internal Control Over Major Programs:	
Material Weakness(es) Identified?	No
Significant Deficiencies Identified not Considered to be Material Weaknesses?	No
Type of Auditors' Report Issued on Compliance for Major Programs:	Unqualified
Any Audit Findings Disclosed that are Required to be Reported in Accordance With Circular A-133, Section .510(a)?	No

Identification of Major Programs:

CFDA Numbers	Name of Federal Program or Cluster
14.239	HOME Investment Partnership Program

Dollar Threshold used to Distinguish Between Type A And Type B Programs:	\$ <u>300,000</u>
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Auditee Qualified as Low-Risk Auditee?	No
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CITY OF CAPITOLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no auditors' findings required to be reported in accordance with GAS.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no auditors' findings required to be reported in accordance with OMB Circular A-133.

CITY OF CAPITOLA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2010

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

There were no prior year audit findings.



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December 14, 2010

Teamam, Ramirez & Smith, Inc.
4201 Brockton Avenue, Suite 100
Riverside, California 92501

We are providing this letter in connection with your audit of the general purpose financial statements of the City of Capitola and the Redevelopment Agency of the City of Capitola as of June 30, 2010, and for the year then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Capitola and the Redevelopment Agency of the City of Capitola and the respective changes in financial position and cash flows, where applicable, in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with U. S. generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of December 14, 2010, the following representations made to you during your audits.

1. The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
2. We have made available to you -
 - a. Financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
 - b. Minutes of meetings of the City of Capitola and the Redevelopment Agency of the City of Capitola or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedule of expenditures of federal awards.
5. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.

6. We have no knowledge of any fraud or suspected fraud affecting the entity involving -
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
7. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
8. The City of Capitola has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or fund balances.
9. The following, if any, have been properly recorded or disclosed in the financial statements:
 - a. Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b. Guarantees, whether written or oral, under which the City is contingently liable.
 - c. Joint ventures, jointly governed organizations, and other related organizations have been properly disclosed in the financial statements
 - d. All accounting estimates, (including fair value measurements), that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances, consistently applied, and adequately disclosed.
10. We are responsible for the compliance with laws, regulations and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of the financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
11. There are no -
 - a. Violations or possible violations of budget ordinances, or laws or regulations (including those pertaining to adopting and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, *Accounting for Contingencies*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5.

- d. Reservations or designation of fund equity that were not properly authorized and approved.
12. As part of your audit, you prepared the draft financial statements and related notes and schedule of expenditures of federal awards. We have designated a competent management-level individual to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.
 13. The City of Capitola and the Redevelopment Agency of the City of Capitola has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
 14. The City and Agency have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
 15. The City of Capitola and the Redevelopment Agency of the City of Capitola has invested its funds in accordance with its investment policy, which is in compliance with the Government Code.
 16. All funds that meet the quantitative criteria in GASB Statement No. 34 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
 17. Net assets components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designated are properly classified and, if applicable, approved.
 18. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
 19. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines, and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
 20. With respect to the Redevelopment Agency of the City of Capitola -
 - a. The Agency did submit on a timely basis to its legislative body and the State Controller the following annual reports for the previous fiscal year:
 - i) Annual Report of Financial Transactions of Community Redevelopment Agencies, per Health & Safety Code §33080.5;
 - ii) Housing activities report, per Health & Safety Code §33080.4 and §33080.7;
 - iii) Blight progress report, per Health & Safety Code §33080.4;
 - iv) Loan Report, per Health & Safety Code §33080.4;

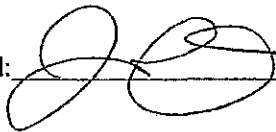
- v) Property Report, per Health & Safety Code §33080.4.
 - b. The Agency has set aside at least 20% of the gross tax increment revenue in the Housing Fund prior to any deductions for administrative fees, pass-through payments to taxing entities, negotiated fiscal agreements and waivers, or other transfers from the balance of the tax increment allocated to the Agency.
 - c. The Agency prepared a written determination showing that all planning and administrative expenditures from the Housing Fund were necessary for the production, improvement, and/or preservation of low- and moderate-income housing, per Health & Safety Code §33334.3(d).
 - d. Expenditures from the Housing Fund for on- or off-site improvements (if any), were part of programs that directly resulted in construction or rehabilitation of affordable housing or eliminated specific conditions jeopardizing the health or safety of existing low- or moderate-income residents, per Health & Safety Code §33334.2(e)(2).
 - e. Expenditures from the Housing Fund for expenditures outside of the project area (if any) were properly adopted by a resolution, per Health & Safety Code §33334.2(g).
 - f. The Agency conducted a public hearing for findings received from the detrimental effect of a redevelopment plan on either schools or fire districts (if any), per Health & Safety Code §33445.5 and §33445.6.
 - g. Any property leased or sold by the Agency during the fiscal year, was properly disclosed to the public, per Health & Safety Code §33431 and §33433.
21. With respect to federal award programs (if any)-
- a. We are responsible for understanding and complying with and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, including requirements relating to preparation of the schedule of expenditures of federal awards.
 - b. We have prepared the schedule of expenditures of federal awards in accordance with OMB Circular A-133, and have identified and disclosed in the schedule expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
 - c. We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Circular. The methods of measurement and presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA.
 - d. We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133.

- e. We are responsible for understanding and complying with, and have complied in all material respects, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program.
- f. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended. Also, no changes have been made in the internal control system to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to reportable conditions reported in the schedule of findings and questioned costs.
- g. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to each major federal program.
- h. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- i. We have complied, in all material respects, with the compliance requirements, including when applicable, those set forth in the OMB Circular A-133 *Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews.
- j. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.
- k. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- l. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- m. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared, and are prepared on a basis consistent with the schedule of expenditures of federal awards.
- n. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.

- o. We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of OMB Circular A-133.
- p. We have taken appropriate action on a timely basis after receipt of subrecipients' auditor's reports that identified noncompliance with laws, regulations, or the provisions of contracts or grants agreements to ensure that subrecipients have taken the appropriate and timely corrective action on findings.
- q. We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.
- r. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- s. We are responsible for and have accurately prepared the audit section of the Data Collection Form as required by OMB Circular A-133 and we are responsible for preparing and implementing a corrective action plan for each audit finding.
- t. We have disclosed to you all contracts or other agreements with our service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.
- u. There were no single audits in either of the previous two years.

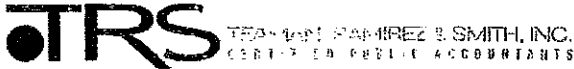
To the best of our knowledge and belief, no events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Signed: _____



Title: _____

City Manager



City Council
City of Capitola
Capitola, California

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Capitola, California (the "City") as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 14, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

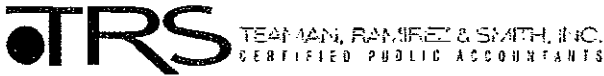
We noted certain matters that we reported to Management of the City of Capitola in a separate letter dated December 14, 2010.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Council, management, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Jeannette Ramirez & Smith, L.L.C.

December 14, 2010



December 14, 2010

Jamie Goldstein, City Manager
City of Capitola
420 Capitola Avenue
Capitola, California 95010

Dear Mr. Goldstein:

We have audited the financial statements of the City of Capitola (the "City") as of and for the year ended June 30, 2010, and have issued our report thereon dated December 14, 2010. In planning and performing our audit of the financial statements of the City for the year ended June 30, 2010, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. We noted no matters involving the internal control and its operations that we considered to be material weaknesses under standards established by the American Institute of Certified Public Accountants. However, we noted the following items of less significance which are presented for your consideration.

This letter by its very nature is critical and does not highlight the many positive features of the City's internal controls. These comments and recommendations are intended to improve the internal controls or result in other operating efficiencies and are summarized as follows:

Controls Over the Bidding Process

As stated above, Professional Standards require that we consider internal control in order to determine our auditing procedures. Although the City has established internal controls over the Purchasing and Procurement Process, management may want to evaluate whether stronger controls should be established over the submission of bids for certain projects. As noted in prior years it came to our attention that responses to the City's requests for formal, sealed bids, are submitted to, and received by, the department requesting the bids, for example, Public Works. After reviewing the City's Purchasing and Procurement Policy we noted that in Section IV, part C, paragraph 3, Bid Opening Procedures, it states "Sealed Bids shall be submitted to the Project Manager."

To strengthen internal controls over the purchasing function, we recommend the City establish procedures requiring formal bids to be submitted to a designated, independent custodian, such as the City Clerk. We also suggest the Purchasing and Procurement Policy be updated to reflect the change in procedures.

Parking Citation Revenue

During our review of the parking citation revenues, we noted the City uses a service organization (Phoenix) to collect the payments from parking citations. After collecting payments Phoenix will remit to the City a listing of all payments received with the corresponding citation number and deposit into the "Parking" bank account the amount owed to the City. The City issues parking citations by number and has a listing of all citations issued by date. However, the City does not follow-up on the final disposition of each parking citation issued. For example, when Phoenix remits to the City the collections for the month that lists the parking citation number, the City should match the citation numbers from Phoenix to the listing of parking citations issued by the City to track the efficiency of Phoenix collections and also to track the receivables for outstanding citations.

Therefore, we recommend the City establish a process to track the collections of the parking citations issued which documents the final disposition of each citation.

Un-reconciled Bank Account

As noted in previous years, during testing of cash balances we discovered that the Bank of America Parking Account is not being reconciled to the general ledger. The account has ongoing balances that may not be material to the financial statements, and the balances are ultimately transferred to other City accounts; however, the City should reconcile all bank accounts to the general ledger in accordance with good internal controls.

We recommend the City include the Parking Bank Account in the general ledger, and perform monthly bank account reconciliations, similar to the current practices for the other City accounts.

Fraud Prevention and Detection Program

Management of the City, along with the City Council, are responsible for designing and implementing systems and procedures for the prevention and detection of fraud, and for ensuring a culture and environment that promotes honesty and ethical behavior. Fraud can range from minor employee theft and unproductive behavior to misappropriation of assets and fraudulent financial reporting.

The risk of fraud can be reduced through a combination of prevention, deterrence, and detection measures. However, fraud can be difficult to detect because it often involves concealment through falsification of documents or collusion among management, employees, or third parties. Therefore, it is important to place a strong emphasis on fraud prevention in relation to the level of fraud risk, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals that they should not commit fraud because of the likelihood of detection and punishment. Moreover, prevention and deterrence measures are much less costly than the time and expense required for fraud detection and investigation.

In summary, the City has established controls over fraud in many areas and, based on our experience, has set an appropriate "tone at the top" regarding ethical behavior, segregated duties and implemented internal controls. In addition, the City has established a "whistleblower" policy. However, it may be beneficial to evaluate whether a more formal, proactive approach to preventing fraud would be appropriate in relation to the level of fraud risk. The City should consider establishing policies and means of monitoring fraud risks and reporting fraud incidents. An ongoing fraud risk assessment program should be established, along with ongoing fraud training for City staff. These comments do not address all components of a strong antifraud program. Additional information can be and has been provided to the City's management regarding this issue.

New Accounting Standards

GASB Statement No. 54

In February 2009, the Governmental Accounting Standards Board ("GASB") issued its Statement No. 54 entitled "*Fund Balance Reporting and Governmental Fund Type Definitions*," which will significantly change the reporting of fund balances and governmental fund types. The City will be required to implement this Statement as of the 2010-11 fiscal year. We recommend the City take steps to determine how this Statement will affect the City's financial statement presentation, and what action is necessary. The City may need to revise its chart of accounts and fund structure to comply with the new standard.

Summation

We would like to take this opportunity to express our appreciation for the assistance extended us during the course of our audit. If you have any questions regarding our recommendations, please call our office. This letter is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

TEAMAN, RAMIREZ & SMITH, INC.



Greg W. Fankhanel
Certified Public Accountant

City of Capitola
2009-10 Audit: Auditor's Management Letter – Items for Consideration
Management Response

"We noted no matters involving the internal control and its operations that we considered to be material weaknesses under standards established by the American Institute of Certified Public Accountants. However, we noted the following items of less significance which are presented for your consideration." Teaman, Ramirez & Smith

Controls over the Bidding Process

Finding: Although the City has established internal control over the Purchasing and Procurement Process, management may want to evaluate whether stronger controls should be established over the submission of bids for certain projects. As noted in prior years it came to our attention that responses to the City's requests for formal, sealed bids, are submitted to , and received by the department requesting the bids, for example, Public Works. After reviewing the City's Purchasing and Procurement Policy we noted that in Section IV, part C, paragraph 3, Bid Opening Procedures, it states "Sealed Bids shall be submitted to the Project Manager."

To strengthen internal controls over the purchasing function, we recommend the City establish procedures requiring formal bids to be submitted to a designated, independent custodian, such as the City Clerk. We also suggest the Purchasing and Procurement Policy be updated to reflect the change in procedures.

Response: Future formal, sealed bids will be addressed to the Capitola City Clerk and the City's Purchasing and Procurement Policy, Section IV, part C, paragraph 3, Bid Opening Procedures, will be updated to reflect this requirement.

Parking Citation Revenue

Finding: "...the City uses a service organization (Phoenix) to collect the payments from parking citations. After collecting payments Phoenix will remit to the City a listing of all payments received with the corresponding citation number....However, the City does not follow-up on the final disposition of each parking citation issued....We recommend the City establish a process to track the collections of the parking citations issued which documents the final disposition of each citation."

Response: As a small City with a furlough in place through June 30, 2010, this tracking process has not been established as a current priority. The City has used Phoenix Group since December, 1992 and has not found discrepancies in past analyses. City management is currently satisfied with this level of internal control.

Un-reconciled Bank Account

Finding: Parking Account is not being reconciled to the general ledger. The account has ongoing balances that may not be material to the financial statements and the balances are ultimately transferred to other City accounts. We recommend the City include the Parking Bank Account in the general ledger and perform monthly bank account reconciliations.

Response: The Parking Account is reconciled on a monthly basis and is swept to the City Bank Account monthly. Funds are deposited directly into the Parking Account by Phoenix Group, reconciled by the City, then swept. The City bank statement is

reconciled monthly to the general ledger. It includes the Parking sweep activity on a month-lag basis.

Fraud Prevention and Detection Program

Finding: Management of the City, along with the City Council, is responsible for designing and implementing systems and procedures for the prevention and detection of fraud, and for ensuring a culture and environment that promotes honesty and ethical behavior. Fraud can range from minor employee theft and unproductive behavior to misappropriation of assets and fraudulent financial reporting....the City has established a "whistleblower" policy....The City should consider establishing policies and means of monitoring fraud risks and reporting fraud incidents...."

Response: Although always open to improved procedures, management is currently satisfied with the City's current processes and organizational culture.

GASB Statement 54

Findings: In February 2009, the Governmental Accounting Standards Board ("GASB") issued its Statement No. 54 entitled "Fund Balance Reporting and Governmental Fund Type Definition" which will significantly change the reporting of fund balances and governmental fund types. The City will be required to implement this Statement as of the 2010-11 fiscal year. We recommend the City to take steps to determine how this Statement will affect the City's financial statement presentation, and what action is necessary. The City may need to revise its chart of accounts and fund structure to comply with the new standard.

Response: The Supervising Accountant is training on the technical requirements of GASB 54 and is implementing the chart of accounts and fund structure changes necessary to meet the new GASB 54 reporting requirements and comply with City auditor requirements.



**INDEPENDENT ACCOUNTANT'S REPORT ON AGREED-UPON PROCEDURES
APPLIED TO APPROPRIATIONS LIMIT WORKSHEETS**

City Council
City of Capitola
Capitola, California

We have performed the procedures enumerated below to the accompanying Appropriations Limit worksheet of the City of Capitola, California, for the year ended June 30, 2010. These procedures, which were agreed to by the City of Capitola, California and the League of California Cities (as presented in the publication entitled *Agreed-upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII B of the California Constitution*), were performed solely to assist the City in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. The City of Capitola's management is responsible for the Appropriations Limit worksheet. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the completed worksheets and compared the limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the City Council. We also compared the population and inflation options included in the aforementioned documents to those that were selected by a recorded vote of the City Council.

Finding: No exceptions were noted as a result of our procedures.

2. For the accompanying Appropriations Limit worksheet, we added last year's limit to total adjustments and agreed the resulting amount to this year's limit.

Finding: No exceptions were noted as a result of our procedures.

3. We agreed the current year information presented in the accompanying Appropriations Limit worksheet to the other documents referenced in #1 above.

Finding: No exceptions were noted as a result of our procedures.

4. We agreed the prior year appropriations limit presented in the accompanying Appropriations Limit worksheet to the prior year appropriations limit adopted by the City Council during the prior year.

Finding: No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on the accompanying Appropriations Limit worksheet. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriations limit for the base year, as defined by the League publication entitled *Article XIII B of the California Constitution*.

This report is intended solely for the use of the City Council and management of the City of Capitola, California and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Teaman Ramirez & Smith, Inc.

December 14, 2010

CITY OF CAPITOLA
APPROPRIATIONS LIMIT COMPUTATION
2009 - 2010

	<u>2009 – 2010</u>
Change in Local Non-residential New Construction	7.718%
Population Change	
County Population Growth	1.07%
Change in Local Non-residential New Construction Converted to a Ratio	1.07718
Population Change Converted to a Ratio	1.0107
Calculation of Growth Factor	1.0887
2008 – 2009 Appropriations Limit	<u>\$ 13,578,208</u>
2009 – 2010 Appropriations Limit (\$13,578,208 X 1.0887)	<u>\$ 14,782,595</u>



December 14, 2010

City Council
City of Capitola
Capitola, CA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Capitola and the Redevelopment Agency of the City of Capitola for the year ended June 30, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 19, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was (were):

Management's estimate of the fair value of investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of capital assets depreciation is based on historical estimates of each capitalized item's useful life. We evaluated the key factors and assumptions used to develop the property and equipment depreciation in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements was (were):

The disclosure of the fair value of investments in Note III A to the financial statements represents amounts susceptible to market fluctuation.

The disclosure of capital assets in Note III D to the financial statements is based on estimated useful lives which could differ from actual useful lives of each capitalized item.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 14, 2010.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

Other information included in documents containing audited financial statements such as *management's discussion and analysis* and *required supplementary information* is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and we expressed no opinion on it.

This information is intended solely for the use of the City Council, Board of Directors, and management of the City of Capitola and the Redevelopment Agency of the City of Capitola and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Teaman Ramirez & Smith, Inc.

City of Capitola

Mayor's Proclamation

Designating January 2011
 "National Blood Donor Month"

WHEREAS, donating blood is a potentially lifesaving gift that millions of Americans can give; and

WHEREAS, there is a need to ensure an adequate blood supply and to stress the importance of giving the "Gift of Life" through the donation of blood; and

WHEREAS, there is a need for additional healthy, regular volunteer donors to join the ranks of those who already give of themselves so generously; and

WHEREAS, one blood donation may help save three lives; and

WHEREAS, every day blood is needed in hospitals and emergency treatment facilities for patients with cancer and other diseases, for organ transplant recipients, and to help save the lives of accident victims; and

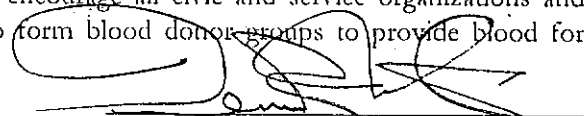
WHEREAS, the need for blood is constant, especially during the winter months when blood is traditionally in short supply due to a reduction in donor turnout because of the holidays, busy travel schedules, inclement weather and illness, which can put blood inventory at a critical low; and

WHEREAS, the American Red Cross Northern California Blood Services Region distributes more than 130,000 pints of blood per year to help save local patients, yet fewer than 100,000 pints of blood are collected in the region annually; and

WHEREAS, some 38 percent of the public is eligible to donate, yet fewer than 8 percent of these individuals present to donate blood; and

WHEREAS, there is a need for civic and service organizations and businesses to sponsor blood drives.

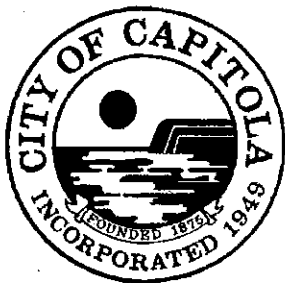
NOW, THEREFORE, I, Dennis Norton, Mayor of the City of Capitola, do hereby proclaim the month of January 2011 as "National Blood Donor Month" for the City of Capitola and urge all citizens to pay tribute to those among us who donate for others in need. I further urge citizens in good health to donate regularly and encourage all civic and service organizations and businesses, if they have not already done so, to form blood donor groups to provide blood for others.



Dennis Norton, Mayor

Signed and sealed this 13th day of January 2011





Item #: 2.E.3)

REDEVELOPMENT AGENCY AGENDA REPORT

MEETING OF JANUARY 13, 2011

FROM: OFFICE OF THE SECRETARY
DATE: JANUARY 6, 2011
SUBJECT: APPOINTMENTS/REAPPOINTMENTS TO THE LIBRARY AD HOC COMMITTEE

Recommended Action: That the Redevelopment Agency Directors consider its two representatives, requests for reappointment from Carl La Mothe, Gayle Ortiz and Lisa Steingrube, and the application received from John Hofacre. The three Directors not on the Committee have two appointments, and those two Director Reps on the Committee each have one appointment to the Library Ad Hoc Committee.

BACKGROUND

On January 14, 2010, the Redevelopment Agency Directors made appointments to the Library Ad Hoc Committee. The Committee was charged to review the recommended sites for a 7,000 square foot library building for Capitola at the current library site and the Rispin Mansion site. The committee was consisted of 10 members, including two Agency Directors and one appointee by each participating director (Chairperson Sam Storey and Director Norton) and two appointees by each non-participating members (Director Graves, Nicol and Begun).

DISCUSSION

At the Redevelopment Agency meeting of December 9, 2010, staff informed directors that the new directors would have an opportunity to make appointments to the Library Ad Hoc Committee. It was the consensus of the directors to seek applications and to notify the current members appointed by Directors Begun and Graves of the recruitment. Recruitment commenced on December 16, 2010, with an application deadline of Wednesday, January 5, 2011. A recruitment notice and application were prepared and made available at City Hall, the Capitola Branch Library, and the City's website (copy attached). A press release was sent to the local publications and the information was included on the Community Channel 8 scroll.

Emails requesting reappointment were received from Carl La Mothe, Gayle Ortiz and Lisa Steingrube. One application was received from John Hofacre.

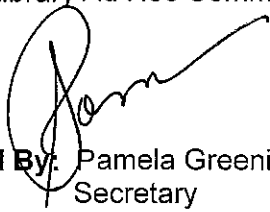
Newly elected Council Member and RDA Director Michael Termini was Director Begun's appointee to the committee. Since he would like to continue to serve, Director Storey has indicated he would be willing to step down from the committee. If that determination was made by the Agency Directors, Director Termini would have one appointee and Director Storey would have two appointees. A draft roster showing necessary appointments, as well as a copy of the current roster are attached.

FISCAL IMPACT

None

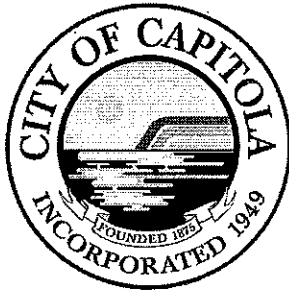
ATTACHMENTS

1. Draft Library Ad Hoc Committee Roster
2. Recruitment Notice
3. Application from John Hofacre
4. Current Library Ad Hoc Committee Roster



Report Prepared By: Pamela Greeninger
Secretary

**Reviewed and Forwarded
By Executive Director:** 

**City of Capitola**

420 Capitola Avenue
 Capitola, CA 95010
 (831) 475-7300
 FAX (831) 464-8659

**CITY OF CAPITOLA
 Redevelopment Agency**

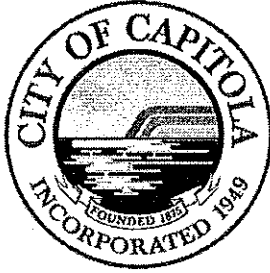
LIBRARY AD HOC COMMITTEE MEMBERS

Arnone, Michael (Norton)	3370 Samuel Place Santa Cruz, CA 95062	462-4988 rknown1@hotmail.com
Gorson, Barbara (Storey)	617 Riverview Drive Capitola, CA 95010	464-6717 gorson@pacbell.net
Gualtieri, Tony (Nicol)	502 Grand Avenue Capitola, CA 95010	475-2217 tkcapitola@sbcglobal.net
Healy, Mary (Nicol)	2192 Francesco Circle Capitola, CA 95010	477-1931 msmith4755@sbcglobal.net
Norton, Dennis (RDA Director Rep)	712 Capitola Avenue #C Capitola, CA 95010	476-2616 dnortondesigns@msn.com
Termini, Michael (RDA Director Rep)	503 Oak Drive Capitola, CA 95010	476-6206 michael@triadelectric.com
_____	Capitola, CA 95010	
(Harlan)		
_____	Capitola, CA 95010	
(Harlan)		
_____	Capitola, CA 95010	
(Storey)		
_____	Capitola, CA 95010	
(Termini)		

(The Director's name in parenthesis is the member who made appointment.)

STAFF REPRESENTATIVE:

Ryan Bane, Senior Planner
 (831) 475-7300, Ext. 256
 Email: rbane@ci.capitola.ca.us



CITY OF CAPITOLA
 420 Capitola Avenue
 Capitola, CA 95010
 (831) 475-7300
 FAX (831) 479-8879

**NOTICE OF RECRUITMENT
 FOR FOUR (4) AT-LARGE MEMBERS TO SERVE
 ON THE CAPITOLA REDEVELOPMENT AGENCY'S
 "LIBRARY AD HOC COMMITTEE"**

NOTICE IS HEREBY GIVEN that four (4) seats on the Capitola Redevelopment Agency "Library Ad Hoc Committee" are open for reappointment/appointment by newly elected Directors Michael Termini and Stephanie Harlan. Each Director will appoint two (2) At-Large members. The current committee members may submit a letter/email of intent to continue to serve and others interested in applying may do so at this time.

The Redevelopment Agency Directors are seeking applications from persons who are interested in reviewing the various aspects of a new, permanent Capitola Branch Library, and discussion of other civic uses or accommodations for the proposed structure, outdoor space use and suggestions, potential funding sources, and scheduling. The committee will provide recommendations to the Capitola Redevelopment Agency for consideration. Specific questions regarding the committee can be directed to Community Development staff representative Senior Planner Ryan Bane, by calling (831) 475-7300, Ext. 256, or by email at rbane@ci.capitola.ca.us

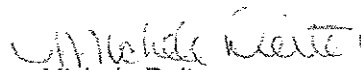
Applications may be obtained from the Receptionist at Capitola City Hall, 420 Capitola Avenue, or by calling (831) 475-7300 and requesting an application be sent to you. In addition, a notice with an application form is available in the foyer at City Hall, at the Capitola Branch Library, 2005 Wharf Road, and on the City's Website (for printing) by clicking on **current vacancies** at <http://www.ci.capitola.ca.us/capcity.nsf/CtyCnclComm.html>

The Directors of the Redevelopment Agency will consider applications for appointment as they are received. The final committee appointments will be made at the January 13, 2011, meeting of the Redevelopment Agency.

Application Deadline: Wednesday, January 5, 2011

I, Michele Deiter, Records Coordinator of the City of Capitola, California, hereby certify that the above Notice was posted on December 16, 2010

Dated: December 16, 2010


 Michele Deiter
 Records Coordinator



CITY OF CAPITOLA
420 Capitola Avenue
Capitola, CA 95010
(831) 475-7300
FAX (831) 479-8879

CAPITOLA REDEVELOPMENT AGENCY **RECEIVED**

APPLICATION FOR SERVICE

JAN 4 - 2011

Library Ad Hoc Committee
At-Large / Director Appointee Member CITY OF CAPITOLA

PLEASE TYPE OR PRINT

NAME OF APPLICANT: JOHN HOFACRE

RESIDENCE ADDRESS: 1375 49th AVE
CAPITOLA CA 95010

MAILING ADDRESS: _____
(If Different)

EMAIL ADDRESS: jbhofacre@sbcglobal.net

TELEPHONE NO.: 831 (H) 464 2394 (W) 295 2468 (C) _____

EMPLOYMENT: Thacher & Thompson Architects

DESCRIBE YOUR EXPERIENCE AND INTEREST IN SERVING ON THE LIBRARY AD HOC COMMITTEE (Use additional page if necessary and/or attach resume)

I have lived in Capitola 30 years. I am an architect and have worked on numerous development projects in Capitola including Spa Fitness Center and my own house. I thought I could be helpful with development ideas for the library.

DATE: 1/4/2011

John Hofacre
(Signature of Applicant)

Mail or Deliver Application to:
Capitola City Hall, Attn: City Clerk
420 Capitola Avenue, Capitola, CA 95010

A vacancy notice with an application form can also be obtained on the Web (for printing) by clicking on current vacancies at: <http://www.ci.capitola.ca.us/capacity.nsf/Cty/CnclComm.html>

**City of Capitola**

420 Capitola Avenue
 Capitola, CA 95010
 (831) 475-7300
 FAX (831) 464-8659

**CITY OF CAPITOLA
 Redevelopment Agency**

LIBRARY AD HOC COMMITTEE MEMBERS

Arnone, Michael (Norton)	3370 Samuel Place Santa Cruz, CA 95062	462-4988 rknown1@hotmail.com
Gorson, Barbara (Storey)	617 Riverview Drive Capitola, CA 95010	464-6717 gorson@pacbell.net
Gualtieri, Tony (Nicol)	502 Grand Avenue Capitola, CA 95010	475-2217 tkcapitola@sbcglobal.net
Healy, Mary (Nicol)	2192 Francesco Circle Capitola, CA 95010	477-1931 msmith4755@sbcglobal.net
La Mothe, Carl W. (Graves)	300 Plum St., Sp #67 Capitola, CA 95010	479-7404 bobbicarl@sbcglobal.net
Norton, Dennis (RDA Director Rep)	712 Capitola Avenue #C Capitola, CA 95010	476-2616 dnortondesigns@msn.com
Ortiz, Gayle (Graves)	517 Riverview Drive Capitola, CA 95010	476-7016 gayle@gocapitola.com
Steingrube, Lisa (Begun's)	701 Monterey Avenue Capitola, CA 95010	462-2577/332-7920 lisasteingrube@gmail.com
Storey, Sam (RDA Director Rep)	705 Escalona Drive Capitola, CA 95010	239-9396 samforcapitola@att.net
Termini, Michael (Begun)	503 Oak Drive Capitola, CA 95010	476-6206 michael@triadelectric.com

(The Director's name in parenthesis is the member who made appointment.)

STAFF REPRESENTATIVE:

Ryan Bane, Senior Planner
 (831) 475-7300, Ext. 256
 Email: rbane@ci.capitola.ca.us

Updated: 1/7/11 pam



CITY COUNCIL AGENDA REPORT

MEETING OF JANUARY 13, 2011

FROM: FINANCE DEPARTMENT

DATE: January 5, 2011

SUBJECT: APPROVAL OF CITY CHECK REGISTER REPORTS

Recommended Action: By motion and roll call vote, that the City Council approve the attached Check Register Reports for December 3, December 10, December 17, and December 23, 2010.

DISCUSSION

The attached Check Register for:

Date	Starting Check #	Ending Check #	Total Checks	Amount
12/3/10	64905	65001	97	\$140,380.28
12/10/10	65002	65056	55	\$95,336.84
12/17/10	65057	65150	94	\$210,182.65
12/23/10	65151	65203	53	\$181,169.88
Payroll 12/3/10				\$187,968.07
Payroll 12/17/10				\$170,565.24
Payroll 12/30/10				\$179,435.90
Total				\$1,165,038.86

The check register of 11/26/10 ended with check #64904.

Wires issued, and a brief description of the expenditure:

Date	Issued to:	Dept.	Purpose	Amount
12/7/10	PERS Payment	CM	CALPERS - Payroll Contr. for 12/3/10 payroll	\$44,796.92
12/21/10	PERS Payment	CM	CALPERS - Payroll Contr for 12/17/10 payroll	\$45,462.31
1/5/11	PERS Payment	CM	CALPERS-Payroll Contr for 12/30/10 payroll	\$44,568.16

Following is a list of checks issued for more than \$10,000.00, and a brief description of the expenditure:

Check	Issued to:	Dept.	Purpose	Amount
64922	CalPERS Health Insurance	CM	Employee Health Ins, Employee Funded	\$42,025.35
64974	Pacific Gas & Electric	PW	Monthly Electric, all sites	\$12,555.32
65004	Atchison, Barisone & Condotti	CM	Oct2010 Legal Services	\$43,842.42
65059	D W Alley	PW	Soquel Creek Fish Monitoring	\$11,965.66
65062	Bay Area Senior Housing	CD	HOME Draw #5, Grant Funded	\$24,143.00
65082	Community Bridges	CM	Quarterly Community Grant Pymt, Q2	\$27,632.25
65093	Endeman, Lincoln, Turek & Heater	CM	Oct10 Legal Svcs, Mobile Home Park Litigation	\$17,736.44

Checks greater than \$10,000.00 (cont)

65098	Goodwill Industries	CD	Refund Public Art Permit Fee	\$16,668.00
65100	Harris & Assoc	PW	Engineering & Design Services	\$18,260.09
65105	ICMA Retirement Trust	CM	Retirement Plan Contr-Employee Funded	\$10,038.90
65152	Atchison, Barisone & Condotti	CM	Nov10 General Legal Services	\$11,130.00
65180	Pacific Gas & Electric	PW	Monthly Elec, all sites	\$12,494.82
65198	Wells Fargo Bank	CM	Int Payment, Pension Obligation Bond	\$115,089.50

On March 28, 2002, Council adopted Ordinance 838, which amended the City Municipal Code as follows:

“3.28.010 Auditing. All claims for salaries and wages of officers and employees and payroll-related withholdings, assessments, and attachments against the treasury of the City and all other claims for payment may be audited and allowed by the City Manager or his/her designee prior to payment thereof.”

“3.28.050 Approval. All claims against the City treasury are to be allowed for payment by the City Manager or his/her designee and are to be presented to the City Council as an informational item as part of their regularly scheduled meetings after their issuance for ratification.”

RESOLUTION NO. 2683 On September 22, 1994, Resolution No. 2683 was passed and adopted by the City Council. This resolution includes the following text:

Be it hereby resolved by the City Council of the City of Capitola that the City Manager is authorized, as cash shortages arise, to make temporary cash loans between and among the General Fund and all other City funds except the Redevelopment Agency; Special Assessment District funds; and The Village and Beach Parking Fund; and

Be it further resolved that such interfund loans shall be repaid by the borrowing fund to the lending fund as soon as, in the opinion of the City Manager, it is fiscally prudent to do so; and

Be it further resolved that the City Manager shall report to the City Council at its next regularly scheduled meeting, the amounts of such Interfund loans actually made; the funds from which and to which such Interfund loans were made; and the anticipated date the loans will be repaid.

The bank statement reconciliation has not been completed for the month. Bank reconciliation is completed and reported in conjunction with the monthly Treasurer's report. All checks on these registers have been deducted from the corresponding fund's cash balance. Interfund loans are not recorded on the financial records on a regular basis, except at year-end for financial reporting purposes.

There are several significant timing issues that create cash flow shortages:

- Triple flip delay of Sales Tax from monthly to December and April (~\$500,000/2x year)
- Worker's Compensation premiums are paid annually in July (\$473,220)
- Self Liability Insurance is an annual payment due in July (\$52,270)
- Police Communication JPA annual payment (\$459,500), paid quarterly

As of 1/5/11 the total cash available is \$2,213,055.65. The General Operating Fund has a cash balance of \$546,038.08. Internal Service Funds (#2210 through #2214) were created for City budget purposes and are reclassified for financial reporting into the General Fund. The Compensated Absences Fund (#2216) has a positive cash balance of \$38,640.47. The Capital

Improvement Projects has a positive cash balance of \$363,184.66. By Council direction the Emergency Reserves Fund (#1020) may not participate in cash loans.

For cash flow purposes these funds are available to the General Fund. A consolidation of these cash balances results in a cash position of \$2,213,055.65

The following table shows the funds that are consolidated:

CASH POSITION - CITY OF CAPITOLA 1/5/11		
	Temporary	
	<u>Loans</u>	<u>Net Balance</u>
General Fund		546,038
Worker's Comp. Ins. Fund		9,259
Self Insurance Liability Fund		226,761
Stores Fund		22,583
Information Technology Fund		167,821
Equipment Replacement		332,538
Compensated Absences Fund		38,640
Contingency Reserve Fund		-
Public Employee Retirement - PERS		505,974
Open Space Fund		256
Capital Improvement Projects		363,185
TOTAL GENERAL FUND & COUNCIL DESIGNATED FUNDS		<u>2,213,056</u>

On a fiscal year basis the City's annual budget balances expenditures and revenue in the General Fund. Due to the timing of revenue receipts, during most of the fiscal year General Fund expenditures will outpace revenue.

To resolve this cash flow issue, in July of this fiscal year a \$1,247,152 loan from Contingency Reserve was transferred to the General Fund. The Contingency Reserve was established to "provide a prudent level of financial resources to protect against temporary revenue shortfalls or unanticipated operating costs, and/or to meet short-term cash flow requirements."

Although it is anticipated the Contingency Reserve loan will be sufficient to provide operational cash in the General Fund, in some fiscal years the General Fund may borrow additional funds from Internal Service Funds, particularly in November and December prior to the receipt of Property Tax revenue.

It is anticipated the Contingency Reserve loan to General Fund will be repaid by June 30, 2011.

ATTACHMENTS

Check Registers for December 3, December 10, December 17, and December 23, 2010.

Report Prepared By: Linda Benko
AP Clerk

Reviewed and Forwarded
by City Manager:




Checks dated 12/3/10 numbered 64905 to 65001 for a total of \$140,380.28 have been reviewed and authorized for distribution by the City Manager and City Treasurer.

As of 12/3/10 the unaudited cash balance is \$1,179,157

CASH POSITION - CITY OF CAPITOLA 12/3/10

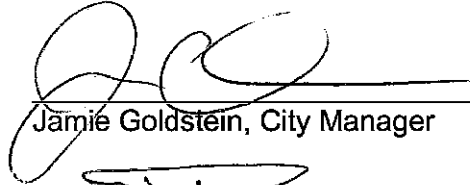
	Temporary <u>Loans</u>	<u>Net Balance</u>
General Fund	(416,240)	
<i>Temporary Loan from Internal Svc Funds</i>	416,240	
<i>Net Balance, General Fund</i>		-
Worker's Comp. Ins. Fund		9,244
Self Insurance Liability Fund		191,061
Stores Fund		19,812
Information Technology Fund	143,164	
<i>Temporary Loan to General Fund</i>	(108,702)	
<i>Net Balance, Equipment Replacement Fund</i>		34,462
Equipment Replacement	307,538	
<i>Temporary Loan to General Fund</i>	(307,538)	
<i>Net Balance, Equipment Replacement Fund</i>		-
Compensated Absences Fund		38,640
Contingency Reserve Fund		-
Public Employee Retirement - PERS		547,227
Open Space Fund		256
Capital Improvement Projects		338,455
TOTAL GENERAL FUND & COUNCIL DESIGNATED FUNDS		<u>1,179,157</u>

On a fiscal year basis the City's annual budget balances expenditures and revenue in the General Fund. Due to the timing of revenue receipts, during most of the fiscal year General Fund expenditures will outpace revenue.


To resolve this cash flow issue, in July of this fiscal year a \$1,247,152 loan from Contingency Reserve was transferred to the General Fund. The Contingency Reserve was established to "provide a prudent level of financial resources to protect against temporary revenue shortfalls or unanticipated operating costs, and/or to meet short-term cash flow requirements."

Although it is anticipated the Contingency Reserve loan will be sufficient to provide operational cash in the General Fund, in some fiscal years the General Fund may borrow additional funds from Internal Service Funds, particularly in November and December prior to the receipt of Property Tax revenue.

It is anticipated the Contingency Reserve loan to General Fund will be repaid by June 30, 2011.



 Jamie Goldstein, City Manager



 Jacques J.J. Bertrand, City Treasurer

12/3/10

 Date

12.21.10

 Date

City of Capitola
City Checks Issued 12/03/10

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
64905	12/03/2010 Invoice 18549	Open	Date 11/22/2010	Description Auto Keys-PD	AA SAFE & SECURITY CO.	\$118.05
64906	12/03/2010 Invoice 3595	Open	Date 11/15/2010	Description Sweeper Brooms-Fund 1310, Gas Tax	ACME ROTARY BROOM SERVICE	\$1,296.37
64907	12/03/2010 Invoice 35880002 35879995	Open	Date 11/06/2010 11/06/2010	Description Dec-Feb11 Alarm Monitoring, Evidence Lo Qtrly Alarm Monitoring, Dec-Feb11, PD	ADT SECURITY SERVICES, INC.	\$256.41
64908	12/03/2010 Invoice Nov2010	Open	Date 11/16/2010	Description Aflac Ins. deductions, 11-19-10 Payroll Employee Funded	AFLAC	\$751.48
64909	12/03/2010 Invoice 1797337	Open	Date 11/01/2010	Description 9 ea Cover Plates, NB Gym Floor	ANACONDA SPORTS INC.	\$1,188.00
64910	12/03/2010 Invoice 195178 195152	Open	Date 09/22/2010 09/22/2010	Description Radar Equipment, PD Radar Equipment, PD	APPLIED CONCEPTS INC.	\$6,801.91
64911	12/03/2010 Invoice 36722 36796	Open	Date 11/22/2010 11/22/2010	Description Wharf Meter Reading - Nov 2010-Wharf F Pac Cove MHP Meter Reading - Nov 2010	AUTOMATED TEST ASSOCIATES	\$92.00
64912	12/03/2010 Invoice 2611	Open	Date 11/18/2010	Description Monthly Landscape Maint fee, Pac Cove IV	BACK TO EDEN LANDSCAPING INC.	\$575.00
64913	12/03/2010 Invoice 2011-00000358	Open	Date 11/30/2010	Description Late Fall Instr.Payments 2010	BARTLETT, GERRY	\$1,771.90
64914	12/03/2010 Invoice 2011-00000362	Open	Date 11/30/2010	Description Late Fall Instr.Payments 2010	BEATHAM, LINDA	\$198.90
64915	12/03/2010 Invoice 419366	Open	Date 10/31/2010	Description Surf & Sand Litigation Exp	BERLINER-COHEN	\$220.00

City Checks Issued 12/03/10

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
64916	12/03/2010 Invoice 2011-00000372	Open	Date 11/30/2010	Description Late Fall Instr.Payments 2010	BETZ, SHERRI	\$3,924.70
64917	12/03/2010 Invoice Tng-Oct10	Open	Date 11/29/2010	Description Reimb Meals Exp, Tng Course-PD	BOOTH, MARQUIS	\$264.95
64918	12/03/2010 Invoice 63334	Open	Date 07/15/2010	Description Jr. Guards awards 2nd Session	BRINKS AWARDS & SIGNS	\$1,137.71
64919	12/03/2010 Invoice 2134775	Open	Date 11/18/2010	Description 2010/11 Copyright License	BROADCAST MUSIC INC.	\$305.00
64920	12/03/2010 Invoice Dec2010	Open	Date 11/18/2010	Description Long Term Disability Ins - PD	CALIF. LAW ENFORCEMENT ASSOC.	\$390.00
64921	12/03/2010 Invoice CAFR Award	Open	Date 11/18/2010	Description Application Fee, CAFR Awards Program	CALIF SOCIETY OF MUNICIPAL FINAN	\$50.00
64922	12/03/2010 Invoice Dec 2010	Open	Date 11/15/2010	Description Employee Health Ins, Employee Funded	CalPERS Health Insurance	\$42,025.35
64923	12/03/2010 Invoice POA12-3	Open	Date 11/30/2010	Description POA Dues, 12/3	CAPITOLA PEACE OFFICERS ASSOC	\$704.06
64924	12/03/2010 Invoice 2011-00000351	Open	Date 11/30/2010	Description Late Fall Instr.Payments 2010	CASEY, CHERISSA	\$455.00
64925	12/03/2010 Invoice 5646-Nov/Dec10	Open	Date 11/11/2010	Description Internet Access, Nov-Dec10 Fund 2211, IT	Charter Communications	\$129.99
64926	12/03/2010 Invoice Q1 Comm Grant	Open	Date 11/18/2010	Description Q1 Comm Grant	CONFLICT RESOLUTION CENTER OF	\$689.50
64927	12/03/2010 Invoice 2011-00000348	Open	Date 11/30/2010	Description Late Fall Instr.Payments 2010	COPUS, ALISA DAWN	\$195.00

City of Capitola
City Checks Issued 12/03/10

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
64928	12/03/2010	Open			DEVCO OIL INC.	\$2,128.83
	Invoice		Date	Description		Amount
	70201		11/04/2010	569 Gal Gas		\$1,819.00
	70202		11/04/2010	100 Gal Diesel		\$309.83
64929	12/03/2010	Open			DICKS, CHUCK	\$185.25
	Invoice		Date	Description		Amount
	2011-00000352		11/30/2010	Late Fall Instr.Payments 2010		\$185.25
64930	12/03/2010	Open			DIEHL, EVANS & COMPANY, LLC	\$225.00
	Invoice		Date	Description		Amount
	20101214		11/18/2010	2010 Gov't Tax Seminar, Pearson		\$225.00
64931	12/03/2010	Open			EVANS, PAT	\$185.25
	Invoice		Date	Description		Amount
	2011-00000369		11/30/2010	Late Fall Instr.Payments 2010		\$185.25
64932	12/03/2010	Open			EWING IRRIGATION	\$10.27
	Invoice		Date	Description		Amount
	2595156		11/10/2010	Irrigation Parts		\$10.27
64933	12/03/2010	Open			FAIA ARTWORKS	\$532.35
	Invoice		Date	Description		Amount
	2011-00000364		11/30/2010	Late Fall Instr.Payments 2010		\$532.35
64934	12/03/2010	Open			FEDERAL EXPRESS	\$99.92
	Invoice		Date	Description		Amount
	7-300-15711		11/18/2010	Oct-Nov Shipping		\$99.92
64935	12/03/2010	Open			FILICE, RENEE	\$514.80
	Invoice		Date	Description		Amount
	2011-00000371		11/30/2010	Late Fall Instr.Payments 2010		\$514.80
64936	12/03/2010	Open			FIRST ALARM	\$195.00
	Invoice		Date	Description		Amount
	404669		11/20/2010	Comm Center Alarm, Dec10-Feb11		\$195.00
64937	12/03/2010	Open			FITZGERALD, AIMEE	\$362.70
	Invoice		Date	Description		Amount
	2011-00000347		11/30/2010	Late Fall Instr.Payments 2010		\$362.70
64938	12/03/2010	Open			FORENSICS SOURCE/SAFARILAND	\$135.45
	Invoice		Date	Description		Amount
	110-091466		11/09/2010	Gun and Knife Boxes, PD		\$135.45
64939	12/03/2010	Open			FRANCA, CLAUDIO	\$169.00
	Invoice		Date	Description		Amount
	2011-00000353		11/30/2010	Late Fall Instr.Payments 2010		\$169.00

City of Capitola
City Checks Issued 12/03/10

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
64940	12/03/2010 Invoice 2011-00000365	Open	Date 11/30/2010	Description Late Fall Instr.Payments 2010	FRANZELLA, MICHELE	\$386.75
64941	12/03/2010 Invoice 16576	Open	Date 07/06/2010	Description Uniform Exp - Vazquez	GALLI UNIFORM COMPANY	\$152.90
64942	12/03/2010 Invoice 2011-00000373	Open	Date 11/30/2010	Description Late Fall Instr.Payments 2010	GEDDES, SESE EGAN	\$401.60
64943	12/03/2010 Invoice 87	Open	Date 11/04/2010	Description 6 each Ergonomic Evaluations, PD & CH	GRAHAM-GARCIA, BARBARA	\$1,500.00
64944	12/03/2010 Invoice 2011-00000354	Open	Date 11/30/2010	Description Late Fall Instr.Payments 2010	HILL, CAROL	\$385.45
64945	12/03/2010 Invoice 11/15-11/19/10 11/22-11/26/10	Open	Date 11/29/2010 11/29/2010	Description FY 10/11 In-House Mechanic FY 10/11 In-House Mechanic	HOWARD, CHARLIE	\$1,160.00
64946	12/03/2010 Invoice ICMA12-3	Open	Date 11/30/2010	Description Retirement Plan Contr, Employee Funded	ICMA RETIREMENT TRUST 457	\$6,432.50
64947	12/03/2010 Invoice 2011-00000350	Open	Date 11/30/2010	Description Late Fall Instr.Payments 2010	INK, BRUCE	\$345.80
64948	12/03/2010 Invoice 1192010	Open	Date 11/09/2010	Description Arborist Annual Report, Pac Cove	JAMES P ALLEN & ASSOC	\$990.00
64949	12/03/2010 Invoice 111010	Open	Date 11/10/2010	Description Backflow Testing, 41st Ave.	JIM CLARK BACKFLOW	\$90.00
64950	12/03/2010 Invoice 94013	Open	Date 11/15/2010	Description Toilet Replacement, Jade St Park	JIMMIE SMITH PLUMBING, INC.	\$461.85
64951	12/03/2010 Invoice 2011-00000366	Open	Date 11/30/2010	Description Late Fall Instr.Payments 2010	JIN, SANG UN	\$263.25

City of Capitola
City Checks Issued 12/03/10

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
64952	12/03/2010 Invoice 2011-00000349	Open	Date 11/30/2010	Description Late Fall Instr.Payments 2010	JOHANNA, ANOUK	\$436.80
64953	12/03/2010 Invoice 2011-00000370	Open	Date 11/30/2010	Description Late Fall Instr.Payments 2010	KAPLAN, PHIL	\$586.95
64954	12/03/2010 Invoice 2011-00000363	Open	Date 11/30/2010	Description Late Fall Instr.Payments 2010	KINNAMON, LORRAINE	\$268.45
64955	12/03/2010 Invoice 11	Open	Date 12/01/2010	Description FY10/11 Building Code Inspection Service	KOSTELEK, DANIEL	\$2,700.00
64956	12/03/2010 Invoice 50541559 50831559	Open	Date 11/12/2010 11/19/2010	Description FY 10/11 Temporary Staff FY 10/11 Temporary Staff	LABOR READY SOUTHWEST INC.	\$1,674.49
64957	12/03/2010 Invoice 2011-00000359	Open	Date 11/30/2010	Description Late Fall Instr.Payments 2010	LAMA, KUMAR	\$179.40
64958	12/03/2010 Invoice 200910 201576	Open	Date 11/05/2010 11/22/2010	Description Auto Parts Tires/PD 2002 Impala	LLOYD'S TIRE SERVICE INC.	\$301.88
64959	12/03/2010 Invoice 2011-00000355	Open	Date 11/30/2010	Description Late Fall Instr.Payments 2010	LOVELAND, CORINNE	\$393.25
64960	12/03/2010 Invoice 2011-00000374	Open	Date 11/30/2010	Description Late Fall Instr.Payments 2010	MARRUJO, SANDY	\$296.40
64961	12/03/2010 Invoice 2011-00000380	Open	Date 11/30/2010	Description Late Fall Instr.Payments 2010	MATTERN, MARK	\$687.70
64962	12/03/2010 Invoice 2011-00000375	Open	Date 11/30/2010	Description Late Fall Instr.Payments 2010	MCCUTCHEN, SUELLEN	\$178.75

City Checks Issued 12/03/10

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
64963	12/03/2010 Invoice 2011-00000360	Open	Date 11/30/2010	Description Late Fall Instr.Payments 2010	McDOWELL, KEVIN	\$117.00
64964	12/03/2010 Invoice 2011-00000367	Open	Date 11/30/2010	Description Late Fall Instr.Payments 2010	MCLAUGHLIN, MARY	\$1,419.60
64965	12/03/2010 Invoice 10	Open	Date 11/18/2010	Description Riparian Restoration	McMENAMIN, GEORGE	\$187.50
64966	12/03/2010 Invoice 242634 242095 242105 242198 242197 242455 242224	Open	Date 11/09/2010 11/04/2010 11/04/2010 11/04/2010 11/05/2010 11/08/2010 11/05/2010	Description Auto Parts-PD Motorcycle Sweeper Maintenance-Fund 1310, Gas Ta Auto Parts-2004 Impala Auto Parts Return Auto Parts-2004 Impala Auto Parts Return Auto Parts-PD KZ-1000	MID-COUNTY AUTO SUPPLY	\$170.95
64967	12/03/2010 Invoice 81419	Open	Date 11/03/2010	Description Records Mgmt, Nov Storage, Oct Handling	MILLER'S TRANSFER & STORAGE CO	\$187.85
64968	12/03/2010 Invoice 2011-00000377	Open	Date 11/30/2010	Description Late Fall Instr.Payments 2010	MORRISSEY, YOSHIE	\$221.00
64969	12/03/2010 Invoice 2011-00000356	Open	Date 11/30/2010	Description Late Fall Instr.Payments 2010	MURPHY, COLLEEN, ELLEN	\$592.80
64970	12/03/2010 Invoice 2010-11	Open	Date 11/19/2010	Description Reimb Conf Attendance Expenses	MURPHY, LISA	\$134.00
64971	12/03/2010 Invoice CalPelRaConf	Open	Date 11/18/2010	Description Reimb Travel Exp, Conf Attendance	NICHOLS, LIZ	\$58.43
64972	12/03/2010 Invoice 2011-00000368	Open	Date 11/30/2010	Description Late Fall Instr.Payments 2010	OFFUTT, MELISSA	\$1,228.50

City of Capitola
City Checks Issued 12/03/10

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
64973	12/03/2010	Open			ORCHARD SUPPLY HARDWARE	\$71.48
	Invoice		Date	Description		Amount
	6015-2275733		11/09/2010	Small Tools		\$16.90
	6013-1218622		11/10/2010	Batteries		\$12.01
	6014-2271496		11/18/2010	Shop Storage Containers, Corp Yd		\$42.57
64974	12/03/2010	Open			PACIFIC GAS & ELECTRIC	\$12,555.32
	Invoice		Date	Description		Amount
	Oct-Nov10PG&E		11/18/2010	Monthly Elec		\$12,555.32
				Fund 1000, General Fund=\$4015.55		
				Fund 1300, SLESF=\$189.66		
				Fund 1310, Gas Tax=\$6500.70		
				Fund 1311, Wharf Fund=\$1849.41		
64975	12/03/2010	Open			PACIFIC GAS & ELECTRIC	\$409.55
	Invoice		Date	Description		Amount
	Oct-NovPG&E, MHP		11/18/2010	Pac Cove MHP Elec and Gas		\$409.55
64976	12/03/2010	Open			PALACE ART & OFFICE SUPPLIES	\$325.63
	Invoice		Date	Description		Amount
	877064		11/12/2010	Paper, PD		\$46.87
	877498		11/16/2010	Office Supplies, City Hall		\$21.71
	877764		11/17/2010	Office Supplies, City Hall		\$4.79
	877575		11/16/2010	Office Supplies, PD		\$47.73
	877675		11/16/2010	Office Supplies, PD		\$97.93
	877736		11/17/2010	Office Supplies, PD		\$9.05
	877759		11/17/2010	Office Supplies, PD		\$97.55
64977	12/03/2010	Open			PENINSULA COMMUNICATIONS	\$3,940.26
	Invoice		Date	Description		Amount
	10093		10/28/2010	Two Kenwood Mobile Radios w/mounting h		\$3,980.74
	CM6002		11/19/2010	Rec Credit on Acct, Jan09		(\$40.48)
64978	12/03/2010	Open			PHIL ALLEGRI ELECTRIC, INC.	\$238.70
	Invoice		Date	Description		Amount
	15516		11/11/2010	Electrical work, Council Chambers		\$238.70
64979	12/03/2010	Open			POT, TRENISE	\$572.00
	Invoice		Date	Description		Amount
	2011-00000376		11/30/2010	Late Fall Instr.Payments 2010		\$572.00
64980	12/03/2010	Open			REDMON, CAROLINE	\$559.00
	Invoice		Date	Description		Amount
	2011-00000357		11/30/2010	Late Fall Instr.Payments 2010		\$559.00
64981	12/03/2010	Open			ROBERT DEACON	\$2,010.13
	Invoice		Date	Description		Amount
	Dec 2010		11/18/2010	Dec 2010 Rent, PD Annex		\$2,010.13

City Checks Issued 12/03/10

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
64982	12/03/2010 Invoice 11152010	Open	Date 11/15/2010	Description Nov2010 Parking Meter Services	ROSEMAN, LEWIS	\$2,947.24
64983	12/03/2010 Invoice 138352a	Open	Date 11/02/2010	Description Sandbags	SACRAMENTO BAG MANUFACTURING	\$100.00
64984	12/03/2010 Invoice 034-072-01-1 034-541-34-1 035-141-35-1 035-262-07-1 036-101-37-1	Open	Date 10/13/2010 10/13/2010 10/13/2010 10/13/2010 10/13/2010	Description 034-072-01, 1400 Wharf Rd-Fund 1311, W 034-541-34, Library 035-141-35, City Hall 035-262-07, Esplanade Park 036-101-37, New Brighton Gym	SANTA CRUZ COUNTY TAX COLLECTOR	\$6,683.05
64985	12/03/2010 Invoice 2011-00000378	Open	Date 11/30/2010	Description Late Fall Instr.Payments 2010	SHEN, YAMING	\$562.90
64986	12/03/2010 Invoice 10192010	Open	Date 10/26/2010	Description Repair of Jade St Comm Ctr siding	SMITH, BRET	\$1,906.59
64987	12/03/2010 Invoice Sep-Nov Water	Open	Date 11/12/2010	Description Water Use, Sep-Nov2010 Fund 1311, Wharf fund=\$431.27	SOQUEL CREEK WATER DISTRICT	\$8,431.65
64988	12/03/2010 Invoice 2011-00000379	Open	Date 11/30/2010	Description Late Fall Instr.Payments 2010	STEVENS, CLAUDIA	\$179.40
64989	12/03/2010 Invoice 310	Open	Date 11/09/2010	Description FY10/11 Open Access Inquiry Service	SUPERIOR COURT	\$50.00
64990	12/03/2010 Invoice 2011-00000361	Open	Date 11/30/2010	Description Late Fall Instr.Payments 2010	SWEET, KATHERINE	\$568.10
64991	12/03/2010 Invoice 5139818-8	Open	Date 11/18/2010	Description City Employee Life and Disability Ins-Dec2	THE HARTFORD -PRIORITY ACCOUNT	\$1,860.69
64992	12/03/2010 Invoice 2011-00000343	Open	Date 11/22/2010	Description Volleyball Oct 30 to Nov 20 2010	THILL, WENDY	\$160.00

City Checks Issued 12/03/10

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount	
64993	12/03/2010	Open			UNION BANK OF CALIFORNIA	\$279.83	
	Invoice		Date	Description		Amount	
	PARS 12-3PR		11/30/2010	PARS Contr, 12-3 PR, Employee Funded		\$279.83	
64994	12/03/2010	Open			UNITED PARCEL SERVICE	\$129.41	
	Invoice		Date	Description		Amount	
	954791450		11/06/2010	Weekly Shipping, PD		\$80.64	
	954791470		11/20/2010	Weekly Shipping, PD		\$48.77	
64995	12/03/2010	Open			UNITED RENTALS NORTHWEST INC.	\$31.80	
	Invoice		Date	Description		Amount	
	90877436-001		11/17/2010	Auger		\$31.80	
64996	12/03/2010	Open			Van Den Heuvel, Dana	\$1,241.90	
	Invoice		Date	Description		Amount	
	Tng-Nov10		11/18/2010	Reimb Travel Exp. for Training Crs		\$1,241.90	
64997	12/03/2010	Open			WILEY, PRICE & RADULOVICH, LLP	\$493.50	
	Invoice		Date	Description		Amount	
	19505		10/31/2010	Legal Advice, Labor & Employment		\$493.50	
64998	12/03/2010	Open			WOMENCARE	\$566.25	
	Invoice		Date	Description		Amount	
	Q1 Comm Grant		11/18/2010	Q1 Community Grant		\$566.25	
64999	12/03/2010	Open			EDELMAN, RACHELLE, RUIZ	\$96.00	
	Invoice		Date	Description		Amount	
	SNTG461		11/19/2010	Overpaid Fix-It Ticket		\$96.00	
65000	12/03/2010	Open			TON, JOHN	\$33.00	
	Invoice		Date	Description		Amount	
	8M17805		11/19/2010	Paid Citation that was dismissed; had pern		\$33.00	
65001	12/03/2010	Open			Woods, Ted	\$500.00	
	Invoice		Date	Description		Amount	
	10-077		11/30/2010	Tree Removal Deposit Refund		\$500.00	
Check Totals:				Count	97	Total	\$140,380.28

Checks dated 12/10/10 numbered 65002 to 65056 for a total of \$95,336.84 have been reviewed and authorized for distribution by the City Manager and City Treasurer.

As of 12/10/10 the unaudited cash balance is \$998,755

CASH POSITION - CITY OF CAPITOLA 12/10/10

	Temporary <u>Loans</u>	<u>Net Balance</u>
General Fund	(601,893)	
<i>Temporary Loan from Internal Svc Funds</i>	<u>601,893</u>	
<i>Net Balance, General Fund</i>		-
Worker's Comp. Ins. Fund		9,244
Self Insurance Liability Fund	191,061	
<i>Temporary Loan to General Fund</i>	<u>(152,623)</u>	
<i>Net Balance, Self Insurance Liab Fund</i>		38,438
Stores Fund		16,271
Information Technology Fund	141,732	
<i>Temporary Loan to General Fund</i>	<u>(141,732)</u>	
<i>Net Balance, Information Technology Fund</i>		-
Equipment Replacement	307,538	
<i>Temporary Loan to General Fund</i>	<u>(307,538)</u>	
<i>Net Balance, Equipment Replacement Fund</i>		-
Compensated Absences Fund		38,640
Contingency Reserve Fund		-
Public Employee Retirement - PERS		508,062
Open Space Fund		256
Capital Improvement Projects		<u>377,845</u>
TOTAL GENERAL FUND & COUNCIL DESIGNATED FUNDS		<u><u>988,755</u></u>

On a fiscal year basis the City's annual budget balances expenditures and revenue in the General Fund. Due to the timing of revenue receipts, during most of the fiscal year General Fund expenditures will outpace revenue.

To resolve this cash flow issue, in July of this fiscal year a \$1,247,152 loan from Contingency Reserve was transferred to the General Fund. The Contingency Reserve was established to "provide a prudent level of financial resources to protect against temporary revenue shortfalls or unanticipated operating costs, and/or to meet short-term cash flow requirements."

Although it is anticipated the Contingency Reserve loan will be sufficient to provide operational cash in the General Fund, in some fiscal years the General Fund may borrow additional funds from Internal Service Funds, particularly in November and December prior to the receipt of Property Tax revenue.

It is anticipated the Contingency Reserve loan to General Fund will be repaid by June 30, 2011.



 Jamie Goldstein, City Manager

12/10/10

 Date



 Jacques J.J. Bertrand, City Treasurer

12.21.10

 Date

City of Capitola
City Checks Issued 12/10/10

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
65002	12/10/2010 Invoice 41605	Open	Date 11/10/2010	Description Repair deadbolt and adjust Esplanade Restroom	ALLSAFE LOCK COMPANY	\$59.00
65003	12/10/2010 Invoice 1766540	Open	Date 11/13/2010	Description Telephone Service, All Sites Fund 2211, IT=\$281.66	AT&T/CALNET 2	\$2,133.07
65004	12/10/2010 Invoice 1040-001Oct10 1040E-Oct10	Open	Date 10/31/2010 10/31/2010	Description Oct 2010 General Attny Services Add'l Legal Svcs, Oct 2010	ATCHISON, BARISONE, & CONDOTTI	\$43,842.42
65005	12/10/2010 Invoice Draw#6 Draw#7	Open	Date 10/12/2010 12/03/2010	Description BASAPA Draw #6 BASAPA Draw#7 Fund 1370, HOME ReUse	BAY AVENUE SENIOR HOUSING, LP	\$3,075.00
65006	12/10/2010 Invoice 2940016 2939981 2940087 2517071	Open	Date 11/15/2010 11/13/2010 11/16/2010 11/18/2010	Description Misc Maint Supplies Pac Cove Parking Lot Fence Construction materials - PacCove Fence Wood - Pac Cove Fence	BIG CREEK LUMBER	\$2,122.26
65007	12/10/2010 Invoice 2011-00000386	Open	Date 12/07/2010	Description Paul's Instructor Payment LF	BRESLIN-KESSLER, PAUL	\$4,733.95
65008	12/10/2010 Invoice 0723	Open	Date 11/17/2010	Description Inspection-Corp Yard	CENTRAL FIRE PROTECTION DISTRICT	\$80.00
65009	12/10/2010 Invoice 7911781	Open	Date 11/20/2010	Description Copier Lease Pymt, City Hall Fund 2210, Stores	DE LAGE LANDEN FINANCIAL SERVICE	\$337.16
65010	12/10/2010 Invoice 70259 70260	Open	Date 11/11/2010 11/11/2010	Description 438 Gal Gas 100 Gal Diesel	DEVCO OIL INC.	\$1,773.50
65011	12/10/2010 Invoice 2677	Open	Date 12/01/2010	Description Quarterly lube and inspection	ELEVATOR SERVICE COMPANY, INC.	\$165.00

City of Capitola
City Checks Issued 12/10/10

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
65012	12/10/2010	Open			FLYNN, CAROLYN	\$2,250.00
	Invoice		Date	Description		Amount
	CBF-11-2010-a		11/30/2010	41st Avenue/Capitola Mall Re-Visioning Pl.		\$400.00
	CBF-11-2010-2B		11/30/2010	Green Economy/Carbon Emmissions Inve		\$300.00
	CBF-11-2010-2c		11/30/2010	10/11 CDBG Program Management		\$300.00
	CBF-11-2010-2d		11/30/2010	Amendment #1 General Plan Professional		\$1,250.00
				Fund 1313, Gen Plan=\$1950.00		
				Fund 1351, CDBG=\$300.00		
65013	12/10/2010	Open			FORTUNE INVESTIGATIONS	\$1,955.00
	Invoice		Date	Description		Amount
	10-10-01		11/05/2010	Admin Personnel Investigation-PD		\$1,955.00
65014	12/10/2010	Open			IAPE/INTERNAT'L ASSOC OF PROPER	\$350.00
	Invoice		Date	Description		Amount
	IAPE Tng Feb2011		12/08/2010	International membership property/Esmer		\$350.00
65015	12/10/2010	Open			JOHNSON, ROBERTS, & ASSOCIATES	\$37.90
	Invoice		Date	Description		Amount
	114371		11/08/2010	PHQ Reports - PD		\$37.90
65016	12/10/2010	Open			KING'S PAINT AND PAPER, INC.	\$54.48
	Invoice		Date	Description		Amount
	A128650		11/09/2010	Misc supplies		\$54.48
65017	12/10/2010	Open			LABOR READY SOUTHWEST INC.	\$605.79
	Invoice		Date	Description		Amount
	51041559		11/26/2010	FY 10/11 Temporary Staff		\$605.79
65018	12/10/2010	Open			MARCHESE, HELEN	\$435.58
	Invoice		Date	Description		Amount
	Petty Cash - Dec		12/07/2010	Dec2010 Petty Cash Replenish		\$435.58
65019	12/10/2010	Open			MARTIN, BRIAN, K.	\$534.33
	Invoice		Date	Description		Amount
	11-2010		12/01/2010	Nov2010 Grant Management Fee		\$534.33
				Fund 1300, SLESF		
65020	12/10/2010	Open			MID-COUNTY AUTO SUPPLY	\$127.09
	Invoice		Date	Description		Amount
	243198		11/15/2010	auto parts-All City Vehicles		\$28.76
	243300		11/16/2010	auto parts-PW F250		\$98.33
65021	12/10/2010	Open			MISSION LINEN SUPPLY	\$673.46
	Invoice		Date	Description		Amount
	Nov10		11/30/2010	Mat, Uniform Cleaning, Nov10		\$673.46
				All Sites		

City of Capitola
City Checks Issued 12/10/10

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
65022	12/10/2010	Open			NATIVE ANIMAL RESCUE	\$297.00
	Invoice		Date	Description		Amount
	Q1 CommGrant		12/07/2010	Q1 2010/11 Community Grant		\$297.00
65023	12/10/2010	Open			ORCHARD SUPPLY HARDWARE	\$244.14
	Invoice		Date	Description		Amount
	6011-9281550		11/17/2010	Misc.		\$67.66
	6013-1210015		11/18/2010	Gate Hardware - PacCove Fence		\$55.61
	6011-9281797		11/18/2010	Misc.		\$94.67
	6011-9282718		11/22/2010	Doggie Boxes		\$26.20
65024	12/10/2010	Open			PACIFIC VETERINARY SPECIALISTS II	\$137.50
	Invoice		Date	Description		Amount
	178788		11/12/2010	Animal Control Expense, PD		\$137.50
65025	12/10/2010	Open			PALACE ART & OFFICE SUPPLIES	\$148.40
	Invoice		Date	Description		Amount
	877682		11/18/2010	Office Supplies, PD		\$13.11
	878587		11/22/2010	Office Supplies - PD		\$68.12
	878649		11/22/2010	Office Supplies - PD		\$46.87
	878706		11/23/2010	Office Supplies - PD		\$42.49
	C-868535		10/29/2010	Return Misc Supplies		(\$64.32)
	8551779		12/03/2010	Office Supplies		\$65.08
	C874985		11/03/2010	Return Office Supplies		(\$35.06)
	C874443		10/29/2010	Return Office Supplies		(\$3.50)
	8558961		12/08/2010	Office Supplies		\$15.61
65026	12/10/2010	Open			PAPE MACHINERY	\$17.26
	Invoice		Date	Description		Amount
	6546930		11/24/2010	Auto Parts for Bobcat Loader		\$17.26
65027	12/10/2010	Open			PHIL ALLEGRI ELECTRIC, INC.	\$533.15
	Invoice		Date	Description		Amount
	15449		10/25/2010	Council Chamber Sound Sys Ground Rod		\$256.15
	15548		11/22/2010	Street Light Repair		\$277.00
				Fund 1320, PEG=\$256.15		
65028	12/10/2010	Open			PHOENIX GROUP INFORMATION SYS	\$1,326.43
	Invoice		Date	Description		Amount
	102010070		11/10/2010	Oct 2010 Citation Surcharges		\$1,326.43
65029	12/10/2010	Open			PITNEY BOWES INC.	\$147.49
	Invoice		Date	Description		Amount
	443289		11/15/2010	Postage meter rental-Rec Dept		\$147.49

City of Capitola
City Checks Issued 12/10/10

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
65030	12/10/2010 Invoice Nov2010	Open	Date 11/19/2010	Description Nov 2010 Postage Refills-ID#1510476020 Fund 2210, Stores	PITNEY BOWES INC.	\$2,952.97
65031	12/10/2010 Invoice 17598	Open	Date 11/12/2010	Description Parking Meter Repair Parts	POM INCORPORATED	\$190.21
65032	12/10/2010 Invoice 38127841	Open	Date 11/20/2010	Description Gases, Corp Yard	PRAXAIR DISTRIBUTION INC.	\$50.59
65033	12/10/2010 Invoice 66833	Open	Date 11/16/2010	Description 1000 Business License Envelopes Fund 2210, Stores	PRINTING SYSTEMS, INC.	\$150.17
65034	12/10/2010 Invoice 5469066	Open	Date 11/18/2010	Description Fence Boards	ProBUILD COMPANY LLC	\$209.67
65035	12/10/2010 Invoice 1414145	Open	Date 12/01/2010	Description Dec10 Internet Access	RED SHIFT INTERNET SERVICES	\$49.94
65036	12/10/2010 Invoice 23989	Open	Date 11/29/2010	Description Drain Cleaning, Wharf Fund 1311, Wharf	ROTO-ROOTER	\$280.00
65037	12/10/2010 Invoice Oct 2010	Open	Date 11/19/2010	Description Booking fees Oct 2010	SANTA CRUZ COUNTY CORRECTIONS	\$956.08
65038	12/10/2010 Invoice 110410	Open	Date 11/04/2010	Description PD vehicles - 12 tires	SANTA CRUZ COUNTY G.S.D. WAREH	\$1,434.00
65039	12/10/2010 Invoice 81906	Open	Date 11/01/2010	Description Semi-annual Service, Wharf Stg Shed Fund 1311, Wharf	SANTA CRUZ FIRE EQUIPMENT CO.	\$152.31
65040	12/10/2010 Invoice 101115	Open	Date 11/15/2010	Description Installation of 4wire circuit for CPD Blue R Grant Funded	SANTA CRUZ REGIONAL 911	\$1,813.80

City of Capitola
City Checks Issued 12/10/10

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
65041	12/10/2010	Open			SOQUEL CREEK WATER DISTRICT	\$3,506.31
	Invoice		Date	Description		Amount
	Sep-Nov10b		11/17/2010	Semi-monthly water use		\$3,406.31
	0001469		12/02/2010	Oct 2010 Bulk Water-Fund 1310, Gas Tax		\$50.00
	0001491		12/02/2010	Nov 2010 Bulk Water-Fund 1310, Gas Tax		\$50.00
65042	12/10/2010	Open			SWIFT, STEVE	\$87.19
	Invoice		Date	Description		Amount
	6007-9874741		12/03/2010	Reimb for Misc Supplies, Museum		\$21.81
	HomeDepot-Nov		12/03/2010	Reimb Museum Maint Supplies Purchase		\$65.38
65043	12/10/2010	Open			TARGET SPECIALTY PRODUCTS	\$230.36
	Invoice		Date	Description		Amount
	1341916		11/29/2010	Roundup		\$230.36
65044	12/10/2010	Open			THE INTERNET CONNECTION INC. - G	\$150.00
	Invoice		Date	Description		Amount
	3917-15275		11/30/2010	Dec 2010 Website Hosting Reg#10311742		\$150.00
65045	12/10/2010	Open			THILL, WENDY	\$80.00
	Invoice		Date	Description		Amount
	2011-00000384		12/06/2010	Volleyball Official Nov 27 Dec 4 2010		\$80.00
65046	12/10/2010	Open			TLC ADMINISTRATORS, INC.	\$5,214.60
	Invoice		Date	Description		Amount
	93030-Dec10		12/01/2010	Empl Dental & Vision Ins. Dec10		\$5,214.60
65047	12/10/2010	Open			TLC ADMINISTRATORS, INC.	\$2,000.00
	Invoice		Date	Description		Amount
	Flex Cash		12/06/2010	Replenish Flex Plan Cash		\$2,000.00
65048	12/10/2010	Open			TRI-COUNTY BUSINESS SYSTEMS INC	\$98.08
	Invoice		Date	Description		Amount
	290798		11/15/2010	Maint Contract, Jan-Mar11, Copier		\$98.08
				Fund 2210, Stores		
65049	12/10/2010	Open			TRIPOLI, LINDA, A.	\$585.00
	Invoice		Date	Description		Amount
	2126		11/12/2010	General Legal Counsel		\$585.00
65050	12/10/2010	Open			UNITED PARCEL SERVICE	\$44.84
	Invoice		Date	Description		Amount
	954791490		12/04/2010	Weekly Shipping - PD		\$44.84
65051	12/10/2010	Open			UNITED STATES POSTAL SERVICE	\$5,300.00
	Invoice		Date	Description		Amount
	Winter2011		12/07/2010	Postage for Mailing of Winter brochure		\$5,300.00

City Checks Issued 12/10/10

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
65052	12/10/2010 Invoice 2011-00000388	Open	Date 12/07/2010	Description Tree Deposit Refund #10-071	Biancalana, David and Marcia	\$500.00
65053	12/10/2010 Invoice 2011-00000389	Open	Date 12/08/2010	Description Property and Evidence class-PD	Embassy Suites Hotel	\$199.36
65054	12/10/2010 Invoice 2011-00000385	Open	Date 12/07/2010	Description Center rental deposit refund	Harbor Supported Living	\$150.00
65055	12/10/2010 Invoice 12132639	Open	Date 12/02/2010	Description Refund Citation Dismissed by Examiner	Hollis, Chris	\$255.00
65056	12/10/2010 Invoice 2011-00000390	Open	Date 12/08/2010	Description Tree Deposit Refund #10-090	Langholff, Kurt and Julie	\$500.00
Check Totals:				Count	55	Total \$95,336.84

Checks dated 12/17/10 numbered 65057 to 65150 for a total of \$210,182.65 have been reviewed and authorized for distribution by the City Manager and City Treasurer.

As of 12/17/10 the unaudited cash balance is \$2,128,246

CASH POSITION - CITY OF CAPITOLA 12/17/10


	Temporary <u>Loans</u>	<u>Net Balance</u>
General Fund		548,079
Worker's Comp. Ins. Fund		9,244
Self Insurance Liability Fund		191,061
Stores Fund		15,832
Information Technology Fund		140,561
Equipment Replacement		307,538
Compensated Absences Fund		38,640
Contingency Reserve Fund		-
Public Employee Retirement - PERS		513,851
Open Space Fund		256
Capital Improvement Projects		363,185
TOTAL GENERAL FUND & COUNCIL DESIGNATED FUNDS		<u><u>2,128,246</u></u>

On a fiscal year basis the City's annual budget balances expenditures and revenue in the General Fund. Due to the timing of revenue receipts, during most of the fiscal year General Fund expenditures will outpace revenue.

To resolve this cash flow issue, in July of this fiscal year a \$1,247,152 loan from Contingency Reserve was transferred to the General Fund. The Contingency Reserve was established to "provide a prudent level of financial resources to protect against temporary revenue shortfalls or unanticipated operating costs, and/or to meet short-term cash flow requirements."

Although it is anticipated the Contingency Reserve loan will be sufficient to provide operational cash in the General Fund, in some fiscal years the General Fund may borrow additional funds from Internal Service Funds, particularly in November and December prior to the receipt of Property Tax revenue.

It is anticipated the Contingency Reserve loan to General Fund will be repaid by June 30, 2011.



 Jamie Goldstein, City Manager

 12/17/10
 Date



 Jacques J.J. Bertrand, City Treasurer

 12.21.10
 Date

City of Capitola
City Checks Issued 12/17/10

Check Number	Invoice Number	Status	Void Reason	Description	Payee Name	Transaction Amount
65057	12/17/2010 Invoice CV-391310	Open	Date 09/13/2010	Description BIA Brochure, BIA Funded Funds 1321, BUA	57 DESIGN INC.	\$100.00
65058	12/17/2010 Invoice 2011-00000425	Open	Date 12/10/2010	Description Quarterly Community Grant Payment	ADVOCACY INC.	\$1,058.75
65059	12/17/2010 Invoice 1210-02	Open	Date 12/16/2010	Description Soquel Creek Fish Monitoring	ALLEY, DONALD	\$11,965.66
65060	12/17/2010 Invoice S1-215362	Open	Date 11/19/2010	Description ID Card Printer, PD	ALPHACARD	\$2,198.17
65061	12/17/2010 Invoice 231893	Open	Date 11/30/2010	Description Mower Blade	B & B SMALL ENGINE REPAIR	\$138.78
65062	12/17/2010 Invoice Draw 5-Dev	Open	Date 12/10/2010	Description BASAPA HOME Draw #5 Fund 1371, HOME Grant Fund	BAY AVENUE SENIOR HOUSING, LP	\$24,143.00
65063	12/17/2010 Invoice 420548	Open	Date 11/19/2010	Description Surf & Sand Litigation Exp	BERLINER-COHEN	\$357.50
65064	12/17/2010 Invoice 2011-00000398 2011-00000436	Open	Date 12/14/2010 12/15/2010	Description Late Fall Final Instructor Payments 2010 LF Added 2010	BETZ, SHERRI	\$1,076.40
65065	12/17/2010 Invoice 2011-00000409	Open	Date 12/10/2010	Description Quarterly Community Grant Payment	BIG BROTHERS BIG SISTERS OF SC (\$690.50
65066	12/17/2010 Invoice 230069-2011	Open	Date 12/08/2010	Description ASA Field Owners Liability	BOLLINGER INSURANCE	\$300.00
65067	12/17/2010 Invoice 2011-00000399	Open	Date 12/14/2010	Description Late Fall Final Instructor Payments 2010	BRESLIN-KESSLER, PAUL	\$269.10
65068	12/17/2010 Invoice 62330	Open	Date 12/03/2010	Description Departing Council Recognitions	BRINKS AWARDS & SIGNS	\$165.34

City Checks Issued 12/17/10

Check Number	Invoice Number	Status	Void Reason	Description	Payee Name	Transaction Amount
65069	12/17/2010 Invoice 2011-00000418	Open	Date 12/10/2010	Description Quarterly Community Grant Payment	CABRILLO COLLEGE STROKE CENTE	\$1,689.50
65070	12/17/2010 Invoice Hern-2011	Open	Date 10/08/2010	Description Membership, Hernandez, CY2011	CALIFORNIA ASSOCIATION FOR PROI	\$45.00
65071	12/17/2010 Invoice 10468944	Open	Date 12/06/2010	Description 2011 Employment Info Poster, 4 each Fund 2210, Stores	CALIFORNIA CHAMBER OF COMMERCE	\$162.99
65072	12/17/2010 Invoice 2011-00000403	Open	Date 12/10/2010	Description Quarterly Community Grant Payment	CALIFORNIA GREY BEARS INC.	\$3,485.25
65073	12/17/2010 Invoice 2011-00000427	Open	Date 12/10/2010	Description Quarterly Community Grant Payment	CALIFORNIA RURAL LEGAL ASSISTAN	\$906.50
65074	12/17/2010 Invoice 2011-00000419	Open	Date 12/10/2010	Description Quarterly Community Grant Payment	CAMPUS KIDS CONNECTION INC.	\$4,141.25
65075	12/17/2010 Invoice POA12-17	Open	Date 12/15/2010	Description POA Dues, 12/17-Employee Funded	CAPITOLA PEACE OFFICERS ASSOCI.	\$704.06
65076	12/17/2010 Invoice 2011 13094 13095	Open	Date 12/09/2010 11/29/2010 11/29/2010	Description Membership dues for 2011-PD Reimb Chamber for Holiday Parking Banner Reimb Chamber for Holiday Banners-BIA 1 Fund 1321, BIA=\$564.70	CAPITOLA-SOQUEL CHAMBER OF CO	\$894.70
65077	12/17/2010 Invoice 2011-00000423	Open	Date 12/10/2010	Description Quarterly Community Grant Payment	CENTRAL COAST CENTER FOR INDEF	\$3,674.25
65078	12/17/2010 Invoice 2011-00000401	Open	Date 12/14/2010	Description Late Fall Final Instructor Payments 2010	CLARK, DAVE	\$362.70
65079	12/17/2010 Invoice 1100999 1100999-01	Open	Date 11/19/2010 11/23/2010	Description Cleaning Supplies Cleaning Supplies	CLEAN SOURCE	\$777.76

City of Capitola
City Checks Issued 12/17/10

Check Number	Invoice Number	Status	Void Reason	Description	Payee Name	Transaction Amount
65080	12/17/2010	Open			COASTAL WATERSHED COUNCIL	\$1,363.97
	Invoice		Date	Description		Amount
	1052		11/30/2010	Storm Water Education and Outreach Ser		\$25.00
	1056		11/30/2010	Urban Watch/First Flush		\$1,338.97
65081	12/17/2010	Open			COMMUNITY ACTION BOARD OF SC C	\$339.00
	Invoice		Date	Description		Amount
	2011-00000422		12/10/2010	Quarterly Community Grant Payment		\$339.00
65082	12/17/2010	Open			COMMUNITY BRIDGES	\$27,632.25
	Invoice		Date	Description		Amount
	2011-00000406		12/10/2010	Quarterly Community Grant Payment		\$27,632.25
65083	12/17/2010	Open			CONFLICT RESOLUTION CENTER OF	\$929.50
	Invoice		Date	Description		Amount
	2011-00000434		12/10/2010	Quarterly Community Grant Payment		\$689.50
	20101210		12/10/2010	Arts Commission Facilitation, Dec 4		\$240.00
				Fund 1315, Public Arts Fund=\$240.00		
65084	12/17/2010	Open			CRUZIO THE INTERNET STORE INC.	\$39.95
	Invoice		Date	Description		Amount
	28750-6		12/02/2010	GP website hosting 12/23/10-01/22/11		\$39.95
				Fund 1313, Gen Plan Update		
65085	12/17/2010	Open			CULTURAL COUNCIL OF SANTA CRUZ	\$1,036.75
	Invoice		Date	Description		Amount
	2011-00000417		12/10/2010	Quarterly Community Grant Payment		\$1,036.75
65086	12/17/2010	Open			CVS PHARMACY INC.	\$41.91
	Invoice		Date	Description		Amount
	CVS-120810		12/08/2010	Office supplies		\$41.91
65087	12/17/2010	Open			DEPARTMENT OF MOTOR VEHICLES	\$23.00
	Invoice		Date	Description		Amount
	SE422074-11		10/19/2010	Trailer License Fee, PW Chipper		\$23.00
65088	12/17/2010	Open			DEPARTMENT OF MOTOR VEHICLES	\$210.00
	Invoice		Date	Description		Amount
	1KJ4938-2011		10/15/2010	Mobile Home Registration, 2011		\$210.00
65089	12/17/2010	Open			DEPARTMENT OF PESTICIDE REGUL/	\$60.00
	Invoice		Date	Description		Amount
	82271-2011		12/10/2010	Pesticide Appl License Renewal, Garcia		\$60.00
65090	12/17/2010	Open			DEVCO OIL INC.	\$2,138.05
	Invoice		Date	Description		Amount
	70318		11/18/2010	544 gal Gas		\$1,671.67
	70333		11/19/2010	150 gal Diesel		\$466.38

City of Capitola
City Checks Issued 12/17/10

Check Number	Invoice Number	Status	Void Reason	Description	Payee Name	Transaction Amount
65091	12/17/2010 Invoice 2011-00000416	Open	Date 12/10/2010	Description Quarterly Community Grant Payment	DIENTES COMMUNITY DENTAL CARE	\$344.50
65092	12/17/2010 Invoice 2011-00000396	Open	Date 12/10/2010	Description New Brighton Recycling	EDGAR, MARIA, V.	\$1,000.00
65093	12/17/2010 Invoice 291387 291386	Open	Date 11/22/2010 11/09/2010	Description Oct 2010 Legal Services, Surf & Sand Oct 2010 Legal Services, Los Altos/Granar	ENDEMAN, LINCOLN, TUREK & HEATE	\$17,736.44
65094	12/17/2010 Invoice 8183a 8183b	Open	Date 11/16/2010 11/16/2010	Description Annual Loan Payment - Principal Annual Loan Payment - Interest Fund 1310, Gas Tax Fund	ENERGY RESOURCE CONSERVATION	\$3,548.13
65095	12/17/2010 Invoice 2011-00000433	Open	Date 12/10/2010	Description Quarterly Community Grant Payment	FAMILIES IN TRANSITION	\$605.50
65096	12/17/2010 Invoice 2011-00000410	Open	Date 12/10/2010	Description Quarterly Community Grant Payment	FAMILY SERVICE AGENCY OF THE CE	\$2,149.75
65097	12/17/2010 Invoice 17015	Open	Date 11/19/2010	Description Uniform Exp, Gonzales	GALLI UNIFORM COMPANY	\$26.11
65098	12/17/2010 Invoice BP2009-278	Open	Date 12/10/2010	Description Refund Public Art Fee of Bldg permit Fund 1315, Public Arts Fund	GOODWILL INDUSTRIES	\$16,668.00
65099	12/17/2010 Invoice 20101201	Open	Date 12/16/2010	Description Reimb BIA Expenses, BIA Funded Fund 1321, BIA	HANNA, CARIN	\$471.92
65100	12/17/2010 Invoice 12235 12051 12050 12238 12237	Open	Date 12/08/2010 11/09/2010 11/09/2010 12/08/2010 12/08/2010	Description Capitola Road design services 2010 CIP Update-Annual Street Maintenar Capitola Road design services 2010 CIP Update-Annual Street Maintenar Design for Cherry Street Road Improve Fund 1310, Gas Tax Fund=\$3600.00	HARRIS & ASSOCIATES	\$18,260.09

City of Capitola
City Checks Issued 12/17/10

Check Number	Invoice Number	Status	Void Reason	Description	Payee Name	Transaction Amount
65101	12/17/2010 Invoice 2011-00000431	Open	Date 12/10/2010	Description Quarterly Community Grant Payment	HOMELESS SERVICE CENTER OF SAI	\$627.00
65102	12/17/2010 Invoice 2011-00000432	Open	Date 12/10/2010	Description Quarterly Comm Grant Payment	HOSPICE of SANTA CRUZ COUNTY	\$345.60
65103	12/17/2010 Invoice 11/29-12/03/10 12/06-12/10/10	Open	Date 12/13/2010 12/13/2010	Description FY 10/11 In-House Mechanic FY 10/11 In-House Mechanic	HOWARD, CHARLIE	\$1,440.00
65104	12/17/2010 Invoice 2011-00000400	Open	Date 12/14/2010	Description Late Fall Final Instructor Payments 2010	HOWELLS, NANCY	\$296.40
65105	12/17/2010 Invoice ICMA12-17	Open	Date 12/15/2010	Description Retirement Plan Contr-Employee Funded	ICMA RETIREMENT TRUST 457	\$10,038.90
65106	12/17/2010 Invoice 24033-2011	Open	Date 12/02/2010	Description 2011 Membership, Rcds Coord.	INTERNATIONAL INSTITUTE OF MUNI	\$75.00
65107	12/17/2010 Invoice 201907 202239	Open	Date 12/02/2010 12/10/2010	Description 2 tires for 2004 Ford F250 Tire repair PD	LLOYD'S TIRE SERVICE INC.	\$358.65
65108	12/17/2010 Invoice 11	Open	Date 12/16/2010	Description Riparian Restoration	McMENAMIN, GEORGE	\$800.00
65109	12/17/2010 Invoice IN1183606	Open	Date 11/17/2010	Description Latex Gloves,PD	MICROFLEX CORP #774353	\$232.06
65110	12/17/2010 Invoice 243568 243674 243930 243975 244149 244469 244414	Open	Date 11/18/2010 11/19/2010 11/22/2010 11/23/2010 11/22/2010 11/29/2010 11/29/2010	Description auto parts-PD Units auto parts-All City Vehicles auto parts auto parts-Parks F250 Credit return, Auto parts auto parts-all vehicles auto parts-all vehicles	MID-COUNTY AUTO SUPPLY	\$540.04

City of Capitola
City Checks Issued 12/17/10

Check Number	Invoice Number	Status	Void Reason	Description	Payee Name	Transaction Amount
65111	12/17/2010 Invoice 2011-00000402	Open	Date 12/14/2010	Description Late Fall Final Instructor Payments 2010	MITCHELL, JEANI	\$627.90
65112	12/17/2010 Invoice 2011-00000428	Open	Date 12/10/2010	Description Quarterly Community Grant Payment	NATIVE ANIMAL RESCUE	\$297.00
65113	12/17/2010 Invoice 2011-00000404	Open	Date 12/10/2010	Description Quarterly Community Grant Payment	O'NEILL SEA ODYSSEY	\$1,454.00
65114	12/17/2010 Invoice 6011-2272973 6011-2273035 6007-4792609 6011-4756471	Open	Date 11/23/2010 11/23/2010 11/23/2010 12/07/2010	Description Plumbing Supplies-Peey bathroom Plumbing Supplies - Peery Park Plumbing Supplies - Peery Park Shop supplies-Corp Yd	ORCHARD SUPPLY HARDWARE	\$97.81
65115	12/17/2010 Invoice 179273	Open	Date 11/22/2010	Description Animal Control Expense, PD	PACIFIC VETERINARY SPECIALISTS II	\$254.50
65116	12/17/2010 Invoice 879527 879262 879818 879767 8554288 880021 880478 881226	Open	Date 12/01/2010 11/30/2010 12/02/2010 12/02/2010 11/29/2010 12/03/2010 12/07/2010 12/09/2010	Description Office Supplies Office Supplies Office Supplies Office Supplies Office Supplies, City hall Paper-PD Office Supplies, City Hall Paper, boxes	PALACE ART & OFFICE SUPPLIES	\$560.46
65117	12/17/2010 Invoice 2011-00000411	Open	Date 12/10/2010	Description Quarterly Community Grant Payment	PARENTS CENTER OF SANTA CRUZ	\$1,772.00
65118	12/17/2010 Invoice 1011782 1011781	Open	Date 12/01/2010 12/01/2010	Description Nov 2010 Traffic Signal Maintenance Traffic Signal Maintenance Fund 1310, Gas Tax Fund	REPUBLIC ITS	\$1,046.87
65119	12/17/2010 Invoice 2011-00000413	Open	Date 12/10/2010	Description Quarterly Community Grant Payment	SANTA CRUZ AIDS PROJECT	\$2,287.50

City Checks Issued 12/17/10

Check Number	Invoice Number	Status	Void Reason	Description	Payee Name	Transaction Amount
65120	12/17/2010 Invoice 2011-00000430	Open	Date 12/10/2010	Description Quarterly Community Grant Payment	SANTA CRUZ COMMUNITY COUNSEL	\$1,721.50
65121	12/17/2010 Invoice 9562	Open	Date 11/18/2010	Description Sunset & VIA Print Marketing, Spring 2011 Fund 1321, BIA	SCC CONFERENCE & VISITORS COUN	\$2,675.00
65122	12/17/2010 Invoice 6117 6123	Open	Date 11/16/2010 11/22/2010	Description sruvey maps county maps	SCC DEPT OF PUBLIC WORKS	\$37.52
65123	12/17/2010 Invoice 20101210	Open	Date 12/10/2010	Description Blood alcohol tests, Jul-Oct	SCC HEALTH SERVICES	\$780.00
65124	12/17/2010 Invoice Dec10 Nov 2010	Open	Date 12/01/2010 12/04/2010	Description Open Query/SCAN Charges, Dec10 - PD Open Query/SCAN Charges, Nov10 - PD	SCC INFORMATION SERVICES	\$1,005.56
65125	12/17/2010 Invoice 2011-00000405 11072	Open	Date 12/10/2010 12/09/2010	Description Quarterly Community Grant Payment Konnie Bugge fingerprint for volunteer	SCC OFFICE OF EDUCATION	\$420.00
65126	12/17/2010 Invoice Oct-Nov10	Open	Date 11/22/2010	Description Monthly water, street medians	SANTA CRUZ MUNICIPAL UTILITIES	\$563.38
65127	12/17/2010 Invoice 2040516-259859	Open	Date 11/30/2010	Description Classified Ad, Bldg Inspector	SANTA CRUZ SENTINEL	\$234.02
65128	12/17/2010 Invoice 2011-00000408	Open	Date 12/10/2010	Description Quarterly Community Grant Payment	SECOND HARVEST FOOD BANK	\$2,456.25
65129	12/17/2010 Invoice 2011-00000415	Open	Date 12/10/2010	Description Quarterly Community Grant Payment	SENIOR CITIZENS LEGAL SERVICES	\$2,435.75
65130	12/17/2010 Invoice 2011-00000421	Open	Date 12/10/2010	Description Quarterly Community Grant Payment	SENIOR NETWORK SERVICES, INC.	\$615.25

City of Capitola
City Checks Issued 12/17/10

Check Number	Invoice Number	Status	Void Reason	Description	Payee Name	Transaction Amount
65131	12/17/2010 Invoice 2011-00000412	Open	Date 12/10/2010	Description Quarterly Community Grant Payment	SENIORS COUNCIL OF SC COUNTY	\$819.25
65132	12/17/2010 Invoice 3390	Open	Date 12/02/2010	Description T-Shirts Softball 2010 Fall League	SPORT ABOUT	\$171.35
65133	12/17/2010 Invoice 1806970001 1991643001 1991643002	Open	Date 11/17/2010 11/24/2010 11/24/2010	Description Computer Keyboard Computer Monitor Computer Printer Fund 2211, Info Technology	STAPLES	\$1,171.57
65134	12/17/2010 Invoice 00009520735	Open	Date 12/08/2010	Description State Water Resources Control Board-wat	STATE BOARD OF EQUALIZATION	\$132.55
65135	12/17/2010 Invoice 38928	Open	Date 11/22/2010	Description Uniform Exp, PD (Thompson)	SUMMIT UNIFORM CORP	\$272.03
65136	12/17/2010 Invoice 2011-00000424	Open	Date 12/10/2010	Description Quarterly Community Grant Payment	SURVIVORS HEALING CENTER	\$132.00
65137	12/17/2010 Invoice 12871	Open	Date 12/02/2010	Description Admin Fee, Flex Spending Plan	TLC ADMINISTRATORS, INC.	\$175.00
65138	12/17/2010 Invoice PARS-Dec17	Open	Date 12/15/2010	Description PARS Payment, Dec 17 Payroll Employee Funded	UNION BANK OF CALIFORNIA	\$294.28
65139	12/17/2010 Invoice 20101210	Open	Date 12/10/2010	Description Mailing of Winter newsletter 2011	UNITED STATES POSTAL SERVICE	\$960.00
65140	12/17/2010 Invoice 2011-00000426	Open	Date 12/10/2010	Description Quarterly Community Grant Payment	UNITED WAY OF SANTA CRUZ COUN	\$1,526.75
65141	12/17/2010 Invoice UPEC-Dec10	Open	Date 12/15/2010	Description Union Dues, Dec2010, Employee Funded	UPEC LIUNA LOCAL 792	\$1,725.00

City Checks Issued 12/17/10

Check Number	Invoice Number	Status	Void Reason	Description	Payee Name	Transaction Amount
65142	12/17/2010 Invoice 2011-00000414	Open	Date 12/10/2010	Description Quarterly Community Grant Payment	VISTA CENTER FOR THE BLIND	\$460.25
65143	12/17/2010 Invoice 2011-00000407	Open	Date 12/10/2010	Description Quarterly Community Grant Payment	VOLUNTEER CENTERS OF SC COUNT	\$339.00
65144	12/17/2010 Invoice 930314	Open	Date 12/08/2010	Description Parking Structure Strategy & City Hall Sitin	WATRY DESIGN INC.	\$9,206.25
65145	12/17/2010 Invoice 2010Inv	Open	Date 12/16/2010	Description Jan-Dec2010 Brochure Update-BIA, Bia Fi Fund 1321, BIA	STEVE WESTEN CONSULTING	\$280.00
65146	12/17/2010 Invoice 2011-00000420	Open	Date 12/10/2010	Description Quarterly Community Grant payment	WOMEN'S CRISIS SUPPORT	\$903.25
65147	12/17/2010 Invoice 2011-00000429	Open	Date 12/10/2010	Description Quarterly Community Grant Payment	WOMENCARE	\$566.25
65148	12/17/2010 Invoice CAPBIA103	Open	Date 11/23/2010	Description Media Planning, BIA, BIA funded Fund 1321, BIA	YELLOW BUS LLC	\$850.00
65149	12/17/2010 Invoice A08-1932	Open	Date 05/05/2010	Description Supplies, Grant Funded, PD	Wilson Trophy Company	\$130.47
65150	12/17/2010 Invoice 2011-00000393	Open	Date 11/30/2010	Description Request for subscriber information	Yahoo Custodian of Records	\$39.50
Check Totals:				Count	94	Totals \$210,182.65

Checks dated 12/23/10 numbered 65151 to 65203 for a total of \$181,169.88 have been reviewed and authorized for distribution by the City Manager and City Treasurer.

As of 12/23/10 the unaudited cash balance is \$2,009,623

CASH POSITION - CITY OF CAPITOLA 12/23/10


	Temporary <u>Loans</u>	<u>Net Balance</u>
General Fund		438,642
Worker's Comp. Ins. Fund		9,244
Self Insurance Liability Fund		191,061
Stores Fund		15,458
Information Technology Fund		139,021
Equipment Replacement		307,538
Compensated Absences Fund		38,640
Contingency Reserve Fund		-
Public Employee Retirement - PERS		506,578
Open Space Fund		256
Capital Improvement Projects		363,185
TOTAL GENERAL FUND & COUNCIL DESIGNATED FUNDS		<u><u>2,009,623</u></u>

On a fiscal year basis the City's annual budget balances expenditures and revenue in the General Fund. Due to the timing of revenue receipts, during most of the fiscal year General Fund expenditures will outpace revenue.

To resolve this cash flow issue, in July of this fiscal year a \$1,247,152 loan from Contingency Reserve was transferred to the General Fund. The Contingency Reserve was established to "provide a prudent level of financial resources to protect against temporary revenue shortfalls or unanticipated operating costs, and/or to meet short-term cash flow requirements."

Although it is anticipated the Contingency Reserve loan will be sufficient to provide operational cash in the General Fund, in some fiscal years the General Fund may borrow additional funds from Internal Service Funds, particularly in November and December prior to the receipt of Property Tax revenue.

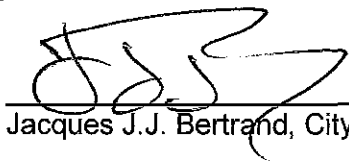
It is anticipated the Contingency Reserve loan to General Fund will be repaid by June 30, 2011.



 Jamie Goldstein, City Manager

12/23/10

 Date



 Jacques J.J. Bertrand, City Treasurer

1-5-11

 Date

City of Capitola
City Check Register, 12/23/10

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
65151	12/23/2010 Invoice 18339	Open	Date 12/14/2010	Description Blind Repair	ADVANCED BLIND AND SHADE	\$25.00
65152	12/23/2010 Invoice 1040-001Nov10	Open	Date 11/30/2010	Description Nov10 General Legal Services	ATCHISON, BARISONE, & CONDOTTI	\$11,130.00
65153	12/23/2010 Invoice 232459	Open	Date 12/10/2010	Description Mix Oil	B & B SMALL ENGINE REPAIR	\$30.03
65154	12/23/2010 Invoice 8394-Nov/Dec10	Open	Date 12/06/2010	Description Nov/Dec2010 Credit Card Charges Fund 2211, IT=\$736.04	BANK OF AMERICA	\$1,302.04
65155	12/23/2010 Invoice 10014	Open	Date 12/12/2010	Description CY2010, Q4 Marketing, BIA-BIA funded Fund 1321, BIA	BARBARA GRAVES Consulting Services	\$1,137.50
65156	12/23/2010 Invoice 7748	Open	Date 11/02/2010	Description ABM Program Registration, Wheeler	CALIFORNIA BUILDING OFFICIALS	\$375.00
65157	12/23/2010 Invoice 16872	Open	Date 12/03/2010	Description Recreation Brochure Production & Distribu	CASEY PRINTING	\$4,168.50
65158	12/23/2010 Invoice 0198562-Dec10	Open	Date 12/11/2010	Description Internet Access-Fund 2211, IT	Charter Communications	\$129.99
65159	12/23/2010 Invoice 7836	Open	Date 11/30/2010	Description Nov 2010 Cleaning service, all sites	CLEAN BUILDING MAINTENANCE	\$3,542.00
65160	12/23/2010 Invoice 1107411	Open	Date 12/03/2010	Description Cleaning Supplies	CLEAN SOURCE	\$906.71
65161	12/23/2010 Invoice 58281	Open	Date 12/09/2010	Description Mailing Services	COMPLETE MAILING SERVICE INC	\$950.05
65162	12/23/2010 Invoice 47007646	Open	Date 11/28/2010	Description Nov-Dec Internet Access Fund 2211, IT	COVAD COMMUNICATIONS	\$608.07

City of Capitola
City Check Register, 12/23/10

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
65163	12/23/2010 Invoice 12342	Open	Date 12/01/2010	Description Q4 CY2010 Crime Reports Subscription-P	CrimeReports	\$669.97
65164	12/23/2010 Invoice 11-83	Open	Date 12/10/2010	Description TRAKphoto bulletin alert service 2011	CRITICAL REACH	\$265.00
65165	12/23/2010 Invoice Nov10 Statement	Open	Date 11/30/2010	Description Drinking Water, Nov10, all sites	CRYSTAL SPRINGS WATER CO.	\$133.00
65166	12/23/2010 Invoice 70371 70370 70413 70414	Open	Date 11/24/2010 11/24/2010 12/02/2010 12/02/2010	Description 60 gal diesel 502 gal gas 570 gal gas 75 gal diesel	DEVCO OIL INC.	\$3,858.34
65167	12/23/2010 Invoice Dec 2010	Open	Date 12/15/2010	Description Dec 2010 evidence storage	EXTRA SPACE STORAGE OF SC INC -	\$247.00
65168	12/23/2010 Invoice 7-330-78376	Open	Date 12/20/2010	Description Nov10 Shipping	FEDERAL EXPRESS	\$148.98
65169	12/23/2010 Invoice 2003309	Open	Date 12/09/2010	Description Sill Key	FERGUSON ENTERPRISES, INC.	\$23.03
65170	12/23/2010 Invoice 17024	Open	Date 12/01/2010	Description Uniform Expense, Ward-PD	GALLI UNIFORM COMPANY	\$52.44
65171	12/23/2010 Invoice Kings-Nov 2010	Open	Date 12/15/2010	Description Nov 2010 uniform cleaning-PD	KING'S CLEANERS	\$586.75
65172	12/23/2010 Invoice 1016520012 1016520013	Open	Date 12/07/2010 12/07/2010	Description Salvage Drum Salvage Drum	LAB SAFETY SUPPLY	\$421.07
65173	12/23/2010 Invoice 51261559	Open	Date 12/03/2010	Description FY 10/11 Temporary Staff	LABOR READY SOUTHWEST INC.	\$982.98

City of Capitola
City Check Register, 12/23/10

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
65174	12/23/2010	Open			LOOMIS	\$1,281.29
	Invoice		Date	Description		Amount
	10791443		11/30/2010	Dec Armored Car Svc, Nov Money Handlir		\$1,281.29
65175	12/23/2010	Open			MID-COUNTY AUTO SUPPLY	\$820.20
	Invoice		Date	Description		Amount
	244549		11/30/2010	auto parts-CH Honda		\$26.81
	244550		11/30/2010	auto parts-PD Units		\$48.03
	244623		11/30/2010	Auto Parts-2004 F250		\$150.64
	244951		12/03/2010	Sweeper parts-Gas Tax Fund 1310		\$23.52
	244952		12/03/2010	auto parts		\$11.97
	245032		12/03/2010	auto parts		\$98.28
	245156		12/06/2010	auto parts		\$12.79
	244723		12/01/2010	Auto parts, F250		\$4.58
	244637		11/30/2010	Auto parts, F-250		\$443.58
65176	12/23/2010	Open			MILLER'S TRANSFER & STORAGE CO	\$180.80
	Invoice		Date	Description		Amount
	81515		12/04/2010	Records Handling, Dec Storage, Nov Hanc		\$180.80
65177	12/23/2010	Open			MISSION PRINTERS	\$230.43
	Invoice		Date	Description		Amount
	39999		12/03/2010	City Window Envelopes Fund 2210, Stores		\$230.43
65178	12/23/2010	Open			MUNISERVICES, LLC	\$895.49
	Invoice		Date	Description		Amount
	23526		11/29/2010	Sales Tax Report, Q4 FY09-10		\$814.97
	23527		11/29/2010	District Sales Tax Report, Q4 FY09/10		\$80.52
65179	12/23/2010	Open			ORCHARD SUPPLY HARDWARE	\$187.52
	Invoice		Date	Description		Amount
	6007-8183888		11/29/2010	Gloves		\$24.00
	6011-9185144		12/02/2010	Community Center Supplies		\$58.23
	6011-9284617		11/30/2010	Cable Ties		\$5.66
	6015-3529934		12/01/2010	Misc.		\$5.01
	6015-3521271		12/08/2010	Wood Screws		\$20.12
	6007-1215679		12/08/2010	Batteries		\$13.92
	6011-9877148		12/09/2010	Misc. Maint Supplies		\$38.64
	6007-35903		12/10/2010	Mop		\$16.38
	6010-4761763		12/13/2010	Wood Screws		\$5.56
65180	12/23/2010	Open			PACIFIC GAS & ELECTRIC	\$12,494.82
	Invoice		Date	Description		Amount
	2011-00000439		12/17/2010	Monthly Elec Fund 1300, SLESF=\$180.18 Fund 1310, Gas Tax=\$6364.41 Fund 1311, Wharf=\$1401.53		\$12,494.82

City of Capitola
City Check Register, 12/23/10

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
65181	12/23/2010	Open			PACIFIC GAS & ELECTRIC	\$573.05
	Invoice		Date	Description		Amount
	2011-00000440		12/17/2010	Pac Cove MHP Elec and Gas		\$573.05
65182	12/23/2010	Open			PALACE ART & OFFICE SUPPLIES	\$703.12
	Invoice		Date	Description		Amount
	878883		11/24/2010	Paper-PD		\$46.87
	8558006		12/06/2010	Outgoing Council Recognitions		\$47.68
	12771		12/08/2010	Keyboard drawer for Held		\$244.25
	12771-1		12/09/2010	Installation charge for keyboard		\$27.31
	880978		12/10/2010	Office supplies-PD		\$79.81
	881049		12/09/2010	Office supplies		\$3.73
	881110		12/09/2010	Office supplies		\$18.93
	881241		12/10/2010	Office Supplies, City Hall		\$34.39
	880978-1		12/10/2010	Ink refill		\$4.44
	879989		12/03/2010	Computer Keyboard		\$109.24
	8557788		12/06/2010	Museum Supplies		\$86.47
65183	12/23/2010	Open			PHIL ALLEGRI ELECTRIC, INC.	\$1,073.00
	Invoice		Date	Description		Amount
	15498		11/08/2010	Electrical Services		\$1,073.00
65184	12/23/2010	Open			PK SAFETY SUPPLY	\$232.61
	Invoice		Date	Description		Amount
	116702		11/24/2010	Safety Equipment-Corp Yd		\$183.70
	117322		11/30/2010	Safety Sign-Streets		\$48.91
65185	12/23/2010	Open			PRINTING SYSTEMS, INC.	\$155.15
	Invoice		Date	Description		Amount
	66954		12/03/2010	Form 1099		\$155.15
65186	12/23/2010	Open			QUEST TECHNOLOGIES, INC.	\$261.62
	Invoice		Date	Description		Amount
	263241		11/30/2010	Calibration, PD		\$261.62
65187	12/23/2010	Open			RED SHIFT INTERNET SERVICES	\$65.17
	Invoice		Date	Description		Amount
	1414144		12/01/2010	Dec10 Internet Access-Fund 2211, IT		\$65.17
65188	12/23/2010	Open			REGISTER-PAJARONIAN	\$352.64
	Invoice		Date	Description		Amount
	01546749-001		11/28/2010	Building Inspector Ad		\$352.64
65189	12/23/2010	Open			ROBERT DEACON	\$2,010.13
	Invoice		Date	Description		Amount
	Jan 2011		12/10/2010	Jan 2011 Rent, PD Annex		\$2,010.13

City of Capitola
City Check Register, 12/23/10

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
65190	12/23/2010 Invoice Nov 2010	Open	Date 12/15/2010	Description Booking fees for Nov 2010	SANTA CRUZ COUNTY CORRECTIONS	\$1,006.40
65191	12/23/2010 Invoice 13299	Open	Date 12/02/2010	Description Nov2010 Animal Control Exp	SOQUEL CREEK ANIMAL HOSPITAL	\$988.02
65192	12/23/2010 Invoice 974855313-108	Open	Date 12/07/2010	Description Nov10 Cell Phone Service	SPRINT	\$3,033.18
65193	12/23/2010 Invoice 20101214	Open	Date 12/20/2010	Description Reimb Museum Display Exp	SWIFT, STEVE	\$98.96
65194	12/23/2010 Invoice 5192168-2	Open	Date 12/20/2010	Description City Employee Life and Disability Ins	THE HARTFORD -PRIORITY ACCOUNT	\$1,860.69
65195	12/23/2010 Invoice 83034 83025	Open	Date 12/09/2010 12/06/2010	Description Roof Hatch Five Screens, City Hall	THE SKYLIGHT PLACE INC.	\$1,921.37
65196	12/23/2010 Invoice 954791500	Open	Date 12/11/2010	Description Shipping-PD	UNITED PARCEL SERVICE	\$25.86
65197	12/23/2010 Invoice 166220657	Open	Date 12/08/2010	Description Copier Lease Payment-PD	US BANK	\$250.06
65198	12/23/2010 Invoice 22349200-2011	Open	Date 12/07/2010	Description Interest payment, Pension Obligation Bond Fund 1410, Pension Obl Bond	WELLS FARGO BANK	\$115,089.50
65199	12/23/2010 Invoice 56922 56921X	Open	Date 11/30/2010 11/30/2010	Description CPD Air-Flow test HVAC Maint, all facilities	WESTERN ALLIED MECHANICAL INC.	\$1,702.00
65200	12/23/2010 Invoice 19608	Open	Date 11/30/2010	Description Nov Legal Services, Personnel	WILEY, PRICE & RADULOVICH, LLP	\$493.00

City of Capitola
City Check Register, 12/23/10

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
65201	12/23/2010	Open			WITMER-TYSON IMPORTS INC.	\$500.00
	Invoice		Date	Description		Amount
	T8325		12/01/2010	Nov 2010 K9 Maint Tng		\$500.00
65202	12/23/2010	Open			ZUMAR INDUSTRIES INC.	\$490.35
	Invoice		Date	Description		Amount
	126715		11/29/2010	Traffic Sign-Fund 1310, Gas Tax		\$145.63
	126837		11/30/2010	Parking Signs-Fund 1310, Gas Tax		\$344.72
65203	12/23/2010	Open			Jackson, Robera	\$500.00
	Invoice		Date	Description		Amount
	2011-00000437		12/17/2010	Tree Deposit Refund		\$500.00
Check Totals:				Count	53	Total \$181,169.88



Item #: 2.F.2)

CAPITOLA REDEVELOPMENT AGENCY AGENDA REPORT

MEETING OF JANUARY 13, 2011

FROM: FINANCE DEPARTMENT

DATE: January 5, 2011

SUBJECT: APPROVAL OF RDA CHECK REGISTER REPORT

Recommended Action: By motion and roll call vote, that the RDA Board approve the Check Register Reports dated December 3, December 10, and December 23, 2010 as submitted.

DISCUSSION

The attached Check Register for the referenced date:

Date	Starting Check #	Ending Check #	Total Checks	Amount
12/3/10	2881	2884	4	\$64,986.38
12/10/10	2885	2888	4	\$27,081.75
12/23/10	2889	2890	2	\$28,046.25

The prior RDA check register report of Nov 19, 2010 ended with check number 2880.

The following checks were issued for more than \$10,000.00:

Check	Issued to:	Dept.	Purpose	Amount
2882	Community Action Board of SCC	CD	2010 Emerg Housing Asst Program	\$14,418.75
2884	Stewart Title, First Time Home Loan	CD	First Time Home Buyer, Leydig	\$49,200.00
2886	Capitola City Treasurer	PD	Reimb City for PD Patrol Exp, Rispin	\$11,351.25
2887	Cap-Soquel Chamber of Comm.	CM	Q2, Q3 Visitor & Econ Services	\$15,000.00
2889	Capitola City Treasurer	CM	Q2 Rispin Int, Oct-Dec10	\$26,156.25

As of 1/5/10 the unaudited cash balance in the RDA account is \$4,397,643.03

ATTACHMENTS

Check Register Reports dated:

December 3, December 10, and December 23, 2010

Report Prepared By: Linda Benko
AP Clerk

Reviewed and Forwarded
By Executive Director:

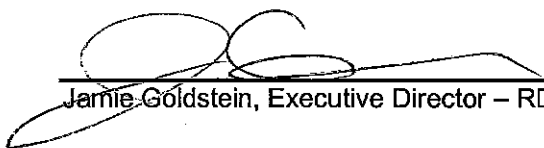

City of Capitola
RDA Checks Issued 12/3/10

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount		
2881	12/03/2010 Invoice CityCo-Op-Oct10	Open	11/12/2010	City Co-Op Agreement, Oct 2010	CAPITOLA CITY TREASURER	\$1,335.08		
2882	12/03/2010 Invoice Oct2010	Open	11/16/2010	2010 Emergency Housing Assistance Prog	COMMUNITY ACTION BOARD OF SC C	\$14,418.75		
2883	12/03/2010 Invoice 10928-Sep-Nov10	Open	11/17/2010	Rispin Water Meter Svc Charge	SOQUEL CREEK WATER DISTRICT	\$32.55		
2884	12/03/2010 Invoice FTHB-Leydig	Open	12/01/2010	First Time Home Buyer, WRM#12-Leydig	STEWART TITLE OF CALIFORNIA, INC	\$49,200.00		
Check Totals:					Count	4	Total	\$64,986.38

The attached checks have been printed and released under the RDA Executive Director's approval. Included are checks numbered 2881 to 2884 totaling \$64,986.38 and dated 12/3/10.

These checks has been reviewed and authorized for distribution.

The unaudited cash balance in the RDA account as of 12/3/10 is \$3,584,550.12


12/3/10

12/3/10
 Jamie Goldstein, Executive Director – RDA Date Debbie Johnson, Treasurer – RDA Date

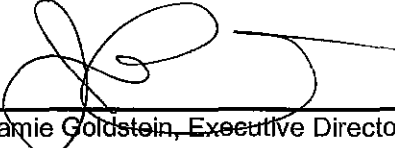
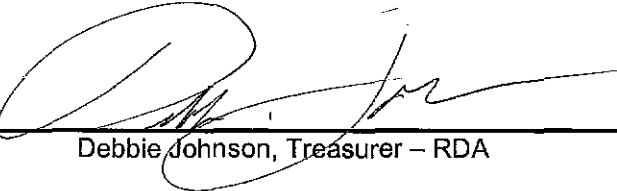
City of Capitola
RDA Checks Issued 12/10/10

Number	Date	Status	Void Reason	Reconciled/ Voided Date	Payee Name	Transaction Amount	
2885	12/10/2010	Open			ATCHISON, BARISONE, & CONDOTTI	\$150.50	
	Invoice		Date	Description	Amount		
	1040E-RDA		10/31/2010	Legal Svc, Save the Habitat, Oct10	\$150.50		
2886	12/10/2010	Open			CAPITOLA CITY TREASURER	\$11,351.25	
	Invoice		Date	Description	Amount		
	PDLaborJul-Sep10		12/08/2010	Reimb City for PD Labor Exp, Rispin Patro	\$11,351.25		
2887	12/10/2010	Open			CAPITOLA-SOQUEL CHAMBER OF CO	\$15,000.00	
	Invoice		Date	Description	Amount		
	102		11/18/2010	Q2 2010/11 Visitor & Econ Services	\$7,500.00		
	104		12/03/2010	Q3 2010/11 Visitor & Economic Developm	\$7,500.00		
2888	12/10/2010	Open			FLYNN, CAROLYN	\$580.00	
	Invoice		Date	Description	Amount		
	CBF-11-2010-1		11/30/2010	H Affordable Housing Plan Assist/RDA Lo	\$580.00		
Check Totals:				count	4	Total	\$27,081.75

The attached checks have been printed and released under the RDA Executive Director's approval. Included are checks numbered 2885 to 2888 totaling \$27,081.75 and dated 12/10/10.

These checks has been reviewed and authorized for distribution.

The unaudited cash balance in the RDA account as of 12/10/10 is \$3,559,043.37

 Jamie Goldstein, Executive Director – RDA	12/10/10 Date	 Debbie Johnson, Treasurer – RDA	12/10/10 Date
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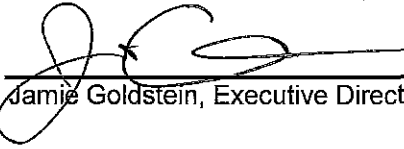
RDA Check Register 12/23/10

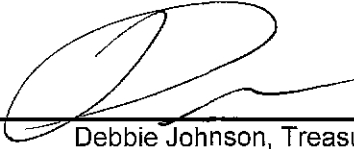
Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
2889	12/23/2010 Invoice Q2 Rispin Int	Open	12/24/2010	2nd Qtr Rispin Interest, Oct-Dec10	CAPITOLA CITY TREASURER	\$26,156.25
2890	12/23/2010 Invoice 2010-3	Open	08/02/2010	Rent Subsidy for Jul-Sep2010	WHARF ROAD MANOR HOME OWNER	\$1,890.00
Check Totals:					2	Total \$28,046.25

The attached checks have been printed and released under the RDA Executive Director's approval. Included are checks numbered 2889 to 2890 totaling \$28,046.25 and dated 12/23/10.

These checks has been reviewed and authorized for distribution.

The unaudited cash balance in the RDA account as of 12/23/10 is \$4,397,643.03





Jamie Goldstein, Executive Director – RDA Date 12/23/10 Debbie Johnson, Treasurer – RDA Date 12/23/10



Item #: 3.B.

CITY COUNCIL AGENDA REPORT

MEETING OF JANUARY 13, 2011

FROM: OFFICE OF THE CITY CLERK
DATE: JANUARY 7, 2011
SUBJECT: **CITY COUNCIL MINUTE APPROVAL** – MINUTES OF THE REGULAR MEETING OF NOVEMBER 23, THE SPECIAL CLOSED SESSION MEETINGS OF NOVEMBER 29 AND DECEMBER 20, AND THE SPECIAL MEETING OF DECEMBER 8, 2010

Recommended Action: Motion to approve the subject minutes as submitted.

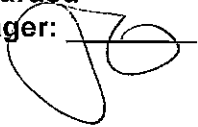
DISCUSSION

Attached for City Council review and approval are the subject minutes. Due to the holiday closure and a family emergency I was not able to complete the Minutes for the Regular Meeting of December 9, 2010. Those minutes will be included on the Council's next agenda for approval.

ATTACHMENTS

Minutes of November 23, November 29, December 8 and 20, 2010

Report Prepared By:  Pamela Greeninger, MMC
City Clerk

Reviewed and Forwarded
By City Manager: 

November 23, 2010
Capitola, California

**CAPITOLA CITY COUNCIL
MINUTES OF A REGULAR MEETING**

**6:00 P.M. - CLOSED SESSION - CITY MANAGER'S OFFICE
CAPITOLA REDEVELOPMENT AGENCY & CITY COUNCIL**

At 6:00 p.m. in the City Hall Council Chambers, Mayor/Chairperson Storey noted that all City Council Members/Redevelopment Agency Directors were present. He made an announcement regarding the items to be discussed in Closed Session, as follows:

CONFERENCE WITH LABOR NEGOTIATOR (Govt. Code §54957.6)

Negotiator: Jamie Goldstein, City Manager

Employee Organizations: Association of Capitola Employees, Confidential Employees, Mid-Management Group, Community Development Director, and Public Works Director

CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Initiation of litigation pursuant to subdivision (c) of Government Code Section 54956.9:
One Case

CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION (Govt. Code §54956.9a)

Surf and Sand, LLC vs. City of Capitola
Vieira Enterprises vs. City of Capitola (Cabrillo Mobile Estates)
Los Altos/El Granada Investors vs. City of Capitola (Castle Mobile Estates)

Mayor/Chairperson Storey noted there was no one in the audience; therefore, the City Council/ Redevelopment Agency recessed at 6:02 p.m. to the Closed Session in the City Manager's Office.

CAPITOLA REDEVELOPMENT AGENCY *(See Redevelopment Agency Minutes)*

REGULAR MEETING OF THE CITY COUNCIL

Mayor Storey called the Regular Meeting of the City Council to order at 7:27 p.m. on Tuesday, November 23, 2010, in the City Hall Council Chambers, 420 Capitola Avenue, Capitola, California.

ROLL CALL AND PLEDGE OF ALLEGIANCE

PRESENT: Council Members Ron Graves, Dennis Norton, Kirby Nicol, Robert "Bob" Begun and Mayor Sam Storey

ABSENT: None

OTHERS: City Treasurer Jacques Bertrand

STAFF: City Manager Jamie Goldstein, City Attorney John Barisone, Community Development Director Derek Johnson, Public Works Director Steve Jesberg, Chief of Police Michael Card, Assistant to the City Manager Lisa Murphy, and City Clerk Pamela Greeninger

***** PRESENTATIONS *****

**Presentation by Elizabeth Schilling, Program Director
from Community Bridges - Live Oak Family Resource Center
[330-30 Community Group Funding]**

PRESENTATIONS (Continued)

Elizabeth Schilling, Program Director for the Live Oak Family Resource Center, thanked the council for its support of their program and said they have served about fifty Capitola residents through this program. She discussed the creation of a new family resource center in Live Oak, which was partially funded by County Redevelopment Agency funds and would be ready for occupancy in early January.

Ms. Schilling commented on the LION grant (Leadership in our Neighborhood), as well as youth grants to provide sports for youth of the community. She discussed their work to develop a Boys and Girls Club at the Live Oak Center. Following her presentation, Ms. Schilling responded to questions of council members.

Mayor Storey thanked Ms. Schilling for her work on behalf of the Live Oak Family Resource Center and for her presentation to the council regarding this program.

1. REPORT ON CLOSED SESSION [520-25]

City Attorney Barisone said the items discussed in closed session were those items listed on the posted agenda.

City Attorney Barisone reported that council members had a few questions regarding items on the open session agenda pertaining to labor negotiations. City Manager Goldstein answered those questions.

City Attorney Barisone commented that the one item of anticipated litigation was not discussed in closed session.

City Attorney Barisone then reported that the City Council met with its legal counsel, himself and Deputy City Attorney George Kovacevich, concerning Surf and Sand LLC vs. City of Capitola, and Los Altos El Granada Investors vs. City of Capitola (Castle Mobile Estates). The Council conferred with its attorneys on those matters and took no reportable action in closed session.

City Attorney Barisone added that the matter of Vieira Enterprises vs. City of Capitola (Cabrillo Mobile Estates) was not discussed in closed session.

2. ORAL COMMUNICATIONS

A. Additions and Deletions to Agenda – None

B. Public Comments

1) Sandy Erickson, Cabrillo Street resident, commented on the 41st Avenue Donut Shop and expressed her concerns about the impact on their business when they had to move. She informed the council that the owners are veterans of the Iraq and Afghanistan wars. She commented on the location in Kings Plaza located behind Baskin Robbins. She encouraged council members to go to the 41st Avenue Donut Shop and meet the owners. It is families like this that need community support.

Council Member Begun informed Ms. Erickson that he and the Community Development Director and he met with the manager of the shopping center today.

2) Marilyn Garrett discussed comments from Elizabeth Schilling about the youth of our community. She believes the areas where children attend school should be microwave radiation free. Ms. Garrett expressed concerns about wireless internet and requested that it be removed from City Hall.

2. ORAL COMMUNICATIONS (Continued)

C. Staff Comments

1) Community Development Director Johnson alerted the city council of scoping meetings regarding the joint project between the City of Santa Cruz and Soquel Creek Water District pertaining to the proposed desalinization plans to be held on Wednesday, December 8, 2010. He discussed the scoping document and informed the council that staff will be looking at the documents to determine if there are potential impacts to the city.

2) Community Development Director Johnson announced that the city was recommended for funding to the State's Strategic Growth Council for \$100,000 to fund the integration of sustainability into the city's General Plan update. He said it is a very competitive program, and the State received over 188 applications for \$94 million in requests, with only \$23 million in available funding. He thanked Housing and Redevelopment Project Manager Foster and former City Manager Rich Hill for submitting a very thorough and comprehensive application.

Council Member Nicol asked how that money would be used, since the General Plan Fund fee was collected for the update. Community Development Director Johnson said he and the City Manager would be meeting to discuss that as the news of the grant was just received.

D. City Council/Treasurer Comments/Committee Reports

1) Council Member Norton commented on the tobacco licensing fee being looked at by the City and County of Santa Cruz, and he would like to direct staff to bring this to the council next year. City Attorney Barisone said the Santa Cruz City Council directed staff to look into this matter in light of Proposition 26. He said the city manager could keep in touch with Santa Cruz city staff's efforts in this regard.

2) Council Member Begun announced that he has a new grandson.

3) City Treasurer Bertrand said there would be no meeting of the Finance Advisory Committee in December. He also said the Finance Advisory Committee will be working with the city council on various projects in the upcoming fiscal year, including budget preparation.

E. Committee Appointments - NoneF. Approval of Check Register Report [300-10]

There was no discussion prior to the following action being taken:

ACTION: Council Member Begun moved, seconded by Council Member Graves, to approve the Check Register Reports dated November 5 and November 12, 2010, including checks numbered 64738 through 64791 in the amount of \$116,061.00, and checks numbered 64792 through 64837 in the amount of \$207,437.27, respectively; and payroll disbursements for the November 5, 2010, payroll in the amount of \$180,171.24, for a Grand Total of \$503,669.51, as submitted. The motion carried on the following vote: AYES: Council Members Graves, Norton, Nicol, Begun, and Mayor Storey. NOES: None. ABSENT: None. ABSTAIN: None.

3. **CONSENT CALENDAR**

Mayor Storey asked if there were any items on the Consent Calendar that members of the public or the city council wished to pull for separate discussion. Council Member Graves stated that he wished to record a No vote on Items 3.I., J. and K. He suggested that perhaps in the future when a vote is split on an ordinance, the item be placed on other business.

3. CONSENT CALENDAR (Continued)

Council Member Begun commented that the council should be aware that the cash position on the City Treasurer's report (Item 3.G.) includes \$1,350,000 of Rispin funds, which is not cash.

Mayor Storey commented on Item 3.E. pertaining to the City Hall Closure resolution. He pointed out that New Year's Day holiday is not listed. He expressed concern that according to the MOU, it is a paid holiday. The item was pulled for separate discussion, and the city manager said he would work on language to add to the resolution to address Mayor Storey's concern so that the council could adopt it tonight.

Council Member Graves requested that Item 3.E. be ordered after 5.C., as he needed to recuse himself from Item 5.D. Then he could participate in the action on Item 3.E. before leaving the meeting.

Mayor Storey advised Item 3.E. would be discussed following Other Business Item 5.C. (*See discussion and action on Pages 9 and 10.*)

CONSENT CALENDAR ACTION: Council Member Graves moved, seconded by Council Member Norton, to approve the Consent Calendar as recommended, with the exception of Item 3.E., and noting that Council Member Graves voted "No" on Items 3.I., J. and K. The motion carried on the following vote: AYES: Council Members Graves, Norton, Nicol, Begun, and Mayor Storey. NOES: None. ABSENT: None. ABSTAIN: None.

A. Approve Reading by Title of all Ordinances and Resolutions and declare that said Titles which appear on the Public Agenda shall be determined to have been read by Title and Further Reading Waived.

ACTION: The City Council unanimously approved the reading by title of all Ordinances and Resolutions and declared that said titles which appear on the public agenda shall be determined to have been read by title and further reading waived.

B. Approve City Council Minutes – The Regular Meeting of November 10, 2010.

ACTION: Council Member Graves moved, seconded by Council Member Norton, to approve the City Council Minutes for the Regular Meeting of November 10, 2010, as submitted. The motion carried on the following vote: AYES: Council Members Graves, Norton, Nicol, Begun, and Mayor Storey. NOES: None. ABSENT: None. ABSTAIN: None.

C. Receive Planning Commission Action Minutes for the Special Meeting of November 18, 2010. [740-50]

ACTION: Council Member Graves moved, seconded by Council Member Norton, to receive the Planning Commission Action Minutes for the Special Meeting of November 18, 2010, as submitted. The motion carried on the following vote: AYES: Council Members Graves, Norton, Nicol, Begun, and Mayor Storey. NOES: None. ABSENT: None. ABSTAIN: None.

D. Receive and Approve the 2011 Meeting Schedules for the City Council/Redevelopment Agency and for the Planning Commission/ Architectural and Site Review Committee. [520-40]

ACTION: Council Member Graves moved, seconded by Council Member Norton, to receive the 2011 City Meeting Schedules for the City Council/Redevelopment Agency and the Planning Commission/ Architectural and Site Review Committee as an informational item, as submitted, and directed staff to post this information at City Hall, the Capitola Branch Library, on the City's website, and to provide copies to City staff, newspapers, and various groups who regularly submit items to the City. The motion carried on the following vote: AYES: Council Members Graves, Storey, Nicol, Norton, and Mayor Begun. NOES: None. ABSENT: None. ABSTAIN: None.

3. CONSENT CALENDAR (Continued)

E. Adopt Resolution Establishing Days for Closure of City Offices during the 2011 Calendar Year.

This item was pulled for separate discussion. *(See discussion and action on pages 9 and 10 following Item 5.C.)*

F. Adopt Resolution Repealing Resolution No. 3726 and Adopting a revised Conflict of Interest Code for the City of Capitola to become effective January 1, 2011. [570-20]

ACTION: Council Member Graves moved, seconded by Council Member Norton, to adopt **Resolution No. 3839, Resolution Repealing Resolution No. 3726 and Adopting a revised Conflict of Interest Code for the City of Capitola to become effective January 1, 2011**, as submitted. The motion carried on the following vote: AYES: Council Members Graves, Storey, Nicol, Norton, and Mayor Begun. NOES: None. ABSENT: None. ABSTAIN: None.

G. Receive City Treasurer's Report for the month ended October 31, 2010 (Unaudited). [380-30]

ACTION: Council Member Graves moved, seconded by Council Member Norton, to accept the City Treasurer's Report for the Month Ended October 31, 2010 (Unaudited), as submitted. The motion carried on the following vote: AYES: Council Members Graves, Norton, Nicol, Begun, and Mayor Storey. NOES: None. ABSENT: None. ABSTAIN: None.

H. Authorize the recruitment and hiring of a Maintenance Worker and an hourly Administrative Assistant to the Art & Cultural Commission. [650-05]

ACTION: Council Member Graves moved, seconded by Council Member Norton, to authorize the recruitment and hiring of a Maintenance Worker and an hourly Administrative Assistant to the Art & Cultural Commission, as submitted. The motion carried on the following vote: AYES: Council Members Graves, Norton, Nicol, Begun, and Mayor Storey. NOES: None. ABSENT: None. ABSTAIN: None.

I. Adopt Ordinance Repealing Ordinance No. 937 in its entirety and Amending Section 17.27.060 of the Capitola Municipal Code pertaining to Conditional Uses in the CC - Community Commercial Zoning District by adding Paragraph V. to Allow Mixed Use Residential Development with Limitations. [2nd Reading] [730-85 Zoning/740-30 LCP/740-40 General Plan]

(Note: Prior to action being taken on the Consent Calendar, Council Member Graves said he would be voting no on this item.)

ACTION: Council Member Graves moved, seconded by Council Member Norton, to adopt **Ordinance No. 949, Ordinance Repealing Ordinance No. 937 in its entirety and Amending Section 17.27.060 of the Capitola Municipal Code pertaining to Conditional Uses in the CC - Community Commercial Zoning District by adding Paragraph V. to Allow Mixed Use Residential Development with Limitations**, as submitted. The motion carried on the following vote: AYES: Council Members Norton, Nicol, Begun, and Mayor Storey. NOES: Council Member Graves. ABSENT: None. ABSTAIN: None.

J. Adopt Ordinance Repealing Ordinance No. 942 in its entirety and Adding Chapter 17.20 to Title 17 of the Capitola Municipal Code pertaining to an Affordable Housing Overlay (AHO) District, and adding Section 17.46.150 to the CZ-Coastal Zone Combining District to require consistency with the Local Coastal Program and Coastal Act. [2nd Reading] [730-85 Zoning/740-30 LCP/740-40 General Plan]

(Note: Council Member Graves said he would be voting no on this item.)

3. J. CONSENT CALENDAR (Continued)

ACTION: Council Member Graves moved, seconded by Council Member Norton, to adopt **Ordinance No. 950, Ordinance Repealing Ordinance No. 942 in its entirety and Adding Chapter 17.20 to Title 17 of the Capitola Municipal Code pertaining to an Affordable Housing Overlay (AHO) District, and adding Section 17.46.150 to the CZ-Coastal Zone Combining District to require consistency with the Local Coastal Program and Coastal Act**, as submitted. The motion carried on the following vote: AYES: Council Members Norton, Nicol, Begun, and Mayor Storey. NOES: Council Member Graves. ABSENT: None. ABSTAIN: None.

K. Adopt Resolution Authorizing the City Manager to Submit to the California Coastal Commission for Certification Amendments to the Local Coastal Program to create an Affordable Housing Overlay District and Modification of the Community Commercial Zoning District to Allow Mixed-Use Residential Development with Limitations. [740-30 LCP]

(Note: Prior to action being taken on the Consent Calendar, Council Member Graves said he would be voting no on this item.)

ACTION: Council Member Graves moved, seconded by Council Member Norton, to adopt **Resolution No. 3840, Resolution Authorizing Submittal to the California Coastal Commission for the Certification of Amendments to the Local Coastal Program to Create an Affordable Housing Overlay District and Modification of the Community Commercial Zoning District to Allow Mixed-Use Residential Development with Limitations**, as submitted. The motion carried on the following vote: AYES: Council Members Norton, Nicol, Begun, and Mayor Storey. NOES: Council Member Graves. ABSENT: None. ABSTAIN: None.

L. Adopt Resolution Authorizing Design, Community & Environment (DC&E) to receive and examine Sales and Use Tax Records and selected Transient Occupancy Tax and Business License Information. [390-40 Business License/ 390-70 Sales Tax & TOT/ 500-10 A/C: Design, Community & Environment]

ACTION: Council Member Graves moved, seconded by Council Member Norton, to adopt **Resolution No. 3841, Resolution Authorizing Design, Community & Environment (DC&E) to Receive and Examine Sales and Use Tax Records and selected Transient Occupancy Tax and Business License Information**, as submitted. The motion carried on the following vote: AYES: Council Members Graves, Storey, Nicol, Norton, and Mayor Begun. NOES: None. ABSENT: None. ABSTAIN: None.

4. PUBLIC HEARINGS – None

5. OTHER BUSINESS

A. Approve Employee Agreements and Memoranda of Understanding with the following department heads/employee groups for the period January 1, 2011, through June 30, 2012. [600-10]

Assistant to the City Manager Murphy discussed the negotiated agreements between the various employee groups and with Public Works Director Steve Jesberg and Community Development Director Derek Johnson for an 18-month period, January 1, 2011, through June 30, 2012, as detailed in the written agenda reports. Assistant to the City Manager Murphy responded to questions of council members.

Council Member Norton thanked Assistant to the City Manager Murphy and City Manager Goldstein for their negotiating efforts.

5. A. OTHER BUSINESS (Continued)

Mayor Storey wished to thank the City staff for foregoing a COLA in light of the current economic times, saying it demonstrates the professionalism of our staff.

Council Member Graves commented on the reduction of vacation accruals; however, he thinks vacation is important, and future councils should continue to work on this language.

Council discussion was followed by this action:

ACTION: Council Member Nicol moved, seconded by Council Member Norton, to approve Items 5.A. 1) through 5), as submitted. The motion carried on the following vote: AYES: Council Members Graves, Norton, Nicol, Begun, and Mayor Storey. NOES: None. ABSENT: None. ABSTAIN: None. *(NOTE: Although there was one motion and vote for all items, the motion, action and vote are recorded under each item below.)*

1) Community Development Director's Employment Agreement. [600-10/500-10 A/C: Johnson, Derek]

ACTION: Council Member Nicol moved, seconded by Council Member Norton, to approve the First Amendment to the Employment Agreement for Community Development Director Derek Johnson effective January 1, 2011 through June 30, 2012, as submitted. The motion carried on the following vote: AYES: Council Members Graves, Norton, Nicol, Begun, and Mayor Storey. NOES: None. ABSENT: None. ABSTAIN: None.

2) Public Works Director's Employment Agreement. [600-10/500-10 A/C: Jesberg, Steve]

ACTION: Council Member Nicol moved, seconded by Council Member Norton, to approve the Fifth Amendment to the Employment Agreement for Public Works Director Steve Jesberg effective January 1, 2011 through June 30, 2012, as submitted. The motion carried on the following vote: AYES: Council Members Graves, Norton, Nicol, Begun, and Mayor Storey. NOES: None. ABSENT: None. ABSTAIN: None.

3) Resolution Adopting a Memorandum of Understanding with the Association of Capitola Employees Bargaining Unit for a Term Expiring June 30, 2012. [600-10]

ACTION: Council Member Nicol moved, seconded by Council Member Norton, to adopt **Resolution No. 3842, Resolution Approving a Memorandum of Understanding with the Association of Capitola Employees (ACE) Bargaining Unit effective January 1, 2011 through June 30, 2012**, as submitted. The motion carried on the following vote: AYES: Council Members Graves, Norton, Nicol, Begun, and Mayor Storey. NOES: None. ABSENT: None. ABSTAIN: None.

4) Resolution Adopting a Memorandum of Understanding with the Confidential Employees Bargaining Unit for a Term Expiring June 30, 2012. [600-10]

ACTION: Council Member Nicol moved, seconded by Council Member Norton, to adopt **Resolution No. 3843, Resolution Approving a Memorandum of Understanding with the Confidential Bargaining Unit effective January 1, 2011 through June 30, 2012**, as submitted. The motion carried on the following vote: AYES: Council Members Graves, Norton, Nicol, Begun, and Mayor Storey. NOES: None. ABSENT: None. ABSTAIN: None.

5. A. OTHER BUSINESS (Continued)

5) **Resolution Adopting a Memorandum of Understanding with the Mid-Management Employees Bargaining Unit for a Term Expiring June 30, 2012.**
[600-10]

ACTION: Council Member Nicol moved, seconded by Council Member Norton, to adopt **Resolution No. 3844, Resolution Approving a Memorandum of Understanding with the Mid-Management Bargaining Unit effective January 1, 2011 through June 30, 2012**, as submitted. The motion carried on the following vote: AYES: Council Members Graves, Norton, Nicol, Begun, and Mayor Storey. NOES: None. ABSENT: None. ABSTAIN: None.

B. **Resolution creating the General Plan Advisory Committee (GPAC) and defining its term and charge. [740-40]**

Community Development Director Johnson summarized the written agenda report and discussed the provisions contained in the draft resolution creating the General Plan Advisory Committee and staff's recommendation to adopt the proposed resolution. He responded to questions of council members pertaining to the ground rules, make-up of the committee, how neighborhoods were determined, question regarding the appointment of alternates, if applicants need to be residents or if they could they be business owners of an area, etc.

Council discussion was followed by this action:

ACTION: Council Member Norton moved, seconded by Council Member Graves, to adopt **Resolution No. 3845, Resolution Creating the General Plan Advisory Committee (GPAC) and Defining its Term and Charge**, as submitted, and directed staff to recruit for members to serve on the General Plan Advisory Committee. The motion carried on the following vote: AYES: Council Members Graves, Norton, Nicol, Begun, and Mayor Storey. NOES: None. ABSENT: None. ABSTAIN: None.

Community Development Director Johnson commented that he would like council members to decide which area each council member would like to oversee by completing neighborhood interviews and making a recommendation to the council regarding appointment of that neighborhood representative to the General Plan Advisory Committee. There was concern that the two newly-elected members would need to determine an area.

Council Member Norton suggested the following: Termini – Village; Norton – East Capitola; Nicol - Jewel Box; Storey - Depot Hill; and Harlan – West Capitola.

ACTION: It was the consensus of the City Council to approve the suggested council member oversight areas as follows:

Depot Hill Neighborhood (Sam Storey)
 Jewel Box Neighborhood (Kirby Nicol)
 East Capitola Neighborhood (Dennis Norton)
 West Capitola Neighborhood (Stephanie Harlan)
 Upper and Lower Village Neighborhood (Michael Termini)

5. OTHER BUSINESS (Continued)

C. Adoption of Model Building Codes. [1st Reading] [570-10]

Community Development Director Johnson summarized the written agenda report and responded to questions of council members.

Council discussion was followed by this action:

ACTION: Council Member Graves moved, seconded by Council Member Begun, to pass the proposed Ordinance Amending Section 15.04.010 of the Capitola Municipal Code pertaining to Adoption of Model Codes to a second reading, as submitted. The motion carried on the following vote: AYES: Council Members Graves, Norton, Nicol, Begun, and Mayor Storey. NOES: None. ABSENT: None. ABSTAIN: None.

AT THIS POINT, ITEMS REMOVED FROM CONSENT CALENDAR WILL BE CONSIDERED

3. CONSENT CALENDAR (*Items pulled for separate discussion.*)**E. Adopt Resolution Establishing Days for Closure of City Offices during the 2011 Calendar Year. [630-10]**

City Manager Goldstein displayed new language for the draft resolution on the overhead projector for council consideration. Additional language was added to the end of the "Now, Therefore" paragraph prior to the list of holidays to say, "...unless otherwise noted." Also, the following was added to the list of holidays:

"December 31, 2010 (Friday) 2011 New Years Day"

ACTION: Council Member Nicol moved, seconded by Council Member Graves, to adopt **Resolution No. 3846, Resolution Establishing Days for Closure of City Offices During the 2011 Calendar Year**, as revised to include December 31, 2010 as 2011 New Years Day holiday. The motion carried on the following vote: AYES: Council Members Graves, Storey, Nicol, Norton, and Mayor Begun. NOES: None. ABSENT: None. ABSTAIN: None.

5. REGULAR BUSINESS (Continued)

D. City Hall, Pacific Cove, and Beulah property parking reconfiguration. Staff recommendation: approve recommendations. [200-05 City Hall Adm/260-10 Pacific Cove Mobile Home Park Adm]

Council Member Graves recused himself on this item as he lives within 500 feet of the project. He left the meeting at 8:55 p.m.

Public Works Director Jesberg summarized the written agenda report and reviewed staff's recommendations. He and Community Development Director Johnson responded to questions of council members.

At 9:19 p.m. Mayor Storey asked if any members of the public wished to address the council on this item. No one spoke.

ACTION: Council Member Nicol moved, seconded by Council Member Norton, to take the following recommended actions:

5. D. REGULAR BUSINESS (Continued)

1. Authorized the Department of Public Works to restripe the Pacific Cove and the City Hall parking lots to relocate all required accessible parking to the City Hall parking lot, and make the determination that this striping project is categorically exempt pursuant to Sections §15061 (b) (3) and §15301 of the California Environmental Quality Act;
2. Directed the Department of Public Works to install parking meters on the newly created regular parking spaces in the Pacific Cove parking lot;
3. Directed staff to prepare proposed revisions to the Capital Improvement Program to include the construction of a Police Department vehicle parking lot and storage area on the Beulah Property located at 426 Capitola Avenue; and
4. Directed staff to prepare proposed revisions to the Capital Improvement Program to include the construction of a modular office building on the City Hall parking lot for the Parking Enforcement Officers and Information Technology staff, moving them from the leased space at 411 Capitola Avenue.

Under discussion of the motion, Mayor Storey said it is premature to go beyond Phase 1 at this time, and he believes there should have been more noticing to the residents. He expressed concerns regarding Phases 2, 3 and 4 and said he would be in favor of Phase 1 only.

Council Member Norton said this would be coming back to the Council. Public Works Director Jesberg noted that funding and contracts would come back for approval, and a Coastal Development Permit application will also go to the Coastal Commission for approval.

The motion carried on the following vote: AYES: Council Members Norton, Nicol, and Begun. NOES: Mayor Storey. ABSENT: None. ABSTAIN: None. DISQUALIFIED: Council Member Graves.

6. COUNCIL/STAFF COMMUNICATIONS

City Manager Goldstein acknowledged Council Member Graves and Council Member Begun for their service to the city and wished them well.

Mayor Storey wished to acknowledge the last regular meeting of the City Council that Council Member Begun would participate. Mayor Storey commented that he has learned a lot from Council Member Begun during his service as elected City Treasurer and Council Member and thanked him for commitment to the city.

Council Member Norton commented that there are very few decisions he has made as a council member that he regrets; however, one that slipped by him recently is the Fairfield Hotel. He commented on the impact of the project to the neighbors behind the building and believes the building should have been stepped toward the front. Council Member Norton asked if staff knew when the hotel would be open. City Manager Goldstein said he would check into it inform the council members.

7. **ADJOURNMENT**

Mayor Storey wished everyone a Happy Thanksgiving holiday. On black Friday, he encouraged everyone to Shop Capitola. The City Council adjourned at 9:25 p.m. to a Special Meeting of the City Council regarding the November 2, 2010, General Municipal Election Results to be held on **Wednesday, December 8, 2010, at 6:00 p.m.**, in the City Hall Council Chambers, 420 Capitola Avenue, Capitola, California.

Sam Storey, Mayor

ATTEST:

Pamela Greeninger, City Clerk, MMC

November 29, 2010
Capitola, California

CAPITOLA CITY COUNCIL

MINUTES OF A SPECIAL CLOSED SESSION MEETING

Mayor Storey called the Special Closed Session Meeting of the Capitola City Council to order at 1:00 p.m. on Monday, November 29, 2010, in the City Hall Council Chambers, 420 Capitola Avenue, Capitola, California. He noted that a quorum of City Council Members were present, with the exception of Council Member Norton. *(Note: Council Member Norton arrived and was present for the Closed Session in the City Manager's office.)*

PRESENT: Council Members, Ron Graves, Dennis Norton, Robert "Bob" Begun, Kirby Nicol, and Mayor Sam Storey

ABSENT: None

STAFF: City Manager Jamie Goldstein, Deputy City Attorney George Kovacevich, and City Clerk Pamela Greeninger *(for announcement regarding Closed Session only.)*

CLOSED SESSION [520-25/570-40]

Mayor Storey announced that pursuant to the Notice and Call of the Special Closed Session Meeting of the Capitola City Council dated November 23, 2010, the City Council would meet with its Legal Counsel in Closed Session in the City Manager's office on the following matters:

CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION (Govt. Code §54956.9a)

Surf and Sand, LLC vs. City of Capitola (Surf & Sand Mobile Home Park)

Vieira Enterprises vs. City of Capitola (Cabrillo Mobile Estates)

Los Altos/El Granada Investors vs. City of Capitola (Castle Mobile Estates)

Mayor Storey noted there was no one in the audience; therefore, the City Council recessed at 1:01 p.m. to the Closed Session in the City Manager's Office.

REPORT ON CLOSED SESSION [520-25]

The City Council received an update from Deputy City Attorney Kovacevich and City Manager Goldstein pertaining to three existing litigation matters:

Surf and Sand, LLC vs. City of Capitola (Surf & Sand Mobile Home Park) - The City Attorney and the City Manager provided a status report to the City Council. The Council took no reportable action in Closed Session.

Los Altos/El Granada Investors vs. City of Capitola (Castle Mobile Estates) - The City Attorney and the City Manager provided a status report to the City Council. No reportable action was taken by the Council in Closed Session.

Vieira Enterprises vs. City of Capitola (Cabrillo Mobile Estates) – The City Attorney and the City Manager provided a status report to the City Council. No reportable action was taken by the Council in Closed Session.

ADJOURNMENT

The City Council adjourned at approximately 1:40 p.m. to a Special Meeting to be held on Wednesday, December 8, 2010, at 6:00 p.m., in the City Hall Council Chambers, 420 Capitola Avenue, Capitola, California.

Sam Storey, Mayor

ATTEST: _____, MMC
Pamela Greeninger, City Clerk

December 8, 2010
Capitola, California**CAPITOLA CITY COUNCIL****MINUTES OF A SPECIAL MEETING**

Mayor Storey called the Special Meeting of the City Council to order at 6:06 p.m. on Wednesday, December 8, 2010, in the City Hall Council Chambers, 420 Capitola Avenue, Capitola, California.

1. ROLL CALL AND PLEDGE OF ALLEGIANCE

PRESENT: Council Members Ron Graves, Dennis Norton, Kirby Nicol, Robert "Bob" Begun, and Mayor Sam Storey
OTHERS: Council Members-Elect Stephanie Harlan and Michael Termini
 City Treasurer Jacques Bertrand
ABSENT: None
STAFF: City Manager Jamie Goldstein, City Attorney John Barisone, Community Development Director Derek Johnson, Public Works Director Steve Jesberg, Chief of Police Michael Card, and City Clerk Pamela Greeninger

2. ORAL COMMUNICATIONS – None**3. BUSINESS**

**A. November 2, 2010 - General Municipal Election Results [560-10]
 Resolution Confirming and Approving the Canvass of Returns and Result of the General Municipal Election Held in Capitola on the 2nd day of November 2010, for the Election of Three Members of the City Council.**

City Clerk Greeninger reported on the results of the City's General Municipal Election held November 2, 2010, stating that County Clerk Gail Pellerin finalized the canvass of the consolidated Presidential General Election and issued the Statement of Vote on Tuesday, November 30, 2010. She said the number of registered voters in Capitola eligible to vote at the election was 5,979. A total of 3,995 ballots were cast in the City's election for a voter turnout of 66.82%.

City Clerk Greeninger announced the city's election was to elect three Members of the City Council for full terms of four years. She stated there were four candidates for the three council member seats and then named the candidates for Member of City Council. The total number of votes for each candidate received are as follows:

<u>Name of Candidate</u>	<u>Total Number of Votes</u>	<u>Percent</u>
Michael Termini	2,289	27.83%
Stephanie Harlan	2,218	26.97%
Sam Storey	2,124	25.82%
Robert "Bob" Begun	1,571	19.10%

City Clerk Greeninger advised that the three candidates for Member of City Council receiving the highest number of votes were Michael Termini, Stephanie Harlan, and Sam Storey, and they were thereby elected Members of the City Council. The proposed resolution authorizes the City Clerk to sign and deliver Certificates of Election to each of those individuals elected to office and to administer the Oath of Office prescribed in the Constitution of the State of California, which would be done later in the meeting.

3. A. BUSINESS (Continued)

Following the report on results of the election, City Clerk Greeninger stated the recommended action is, by motion and roll call vote, to adopt the proposed Resolution Confirming and Approving the Canvass of Returns and Result of the General Municipal Election held in Capitola on the 2nd day of November, 2010, as submitted.

There was no discussion prior to the following action being taken:

ACTION: Council Member Nicol moved, seconded by Council Member Graves, to adopt **Resolution No. 3847, Resolution Confirming and Approving the Canvass of Returns and Result of the General Municipal Election held in Capitola on the 2nd day of November, 2010**, as submitted.

Prior to taking the vote on the motion, Mayor Storey asked if any members of the audience wished to comment on the motion. No one spoke.

The motion carried on the following vote: AYES: Council Members Graves, Norton, Nicol, Begun, and Mayor Storey. NOES: None. ABSENT: None. ABSTAIN: None.

B. Recognition of and Comments from Outgoing Council Members Robert “Bob” Begun and Ron Graves. [120-40]

At this time Mayor Storey called Council Member Begun forward and recognized him for his service as a Council Member from December 14, 2006, to December 10, 2010, and presented him with a framed photograph. He also commented that Bob has been an advocate for the public treasury and public trust and also served the city as the Elected City Treasurer from December 2000 until December of 2006, when he was elected to the City Council. Council Member Begun’s “Capitola Reflections” articles in the Capitola Times publication have kept residents informed of city matters.

Mayor Storey then called upon Council Member Graves and said it was his distinct honor to recognize Ron for over 32 years of public service as a Council Member, having been elected to eight terms on the City Council. Mayor Storey noted that Council Member Graves was first elected in April of 1968, served as Mayor on three occasions, and holds the record as Capitola’s Longest Standing Council Member. Mayor Storey also mentioned a number of other boards and commissions on which he has served on behalf of the city over the years, as well as numerous projects for which he was involved. He then presented Council Member Graves with a framed photograph and thanked him for his dedicated service to the City of Capitola, saying they would miss him on the City Council and wished him and his wife well.

Mayor Storey invited Supervisor Ellen Pirie to come forward to make presentations on behalf of the Santa Cruz County Board of Supervisors.

Supervisor Pirie said she has Proclamations for both Council Members Bob Begun and Ron Graves; however, she would not be reading them. She first addressed Bob Begun, saying that she has enjoyed working with him and thanked him for his representation to his and her joint constituents.

She then addressed Ron Graves, saying she will miss him very much. Supervisor Pirie said that over the years she has learned that when Ron speaks, she needs to listen. He provides useful information, and she has learned a great deal from him during service on mutual boards. She appreciated Ron’s humor on the Sanitation District Board.

3. B. BUSINESS (Continued)

Council Member Norton then presented Council Members Begun and Graves with Certificates of Special Recognition from Congressman Sam Farr and made personal comments to each. He thanked them both for their service to the community.

Council Member Nicol read and presented Joint California Senate and Assembly Resolutions from Senator Joe Simitian and Assembly Member Bill Monning, recognizing Council Members Begun and Graves for their service to the city on the Capitola City Council.

Following the presentations, Mayor Storey said this was now time for outgoing members to speak.

Council Member Graves thanked his wife and family for supporting him over the years while in office. He also thanked city staff and the members of the community who served as his appointees on various city committees, especially his Planning Commission appointment, Stephanie Harlan.

Council Member Begun thanked the citizens for electing him City Treasurer, as well as member of the City Council. He thanked staff for all their work and for being a partner with him in providing information to assist him in making decisions. In addition, he named a number of Capitola residents for whom he gave special thanks, as well as to his family, especially his partner Doree.

In closing, Council Member Begun said that although Capitola is in the best financial shape of any city in the county, the city's financial well-being is being threatened with lawsuits from the mobile home park owners still under rent control. The only solution he sees is to sit down and negotiate with the park owners. He believes the city is now in the best position to arrange a successful negotiation.

C. Oath of Office Ceremony ~ Seating of Newly Elected Officials [520-50]

City Clerk Greeninger asked the newly elected Council Members to step forward. She congratulated them on their election and then administered the Oath of Office to Stephanie Harlan, Sam Storey and Michael Termini and presented each with a framed Certificate of Election. They then signed their Oath of Office forms and took their seats on the dais.

D. Comments from Newly Elected Officials Stephanie Harlan, Sam Storey and Michael Termini.

Mayor Storey welcomed both Stephanie Harlan and Michael Termini back to the City Council. He said it was a pleasure to have Council Member Termini back on the council, and he is looking forward to working with Council Member Harlan as well.

Council Member Harlan thanked everyone for attending tonight's meeting. She is looking forward to the challenges during the next four years and working together with the other council members and staff on various city projects.

Council Member Termini said, "I told you I would be back." He thanked the 2,289 voters who cast their vote for him, saying it is truly an honor to receive the votes of the community. Council Member Termini went on to thank all the candidates, his campaign staff, Lin Banks and Linda Smith, as well as Kim for her support. He is looking forward to working with the new City Manager and Community Development Director.

Mayor Storey thanked his supporters for their contributions and votes, as well as all the residents who voted for him at the election. He is looking forward to this opportunity to continue to serve the community on the City Council.

E. Reorganization of the City Council ~ Election of Mayor and Vice Mayor [120-37]

Mayor Storey said it would now be appropriate to entertain nominations for Mayor.

ACTION: Council Member Nicol moved, seconded by Council Member Termini, to nominate Vice Mayor Norton as Mayor. The motion carried unanimously.

Mayor Storey then entertained nominations for Vice Mayor.

ACTION: Council Member Harlan moved, seconded by Mayor Norton, to nominate Council Member Termini as Vice Mayor. Council Member Termini accepted the nomination, and the motion carried unanimously.

Mayor Storey then handed the gavel to newly selected Mayor Norton, who then presided over the remainder of the meeting.

Newly selected Mayor Norton said he is honored to serve as Mayor for the upcoming year. He commented on some of the things that need to be done and said he is pleased to be surrounded with great council members and staff.

F. Presentation of Gavel to Mayor Sam Storey [120-37]

Mayor Norton thanked Sam Storey for serving as Capitola's Mayor for the past year. He commented that he doesn't believe Mayor Storey had a vacation this past year, as he has represented the city at just about every event and ribbon-cutting on behalf of the city. Mayor Norton then presented Mayor Storey with a Gavel Plaque on behalf of the City Council and residents expressing the City's gratitude for his service as Mayor from December 10, 2009, to December 8, 2010.

Mayor Norton noted that the person most in tune with the city is the street sweeper. That person has clear picture of what is going on in the city. He would like the Mayor to have the privilege of driving street sweeper.

Outgoing Mayor Storey made a few comments following the gavel presentation. He said Mayor Norton was correct in saying he has not taken a vacation during the last year while serving as mayor. Mayor Storey thanked his wife, Helen, his daughter, Ruby, the council members and residents of Capitola for their support during the past year. He hopes he fulfilled their expectations and represented the city well. Mayor Storey said it was a distinct honor to represent the city as the Mayor.

As mayor he said there were fun things to do, but there were also many challenges, and keeping the meetings going was often times exasperating. He specifically thanked the various staff members, including City Manager Jamie Goldstein, City Attorney John Barisone, Community Development Director Derek Johnson, Chief of Police Mike Card and City Treasurer Bertrand. He also wished to thank City Clerk Pam Greeninger for her assistance during the past year, serving as his guide and steering him in the right direction as he performed his duties as Mayor.

Prior to adjourning the meeting, Mayor Norton thanked everyone for sharing this evening with the City Council.

4. ADJOURNMENT

The City Council adjourned at 7:12 p.m. to its next Regular Meeting to be held tomorrow evening, Thursday, December 9, 2010, in the City Hall Council Chambers, 420 Capitola Avenue, Capitola, California.

Sam Storey, Mayor

Dennis Norton, Mayor

ATTEST:

Pamela Greeninger, City Clerk, MMC

CAPITOLA CITY COUNCIL

December 20, 2010
Capitola, California

MINUTES OF A SPECIAL CLOSED SESSION MEETING

Mayor Norton called the Special Closed Session Meeting of the Capitola City Council to order at 12:00 p.m. on Monday, December 20, 2010, in the City Hall Council Chambers, 420 Capitola Avenue, Capitola, California. He noted that all City Council Members were present.

PRESENT: Council Members Stephanie Harlan, Michael Termini, Kirby Nicol, Sam Storey, and Mayor Dennis Norton

ABSENT: None

STAFF: City Manager Jamie Goldstein, City Attorney John Barisone, and Deputy City Attorney George Kovacevich

CLOSED SESSION [520-25/570-40]

Mayor Norton announced that pursuant to the Notice and Call of the Special Closed Session Meeting of the Capitola City Council dated December 13, 2010, the City Council would meet with its Legal Counsel in Closed Session in the City Manager's office on the following matters:

CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION (Govt. Code §54956.9a)

Surf and Sand, LLC vs. City of Capitola, et al (Surf & Sand Mobile Home Park) [Superior Court of the State of California for County of Santa Cruz, Case #CV 167716]

Surf and Sand, LLC vs. City of Capitola, et al (Surf & Sand Mobile Home Park) [U.S. District Court N.D., Case No. C09-05542 RS (Judge Richard Seeborg)]

Los Altos/El Granada Investors vs. City of Capitola, et al (Castle Mobile Estates) [U.S. District Court N.D., Case No. CV 04- 05138 JF (Judge Jeremy Fogel)]

Mayor Norton noted there was no one in the audience; therefore, the City Council recessed at 12:02 p.m. to the Closed Session in the City Manager's Office.

REPORT ON CLOSED SESSION [520-25]

The City Council received an update from Deputy City Attorney Kovacevich, City Attorney Barisone and City Manager Goldstein pertaining to the two pending Surf and Sand lawsuits and the pending Los Altos/El Granada (Castle Mobile Estates) lawsuit referenced above and provided direction with regard to their continued defense on behalf of the City. The City Council took no reportable action in closed session.

ADJOURNMENT

The City Council adjourned at approximately 1:10 p.m. to its next Regular Meeting to be held on Thursday, January 13, 2011, in the City Hall Council Chambers, 420 Capitola Avenue, Capitola, California.

Dennis Norton, Mayor

ATTEST: _____, MMC
Pamela Greeninger, City Clerk



Item #: 3.C.

CAPITOLA REDEVELOPMENT AGENCY AGENDA REPORT

MEETING OF JANUARY 13, 2011

FROM: OFFICE OF THE SECRETARY
DATE: JANUARY 6, 2010
SUBJECT: **CAPITOLA REDEVELOPMENT AGENCY MINUTE APPROVAL - MINUTES OF THE REGULAR MEETING OF DECEMBER 9, 2010**

Recommended Action: Motion to approve the subject minutes as submitted.

DISCUSSION

Attached for Redevelopment Agency Director review and approval are Minutes to the Regular Meeting of December 9, 2010.

ATTACHMENTS

Minutes of December 9, 2010

Report Prepared By: Pamela Greeninger, Secretary

Reviewed and Forwarded by
Executive Director: 

CAPITOLA REDEVELOPMENT AGENCY

December 9, 2010
Capitola, California

MINUTES OF A REGULAR MEETING

Chairperson Norton called the Regular Meeting of the Capitola Redevelopment Agency to order at 6:35 p.m. on Thursday, December 9, 2010, in the City Hall Council Chambers, 420 Capitola Avenue, Capitola, California.

A. ROLL CALL

PRESENT: Directors Stephanie Harlan, Michael Termini, Kirby Nicol, Sam Storey, and Chairperson Dennis Norton

ABSENT: Redevelopment Agency Treasurer Debbie Johnson

STAFF: Executive Director Jamie Goldstein, Deputy Executive Director Derek Johnson, Agency Counsel John G. Barisone, and Secretary Pamela Greeninger

B. ORAL COMMUNICATIONS

1) Marilyn Garrett welcomed the new members. She commented on a discussion she had with a resident at the new senior housing facility on Bay Avenue regarding SmartMeters located on the premises. Ms. Garrett said she is upset and worried about the residents living there being exposed to SmartMeters, and she would like to see the city investigate this and have the meters removed.

2) Secretary Greeninger commented on appointments being considered by Directors for various city advisory bodies. She said Redevelopment Agency Directors serve on and have appointments to the Library Ad Hoc Committee. With the change in membership on the Redevelopment Agency, the directors will need to review its representatives and individual appointments.

ACTION: It was the consensus of the Redevelopment Agency Directors to agendize appointments to the Library Ad Hoc Committee at its next regular meeting to be held on January 13, 2011.

C. RDA CONSENT CALENDAR

Chairperson Norton asked if the directors or members of the public wished to pull any of the items on the Consent Calendar for separate discussion. No items were pulled.

CONSENT CALENDAR ACTION: Director Nicol moved, seconded by Director Termini, to approve the Consent Calendar, as submitted. The motion carried on the following vote: AYES: Directors Harlan, Termini, Nicol, Storey, and Chairperson Norton. NOES: None. ABSENT: None. ABSTAIN: None. *Note: Directors Harlan and Termini abstained on Item C.1. only, Minutes to the meeting of November 23, 2010, since they were not directors of the Redevelopment Agency at that meeting.

1. Approval of RDA Minutes – The Regular Meeting of the Redevelopment Agency of November 23, 2010

ACTION: Director Nicol moved, seconded by Director Termini, to approve the Minutes of the Regular Meeting of the Redevelopment Agency of November 23, 2010, as submitted. The motion carried on the following vote: AYES: Directors Nicol, Storey, and Chairperson Norton. NOES: None. ABSENT: None. ABSTAIN: Directors Harlan and Termini.

C. RDA CONSENT CALENDAR (Continued)

2. **Approval of RDA Check Register Report [760-25]**

ACTION: Director Nicol moved, seconded by Director Termini, to approve the Check Register Report dated November 19, 2010, including checks numbered 2876 through 2880 in the amount of \$35,635.08, as submitted. The motion carried on the following vote: AYES: Directors Harlan, Termini, Nicol, Storey, and Chairperson Norton. NOES: None. ABSENT: None. ABSTAIN: None.

D. **PUBLIC HEARINGS** - NoneE. **REGULAR BUSINESS**1. **Consideration of Amending Section 3.02 of the Redevelopment Agency Bylaws Pertaining to Regular Meeting Times. [760-10]**

Secretary Greeninger summarized the written agenda report and responded to questions of Directors. Executive Director Goldstein also commented that it makes sense from a public perspective, as well as staff time involved for each meeting.

Chairperson Norton asked if anyone from the public wished to address this issue. Seeing no one, he brought the matter back to the directors for action.

ACTION: Director Storey moved, seconded by Director Harlan, to adopt **Agency Resolution No. 2010-4, Resolution to Amend Agency Resolution No. 7-01 by Amending Section 3.02 A of the Bylaws of the Redevelopment Agency of the City of Capitola regarding Board Meeting Times**, to have one meeting per month on the first Thursday, as submitted.

Under discussion of the motion, Director Termini asked if there was a requirement to have the agency meet on the same night as the Council.

Director Storey commented that taking this action only deals with half of the problem. He pointed out that County Board of Supervisors sits as both the County Board and the Redevelopment Agency at that same time. He would like to have staff look into that process to see if the City Council and Redevelopment Agency can convene at one time.

Secretary Greeninger said this has been discussed in the past, but for recordation purposes it was decided to keep the RDA agenda items separate. That way the actions taken by each entity would be recorded in separate minutes. She informed the Directors that the City of Santa Cruz has a joint agenda where the City Council and Redevelopment Agency sits jointly. Secretary Greeninger said staff would look into this and report back to the Directors.

After Director discussion, the motion to adopt the proposed resolution carried on the following vote: AYES: Directors Harlan, Termini, Nicol, Storey, and Chairperson Norton. NOES: None. ABSENT: None. ABSTAIN: None.

E. REGULAR BUSINESS (Continued)

2. **Resolution authorizing appropriation and expenditure of \$50,000 of Redevelopment Agency Operating Fund monies for preparation of required environmental review documents and consideration of Coastal Development permits pertaining to demolition of the Rispin Mansion. [760-25/275-60]**

Deputy Executive Director Johnson summarized written agenda report and responded to questions of directors.

Director Nicol said he would like to continue this item to January, as he has reason to believe there may be a proposal coming forward that could give the directors pause in its decision to demolish the building.

ACTION: Director Nicol moved to continue this item to the second meeting in January, on January 27, 2011, seconded by Director Termini.

After further discussion of the motion, Chairperson Norton called for a vote. The motion carried on the following vote: AYES: Directors Harlan, Termini, Nicol, and Chairperson Norton. NOES: Director Storey. ABSENT: None. ABSTAIN: None.

Executive Director Goldstein clarified his understanding of the motion is that staff would bring the matter back if a proposal was received.

Director Harlan said if there were individuals contacting the city about this, they could be scheduled to make a presentation on their proposal with details. She doesn't want staff investing a lot of time on ideas that may be presented.

3. **Review and approval of Library Program Consultant and Project Management Services Contract with Critical Solutions, Inc. to prepare a Library Needs Assessment, Space Programming, Budget Estimate and Project Schedule in an amount not to exceed \$47,356. [230-10/760-05 A/C: Critical Solutions, Inc.]**

Deputy Executive Director Johnson summarized the written agenda report. He thanked Senior Planner Ryan Bane and the Redevelopment Agency Library Ad Hoc Committee for their work on this item. He provided background on RFQ process for a consultant to assist in the development of a Library Needs Assessment, space programming, budget estimate and project schedule, and he explained what Critical Solutions would be doing under the proposed contract. Deputy Executive Director Johnson said the recommended action is also the recommendation of the Library Ad Hoc Committee.

Chairperson Norton opened this item to the public at 7:08 p.m.

Marilyn Garrett said she cringes when technological advances are discussed. She commented on microwave radiation impacts on children. She would urge libraries and schools not to include this technology their buildings. Ms. Garrett recommended that the directors require wired computers at the library, not WiFi.

ACTION: Director Termini moved, seconded by Director Nicol, to approve a contract with Critical Solutions, Inc., in a form substantially similar to the draft contract, for a Library Needs Assessment, Space Programming, Budget Estimate and Project Schedule in an amount not to exceed \$47,356, as submitted. The motion carried on the following vote: AYES: Directors Harlan, Termini, Nicol, Storey, and Chairperson Norton. NOES: None. ABSENT: None. ABSTAIN: None.

F. ADJOURNMENT

The Redevelopment Agency adjourned at 7:11 p.m. to its next Regular Meeting to be held on Thursday, January 13, 2011, in the City Hall Council Chambers, 420 Capitola Avenue, Capitola, California.

Dennis Norton, Chairperson

ATTEST:

Pamela Greeninger, Secretary



Item #: 3.D.

CITY COUNCIL AGENDA REPORT

MEETING OF JANUARY 13, 2011

FROM: CITY TREASURER

DATE: DECEMBER 7, 2010

SUBJECT: TREASURER'S REPORT FOR THE MONTH ENDED NOVEMBER 30, 2010
(UNAUDITED)

Recommended Action:

By motion, that the City Council accept the November 2010 Treasurer's Report (unaudited) for the City of Capitola.

BACKGROUND

California Government Code Section 41004 requires that the City Treasurer submit to the City Clerk and the legislative body a written report and accounting of all receipts, disbursements, and fund balances.

The attachment provides various financial data and analysis for the City of Capitola funds, and the State Treasurer's Office (Local Agency Investment Fund) "LAIF" interest rates.

DISCUSSION - EXECUTIVE SUMMARY AT NOVEMBER 30, 2010

The City Cash Position at November 30, 2010 totals \$3,529,500. LAIF deposits include \$2,456,100 of City and Assessment District Funds. The LAIF investment return as of November 30, 2010 was .45%.

The General Fund Balance Sheet consists of:

Total Assets	\$1,987,600 (includes Rispin receivable of \$1,350,000)
Total Liabilities	\$2,316,500
Total Fund Balance	\$ (328,900) (includes Rispin receivable of \$1,350,000)

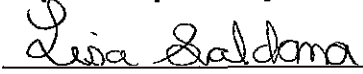
Fund Balance

General Fund	\$ (328,900)
Designated Reserves:	1,913,000
Capital Improv. Projects	269,400
Special Revenues:	1,570,100
Debt Service	72,800
Internal Services:	1,177,800
Total	\$ 4,674,200

FISCAL IMPACT: None.

ATTACHMENTS - 1) November 30, 2010 City Treasurer's Report and 2) LAIF rates

Report Prepared By:




Lisa Saldana
Supervising Accountant

Reviewed and Forwarded By:



Jacques Bertrand, City Treasurer

 cc: cdiac_investments@treasurer.ca.gov (June & December reports only, within 60 calendar days)



Treasurer's Report for Month Ended November 30, 2010

BACKGROUND

California government code section 41004 requires that the City Treasurer submit to the City Clerk and the legislative body a written report and accounting of all receipts, disbursements, and fund balances. Additionally with the passage of Chapter 687, Statutes of 2000 (AB 943 Dutra), effective January 1, 2001 cities are now required to forward copies of their second and fourth quarter calendar year investment portfolio reports to the California Debt and Investment Advisory Commission (CDIAC) within 60 days.

The CDIAC will use the report as an additional opportunity to examine public investment practices in a more consistent basis than before.

Cities, such as the City of Capitola, that are 100 percent invested in the Local Agency Investment Fund (LAIF) are exempt from the new investment portfolio reporting requirements and are only required to send a letter to CDIAC indicating the total and composition of their investments. This Treasurer's Report will satisfy our reporting requirement to the CDIAC.

The following pages provide various financial data and analysis for the City of Capitola's Funds collectively as well as specifically for the City's General (Operating) Fund, with an attachment from the State Treasurer's Office of quarterly LAIF rates from the 1st quarter of 1977 to present.

DISCUSSION

The following information is for the month ended November 30, 2010. Such information is preliminary and unaudited.

CASH BALANCE BY FUND

As of November 30, 2010, the LAIF deposits include \$2,456,100 of City and Assessment District funds. The LAIF investment return as of November 30, 2010 was .45%. The following summarizes the City's total cash balance of \$3,529,500 at November 30, 2010 amongst the funds:

November 30, 2010

<u>General Fund</u>		(255,900)
<u>Special Revenues</u>	S L E S F	13,800
	SCC NARCOTICS ENFORCEMENT TEAM	(5,700)
	GAS TAX	11,900
	WHARF FUND	63,300
	DEVELOPMENT FEES FUND	-
	PEG CABLE TV ACCESS FUND	81,700
	CAPITOLA VILLAGE & WHARF BIA	33,900
	GREEN BUILDING	47,100
	PARKING RESERVE FUND	99,800
	TECHNOLOGY FEE FUND	6,800
	CDBG - GRANTS	18,200
	CDBG PROGRAM INCOME	(15,500)
	CDBG PROGRAM INCOME 07-08 RLF	5,300
	HOUSING PROGRAM LOAN FUND	2,000
	HOME GRANT FUND	(4,800)
	AFFORDABLE HOUSING TRUST FUND	345,100
	BEGIN GRANT FUND	60,000
	PUBLIC ART FUND	156,800
	OPEN SPACE PURCHASE	300
	GENERAL PLAN UPDATE	607,100
<u>Internal Service</u>	WORKER'S COMPENSATION	9,200
	SELF INSURANCE	191,100
	STORES	19,800
	INFORMATION TECHNOLOGY	142,100
	EQUIPMENT REPLACEMENT	307,500
	PUBLIC EMPLOYEE RETIREMENT	509,300
<u>Reserves</u>	EMERGENCY RESERVES	627,100
	CONTINGENCY RESERVES	-
	COMPENSATED ABSENCES	38,600
<u>Capital Projects</u>	VARIOUS CAPITAL PROJECTS	338,500
<u>Debt Service</u>	DEBT SERVICE FUND	75,100
TOTAL ALL FUNDS		<u><u>3,529,500</u></u>
	General Fund	(255,900)
	Internal Services	1,179,000
	Reserves	665,700
		<u><u>1,588,800</u></u>

GENERAL FUND SUMMARY BALANCE SHEET

The following is the General Fund summary balance sheet:

General Fund: Summary Balance Sheet	6/30/2010	Incr/Decr	11/30/2010
Cash	274,700	(530,600)	(255,900)
Prepaid Expenditures	5,300	(800)	4,500
Accounts Receivable	72,100	(4,000)	68,100
Accounts Receivable - Intergovernmental ¹	43,100	159,800	202,900
Accounts Receivable for Year End ²	1,149,300	(1,149,300)	-
Accounts Receivable - RDA (Rispin)	1,350,000	-	1,350,000
Short Term Loans - RDA	-	-	-
Long Term Loans - RDA	618,000	-	618,000
TOTAL ASSETS	\$ 3,512,500	\$(1,524,900)	\$ 1,987,600
Accounts Payable	383,800	(314,900)	68,900
Payroll Related Liabilities	329,300	(367,900)	(38,600)
Other Deposits and Other Liabilities	188,200	25,500	213,700
Deferred Revenue – RDA	618,000	-	618,000
Deferred Revenue	346,800	(139,500)	207,300
Due to Contingency Reserve Fund	-	1,247,200	1,247,200
TOTAL LIABILITIES	\$ 1,866,100	\$ 450,400	\$ 2,316,500
FUND BALANCE ³			
Rispin Mansion Transaction	1,350,000	-	1,350,000
Fund Balance Reserves	15,200	-	15,200
Available Fund Balance:			
Prior Year Fund Balance	393,000	-	393,000
Current Year Operating Results	-	(2,087,100)	(2,087,100)
Net, Available Fund Balance	\$ 393,000	\$(2,087,100)	\$(1,694,100)
TOTAL FUND BALANCE	\$ 1,758,200	\$(2,087,100)	\$ (328,900)

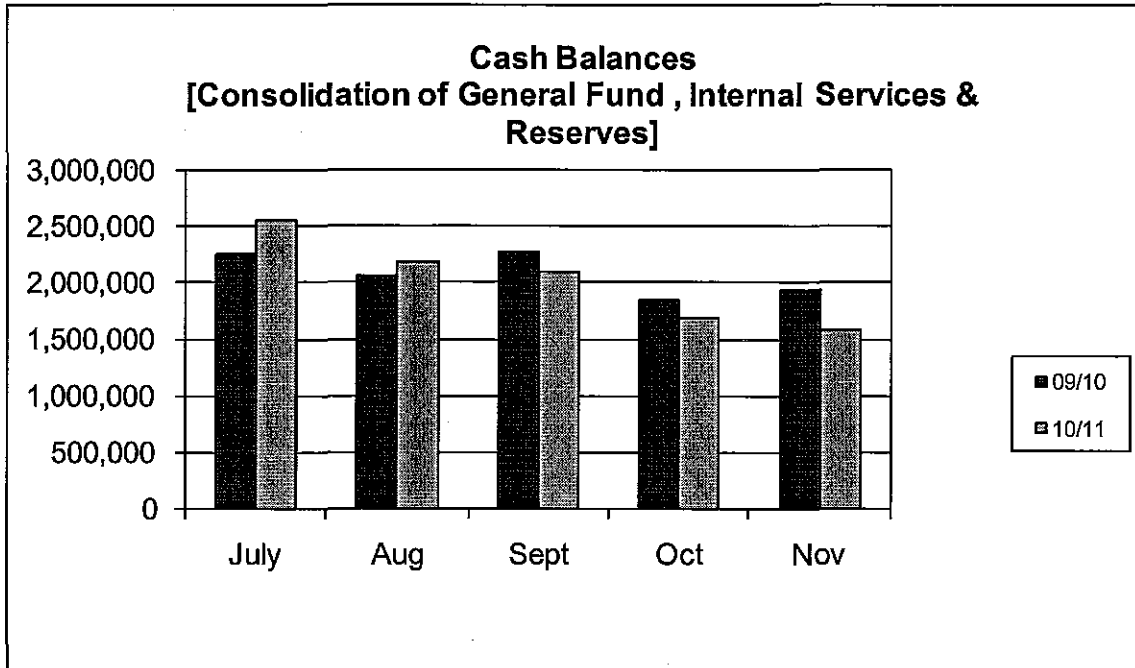
¹ A/R-Intergovernmental is primarily for State Mandated Cost Reimbursements.

² A/R for Year-End is for prior year-end revenues with cash received in July or August 2009 of new fiscal year.

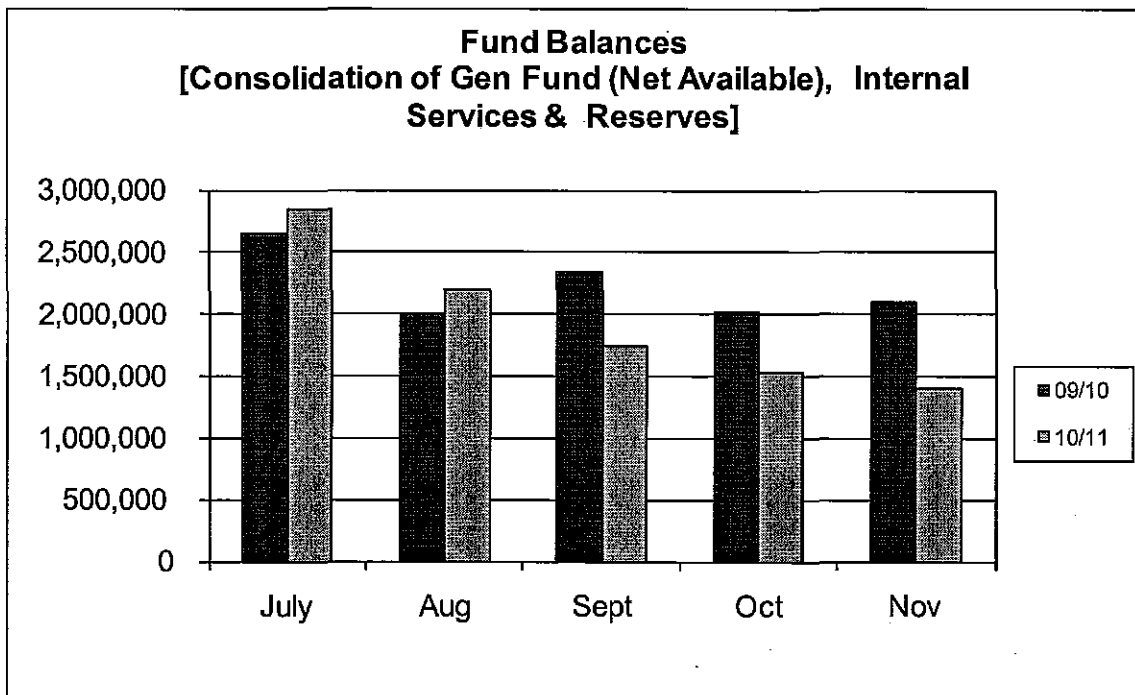
³ Fund Balance is segregated for the amounts related to the Rispin Mansion Note Payable to the City and amount available.

CASH BALANCE & FUND BALANCE

The following graphs compare the monthly Cash and Fund Balance totals in the consolidated General Fund, Internal Service Funds, and Reserves for FY 09/10 and FY 10/11.



November 30, 2010 Total= \$1,588,800: Gen Fund= (\$255,900), Internal Service= \$1,179,000, Reserves= \$665,700



November 30, 2010 Total= \$1,396,700: Gen Fund= (\$1,694,100), Internal Service= \$1,177,800, Reserves= \$1,913,000

CHANGES IN TOTAL FUND BALANCE

This table presents the ending Fund Balances for the City's major fund types. (It excludes agency funds where the City acts merely as a third party custodian of an outside party's funds.)

	Beginning Fund Balance: 7/01/10	Incr/(Decr) July-Oct	Revenue	Expenditure	Interfund Transfers	Unaudited Fund Balance: 11/30/10
General Fund: Rispin	1,350,000	-	-	-	-	1,350,000
General Fund: Reserved	15,200	-	-	-	-	15,200
General Fund: Available	393,000	(1,979,900)	684,000	(791,200)	-	(1,694,100)
Designated Reserves:	-	-	-	-	-	-
Emergency Reserves @ 5%	627,100	-	0	0	-	627,100
Compensated Absences	116,900	(77,300)	0	(900)	-	38,700
Contingency Reserves @10%	1,247,200	-	0	0	-	1,247,200
Capital Improv. Projects:	418,600	(62,500)	0	(87,000)	-	269,100
Open Space Purchase	300	-	0	0	-	300
Special Revenues:	-	-	-	-	-	-
Gas Tax	64,600	(66,400)	47,800	(12,000)	-	34,000
Law Enforcement Grants	1,100	(16,500)	36,600	(8,000)	-	13,200
PEG Cable TV Access	82,800	(5,700)	4,600	0	-	81,700
Capitola & Wharf BIA	7,500	34,600	0	(400)	-	41,700
Development Fees	(1,400)	-	0	0	-	(1,400)
Wharf Fund	38,100	20,200	7,600	(2,700)	-	63,200
Green Building	45,400	2,300	0	(600)	-	47,100
Parking Reserve Fund	78,700	21,100	0	0	-	99,800
Technology Fee Fund	3,900	2,600	300	0	-	6,800
CDBG-Grants (Reimburseme	34,000	(300)	0	(200)	-	33,500
CDBG - Program Income	(17,800)	(1,100)	0	(100)	-	(19,000)
CDBG - Prog Inc 07-08 RLF	5,200	100	0	0	-	5,300
HOME Program Re-Use	5,100	(4,100)	1,000	(2,000)	-	-
HOME Grant Fund	(7,500)	2,700	0	0	-	(4,800)
Affordable Housing Trust	367,800	(3,700)	0	(19,000)	-	345,100
Begin Grant Fund	60,000	-	0	0	-	60,000
Public Art Program	162,800	(6,000)	0	0	-	156,800
General Plan Maintenance	599,300	8,300	1,200	(1,700)	-	607,100
Debt Service:POB	468,100	(429,200)	33,900	0	-	72,800
Internal Services:	-	-	-	-	-	-
Equipment Replacement	282,500	25,000	0	0	-	307,500
Information Technology	141,400	5,500	0	(5,800)	-	141,100
Public Employee Retirement	520,400	(6,500)	109,700	(114,300)	-	509,300
Self-Insurance Liability	253,900	(51,400)	0	(11,400)	-	191,100
Stores	25,200	(4,800)	0	(800)	-	19,600
Worker's Compensation	174,900	(165,700)	0	0	-	9,200
TOTAL CITY	7,564,300	(2,758,700)	926,700	(1,058,100)	-	4,674,200

General Fund Balance: Fund Balance is segregated for: the amounts related to the Rispin Mansion Note Payable to the City, the amount reserved for disabled parking, and amount available.

General Fund Revenues: For the month ending November 30, 2010, total revenues were \$684,000 which included Sales Tax of \$359,500 (52%), Charges for Services of \$79,900 (11%), Transient Occupancy Tax of \$53,000 (7%), and Fines and Forfeitures of \$66,700 (9%).

General Fund Expenditures: For the month ending November 30, 2010, total expenditures were \$791,200 which includes Staffing for (2) pay periods of \$548,400 (69%), and Contract Services of \$190,900, which includes \$49,900 for Legal Services (24%).

CDBG Grant Fund: This fund operates on a reimbursement basis. Therefore the balance will be negative as expenditures are incurred prior to reimbursement.

Internal Services: Internal Service Fund transactions consist of quarterly General Fund transfers and budgeted expenditures.



Bill Lockyer
California State Treasurer

ATTACHMENT 2

Pooled Money Investment Account

PMIA Average Monthly Effective Yields

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1977	5.770	5.660	5.660	5.650	5.760	5.850	5.930	6.050	6.090	6.090	6.610	6.730
1978	6.920	7.050	7.140	7.270	7.386	7.569	7.652	7.821	7.871	8.110	8.286	8.769
1979	8.777	8.904	8.820	9.082	9.046	9.224	9.202	9.528	9.259	9.814	10.223	10.218
1980	10.980	11.251	11.490	11.480	12.017	11.798	10.206	9.870	9.945	10.056	10.426	10.961
1981	10.987	11.686	11.130	11.475	12.179	11.442	12.346	12.844	12.059	12.397	11.887	11.484
1982	11.683	12.044	11.835	11.773	12.270	11.994	12.235	11.909	11.151	11.111	10.704	10.401
1983	10.251	9.887	9.688	9.868	9.527	9.600	9.879	10.076	10.202	10.182	10.164	10.227
1984	10.312	10.280	10.382	10.594	10.843	11.119	11.355	11.557	11.597	11.681	11.474	11.024
1985	10.579	10.289	10.118	10.025	10.180	9.743	9.656	9.417	9.572	9.482	9.488	9.371
1986	9.252	9.090	8.958	8.621	8.369	8.225	8.141	7.844	7.512	7.586	7.432	7.439
1987	7.365	7.157	7.205	7.044	7.294	7.289	7.464	7.562	7.712	7.825	8.121	8.071
1988	8.078	8.050	7.945	7.940	7.815	7.929	8.089	8.245	8.341	8.397	8.467	8.563
1989	8.698	8.770	8.870	8.992	9.227	9.204	9.056	8.833	8.801	8.771	8.685	8.645
1990	8.571	8.538	8.506	8.497	8.531	8.538	8.517	8.382	8.333	8.321	8.269	8.279
1991	8.164	8.002	7.775	7.666	7.374	7.169	7.098	7.072	6.859	6.719	6.591	6.318
1992	6.122	5.863	5.680	5.692	5.379	5.323	5.235	4.958	4.760	4.730	4.659	4.647
1993	4.678	4.649	4.624	4.605	4.427	4.554	4.438	4.472	4.430	4.380	4.365	4.384
1994	4.359	4.176	4.248	4.333	4.434	4.623	4.823	4.989	5.106	5.243	5.380	5.528
1995	5.612	5.779	5.934	5.960	6.008	5.997	5.972	5.910	5.832	5.784	5.805	5.748
1996	5.698	5.643	5.557	5.538	5.502	5.548	5.587	5.566	5.601	5.601	5.599	5.574
1997	5.583	5.575	5.580	5.612	5.634	5.667	5.679	5.690	5.707	5.705	5.715	5.744
1998	5.742	5.720	5.680	5.672	5.673	5.671	5.652	5.652	5.639	5.557	5.492	5.374
1999	5.265	5.210	5.136	5.119	5.086	5.095	5.178	5.225	5.274	5.391	5.484	5.639
2000	5.760	5.824	5.851	6.014	6.190	6.349	6.443	6.505	6.502	6.517	6.538	6.535
2001	6.372	6.169	5.976	5.760	5.328	4.958	4.635	4.502	4.288	3.785	3.526	3.261
2002	3.068	2.967	2.861	2.845	2.740	2.687	2.714	2.594	2.604	2.487	2.301	2.201
2003	2.103	1.945	1.904	1.858	1.769	1.697	1.653	1.632	1.635	1.596	1.572	1.545
2004	1.528	1.440	1.474	1.445	1.426	1.469	1.604	1.672	1.771	1.890	2.003	2.134
2005	2.264	2.368	2.542	2.724	2.856	2.967	3.083	3.179	3.324	3.458	3.636	3.808
2006	3.955	4.043	4.142	4.305	4.563	4.700	4.849	4.946	5.023	5.098	5.125	5.129
2007	5.156	5.181	5.214	5.222	5.248	5.250	5.255	5.253	5.231	5.137	4.962	4.801
2008	4.620	4.161	3.777	3.400	3.072	2.894	2.787	2.779	2.774	2.709	2.568	2.353
2009	2.046	1.869	1.822	1.607	1.530	1.377	1.035	0.925	0.750	0.646	0.611	0.569
2010	0.558	0.577	0.547	0.588	0.560	0.528	0.531	0.513	0.500	0.480	0.454	



Item #: 3.E.

CITY COUNCIL AGENDA REPORT

MEETING OF JANUARY 13, 2011

FROM: FINANCE DEPARTMENT
DATE: DECEMBER 15, 2010
SUBJECT: CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM ANNUAL
ACTUARIAL VALUATION REPORTS AS OF JUNE 30, 2009

Recommended Action: By motion, receive the California Public Employees Retirement System Annual Actuarial Valuation Reports as of June 30, 2009.

BACKGROUND

On an annual basis, the City receives actuarial reports from the California Public Employee's Retirement System (CalPERS or PERS) that confirm the current year employer contribution rates, establish rates for the next fiscal year, and estimate rates for the third year out.

DISCUSSION

The PERS contribution rates fluctuate for many reasons, including investment gains and losses and unexpected changes to payroll. Additionally, CalPERS recently adopted updated actuarial assumptions, resulting in an increase in rates for most employers.

The City's contribution, which is capped pursuant to existing MOU'S, remains unchanged at 28.291% for Safety and 16.488% for Miscellaneous. However, the FY11/12 employee contribution rates will increase to 7.801% for Safety employees and 7.511% for Miscellaneous employees. This represents an increase of approximately 5.5% points for Safety employees and 3.4% points for Miscellaneous employees. This cost increase comes directly out of our employee's paycheck, decreasing their take-home pay.

Employee Contribution	Safety	Misc
FY05/06	0.0%	0.0%
FY06/07	0.0%	0.0%
FY07/08	1.623%	0.152%
Dec 30. - July 2008	1.623%	3.594%
FY08/09	1.849%	3.576%
FY09/10	1.688%	3.663%
FY10/11	2.332%	4.128%
FY11/12	7.801%	7.511%

Safety	2011-12		Employee Contribution
	PERS Rates	Cap	
Employer	24.112%	16.955%	
Employee	9.000%	9.000%	
EPMC (a)	2.170%	1.526%	
EPMC (b)	0.810%	0.810%	
Total	36.092%	28.291%	7.801%

Miscellaneous	2011-12		Employee Contribution
	PERS Rates	Cap	
Employer	14.221%	8.409%	
Employee	8.000%	7.000%	
EPMC (a)	1.138%	0.589%	
EPMC (b)	0.640%	0.490%	
Total	23.999%	16.488%	7.511%

PERS projects contribution rates will increase in FY12/13 and FY13/14. The estimated employee contribution for FY12/13 is 9.205% for Safety employees and 8.136% for Miscellaneous employees. The actual FY12/13 employer contribution rates will be provided in next year's Annual Valuation Reports.

FISCAL IMPACT

None.

ATTACHMENTS

1. CalPERS Safety Plan of the City of Capitola Actuarial Valuation Report as of June 30, 2009
2. CalPERS Miscellaneous Plan of the City of Capitola Actuarial Valuation Report as of June 30, 2009

Report Prepared By: Finance Department

**Reviewed and Forwarded
By City Manager:**



ATTACHMENTS 1 & 2

Due to the size of these attachments,
they are not included in this agenda report.
They are available on the City's website and
hard copies are available for review at the
Capitola Library and the City Hall Lobby.



Actuarial Office
 P.O. Box 1494
 Sacramento, CA 95812-1494
 TTY for Speech and Hearing Impaired - (916) 795-3240
 (888) CalPERS (or 888-225-7377) FAX (916) 795-3005

October 2010

CITY OF CAPITOLA

**SAFETY PLAN OF THE CITY OF CAPITOLA (EMPLOYER # 806)
 Annual Valuation Report as of June 30, 2009**

Dear Employer,

Enclosed please find a copy of the June 30, 2009 actuarial valuation report of your pension plan. Since your plan had less than 100 active members in at least one valuation since June 30, 2003, it is required to participate in a risk pool. The following valuation report has been separated into two Sections:

- Section 1 contains specific information for your plan, including the development of your pooled employer contribution rate, and
- Section 2 contains the Risk Pool Actuarial Valuation appropriate to your plan, as of June 30, 2009.

This report contains important actuarial information about your pension plan at CalPERS. Your CalPERS staff actuary is available to discuss the actuarial report with you.

Changes Since the Prior Valuation

The CalPERS' Board of Administration adopted updated actuarial assumptions to be used beginning with the June 30, 2009 valuation. In addition, a temporary modification to our method of determining the actuarial value of assets and amortizing gains and losses has been implemented for the valuations as of June 30, 2009 through June 30, 2011. Finally, a cash flow analysis has been added to our process. If such an analysis indicates that funding progress will not be adequate, an additional contribution will be required.

There may also be changes specific to your plan such as contract amendments and funding changes.

Further descriptions of changes are included in the Section 2 "Highlights and Executive Summary" section and in Appendix A, "Statement of Actuarial Data, Methods and Assumptions."

Future Contribution Rates

The exhibit below displays the required employer contribution rate and Superfunded status for 2011/2012 along with an estimate of the contribution rate and Superfunded status for 2012/2013. The estimated rate for 2012/2013 is based on a projection of the most recent information we have available, including an estimate of the investment return for fiscal 2009/2010, namely 11.0%. See Section 2 Appendix E, "Investment Return Sensitivity Analysis", for increase in 2013/2014 rate projections under a variety of investment return scenarios for the Risk Pool's portion of your rate. Please disregard any projections that we may have provided to you in the past.

Fiscal Year	Employer Contribution Rate	Superfunded?
2011/2012	24.112%	No
2012/2013	25.4% (projected)	No

Member contributions (whether paid by the employer or the employee) are in addition to the above rates.

SAFETY PLAN OF THE CITY OF CAPITOLA (EMPLOYER # 806)

October 2010

Page 2

The estimate for 2012/2013 assumes that there are no amendments and no liability gains or losses (such as larger than expected pay increases, more retirements than expected, etc.). **This is a very important assumption because these gains and losses do occur and can have a significant effect on your contribution rate.** Even for the largest plans, such gains and losses can impact the employer's contribution rate by one or two percent or even more in some less common instances. These gains and losses cannot be predicted in advance so the projected employer contribution rate for 2012/2013 is just an estimate. Your actual rate for 2012/2013 will be provided in next year's report.

If you have questions, please call (888) CalPERS (225-7377). In the interest of allowing us to give every public agency their result, we ask that, if at all possible, you wait until after October 31 to contact us with questions.

Sincerely,



ALAN MILLIGAN, MAAA, FCA, FSA, FCIA
Chief Actuary

**Actuarial Valuation
as of June 30, 2009**

**The SAFETY PLAN
of the CITY OF CAPITOLA
(Employer# 806)**

**Required Contributions
For Fiscal Year
July 1, 2011 - June 30, 2012**

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- **SECTION 1 – PLAN SPECIFIC INFORMATION**
- **SECTION 2 – RISK POOL ACTUARIAL VALUATION INFORMATION**

Section 1

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

**Plan Specific Information for
The SAFETY PLAN
of the CITY OF CAPITOLA
(Employer # 806)
(Rate Plan # 877)**

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Actuarial Certification

Section 1 of this report is based on the member and financial data as of June 30, 2009 provided by your agency and contained in our records, and the benefit provisions under your contract with CalPERS. Section 2 of this report is based on the member and financial data as of June 30, 2009 provided by employers participating in the risk pool and contained in our records, and benefit provisions under the CalPERS contracts for those agencies participating in the risk pool.

As set forth in Section 2 of this report, the Pool Actuaries have certified that, in their opinion, the valuation of the Risk Pool containing your SAFETY PLAN has been performed in accordance with generally accepted actuarial principles consistent with standards of practice prescribed by the Actuarial Standards Board, and that the assumptions and methods are internally consistent and reasonable for the Risk Pool, as prescribed by the CalPERS Board of Administration according to provisions set forth in the California Public Employees' Retirement Law.

Having relied upon the information set forth in Section 2 of this report and based on the census and benefit provision information for your plan, it is my opinion as your Plan Actuary that the Side Fund as of June 30, 2009 and employer contribution rate as of July 1, 2011, have been properly and accurately determined in accordance with the principles and standards stated above.

The undersigned is an actuary for CalPERS and a member of both the American Academy of Actuaries and Society of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.



David Clement, ASA, MAAA, EA
Senior Pension Actuary, CalPERS
Plan Actuary

SECTION 1 – PLAN SPECIFIC INFORMATION FOR THE SAFETY PLAN OF THE CITY OF CAPITOLA

Purpose of Section 1

Section 1 of this report was prepared by the Plan Actuary in order to:

- Certify that the actuarially required employer contribution rate of the SAFETY PLAN of the CITY OF CAPITOLA for the fiscal year July 1, 2011 through June 30, 2012 is 24.112%;
- Set forth the plan's Employer Side Fund as of June 30, 2009;
- Provide pension information as of June 30, 2009 to be used in financial reports subject to Governmental Accounting Standards Board (GASB) Statement Number 27.

This section was prepared in order to provide actuarial information as of June 30, 2009 to the CalPERS Board of Administration and other interested parties

Use of this report for other purposes may be inappropriate.

Required Employer Contributions

	Fiscal Year 2010/2011	Fiscal Year 2011/2012
Employer Contribution Required (In Projected Dollars)		
Risk Pool's Net Employer Normal Cost	\$ 333,795	\$ 340,814
Risk Pool's Payment on Amortization Bases	52,491	117,689
Surcharge for Class 1 Benefits		
a) FAC 1	19,487	20,273
Phase out of Normal Cost Difference	0	0
Amortization of Side Fund	0	0
Total Employer Contribution	\$ 405,773	\$ 478,776
Annual Lump Sum Prepayment Option*	\$ 390,908	\$ 461,237
Projected Payroll for the Contribution Fiscal Year	\$ 2,125,135	\$ 1,985,635
Employer Contribution Required (Percentage of Payroll)		
Risk Pool's Net Employer Normal Cost	15.707%	17.164%
Risk Pool's Payment on Amortization Bases	2.470%	5.927%
Surcharge for Class 1 Benefits		
a) FAC 1	0.917%	1.021%
Phase out of Normal Cost Difference	0.000%	0.000%
Amortization of Side Fund	0.000%	0.000%
Total Employer Contribution	19.094%	24.112%

Appendix C of Section 2 of this report contains a list of Class 1 benefits and corresponding surcharges for each benefit.

Risk pooling was implemented as of June 30, 2003. The normal cost difference was scheduled to be phased out over a five year period. The phase out of normal cost difference began at 100% for the first year, and was incrementally reduced by 20% of the original normal cost difference for each subsequent year.

*Payment must be received by CalPERS between July 1 and July 15.

Projected Contributions

The rate shown below is an estimate for the employer contribution for Fiscal Year 2012/2013. The estimated rate is based on a projection of the most recent information we have available, including an estimate of the investment return for fiscal year 2009/2010, namely 11.0%:

Projected Employer Contribution Rate: 25.4%

The estimate also assumes that there are no liability gains or losses among the plans in your risk pool, that your plan has no new amendments in the next year, and that your plan's and your risk pool's payrolls both increase exactly 3.25% in the 2009/2010 fiscal year. Therefore, the projected employer contribution rate for 2012/2013 is just an estimate. Your actual rate for 2012/2013 will be provided in next year's report.

Rate Volatility

Your plan's employer contribution rate will inevitably fluctuate, for many reasons. However, the biggest fluctuations are generally due to changes in the side fund rate resulting from unexpected changes in payroll. The following figure shows how much *your* 2012/2013 rate would change for each 1% deviation between our 3.25% payroll growth assumption and your actual 2009/2010 payroll growth.

POTENTIAL 2012/2013 RATE IMPACT FROM 2009/2010 PAYROLL DEVIATION

% Rate Change per 1% Deviation from Assumed 3.25% Payroll Growth: 0.000%

Examples: To see how your employer contribution rate might be affected by unexpected payroll change, suppose the following:

- *The % Rate Change per 1% Deviation figure given above is -0.400%*
- *Your plan's payroll increased 10% in 2009/2010 (6.75% more than our 3.25% assumption).*

Then your 2012/2013 rate would decrease $-0.400\% \times (10 - 3.25) = -2.70\%$ from that cause alone.

Or conversely, using the same % Rate Change per 1% Deviation figure given above, suppose your plan's payroll remained the same in 2009/2010 (3.25% less than our 3.25% assumption).

Then your 2012/2013 rate would increase $-0.400\% \times (0 - 3.25) = 1.3\%$ from that cause alone.

Note that if your plan had a negative side fund, an unexpected payroll increase would spread the payback of the negative side fund over a bigger payroll, which would decrease your plan's side fund percentage rate and the total employer contribution rate. On the other hand, if your plan had a positive side fund, an unexpected payroll increase would spread the payback of the positive side fund over a larger payroll, which would increase your plan's side fund percentage rate and the total employer contribution rate. In either case, the Side Fund dollar amount would not change.

Employer Side Fund

At the time of joining a risk pool, a side fund was created to account for the difference between the funded status of the pool and the funded status of your plan. The side fund for your plan as of the June 30, 2009 valuation is shown in the following table.

Your side fund will be credited, on an annual basis, with the actuarial investment return assumption. This assumption is currently 7.75%. A positive side fund will cause your required employer contribution rate to

SECTION 1 – PLAN SPECIFIC INFORMATION FOR THE SAFETY PLAN OF THE CITY OF CAPITOLA

be reduced by the Amortization of Side Fund shown above in Required Employer Contributions. A negative side fund will cause your required employer contribution rate to be increased by the Amortization of Side Fund. In the absence of subsequent contract amendments or funding changes, the side fund will disappear at the end of the amortization period shown below.

Employer Side Fund Reconciliation

	June 30, 2008	June 30, 2009
Side Fund as of valuation date*	\$ 0	\$ 0
Adjustments	0	0
Side Fund Payment	0	0
Side Fund one year later	\$ 0	\$ 0
Adjustments	0	0
Side Fund Payment	0	0
Side Fund two years later	\$ 0	\$ 0
Amortization Period	15	14
Side Fund Payment during last year	\$ 0	\$ 0

* If your agency employed vouchers in fiscal year 2008/2009 to pay employee contributions, the June 30, 2009 Side Fund amount has been adjusted by a like amount without any further adjustment to the Side Fund's amortization period. Similarly, the Side Fund has been adjusted for the increase in liability from any recently adopted Class 1 or Class 2 contract amendments. Also, the Side Fund may be adjusted or eliminated due to recent lump sum payments. Contract amendments and lump sum payments may result in an adjustment to the Side Fund amortization period.

Superfunded Status

	June 30, 2008	June 30, 2009
Is the plan Superfunded?	No	No
[Yes if Assets exceed PVB, No otherwise]		

Summary of Participant Data

Below is a table showing a summary of the active member data for your plan upon which this valuation is based:

	June 30, 2008	June 30, 2009
Projected Payroll for Contribution Purposes	\$ 2,125,135	\$ 1,985,635
Number of Members		
Active	24	22
Transferred	15	17
Separated	9	8
Retired	25	26

List of Class 1 Benefit Provisions

- One Year Final Compensation

Information for Compliance with GASB Statement No. 27 for Cost-Sharing Multiple-Employer Defined Benefit Plan

Your plan is part of the Safety 3.0% at 50 Risk Pool, a cost-sharing multiple-employer defined benefit plan. Under GASB 27, an employer should recognize annual pension expenditures/expense equal to its contractually required contributions to the plan. Pension liabilities and assets result from the difference between contributions required and contributions made. The contractually required contribution for the period July 1, 2011 to June 30, 2012 has been determined by an actuarial valuation of the plan as of June 30, 2009. Your contribution rate for the indicated period is 24.112% of payroll. In order to calculate the dollar value of the contractually required contributions for inclusion in financial statements prepared as of June 30, 2012, this contribution rate, as modified by any subsequent financing changes or contract amendments for the year, would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2011 to June 30, 2012. However, if this contribution is fully prepaid in a lump sum, then the dollar value of contractually required contributions is equal to the lump sum prepayment. The employer and the employer's auditor are responsible for determining the contractually required contributions. Further, the required contributions in dollars and the percentage of that amount contributed for the current year and each of the two preceding years is to be disclosed under GASB 27.

A summary of principal assumptions and methods used to determine the contractually required contributions is shown below for the cost-sharing multiple-employer defined benefit plan.

Valuation Date	June 30, 2009
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	18 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.55% to 14.45% depending on Age, Service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%.

Complete information on assumptions and methods is provided in Appendix A of Section 2 of the report. Appendix B of Section 2 of the report contains a description of benefits included in the Risk Pool Actuarial Valuation.

A Schedule of Funding for the Risk Pool's actuarial value of assets, accrued liability, their relationship, and the relationship of the unfunded liability (UL) to payroll for the risk pool(s) to which your plan belongs can be found in Section 2 of the report.

SECTION 1 – PLAN SPECIFIC INFORMATION FOR THE SAFETY PLAN OF THE CITY OF CAPITOLA

Summary of Major Benefit Options

Shown below is a summary of the major optional benefits for which your agency has contracted. A description of principal standard and optional plan provisions is in Appendix B within Section 2 of this report.

Benefit Provision	Coverage Group	
	75001	74001*
Benefit Formula	3.0% @ 50	3.0% @ 50
Social Security Coverage	no	no
Full/Modified	full	full
Final Average Compensation Period	12 mos.	12 mos.
Sick Leave Credit	yes	yes
Non-Industrial Disability	standard	standard
Industrial Disability	yes	yes
Pre-Retirement Death Benefits		
Optional Settlement 2W	yes	yes
1959 Survivor Benefit Level	level 2	level 2
Special	yes	yes
Alternate (firefighters)	no	no
Post-Retirement Death Benefits		
Lump Sum	\$500	\$500
Survivor Allowance (PRSA)	no	no
COLA	2%	2%
Employee Contributions		
Contractual employer paid	no	no
Contractual Employee Cost sharing	0%	0%

*Inactive Coverage Group

Section 2

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

**Safety 3.0% at 50 Risk Pool
as of June 30, 2009**

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ACTUARIAL CERTIFICATION

Actuarial Certification

To the best of our knowledge, **Section 2** of this report is complete and accurate and contains sufficient information to disclose, fully and fairly, the funded condition of the Safety 3.0% at 50 Risk Pool. This valuation is based on the member and financial data as of June 30, 2009 provided by the various CalPERS databases and the benefits under this Risk Pool with CalPERS as of the date this report was produced. It is our opinion that the valuation has been performed in accordance with generally accepted actuarial principles, in accordance with standards of practice prescribed by the Actuarial Standards Board, and that the assumptions and methods are internally consistent and reasonable for this risk pool, as prescribed by the CalPERS Board of Administration according to provisions set forth in the California Public Employees' Retirement Law.

The undersigned is an actuary for CalPERS. She is a member of the American Academy of Actuaries and the Society of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.



May Shuang Yu, ASA, MAAA
Senior Pension Actuary, CalPERS
Pool Actuary

HIGHLIGHTS AND EXECUTIVE SUMMARY

- **PURPOSE OF SECTION 2**
- **RISK POOL'S REQUIRED EMPLOYER CONTRIBUTION**
- **RISK POOL'S REQUIRED BASE EMPLOYER RATE**
- **FUNDED STATUS OF THE RISK POOL**
- **COST AND VOLATILITY**
- **CHANGES SINCE THE PRIOR VALUATION**
- **SUBSEQUENT EVENTS**

HIGHLIGHTS AND EXECUTIVE SUMMARY

Purpose of Section 2

This Actuarial Valuation for the Safety 3.0% at 50 Risk Pool of the California Public Employees' Retirement System (CalPERS) was performed by CalPERS' staff actuaries using data as of June 30, 2009 in order to:

- set forth the actuarial assets and accrued liabilities of this risk pool as of June 30, 2009
- establish the actuarially required contribution rate of the pool for the fiscal year July 1, 2011 through June 30, 2012
- provide actuarial information as of June 30, 2009 to the CalPERS Board and other interested parties

Use of this report for other purposes may be inappropriate.

Risk Pool's Required Employer Contribution

(figures net of employee contributions)

	Fiscal Year 2010/2011	Fiscal Year 2011/2012
Contribution in Projected Dollars		
1. Pool's Gross Employer Normal Cost	\$ 176,038,121	\$ 203,689,404
2. Payment on Pool's Amortization Base	24,876,730	63,529,370
3. Payment on Employer Side Funds	<u>85,809,979</u>	<u>82,491,666</u>
4. Total Required Employer Contribution*	\$ 286,724,028	\$ 349,711,651
* Total may not add up due to rounding		
Contribution as a % of Projected Pay		
5. Pool's Gross Employer Normal Cost	17.482%	19.003%
6. Payment on Pool's Amortization Base	2.470%	5.927%
7. Payment on Employer Side Funds	<u>8.522%</u>	<u>7.696%</u>
8. Total Required Employer Contribution	28.474%	32.626%

These rates are the total required employer contributions by the pool for fiscal years 2010/2011 and 2011/2012. The Pool's Gross Employer Normal Cost includes the Class 1 surcharges for all employers that contract for the Class 1 type benefits. The payment on the pool's amortization base is the payment on the ongoing cumulative gains and losses experienced by the pool since its June 30, 2003 inception. The payment on employer side funds is the combination of all expected individual amortization payments on every side fund in the pool.

Risk Pool's Required Base Employer Rate

	Fiscal Year 2010/2011	Fiscal Year 2011/2012
1. Pool's Gross Employer Normal Cost	17.482%	19.003%
Less: Surcharges for Class 1 Benefits	<u>1.775%</u>	<u>1.839%</u>
2. Pool's Net Employer Normal Cost	15.707%	17.164%
3. Payment on Pool's Amortization Base	<u>2.470%</u>	<u>5.927%</u>
4. Pool's Base Employer Rate	18.177%	23.091%

The base employer contribution rate is the rate that each plan within the pool pays before any adjustments are made. It represents the pool funding for basic benefits (no Class 1 surcharges) for the fiscal year shown. To arrive at a plan's total contribution rate, several components must be added to this base rate. These components

HIGHLIGHTS AND EXECUTIVE SUMMARY

are Class 1 benefit surcharges, normal cost phase-out and any side-fund payment. More information about those additional components can be found in Section 1 of this report.

Funded Status of the Risk Pool

	June 30, 2008	June 30, 2009
1. Entry Age Normal Accrued Liability	\$ 8,700,467,733	\$ 9,721,675,347
2. Market Value of Assets Including Side Funds (MVA) Including Receivables	\$ 7,596,723,149	\$ 5,850,794,301
3. Funded Ratio (MVA) [(2) / (1)]	87.3%	60.2%

Cost and Volatility

Actuarial Cost Estimates in General

What will this pension plan cost? Unfortunately, there is no simple answer. There are two major reasons for the complexity of the answer:

First, all actuarial calculations, including those in this report, are based on a number of assumptions about the future. These assumptions can be divided into two categories.

- Demographic assumptions include the percentage of employees that will terminate, die, become disabled, and retire in each future year.
- Economic assumptions include future salary increases for each active employee, and the assumption with the greatest impact, future asset returns at CalPERS for each year into the future until the last dollar is paid to current members of your plan.

While CalPERS has set these assumptions as our best estimate of the real future of your plan, it must be understood that these assumptions are very long term predictors and will surely not be realized in any one year. For example, while the asset earnings at CalPERS have averaged more than the assumed return of 7.75% for the past twenty year period ending June 30, 2010, returns for each fiscal year ranged from -24% to +20.1%

Second, the very nature of actuarial funding produces the answer to the question of plan or pool cost as the sum of two separate pieces:

- The Normal Cost (i.e., the future annual premiums in the absence of surplus or unfunded liability) expressed as a percentage of total active payroll, and
- The Past Service Cost or Accrued Liability (i.e., representing the current value of the benefit for all credited past service of current members) which is expressed as a lump sum dollar amount.

The cost is the sum of a percent of future pay and a lump sum dollar amount (the sum of an apple and an orange if you will). To communicate the total cost, either the Normal Cost (i.e., future percent of payroll) must be converted to a lump sum dollar amount (in which case the total cost is the present value of benefits), or the Past Service Cost (i.e., the lump sum) must be converted to a percent of payroll (in which case the total cost is expressed as the employer's rate, part of which is permanent and part temporary). Converting the Past Service Cost lump sum to a percent of payroll requires a specific amortization period, and the plan or pool rate will vary depending on the amortization period chosen. And as the first point above states; these results depend on all assumptions being exactly realized.

Rate Volatility

As is stated above, the actuarial calculations supplied in this communication are based on a number of assumptions about very long term demographic and economic behavior. Unless these assumptions (terminations, deaths, disabilities, retirements, salary growth, and investment return) are exactly realized each year, there will be differences on a year to year basis. The year to year differences between actual experience and the assumptions are called actuarial gains and losses and serve to lower or raise the plan or pool's rates from year to year. Therefore, the rates will inevitably fluctuate, especially due to the ups and downs of investment returns. Pools that have higher asset to payroll ratio produce more volatile employer rates. In the

HIGHLIGHTS AND EXECUTIVE SUMMARY

table below we have shown the pool's volatility index, based on the retirement formula, a measure of the pool's potential future rate volatility. It should be noted that this ratio increases over time but generally tends to stabilize as the plan or pool matures.

This year, a new rate stabilization methodology was implemented. Although there is no method that can provide perfectly stable rates, the new method will give employers time to prepare for the rate increases ahead. The new policy is also fiscally responsible in that employers are required to pay for the 2008-09 fiscal year asset loss with a 30 year fixed amortization schedule. It continues to be true that a plan that has a volatility index that is three times the index of a second plan will have three times the volatility in rates as compared to the second plan. However, the amount of change has been dramatically reduced through the rate stabilization process.

	As of June 30, 2009
Market Value of Assets without Receivables	\$ 5,841,020,995
Payroll	973,814,168
Volatility Index	6.0

Changes since the Prior Valuation

Actuarial Assumptions

CalPERS recently completed an experience study that analyzed demographic data for the years 1997 to 2007. As a result of this study, the CalPERS' Board of Administration adopted updated actuarial assumptions to be used beginning with the June 30, 2009 valuation. Nearly all of the demographic assumptions have changed, including salary increase assumptions and rates for mortality, disability, termination and retirement.

The new assumptions are described in Appendix A. The effect of the change in assumptions on the unfunded liability is shown in the "(Gain)/Loss Analysis".

The effect on the risk pool's required employer contribution rate is shown below.

	Risk Pool's Required 2011/2012 Employer Contribution Before and After Change to Assumptions	
	<u>Old Assumptions</u>	<u>New Assumptions</u>
Contribution as a % of Projected Pay		
Pool's Gross Employer Normal Cost	17.521%	19.003%
Payment on Pool's Amortization Base	4.242%	5.927%
Payment on Employer Side Funds	7.696%	7.696%
Total Required Employer Contribution	<u>29.459%</u>	<u>32.626%</u>

Actuarial Methods

In June 2009, the CalPERS Board adopted changes to the asset smoothing method as well as changes to the Board policy on the amortization of gains and losses in order to phase in over a three year period the impact of the -24% investment loss experienced by CalPERS in fiscal year 2008-2009. The following changes were adopted:

- Increase the corridor limits for the actuarial value of assets from 80%-120% of market value to 60%-140% of market value on June 30, 2009
- Reduce the corridor limits for the actuarial value of assets to 70%-130% of market value on June 30, 2010
- Return to the 80%-120% of market value corridor limits for the actuarial value of assets on June 30, 2011 and thereafter

HIGHLIGHTS AND EXECUTIVE SUMMARY

- Isolate and amortize all gains and losses during fiscal year 2008-2009, 2009-2010 and 2010-2011 over fixed and declining 30 year periods (as opposed to the current rolling 30 year amortization)

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

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

A complete description of all methods is in Appendix A. The detailed calculation of the actuarial value of assets is shown in the "Development of the Actuarial Value of Assets." The effect of the change in method on the unfunded liability is shown in the "(Gain)/Loss Analysis" and the effect on your employer contribution rate is included in the "Reconciliation of Required Employer Contributions."

Benefits

The standard actuarial practice at CalPERS is to recognize mandated legislative benefit changes in the first annual valuation whose valuation date follows the effective date of the legislation. Voluntary benefit changes by employers within the risk pool are generally included in the first valuation whose report is dated after the amendment becomes effective. These voluntary changes are included in the liabilities reported in this valuation.

The valuation generally reflects plan changes by amendments effective prior to August 1, 2010. Please refer to Appendix B for a summary of the plan provisions used in this valuation report. The provisions in Appendix B do not indicate the class of benefits voluntarily contracted for by individual employers within the risk pool. Refer to Section 1 of the valuation report for a list of your specific contracted benefits. The increase in the pool's unfunded liabilities due to Class 1 or 2 amendments by individual employers within the pool is embedded in the Liability (Gain) / Loss shown in the Gain / Loss section of this report. This amount, however, is offset by additional contributions through a surcharge for employers who voluntarily contract for those benefits.

Subsequent Events

There were no significant subsequent events to report in this valuation.

SUMMARY OF LIABILITIES AND RATES

- **DEVELOPMENT OF POOL'S ACCRUED AND UNFUNDED LIABILITIES**
- **(GAIN)/LOSS ANALYSIS 06/30/08 - 06/30/09**
- **SCHEDULE OF AMORTIZATION BASES FOR THE RISK POOL**
- **DEVELOPMENT OF RISK POOL'S ANNUAL REQUIRED BASE CONTRIBUTION**
- **POOL'S EMPLOYER CONTRIBUTION RATE HISTORY**
- **FUNDING HISTORY**

SUMMARY OF LIABILITY AND RATES**Development of Pool's Accrued and Unfunded Liabilities**

	June 30, 2008	June 30, 2009
1. Present Value of Projected Benefits		
a) Active Members	\$ 5,414,459,627	\$ 5,992,854,929
b) Transferred Members	639,857,226	688,364,151
c) Separated Members	99,346,011	89,255,615
d) Members and Beneficiaries Receiving Payments	<u>4,736,254,223</u>	<u>5,400,287,032</u>
e) Total	\$ 10,889,917,087	\$ 12,170,761,727
2. Present Value of Future Employer Normal Costs	\$ 1,423,378,551	\$ 1,630,504,708
3. Present Value of Future Employee Contributions	\$ 766,070,803	\$ 818,581,672
4. Entry Age Normal Accrued Liability		
a) Active Members [(1a) - (2) - (3)]	\$ 3,225,010,273	\$ 3,543,768,549
b) Transferred Members (1b)	639,857,226	688,364,151
c) Separated Members (1c)	99,346,011	89,255,615
d) Members and Beneficiaries Receiving Payments (1d)	<u>4,736,254,223</u>	<u>5,400,287,032</u>
e) Total	\$ 8,700,467,733	\$ 9,721,675,347
5. Actuarial Value of Assets (AVA) Including Receivables	\$ 7,464,927,716	\$ 8,027,158,724
6. Unfunded Accrued Liability [(4e) - (5)]	1,235,540,017	1,694,516,623
7. Side Funds (AVA)	\$ (847,683,840)	\$ (830,821,231)
8. Actuarial Value of Assets excluding Side Funds [(5) - (7)] Including Receivables	8,312,611,556	8,857,979,955
9. Unfunded Liability excluding Side Funds [(4e) - (8)]	387,856,177	863,695,392
10. Market Value of Assets (MVA) Including Receivables	\$ 7,596,723,149	\$ 5,850,794,301
11. Funded Ratio (MVA) [(10) / (4e)]	87.3%	60.2%

SUMMARY OF LIABILITY AND RATES**(Gain)/Loss Analysis 06/30/08 - 06/30/09**

We introduced the concepts of Actuarial Gains and Losses in the Cost and Volatility Section of this report. To reiterate, when we calculate the cost requirements of your plan, we use assumptions about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is contrasted against the expected experience based on the actuarial assumptions. The differences are reflected below as your pool's actuarial gains or losses.

1. Total (Gain)/Loss	
a) Unfunded Liability/(Surplus) as of June 30, 2008	\$ 387,856,177
b) Expected payment on the unfunded liability	21,125,088
c) Interest accumulation $ [.0775 \times (1a) - ((1.0775)^{.5} - 1) \times (1b)]$	29,255,530
d) Expected Unfunded Liability before other changes $ [(1a) - (1b) + (1c)]$	395,986,619
e) Change due to change in assumptions	177,856,218
f) Expected Unfunded Liability after changes $ [(1d) + (1e)]$	573,842,837
g) Actual Unfunded Liability/(Surplus) as of June 30, 2009	<u>863,695,392</u>
h) Total (Gain)/Loss $ [(1g) - (1f)]$	\$ 289,852,555
2. Contribution (Gain)/Loss	
a) Expected contribution	\$ 385,189,437
b) Expected interest on contributions	14,647,589
c) Total expected contributions with interest $ [(2a) + (2b)]$	399,837,026
d) Actual contributions	397,644,637
e) Expected interest on actual contributions	15,121,223
f) Total actual contributions with interest $ [(2d) + (2e)]$	<u>412,765,860</u>
g) Contribution (Gain)/Loss $ [(2c) - (2f)]$	\$ (12,928,834)
3. Asset (Gain)/Loss	
a) Actuarial Value of Assets as of 06/30/08 Including Receivables	\$ 7,464,927,716
b) Receivables as of 06/30/08	<u>9,191,008</u>
c) Actuarial Value of Assets as of 06/30/08	7,455,736,708
d) Contributions received	397,644,637
e) Benefits, refunds and lump sums paid	(385,060,223)
f) Transfers and miscellaneous adjustments	(93,244)
g) Expected interest	578,294,597
h) Transfers into the pool (AVA Basis)	358,741,767
i) Transfers out of the pool (AVA Basis)	<u>(234,811,062)</u>
j) Expected Assets as of 06/30/09 $ [\text{Sum } (3c) \text{ through } (3i)]$	8,170,453,179
k) Receivables as of 06/30/09	<u>9,773,306</u>
l) Expected Assets Including Receivables	8,180,226,486
m) Actual Actuarial Value of Assets as of 06/30/09 Including Receivables	<u>8,027,158,724</u>
n) Asset (Gain)/Loss $ [(3l) - (3m)]$	\$ 153,067,762
4. Liability (Gain)/Loss	
a) Total (Gain)/Loss (1h)	\$ 289,852,555
b) Contribution (Gain)/Loss (2g)	(12,928,834)
c) Asset (Gain)/Loss excluding side fund (3n)	<u>153,067,762</u>
d) Liability (Gain)/Loss $ [(4a) - (4b) - (4c)]^*$	\$ 149,713,627

* Includes (Gain)/Loss on plans transferring into the pool.

SUMMARY OF LIABILITY AND RATES

Schedule of Amortization Bases for the Risk Pool

The schedule below shows the development of the payment on the Pool's amortization bases used to determine the Total Required Employer Contributions to the Pool. Each row of the schedule gives a brief description of a base (or portion of the Unfunded Actuarial Liability), the balance of the base on the valuation date, and the number of years remaining in the amortization period. In addition, we show the expected payments for the two years immediately following the valuation date, the balances on the dates a year and two years after the valuation date, and the scheduled payment for fiscal year 2011-2012. Please refer to Appendix A for an explanation of how amortization periods are determined.

Reason for Base	Amortization Period	Balance on June 30, 2009	Expected Payment 09-10	Balance June 30, 2010	Expected Payment 10-11	Balance June 30, 2011	Scheduled Payment for 2011-2012	Payment as a percentage of payroll
(GAIN)/LOSS	30	\$316,286,377	\$10,309,872	\$330,096,647	\$19,822,626	\$335,102,717	\$20,123,246	1.877%
PAYMENT (GAIN)/LOSS	30	\$(28,489,072)	\$2,005,198	\$(32,778,424)	\$858,923	\$(36,210,336)	\$(2,174,466)	(0.203%)
FRESH START	25	\$108,189,315	\$6,857,538	\$109,455,677	\$7,080,407	\$110,588,839	\$7,310,521	0.682%
ASSUMPTION CHANGE	20	\$177,856,218	\$(14,900,964)	\$207,107,677	\$(15,385,245)	\$239,128,821	\$18,061,677	1.685%
SPECIAL (GAIN)/LOSS	30	<u>\$289,852,554</u>	<u>\$0</u>	<u>\$312,316,127</u>	<u>\$0</u>	<u>\$336,520,627</u>	<u>\$20,208,392</u>	<u>1.885%</u>
Total		\$863,695,392	\$4,271,644	\$926,197,704	\$12,376,711	\$985,130,668	\$63,529,370	5.927%

The special (gain)/loss base is the first of three special bases that will be established for the gain/loss that is recognized in this and the next two annual valuations. Unlike the gain/loss occurring in previous and subsequent years, the gain/loss recognized in the 2009, 2010, and 2011 annual valuations will be amortized over fixed and declining 30 year periods so that these annual gain/losses will be fully paid off in 30 years.

SUMMARY OF LIABILITY AND RATES**Development of Risk Pool's Annual Required Base Contribution**

	Fiscal Year 2010/2011	Fiscal Year 2011/2012
1. Contribution in Projected Dollars		
a) Total Normal Cost	\$ 267,138,504	\$ 300,994,694
b) Employee Contribution	91,100,382	97,305,289
c) Pool's Gross Employer Normal Cost [(1a) - (1b)]	176,038,121	203,689,404
d) Total Surcharges for Class 1 Benefits	17,873,680	19,711,878
e) Net Employer Normal Cost [(1c) - (1d)]	158,164,442	183,977,526
f) Payment on Pool's Amortization Base	\$ <u>24,876,730</u>	\$ <u>63,529,370</u>
g) Total Required Employer Contributions [(1e) + (1f)]	183,041,172	247,506,896
2. Annual Covered Payroll as of Valuation Date	\$ 914,840,596	\$ 973,814,168
3. Projected Payroll for Contribution Fiscal Year	\$ 1,006,967,860	\$ 1,071,880,252
4. Contribution as a % of Projected Pay		
a) Total Normal Cost [(1a) / (3)]	26.529%	28.081%
b) Employee Contribution [(1b) / (3)]	9.047%	9.078%
c) Pool's Gross Employer Normal Cost [(1c) / (3)]	17.482%	19.003%
d) Total Surcharges for Class 1 Benefits [(1d) / (3)]	1.775%	1.839%
e) Net Employer Normal Cost [(1e) / (3)]	15.707%	17.164%
f) Payment on Pool's Amortization Base [(1f) / (3)]	2.470%	5.927%
g) Total Required Employer Contributions [(1g) / (3)]	18.177%	23.091%

SUMMARY OF LIABILITY AND RATES**Pool's Employer Contribution Rate History**

Valuation Date	Net Employer Normal Cost	Total Surcharges for Class 1 Benefits	Gross Employer Normal Cost	Payment on Pool's Amortization Bases	Total Payment On Employer Side Funds	Total Employer Contribution
06/30/2005	15.407%	1.712%	17.119%	1.306%	11.519%	29.944%
06/30/2006	15.515%	1.733%	17.248%	1.675%	10.107%	29.030%
06/30/2007	15.594%	1.756%	17.350%	1.722%	9.457%	28.529%
06/30/2008	15.707%	1.775%	17.482%	2.470%	8.522%	28.474%
06/30/2009	17.164%	1.839%	19.003%	5.927%	7.696%	32.626%

Funding History

Valuation Date	Accrued Liabilities (AL)	Market Value of Assets (MVA)	Funded Ratio (MVA/AL)
06/30/2005	\$6,367,049,264	\$5,449,784,537	85.6%
06/30/2006	\$7,278,049,834	\$6,469,775,316	88.9%
06/30/2007	\$7,986,055,176	\$7,903,684,460	99.0%
06/30/2008	\$8,700,467,733	\$7,596,723,149	87.3%
06/30/2009	\$9,721,675,347	\$5,850,794,301	60.2%

Valuation Date	Accrued Liabilities (AL)	Actuarial Value of Assets (AVA)	Unfunded Liabilities (UL)	Funded Ratio (AVA/AL)	Annual Covered Payroll	UL As a % of Payroll
06/30/2005	\$6,367,049,264	\$5,295,150,375	\$1,071,898,889	83.2%	\$664,147,796	161.4%
06/30/2006	\$7,278,049,834	\$6,102,615,567	\$1,175,434,267	83.9%	\$754,730,438	155.7%
06/30/2007	\$7,986,055,176	\$6,826,599,459	\$1,159,455,717	85.5%	\$831,607,658	139.4%
06/30/2008	\$8,700,467,733	\$7,464,927,716	\$1,235,540,017	85.8%	\$914,840,596	135.1%
06/30/2009	\$9,721,675,347	\$8,027,158,724	\$1,694,516,623	82.6%	\$973,814,168	174.0%

Information shown here is for compliance with GASB No. 27 for a cost-sharing multiple-employer defined benefit plan.

SUMMARY OF ASSETS

- **RECONCILIATION OF THE MARKET VALUE OF ASSETS**
- **DEVELOPMENT OF THE ACTUARIAL VALUE OF ASSETS**
- **ASSET ALLOCATION**

SUMMARY OF ASSETS**Reconciliation of the Market Value of Assets**

1. Market Value of Assets as of June 30, 2008 Including Receivables	\$	7,596,723,149
2. Receivables for Service Buybacks as of June 30, 2008		9,191,008
3. Market Value of Assets as of June 30, 2008 [1 - 2]		7,587,532,141
4. Employer Contributions		301,317,676
5. Employee Contributions		96,326,961
6. Benefit Payments to Retirees and Beneficiaries		(382,816,871)
7. Refunds		(2,142,635)
8. Lump Sum Payments		(100,717)
9. Transfers and Miscellaneous Adjustments		(93,244)
10. Investment Return		<u>(1,849,291,333)</u>
11. Market Value of Assets as of June 30, 2009 (w/o Pool Transfers)	\$	5,750,731,978
12. Transfers into and out of the Risk Pool		<u>90,289,017</u>
13. Market Value of Assets as of June 30, 2009	\$	5,841,020,995
14. Receivables for Service Buybacks as of June 30, 2009		9,773,306
15. Market Value of Assets as of June 30, 2009 Including Receivables [13 + 14]		5,850,794,301

Development of the Actuarial Value of Assets

1. Actuarial Value of Assets as of June 30, 2008 Used for Rate Setting Purposes		7,464,927,716
2. Receivables for Service Buyback as of June 30, 2008		9,191,008
3. Actuarial Value of Assets as of June 30, 2008 [1 - 2]		7,455,736,708
4. Employer Contributions		301,317,676
5. Employee Contributions		96,326,961
6. Benefit Payments to Retirees and Beneficiaries		(382,816,871)
7. Refunds		(2,142,635)
8. Lump Sum Payments		(100,717)
9. Transfers and Miscellaneous Adjustments		(93,244)
10. Expected Investment Income at 7.75%		<u>578,294,597</u>
11. Expected Actuarial Value of Assets (w/o Pool Transfers)	\$	8,046,522,474
12. Market Value of Assets June 30, 2009 (w/o Pool Transfers)		5,750,731,978
13. Preliminary Actuarial Value of Assets (w/o Pool Transfers) [(11) + ((12) - (11)) / 15]		7,893,469,775
14. Preliminary Actuarial Value to Market Value Ratio		137.26%
15. Final Actuarial Value to Market Value Ratio (minimum 60%, maximum 140%)		137.26%
16. Market Value of Assets June 30, 2009		5,841,020,995
17. Actuarial Value of Assets as of June 30, 2009		8,017,385,418
18. Receivables for Service Buybacks as of June 30, 2009		9,773,306
19. Actuarial Value of Assets as of June 30, 2009 Used for Rate Setting Purposes [17 + 18]		8,027,158,724

SUMMARY OF ASSETS

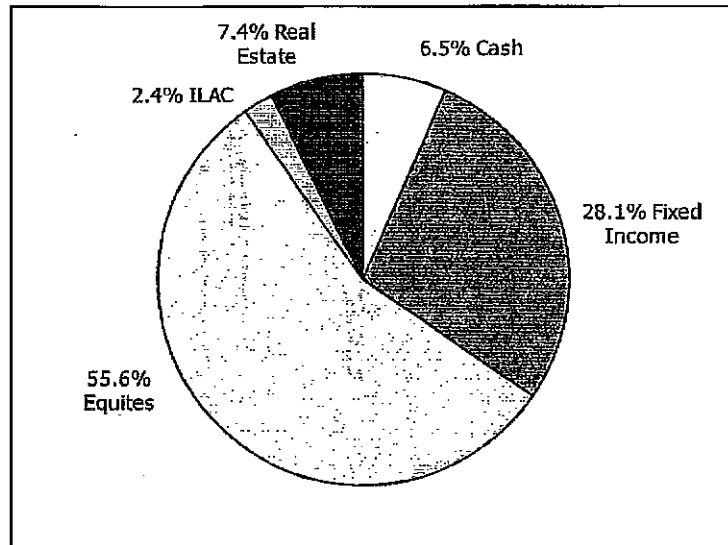
Asset Allocation

The starting point and most important element of CalPERS' successful return on investment is the asset allocation or diversification among stocks, bonds, cash and other investments. Asset allocation is not an asset-only or liability-only decision. All factors, including liabilities, benefit payments, operating expenses, and employer and member contributions are taken into account in determining the appropriate asset allocation mix. The goal is to maximize returns at a prudent level of risk which presents an ever-changing balancing act between market volatility and long-term goals.

CalPERS follows a strategic asset allocation policy that identifies the percentage of funds to be invested in each asset class.

The asset allocation and market value of assets shown below reflect the values of the Public Employees Retirement Fund (PERF) in its entirety as of June 30, 2009. The assets for Safety 3.0% at 50 Risk Pool are part of the Public Employees Retirement Fund (PERF) and are invested accordingly.

(A) Asset Class	(B) Market Value (\$ Billion)	(C) Current Allocation	(D) Target
1) Total Cash Equivalents	12.0	6.5%	0.0%
2) Total Global Fixed Income	51.6	28.1%	19.0%
3) Total Equities	102.0	55.6%	66.0%
4) Inflation Linked (ILAC)	4.4	2.4%	5.0%
5) Total Real Estate	<u>13.5</u>	<u>7.4%</u>	<u>10.0%</u>
Total Fund	183.5	100.0%	100.0%



SUMMARY OF PARTICIPANT DATA

- **SOURCE OF THE PARTICIPANT DATA**
- **DATA VALIDATION TESTS AND ADJUSTMENTS**
- **SUMMARY OF VALUATION DATA**
- **ACTIVE MEMBERS**
- **TRANSFERRED AND TERMINATED MEMBERS**
- **RETIRED MEMBERS AND BENEFICIARIES**

SUMMARY OF PARTICIPANT DATA

Source of the Participant Data

The data was extracted from various databases within CalPERS and placed in a database by a series of extract programs. Included in this data are:

- individual member and beneficiary information,
- employment and payroll information,
- accumulated contributions with interest,
- service information,
- benefit payment information,
- information about the various organizations which contract with CalPERS, and
- detailed information about the plan provisions applicable to each group of members.

Data Validation Tests and Adjustments

Once the information is extracted from the various computer systems into the database, update queries are then run against this data to correct for flaws found in the data. This part of the process is intended to validate the participant data for all CalPERS plans. The data is then checked for reasonableness and consistency with data from the prior valuation.

Checks on the data include:

- a reconciliation of the membership of the plans,
- comparisons of various member statistics (average attained age, average entry age, average salary, etc.) for each plan with those from the prior valuation,
- comparisons of pension amounts for each retiree and beneficiary receiving payments with those from the prior valuation,
- checks for invalid ages and dates, and
- reasonableness checks on various key data elements such as service and salary.

As a result of the tests on the data, a number of adjustments were determined to be necessary. These included:

- dates of hire and dates of entry were adjusted where necessary to be consistent with the service fields, the date of birth and each other.

SUMMARY OF PARTICIPANT DATA**Summary of Valuation Data**

	June 30, 2008	June 30, 2009
1. Number of Plans in the Risk Pool	259	266
2. Active Members		
a) Counts	10,679	10,786
b) Average Attained Age	39.20	39.41
c) Average Entry Age on Rate Plan	29.28	29.28
d) Average Years of Service	9.92	10.13
e) Average Annual Covered Pay	\$ 85,667	\$ 90,285
f) Annual Covered Payroll	914,840,596	973,814,168
g) Projected Annual Payroll for Contribution Year	1,006,967,860	1,071,880,252
h) Present Value of Future Payroll	8,462,511,547	9,009,291,485
3. Transferred Members		
a) Counts	5,486	5,524
b) Average Attained Age	42.54	42.76
c) Average Years of Service	4.51	4.52
d) Average Annual Covered Pay	\$ 89,308	\$ 92,374
4. Terminated Members		
a) Counts	1,764	1,900
b) Average Attained Age	40.29	40.38
c) Average Years of Service	3.42	3.29
d) Average Annual Covered Pay	\$ 52,338	\$ 53,830
5. Retired Members and Beneficiaries		
a) Counts*	12,433	13,130
b) Average Attained Age	63.31	63.62
c) Average Annual Benefits*	\$ 29,097	\$ 30,914
6. Active to Retired Ratio [(2a) / (5a)]	0.86	0.82

Counts of members included in the valuation are counts of the records processed by the valuation. Multiple records may exist for those who have service in more than one valuation group. This does not result in double counting of liabilities.

* Values may not match those on pages 27 and 28 due to inclusion of community property settlements.

SUMMARY OF PARTICIPANT DATA**Active Members**

Counts of members included in the valuation are counts of the records processed by the valuation. Multiple records may exist for those who have service in more than one valuation group. This does not result in double counting of liabilities.

**Distribution of Active Members by Age and Service
Years of Service at Valuation Date**

Attained Age	0-4	5-9	10-14	15-19	20-25	25+	Total
15-24	430	1	0	0	0	0	431
25-29	1262	222	0	0	0	0	1,484
30-34	962	771	127	0	0	0	1,860
35-39	684	748	550	102	0	0	2,084
40-44	332	397	425	443	198	0	1,795
45-49	206	208	217	323	471	200	1,625
50-54	92	97	96	152	242	342	1,021
55-59	37	41	31	36	71	145	361
60-64	16	14	15	13	14	40	112
65 and over	0	2	4	4	1	2	13
All Ages	4021	2501	1465	1073	997	729	10,786

**Distribution of Average Annual Salaries by Age and Service
Years of Service at Valuation Date**

Attained Age	0-4	5-9	10-14	15-19	20-25	25+	Average
15-24	\$60,553	\$56,717	\$0	\$0	\$0	\$0	\$60,544
25-29	69,963	82,903	0	0	0	0	71,899
30-34	75,445	86,198	95,284	0	0	0	81,257
35-39	77,084	89,535	99,198	102,448	0	0	88,631
40-44	82,822	90,532	95,694	106,321	113,325	0	96,739
45-49	94,413	93,760	97,639	104,596	111,646	119,913	104,918
50-54	97,557	101,141	102,818	106,596	107,670	118,498	109,150
55-59	99,157	95,554	82,690	98,817	104,378	111,838	103,420
60-64	95,156	109,892	104,031	80,159	96,354	104,951	100,094
65 and over	0	52,725	100,094	65,599	80,992	101,476	80,936
Average	74,794	89,048	97,551	104,752	110,251	116,772	90,285

SUMMARY OF PARTICIPANT DATA**Transferred and Terminated Members****Distribution of Transfers to Other CalPERS Plans by Age and Service
Years of Service at Valuation Date**

Attained Age	0-4	5-9	10-14	15-19	20-25	25+	Total	Average Salary
15-24	39	0	0	0	0	0	39	\$55,750
25-29	330	19	0	0	0	0	349	72,504
30-34	573	96	4	0	0	0	673	82,703
35-39	795	246	65	1	0	0	1,107	87,493
40-44	679	275	107	34	4	0	1,099	93,640
45-49	670	283	124	53	20	4	1,154	100,452
50-54	399	164	77	38	20	11	709	104,601
55-59	171	53	26	23	4	7	284	98,265
60-64	57	17	6	6	2	2	90	86,203
65 and over	12	6	1	1	0	0	20	80,934
All Ages	3725	1159	410	156	50	24	5,524	92,374

**Distribution of Terminated Participants with Funds on Deposit by Age and Service
Years of Service at Valuation Date**

Attained Age	0-4	5-9	10-14	15-19	20-25	25+	Total	Average Salary
15-24	53	0	0	0	0	0	53	\$51,641
25-29	230	5	0	0	0	0	235	53,353
30-34	259	25	2	0	0	0	286	52,686
35-39	297	60	7	1	0	0	365	53,114
40-44	241	76	27	12	2	0	358	53,841
45-49	183	81	39	24	6	4	337	57,275
50-54	108	36	15	4	1	0	164	54,448
55-59	50	10	3	4	0	0	67	52,494
60-64	16	1	1	2	0	2	22	49,444
65 and over	11	1	1	0	0	0	13	33,495
All Ages	1448	295	95	47	9	6	1,900	53,830

SUMMARY OF PARTICIPANT DATA**Retired Members and Beneficiaries****Distribution of Retirees and Beneficiaries by Age and Retirement Type***

Attained Age	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Total
Under 30	0	0	2	0	2	6	10
30-34	0	0	28	0	1	2	31
35-39	0	3	122	0	6	3	134
40-44	0	6	225	1	11	10	253
45-49	0	15	420	2	8	30	475
50-54	904	21	587	6	12	58	1,588
55-59	1356	27	867	11	25	103	2,389
60-64	1515	34	1065	2	12	141	2,769
65-69	1121	17	755	6	13	201	2,113
70-74	753	19	429	1	14	218	1,434
75-79	491	17	229	2	17	211	967
80-84	279	5	119	2	6	171	582
85 and Over	133	3	35	2	3	159	335
All Ages	6552	167	4883	35	130	1313	13,080

Distribution of Average Annual Amounts for Retirees and Beneficiaries by Age and Retirement Type*

Attained Age	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Average
Under 30	\$0	\$0	\$22,301	\$0	\$16,201	\$12,546	\$15,228
30-34	0	0	25,195	0	43,329	10,457	24,830
35-39	0	9,078	27,020	0	34,940	13,227	26,664
40-44	0	15,186	27,105	43,201	28,669	20,635	26,698
45-49	0	12,135	25,922	55,903	36,142	20,869	25,466
50-54	46,596	9,009	28,448	35,288	29,284	24,359	38,405
55-59	43,462	9,728	31,717	13,463	26,931	22,999	37,625
60-64	38,828	15,317	30,435	9,303	28,975	20,469	34,313
65-69	31,759	12,274	26,054	28,250	29,377	18,949	28,321
70-74	29,289	10,577	22,863	35,804	18,426	19,216	25,486
75-79	23,975	5,103	22,969	13,210	18,795	18,422	22,080
80-84	22,569	10,130	20,892	1,916	27,130	15,440	20,001
85 and Over	23,809	11,223	26,103	1,670	24,715	14,220	19,261
All Ages	36,443	11,100	27,807	22,067	26,604	18,600	30,968

SUMMARY OF PARTICIPANT DATA**Retired Members and Beneficiaries (continued)****Distribution of Retirees and Beneficiaries by Years Retired and Retirement Type***

Years Retired	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Total
Under 5 Yrs	2298	17	893	7	21	479	3,715
5-9	1669	32	1000	11	11	316	3,039
10-14	1003	35	835	7	19	212	2,111
15-19	760	28	729	5	20	66	1,608
20-24	431	27	517	1	16	45	1,037
25-29	263	12	490	2	17	52	836
30 and Over	128	16	419	2	26	143	734
All Years	6552	167	4883	35	130	1313	13,080

Distribution of Average Annual Amounts for Retirees and Beneficiaries by Years Retired and Retirement Type*

Years Retired	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Average
Under 5 Yrs	\$44,795	\$15,519	\$38,555	\$38,752	\$34,197	\$20,605	\$39,971
5-9	38,361	13,959	34,751	14,990	44,147	19,371	34,878
10-14	30,071	10,385	26,752	20,906	23,844	18,812	27,215
15-19	29,494	12,749	22,313	31,946	25,660	13,400	25,246
20-24	25,820	7,204	20,645	1,046	27,162	21,391	22,560
25-29	19,878	6,790	17,994	1,682	21,941	15,384	18,305
30 and Over	22,480	9,169	20,305	12,848	18,498	12,562	18,849
All Years	36,443	11,100	27,807	22,067	26,604	18,600	30,968

* Counts of members do not include alternate payees receiving benefits while the member is still working. Therefore, the total counts may not match information on page 24 of the report. Multiple records may exist for those who have service in more than one coverage group. This does not result in double counting of liabilities.

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- **STATEMENT OF ACTUARIAL DATA, METHODS AND ASSUMPTIONS**

Data

As stated in the Actuarial Certification, the data which serves as the basis of this valuation has been obtained from the various CalPERS databases. We have reviewed the valuation data and believe that it is reasonable and appropriate in aggregate. We are unaware of any potential data issues that would have a material effect on the results of this valuation, except that data does not always contain the latest salary information for former members now in reciprocal systems and does not recognize the potential for usually large salary deviation in certain cases such as elected officials. Therefore, salary information in these cases may not be accurate. These situations are relatively infrequent, however, and when they do occur, they generally do not have a material impact on the employer contribution rates.

Actuarial Methods

Funding Method

The actuarial funding method used for the Retirement Program is the Entry Age Normal Cost Method. Under this method, projected benefits are determined for all members and the associated liabilities are spread in a manner that produces level annual cost as a percent of pay in each year from the age of hire (entry age) to the assumed retirement age. The cost allocated to the current fiscal year is called the normal cost.

The actuarial accrued liability for active members is then calculated as the portion of the total cost of the plan allocated to prior years. The actuarial accrued liability for members currently receiving benefits, for active members beyond the assumed retirement age, and for members entitled to deferred benefits, is equal to the present value of the benefits expected to be paid. No normal costs are applicable for these participants.

The excess of the total actuarial accrued liability over the actuarial value of plan assets is called the unfunded actuarial accrued liability. Funding requirements are determined by adding the normal cost and an amortization of the unfunded liability as a level percentage of assumed future payrolls. All changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately over a 20-year period. All gains or losses are tracked and amortized over a rolling 30-year period with the exception of gains and losses in fiscal years 2008-2009, 2009-2010 and 2010-2011 in which each year's gains or losses will be isolated and amortized over fixed and declining 30 year periods (as opposed to the current rolling 30 year amortization). If a pool's accrued liability exceeds the actuarial value of assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30-year amortization of the unfunded liability.

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

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

The necessary additional contribution will be obtained by changing the amortization period of the gains and losses prior to 2009 to a period which will result in the satisfaction of the above criteria. CalPERS actuaries will reassess the criteria above when performing each future valuation to determine whether or not additional contributions are necessary.

An exception to the funding rules above is used whenever the application of such rules results in inconsistencies. In these cases a "fresh start" approach is used. This simply means that the current unfunded actuarial liability is projected and amortized over a set number of years. For instance, if the annual contribution on the total unfunded liability was less than the amount produced by a 30-year amortization of the unfunded liability, the plan actuary would implement a 30-year fresh start. In addition, a fresh start is needed in the following situations:

- 1) when a positive payment would be required on a negative unfunded actuarial liability (or conversely a negative payment on a positive unfunded actuarial liability); or

APPENDIX A

- 2) when there are excess assets, rather than an unfunded liability. In this situation a 30-year fresh start is used, unless a larger fresh start is needed to avoid a negative total rate.

It should be noted that the actuary may choose to use a fresh start under other circumstances. In all cases, the period of the fresh start is chosen by the actuary according to his or her best judgment, and will not be less than five years nor greater than 30 years.

Asset Valuation Method

In order to dampen the effect of short term market value fluctuations on employer contribution rates, the following asset smoothing technique is used. First an Expected Value of Assets is computed by bringing forward the prior year's Actuarial Value of Assets and the contributions received and benefits paid during the year at the assumed actuarial rate of return. The Actuarial Value of Assets is then computed as the Expected Value of Assets plus one-fifteenth of the difference between the actual Market Value of Assets and the Expected Value of Assets as of the valuation date. However in no case will the Actuarial Value of Assets be less than 80% nor greater than 120% of the actual Market Value of Assets.

In June 2009, the CalPERS Board adopted changes to the asset smoothing method in order to phase in over a three year period the impact of the -24% investment loss experienced by CalPERS in fiscal year 2008-2009. The following changes were adopted:

- Increase the corridor limits for the actuarial value of assets from 80%-120% of market value to 60%-140% of market value on June 30, 2009
- Reduce the corridor limits for the actuarial value of assets to 70%-130% of market value on June 30, 2010
- Return to the 80%-120% of market value corridor limits for the actuarial value of assets on June 30, 2011 and thereafter

Accounts Receivable

In preparing valuations on and after June 30, 2007, and setting employer contribution rates, the asset figures used include accounts receivable. The CalPERS Actuarial Office assumes that all assets are accruing interest at the actuarially-assumed rate. Therefore, the rates depicted assume that all payments have been made and are accruing interest.

This change generally had minimal impact on the employer rates and no special amortization base has been created.

Miscellaneous

Superfunded Status

If a rate plan is superfunded (actuarial value of assets exceeds the present value of benefits), as of the most recently completed annual valuation, the employer may cover their employees' member contributions (both taxed and tax-deferred) using their employer assets during the fiscal year for which this valuation applies. This would entail transferring assets within the Public Employees' Retirement Fund (PERF) from the employer account to the member accumulated contribution accounts. This change was implemented effective January 1, 1999 pursuant to Chapter 231 (Assembly Bill 2099) which added Government Code Section 20816.

Superfunded status applies only to individual plans, not risk pools. For rate plans within a risk pool, actuarial value of assets is the sum of the rate plan's side fund plus the rate plan's pro-rata share of non-side fund assets. Superfunded status is determined only on annual valuation dates.

Internal Revenue Code Section 415

The limitations on benefits imposed by Internal Revenue Code Section 415 were not taken into account in this valuation. The effect of these limitations has been deemed immaterial on the overall results of this valuation.

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Internal Revenue Code Section 401(a)(17)

The limitations on compensation imposed by Internal Revenue Code Section 401(a)(17) were taken into account in this valuation. It was determined that this change generally had minimal impact on the employer rates and no special amortization base has been created.

ACTUARIAL ASSUMPTIONS

Economic Assumptions

Investment Return

7.75% compounded annually (net of expenses). This assumption is used for all plans.

Salary Growth

Annual increases vary by category, entry age, and duration of service. The assumed increases are shown below.

Public Agency Miscellaneous

<u>Duration of Service</u>	<u>Entry Age 20</u>	<u>Entry Age 30</u>	<u>Entry Age 40</u>
0	0.1445	0.1265	0.1005
1	0.1215	0.1075	0.0875
2	0.1035	0.0935	0.0775
3	0.0905	0.0825	0.0695
4	0.0805	0.0735	0.0635
5	0.0725	0.0675	0.0585
10	0.0505	0.0485	0.0435
15	0.0455	0.0435	0.0385
20	0.0415	0.0395	0.0355
25	0.0385	0.0385	0.0355
30	0.0385	0.0385	0.0355

Public Agency Fire

<u>Duration of Service</u>	<u>Entry Age 20</u>	<u>Entry Age 30</u>	<u>Entry Age 40</u>
0	0.1075	0.1075	0.1045
1	0.0975	0.0965	0.0875
2	0.0895	0.0855	0.0725
3	0.0825	0.0775	0.0625
4	0.0765	0.0705	0.0535
5	0.0715	0.0645	0.0475
10	0.0535	0.0485	0.0375
15	0.0435	0.0415	0.0365
20	0.0395	0.0385	0.0355
25	0.0375	0.0375	0.0355
30	0.0375	0.0375	0.0355

Public Agency Police

<u>Duration of Service</u>	<u>Entry Age 20</u>	<u>Entry Age 30</u>	<u>Entry Age 40</u>
0	0.1115	0.1115	0.1115
1	0.0955	0.0955	0.0955
2	0.0835	0.0835	0.0805
3	0.0745	0.0725	0.0665
4	0.0675	0.0635	0.0575
5	0.0615	0.0575	0.0505
10	0.0475	0.0445	0.0365
15	0.0435	0.0415	0.0355
20	0.0395	0.0385	0.0355
25	0.0375	0.0365	0.0355
30	0.0375	0.0365	0.0355

APPENDIX A**Public Agency County Peace Officers**

<u>Duration of Service</u>	<u>Entry Age 20</u>	<u>Entry Age 30</u>	<u>Entry Age 40</u>
0	0.1315	0.1315	0.1315
1	0.1115	0.1085	0.1055
2	0.0965	0.0915	0.0865
3	0.0845	0.0795	0.0735
4	0.0755	0.0695	0.0635
5	0.0685	0.0625	0.0555
10	0.0485	0.0445	0.0405
15	0.0435	0.0405	0.0385
20	0.0395	0.0385	0.0365
25	0.0375	0.0365	0.0355
30	0.0375	0.0365	0.0355

Schools

<u>Duration of Service</u>	<u>Entry Age 20</u>	<u>Entry Age 30</u>	<u>Entry Age 40</u>
0	0.1105	0.0985	0.0845
1	0.0965	0.0875	0.0765
2	0.0865	0.0795	0.0695
3	0.0775	0.0725	0.0645
4	0.0715	0.0665	0.0595
5	0.0655	0.0625	0.0555
10	0.0475	0.0465	0.0435
15	0.0415	0.0405	0.0375
20	0.0385	0.0375	0.0345
25	0.0365	0.0365	0.0345
30	0.0365	0.0365	0.0345

- The Miscellaneous salary scale is used for Local Prosecutors.
- The Police salary scale is used for Other Safety, Local Sheriff, and School Police.

Overall Payroll Growth

3.25% compounded annually (used in projecting the payroll over which the unfunded liability is amortized). This assumption is used for all plans.

Inflation

3.00% compounded annually. This assumption is used for all plans.

Non-valued Potential Additional Liabilities

The potential liability loss for a cost-of-living increase exceeding the 3% inflation assumption, and any potential liability loss from future member service purchases are not reflected in the valuation.

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Miscellaneous Loading Factors

Credit for Unused Sick Leave

Final Average Salary is increased by 1% for those agencies that have accepted the provision providing Credit for Unused Sick Leave.

Conversion of Employer Paid Member Contributions (EPMC)

Final Average Salary is increased by the Employee Contribution Rate for those agencies that have contracted for the provision providing for the Conversion of Employer Paid Member Contributions (EPMC) during the final compensation period.

Norris Decision (Best Factors)

Employees hired prior to July 1, 1982 have projected benefit amounts increased in order to reflect the use of "Best Factors" for these employees in the calculation of optional benefit forms. This is due to a 1983 Supreme Court decision, known as the Norris decision, which required males and females to be treated equally in the determination of benefit amounts. Consequently, anyone already employed at that time is given the best possible conversion factor when optional benefits are determined. No loading is necessary for employees hired after July 1, 1982.

APPENDIX A**Demographic Assumptions****Pre-Retirement Mortality**

Non-Industrial Death Rates vary by age and gender. Industrial Death rates vary by age. See sample rates in table below. The non-industrial death rates are used for all plans. The industrial death rates are used for Safety Plans (except for Local Prosecutor safety members where the corresponding Miscellaneous Plan does not have the Industrial Death Benefit).

Age	Non-Industrial Death (Not Job-Related)		Industrial Death (Job-Related)
	Male	Female	Male and Female
20	0.00047	0.00016	0.00003
25	0.00050	0.00026	0.00007
30	0.00053	0.00036	0.00010
35	0.00067	0.00046	0.00012
40	0.00087	0.00065	0.00013
45	0.00120	0.00093	0.00014
50	0.00176	0.00126	0.00015
55	0.00260	0.00176	0.00016
60	0.00395	0.00266	0.00017
65	0.00608	0.00419	0.00018
70	0.00914	0.00649	0.00019
75	0.01220	0.00878	0.00020
80	0.01527	0.01108	0.00021

Miscellaneous Plans usually have Industrial Death rates set to zero unless the agency has specifically contracted for Industrial Death benefits. If so, each Non-Industrial Death rate shown above will be split into two components: 99% will become the Non-Industrial Death rate and 1% will become the Industrial Death rate.

Post-Retirement Mortality

Rates vary by age, type of retirement and gender. See sample rates in table below. These rates are used for all plans.

Age	Healthy Recipients		Non-Industrially Disabled (Not Job-Related)		Industrially Disabled (Job-Related)	
	Male	Female	Male	Female	Male	Female
50	0.00239	0.00125	0.01632	0.01245	0.00443	0.00356
55	0.00474	0.00243	0.01936	0.01580	0.00563	0.00546
60	0.00720	0.00431	0.02293	0.01628	0.00777	0.00798
65	0.01069	0.00775	0.03174	0.01969	0.01388	0.01184
70	0.01675	0.01244	0.03870	0.03019	0.02236	0.01716
75	0.03080	0.02071	0.06001	0.03915	0.03585	0.02665
80	0.05270	0.03749	0.08388	0.05555	0.06926	0.04528
85	0.09775	0.07005	0.14035	0.09577	0.11799	0.08017
90	0.16747	0.12404	0.21554	0.14949	0.16575	0.13775
95	0.25659	0.21556	0.31025	0.23055	0.26108	0.23331
100	0.34551	0.31876	0.45905	0.37662	0.40918	0.35165
105	0.58527	0.56093	0.67923	0.61523	0.64127	0.60135
110	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000

APPENDIX A**Marital Status**

For active members, a percentage married upon retirement is assumed according to the following table.

<u>Member Category</u>	<u>Percent Married</u>
Miscellaneous Member	85%
Local Police	90%
Local Fire	90%
Other Local Safety	90%
School Police	90%

Age of Spouse

It is assumed that female spouses are 3 years younger than male spouses. This assumption is used for all plans.

Terminated Members

It is assumed that terminated members refund immediately if non-vested. Terminated members who are vested are assumed to follow the same service retirement pattern as active members but with a load to reflect the expected higher rates of retirement, especially at lower ages. The following table shows the load factors that are applied to the service retirement assumption for active members to obtain the service retirement pattern for separated vested members:

<u>Age</u>	<u>Load Factor</u>
50	450%
51	250%
52 through 56	200%
57 through 60	150%
61 through 64	125%
65 and above	100% (no change)

Termination with Refund

Rates vary by entry age and service for Miscellaneous Plans. Rates vary by service for Safety Plans. See sample rates in tables below.

Public Agency Miscellaneous

<u>Duration of Service</u>	<u>Entry Age 20</u>	<u>Entry Age 25</u>	<u>Entry Age 30</u>	<u>Entry Age 35</u>	<u>Entry Age 40</u>	<u>Entry Age 45</u>
0	0.1742	0.1674	0.1606	0.1537	0.1468	0.1400
1	0.1545	0.1477	0.1409	0.1339	0.1271	0.1203
2	0.1348	0.1280	0.1212	0.1142	0.1074	0.1006
3	0.1151	0.1083	0.1015	0.0945	0.0877	0.0809
4	0.0954	0.0886	0.0818	0.0748	0.0680	0.0612
5	0.0212	0.0193	0.0174	0.0155	0.0136	0.0116
10	0.0138	0.0121	0.0104	0.0088	0.0071	0.0055
15	0.0060	0.0051	0.0042	0.0032	0.0023	0.0014
20	0.0037	0.0029	0.0021	0.0013	0.0005	0.0001
25	0.0017	0.0011	0.0005	0.0001	0.0001	0.0001
30	0.0005	0.0001	0.0001	0.0001	0.0001	0.0001
35	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001

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Public Agency Safety			
<u>Duration of Service</u>	<u>Fire</u>	<u>Police</u>	<u>County Peace Officer</u>
0	0.0710	0.1013	0.0997
1	0.0554	0.0636	0.0782
2	0.0398	0.0271	0.0566
3	0.0242	0.0258	0.0437
4	0.0218	0.0245	0.0414
5	0.0029	0.0086	0.0145
10	0.0009	0.0053	0.0089
15	0.0006	0.0027	0.0045
20	0.0005	0.0017	0.0020
25	0.0003	0.0012	0.0009
30	0.0003	0.0009	0.0006
35	0.0003	0.0009	0.0006

The Police Termination and Refund rates are used for Public Agency Local Prosecutors, Other Safety, Local Sheriff, and School Police.

Schools						
<u>Duration of Service</u>	<u>Entry Age 20</u>	<u>Entry Age 25</u>	<u>Entry Age 30</u>	<u>Entry Age 35</u>	<u>Entry Age 40</u>	<u>Entry Age 45</u>
0	0.1730	0.1627	0.1525	0.1422	0.1319	0.1217
1	0.1585	0.1482	0.1379	0.1277	0.1174	0.1071
2	0.1440	0.1336	0.1234	0.1131	0.1028	0.0926
3	0.1295	0.1192	0.1089	0.0987	0.0884	0.0781
4	0.1149	0.1046	0.0944	0.0841	0.0738	0.0636
5	0.0278	0.0249	0.0221	0.0192	0.0164	0.0135
10	0.0172	0.0147	0.0122	0.0098	0.0074	0.0049
15	0.0115	0.0094	0.0074	0.0053	0.0032	0.0011
20	0.0073	0.0055	0.0038	0.0020	0.0002	0.0002
25	0.0037	0.0023	0.0010	0.0002	0.0002	0.0002
30	0.0015	0.0003	0.0002	0.0002	0.0002	0.0002
35	0.0002	0.0002	0.0002	0.0002	0.0002	0.0002

Termination with Vested Benefits

Rate vary by entry age and service for Miscellaneous Plans. Rates vary by service for Safety Plans. See sample rates in tables below.

Public Agency Miscellaneous					
<u>Duration of Service</u>	<u>Entry Age 20</u>	<u>Entry Age 25</u>	<u>Entry Age 30</u>	<u>Entry Age 35</u>	<u>Entry Age 40</u>
5	0.0656	0.0597	0.0537	0.0477	0.0418
10	0.0530	0.0466	0.0403	0.0339	0.0000
15	0.0443	0.0373	0.0305	0.0000	0.0000
20	0.0333	0.0261	0.0000	0.0000	0.0000
25	0.0212	0.0000	0.0000	0.0000	0.0000
30	0.0000	0.0000	0.0000	0.0000	0.0000
35	0.0000	0.0000	0.0000	0.0000	0.0000

APPENDIX A**Public Agency Safety**

Duration of Service	Fire	Police	County Peace Officer
5	0.0162	0.0163	0.0265
10	0.0061	0.0126	0.0204
15	0.0058	0.0082	0.0130
20	0.0053	0.0065	0.0074
25	0.0047	0.0058	0.0043
30	0.0045	0.0056	0.0030
35	0.0000	0.0000	0.0000

- When a member is eligible to retire, the termination with vested benefits probability is set to zero.
- After termination with vested benefits, a miscellaneous member is assumed to retire at age 59 and a safety member at age 54.
- The Police Termination with vested benefits rates are used for Public Agency Local Prosecutors, Other Safety, Local Sheriff, and School Police.

Schools

Duration of Service	Entry Age 20	Entry Age 25	Entry Age 30	Entry Age 35	Entry Age 40
5	0.0816	0.0733	0.0649	0.0566	0.0482
10	0.0629	0.0540	0.0450	0.0359	0.0000
15	0.0537	0.0440	0.0344	0.0000	0.0000
20	0.0420	0.0317	0.0000	0.0000	0.0000
25	0.0291	0.0000	0.0000	0.0000	0.0000
30	0.0000	0.0000	0.0000	0.0000	0.0000
35	0.0000	0.0000	0.0000	0.0000	0.0000

APPENDIX A

Non-Industrial (Not Job-Related) Disability

Rates vary by age and gender for Miscellaneous Plans.

Rates vary by age for Safety Plans

Age	Miscellaneous		Fire	Police	County Peace Officer	Schools	
	Male	Female	Male and Female	Male and Female	Male and Female	Male	Female
20	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
25	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
30	0.0002	0.0002	0.0001	0.0002	0.0001	0.0002	0.0001
35	0.0006	0.0009	0.0001	0.0003	0.0004	0.0006	0.0004
40	0.0015	0.0016	0.0001	0.0004	0.0007	0.0014	0.0009
45	0.0025	0.0024	0.0002	0.0005	0.0013	0.0028	0.0017
50	0.0033	0.0031	0.0005	0.0008	0.0018	0.0044	0.0030
55	0.0037	0.0031	0.0010	0.0013	0.0010	0.0049	0.0034
60	0.0038	0.0025	0.0015	0.0020	0.0006	0.0043	0.0024

- The Miscellaneous Non-Industrial Disability rates are used for Local Prosecutors.
- The Police Non-Industrial Disability rates are used for Other Safety, Local Sheriff, and School Police.

Industrial (Job-Related) Disability

Rates vary by age and category.

Age	Fire	Police	County Peace Officer
20	0.0002	0.0007	0.0003
25	0.0012	0.0032	0.0015
30	0.0025	0.0064	0.0031
35	0.0037	0.0097	0.0046
40	0.0049	0.0129	0.0063
45	0.0061	0.0161	0.0078
50	0.0074	0.0192	0.0101
55	0.0721	0.0668	0.0173
60	0.0721	0.0668	0.0173

- The Police Industrial Disability rates are used for Local Sheriff and Other Safety.
- Fifty Percent of the Police Industrial Disability rates are used for School Police.
- One Percent of the Police Industrial Disability rates are used for Local Prosecutors.
- Normally, rates are zero for Miscellaneous Plans unless the agency has specifically contracted for Industrial Disability benefits. If so, each Miscellaneous Non-Industrial Disability rate will be split into two components: 50% will become the Non-Industrial Disability rate and 50% will become the Industrial Disability rate.

APPENDIX A**Service Retirement****Public Agency Miscellaneous 2% @ 60**

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.011	0.015	0.018	0.021	0.023	0.026
51	0.009	0.013	0.016	0.018	0.020	0.023
52	0.013	0.018	0.022	0.025	0.028	0.031
53	0.011	0.016	0.019	0.022	0.025	0.028
54	0.015	0.021	0.025	0.028	0.032	0.036
55	0.023	0.032	0.039	0.044	0.049	0.055
56	0.019	0.027	0.032	0.037	0.041	0.046
57	0.025	0.035	0.042	0.048	0.054	0.060
58	0.030	0.042	0.051	0.058	0.065	0.073
59	0.035	0.049	0.060	0.068	0.076	0.085
60	0.062	0.087	0.105	0.119	0.133	0.149
61	0.079	0.110	0.134	0.152	0.169	0.190
62	0.132	0.186	0.225	0.255	0.284	0.319
63	0.126	0.178	0.216	0.244	0.272	0.305
64	0.122	0.171	0.207	0.234	0.262	0.293
65	0.173	0.243	0.296	0.334	0.373	0.418
66	0.114	0.160	0.194	0.219	0.245	0.274
67	0.159	0.223	0.271	0.307	0.342	0.384
68	0.113	0.159	0.193	0.218	0.243	0.273
69	0.114	0.161	0.195	0.220	0.246	0.276
70	0.127	0.178	0.216	0.244	0.273	0.306

Public Agency Miscellaneous 2% @ 55

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.015	0.020	0.024	0.029	0.033	0.039
51	0.013	0.016	0.020	0.024	0.027	0.033
52	0.014	0.018	0.022	0.027	0.030	0.036
53	0.017	0.022	0.027	0.032	0.037	0.043
54	0.027	0.034	0.041	0.049	0.056	0.067
55	0.050	0.064	0.078	0.094	0.107	0.127
56	0.045	0.057	0.069	0.083	0.095	0.113
57	0.048	0.061	0.074	0.090	0.102	0.122
58	0.052	0.066	0.080	0.097	0.110	0.131
59	0.060	0.076	0.092	0.111	0.127	0.151
60	0.072	0.092	0.112	0.134	0.153	0.182
61	0.089	0.113	0.137	0.165	0.188	0.224
62	0.128	0.162	0.197	0.237	0.270	0.322
63	0.129	0.164	0.199	0.239	0.273	0.325
64	0.116	0.148	0.180	0.216	0.247	0.294
65	0.174	0.221	0.269	0.323	0.369	0.439
66	0.135	0.171	0.208	0.250	0.285	0.340
67	0.133	0.169	0.206	0.247	0.282	0.336
68	0.118	0.150	0.182	0.219	0.250	0.297
69	0.116	0.147	0.179	0.215	0.246	0.293
70	0.138	0.176	0.214	0.257	0.293	0.349

APPENDIX A**Public Agency Miscellaneous 2.5% @ 55**

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.026	0.033	0.040	0.048	0.055	0.062
51	0.021	0.026	0.032	0.038	0.043	0.049
52	0.021	0.026	0.032	0.038	0.043	0.049
53	0.026	0.033	0.040	0.048	0.055	0.062
54	0.043	0.054	0.066	0.078	0.089	0.101
55	0.088	0.112	0.136	0.160	0.184	0.208
56	0.055	0.070	0.085	0.100	0.115	0.130
57	0.061	0.077	0.094	0.110	0.127	0.143
58	0.072	0.091	0.111	0.130	0.150	0.169
59	0.083	0.105	0.128	0.150	0.173	0.195
60	0.088	0.112	0.136	0.160	0.184	0.208
61	0.083	0.105	0.128	0.150	0.173	0.195
62	0.121	0.154	0.187	0.220	0.253	0.286
63	0.105	0.133	0.162	0.190	0.219	0.247
64	0.105	0.133	0.162	0.190	0.219	0.247
65	0.143	0.182	0.221	0.260	0.299	0.338
66	0.105	0.133	0.162	0.190	0.219	0.247
67	0.105	0.133	0.162	0.190	0.219	0.247
68	0.105	0.133	0.162	0.190	0.219	0.247
69	0.105	0.133	0.162	0.190	0.219	0.247
70	0.125	0.160	0.194	0.228	0.262	0.296

Public Agency Miscellaneous 2.7% @ 55

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.028	0.035	0.043	0.050	0.058	0.065
51	0.022	0.028	0.034	0.040	0.046	0.052
52	0.022	0.028	0.034	0.040	0.046	0.052
53	0.028	0.035	0.043	0.050	0.058	0.065
54	0.044	0.056	0.068	0.080	0.092	0.104
55	0.091	0.116	0.140	0.165	0.190	0.215
56	0.061	0.077	0.094	0.110	0.127	0.143
57	0.063	0.081	0.098	0.115	0.132	0.150
58	0.074	0.095	0.115	0.135	0.155	0.176
59	0.083	0.105	0.128	0.150	0.173	0.195
60	0.088	0.112	0.136	0.160	0.184	0.208
61	0.085	0.109	0.132	0.155	0.178	0.202
62	0.124	0.158	0.191	0.225	0.259	0.293
63	0.107	0.137	0.166	0.195	0.224	0.254
64	0.107	0.137	0.166	0.195	0.224	0.254
65	0.146	0.186	0.225	0.265	0.305	0.345
66	0.107	0.137	0.166	0.195	0.224	0.254
67	0.107	0.137	0.166	0.195	0.224	0.254
68	0.107	0.137	0.166	0.195	0.224	0.254
69	0.107	0.137	0.166	0.195	0.224	0.254
70	0.129	0.164	0.199	0.234	0.269	0.304

APPENDIX A**Public Agency Miscellaneous 3% @ 60**

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.026	0.033	0.040	0.048	0.055	0.062
51	0.021	0.026	0.032	0.038	0.043	0.049
52	0.019	0.025	0.030	0.035	0.040	0.046
53	0.025	0.032	0.038	0.045	0.052	0.059
54	0.039	0.049	0.060	0.070	0.081	0.091
55	0.083	0.105	0.128	0.150	0.173	0.195
56	0.055	0.070	0.085	0.100	0.115	0.130
57	0.061	0.077	0.094	0.110	0.127	0.143
58	0.072	0.091	0.111	0.130	0.150	0.169
59	0.080	0.102	0.123	0.145	0.167	0.189
60	0.094	0.119	0.145	0.170	0.196	0.221
61	0.088	0.112	0.136	0.160	0.184	0.208
62	0.127	0.161	0.196	0.230	0.265	0.299
63	0.110	0.140	0.170	0.200	0.230	0.260
64	0.110	0.140	0.170	0.200	0.230	0.260
65	0.149	0.189	0.230	0.270	0.311	0.351
66	0.110	0.140	0.170	0.200	0.230	0.260
67	0.110	0.140	0.170	0.200	0.230	0.260
68	0.110	0.140	0.170	0.200	0.230	0.260
69	0.110	0.140	0.170	0.200	0.230	0.260
70	0.132	0.168	0.204	0.240	0.276	0.312

Public Agency Fire ½ @ 55 and 2% @ 55

Age	Rate	Age	Rate
50	0.01588	56	0.11079
51	0.00000	57	0.00000
52	0.03442	58	0.09499
53	0.01990	59	0.04409
54	0.04132	60	1.00000
55	0.07513		

Public Agency Police ½ @ 55 and 2% @ 55

Age	Rate	Age	Rate
50	0.02552	56	0.06921
51	0.00000	57	0.05113
52	0.01637	58	0.07241
53	0.02717	59	0.07043
54	0.00949	60	1.00000
55	0.16674		

APPENDIX A

Public Agency Police 2%@ 50

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.014	0.014	0.014	0.014	0.025	0.045
51	0.012	0.012	0.012	0.012	0.023	0.040
52	0.026	0.026	0.026	0.026	0.048	0.086
53	0.052	0.052	0.052	0.052	0.096	0.171
54	0.070	0.070	0.070	0.070	0.128	0.227
55	0.090	0.090	0.090	0.090	0.165	0.293
56	0.064	0.064	0.064	0.064	0.117	0.208
57	0.071	0.071	0.071	0.071	0.130	0.232
58	0.063	0.063	0.063	0.063	0.115	0.205
59	0.140	0.140	0.140	0.140	0.174	0.254
60	0.140	0.140	0.140	0.140	0.172	0.251
61	0.140	0.140	0.140	0.140	0.172	0.251
62	0.140	0.140	0.140	0.140	0.172	0.251
63	0.140	0.140	0.140	0.140	0.172	0.251
64	0.140	0.140	0.140	0.140	0.172	0.251
65	1.000	1.000	1.000	1.000	1.000	1.000

- These rates also apply to Local Prosecutors, Local Sheriff, School Police, and Other Safety.

Public Agency Fire 2%@50

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.007	0.007	0.007	0.007	0.010	0.015
51	0.008	0.008	0.008	0.008	0.013	0.019
52	0.017	0.017	0.017	0.017	0.027	0.040
53	0.047	0.047	0.047	0.047	0.072	0.107
54	0.064	0.064	0.064	0.064	0.098	0.147
55	0.087	0.087	0.087	0.087	0.134	0.200
56	0.078	0.078	0.078	0.078	0.120	0.180
57	0.090	0.090	0.090	0.090	0.139	0.208
58	0.079	0.079	0.079	0.079	0.122	0.182
59	0.073	0.073	0.073	0.073	0.112	0.168
60	0.114	0.114	0.114	0.114	0.175	0.262
61	0.114	0.114	0.114	0.114	0.175	0.262
62	0.114	0.114	0.114	0.114	0.175	0.262
63	0.114	0.114	0.114	0.114	0.175	0.262
64	0.114	0.114	0.114	0.114	0.175	0.262
65	1.000	1.000	1.000	1.000	1.000	1.000

APPENDIX A**Public Agency Police 3%@ 55**

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.019	0.019	0.019	0.019	0.040	0.060
51	0.024	0.024	0.024	0.024	0.049	0.074
52	0.024	0.024	0.024	0.024	0.051	0.077
53	0.059	0.059	0.059	0.059	0.121	0.183
54	0.069	0.069	0.069	0.069	0.142	0.215
55	0.116	0.116	0.116	0.116	0.240	0.363
56	0.076	0.076	0.076	0.076	0.156	0.236
57	0.058	0.058	0.058	0.058	0.120	0.181
58	0.076	0.076	0.076	0.076	0.157	0.237
59	0.094	0.094	0.094	0.094	0.193	0.292
60	0.141	0.141	0.141	0.141	0.290	0.438
61	0.094	0.094	0.094	0.094	0.193	0.292
62	0.118	0.118	0.118	0.118	0.241	0.365
63	0.094	0.094	0.094	0.094	0.193	0.292
64	0.094	0.094	0.094	0.094	0.193	0.292
65	1.000	1.000	1.000	1.000	1.000	1.000

- These rates also apply to Local Prosecutors, Local Sheriff, School Police, and Other Safety.

Public Agency Fire 3%@55

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.012	0.012	0.012	0.018	0.028	0.033
51	0.008	0.008	0.008	0.012	0.019	0.022
52	0.018	0.018	0.018	0.027	0.042	0.050
53	0.043	0.043	0.043	0.062	0.098	0.114
54	0.057	0.057	0.057	0.083	0.131	0.152
55	0.092	0.092	0.092	0.134	0.211	0.246
56	0.081	0.081	0.081	0.118	0.187	0.218
57	0.100	0.100	0.100	0.146	0.230	0.268
58	0.081	0.081	0.081	0.119	0.187	0.219
59	0.078	0.078	0.078	0.113	0.178	0.208
60	0.117	0.117	0.117	0.170	0.267	0.312
61	0.078	0.078	0.078	0.113	0.178	0.208
62	0.098	0.098	0.098	0.141	0.223	0.260
63	0.078	0.078	0.078	0.113	0.178	0.208
64	0.078	0.078	0.078	0.113	0.178	0.208
65	1.000	1.000	1.000	1.000	1.000	1.000

APPENDIX A

Public Agency Police 3%@ 50

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.070	0.070	0.070	0.131	0.193	0.249
51	0.050	0.050	0.050	0.095	0.139	0.180
52	0.061	0.061	0.061	0.116	0.171	0.220
53	0.069	0.069	0.069	0.130	0.192	0.247
54	0.071	0.071	0.071	0.134	0.197	0.255
55	0.090	0.090	0.090	0.170	0.250	0.322
56	0.069	0.069	0.069	0.130	0.191	0.247
57	0.080	0.080	0.080	0.152	0.223	0.288
58	0.087	0.087	0.087	0.164	0.242	0.312
59	0.090	0.090	0.090	0.170	0.251	0.323
60	0.135	0.135	0.135	0.255	0.377	0.485
61	0.090	0.090	0.090	0.170	0.251	0.323
62	0.113	0.113	0.113	0.213	0.314	0.404
63	0.090	0.090	0.090	0.170	0.251	0.323
64	0.090	0.090	0.090	0.170	0.251	0.323
65	1.000	1.000	1.000	1.000	1.000	1.000

- These rates also apply to Local Prosecutors, Local Sheriff, School Police, and Other Safety.

Public Agency Fire 3%@50

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.034	0.034	0.034	0.048	0.068	0.080
51	0.046	0.046	0.046	0.065	0.092	0.109
52	0.069	0.069	0.069	0.097	0.138	0.163
53	0.084	0.084	0.084	0.117	0.166	0.197
54	0.103	0.103	0.103	0.143	0.204	0.241
55	0.127	0.127	0.127	0.177	0.252	0.298
56	0.121	0.121	0.121	0.169	0.241	0.285
57	0.101	0.101	0.101	0.141	0.201	0.238
58	0.118	0.118	0.118	0.165	0.235	0.279
59	0.100	0.100	0.100	0.140	0.199	0.236
60	0.150	0.150	0.150	0.210	0.299	0.354
61	0.100	0.100	0.100	0.140	0.199	0.236
62	0.125	0.125	0.125	0.175	0.249	0.295
63	0.100	0.100	0.100	0.140	0.199	0.236
64	0.100	0.100	0.100	0.140	0.199	0.236
65	1.000	1.000	1.000	1.000	1.000	1.000

APPENDIX A**Schools 2% @ 55**

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.005	0.009	0.013	0.015	0.016	0.018
51	0.005	0.010	0.014	0.017	0.019	0.021
52	0.006	0.012	0.017	0.020	0.022	0.025
53	0.007	0.014	0.019	0.023	0.026	0.029
54	0.012	0.024	0.033	0.039	0.044	0.049
55	0.024	0.048	0.067	0.079	0.088	0.099
56	0.020	0.039	0.055	0.065	0.072	0.081
57	0.021	0.042	0.059	0.070	0.078	0.087
58	0.025	0.050	0.070	0.083	0.092	0.103
59	0.029	0.057	0.080	0.095	0.105	0.118
60	0.037	0.073	0.102	0.121	0.134	0.150
61	0.046	0.090	0.126	0.149	0.166	0.186
62	0.076	0.151	0.212	0.250	0.278	0.311
63	0.069	0.136	0.191	0.225	0.251	0.281
64	0.067	0.133	0.185	0.219	0.244	0.273
65	0.091	0.180	0.251	0.297	0.331	0.370
66	0.072	0.143	0.200	0.237	0.264	0.295
67	0.067	0.132	0.185	0.218	0.243	0.272
68	0.060	0.118	0.165	0.195	0.217	0.243
69	0.067	0.133	0.187	0.220	0.246	0.275
70	0.066	0.131	0.183	0.216	0.241	0.270

APPENDIX B

- **SUMMARY OF PRINCIPAL PLAN PROVISIONS**

APPENDIX B

The following is a description of the principal plan provisions used in calculating the liabilities of the Safety 3.0% at 50 Risk Pool. Plan provisions are divided based on whether they are standard, Class 1, Class 2 or Class 3 benefits. Standard benefits are applicable to all members of the risk pool while Class 1, 2 or 3 benefits vary among employers. Provided at the end of the listing is a table providing the percentage of members participating in the pool that are subject to each benefit.

Many of the statements in this summary are general in nature, and are intended to provide an easily understood summary of the complex Public Employees' Retirement Law. The law itself governs in all situations.

Service Retirement

Eligibility

A CalPERS member becomes eligible for Service Retirement upon attainment of age 50 with at least 5 years of credited service (total service across all CalPERS employers, and with certain other Retirement Systems with which CalPERS has reciprocity agreements)

Benefit

The Service Retirement benefit calculated for service earned by this group of employees is a monthly allowance equal to the product of the *benefit factor*, *years of service*, and *final compensation*, where

- The *benefit factor* for this group of employees comes from the **3% at 50 Safety** benefit formula factor table. The factor depends on the member's age at retirement. Listed below are the factors for retirement at whole year ages:

Retirement Age	3% at 50 Safety Factor
50 & Up	3%

- The *years of service* is the amount credited by CalPERS to a member while he or she is employed in this group (or for other periods that are recognized under the employer's contract with CalPERS). For a member who has earned service with multiple CalPERS employers, the benefit from each employer is calculated separately according to each employer's contract, and then added together for the total allowance. Any unused sick leave accumulated at the time of retirement will be converted to credited service at a rate of 0.004 years of service for each day of sick leave.
- The *final compensation* is the monthly average of the member's highest 36 or 12 consecutive months' full-time equivalent monthly pay (no matter which CalPERS employer paid this compensation). The standard benefit available to all members is 36 months. Employers have the option of providing a final compensation equal to the highest 12 consecutive months by contracting for this class 1 optional benefit.
- For employees covered by the modified formula, the final compensation is offset by \$133.33 (or by one third if the final compensation is less than \$400). Employers have the option to contract for the class 3 benefit that will eliminate the offset applicable to the final compensation of employees covered by a modified formula.
- The Miscellaneous Service Retirement benefit is not capped. The Safety Service Retirement benefit is capped at 90% of final compensation.

APPENDIX B

Vested Deferred Retirement

Eligibility for Deferred Status

A CalPERS member becomes eligible for a deferred vested retirement benefit when he or she leaves employment, keeps his or her contribution account balance on deposit with CalPERS, **and** has earned at least 5 years of credited service (total service across all CalPERS employers, and with certain other Retirement Systems with which CalPERS has reciprocity agreements).

Eligibility to Start Receiving Benefits

The CalPERS member becomes eligible to receive the deferred retirement benefit upon satisfying the eligibility requirements for Deferred Status and upon attainment of age 50.

Benefit

The vested deferred retirement benefit is the same as the Service Retirement benefit, where the benefit factor is based on the member's age at allowance commencement. For members who have earned service with multiple CalPERS employers, the benefit from each employer is calculated separately according to each employer's contract, and then added together for the total allowance.

Non-Industrial (Non-Job Related) Disability Retirement

Eligibility

A CalPERS member is eligible for Non-Industrial Disability Retirement if he or she becomes *disabled* and has at least 5 years of credited service (total service across all CalPERS employers, and with certain other Retirement Systems with which CalPERS has reciprocity agreements). There is no special age requirement. *Disabled* means the member is unable to perform his or her job because of an illness or injury which is expected to be permanent or to last indefinitely. The illness or injury does not have to be job related. A CalPERS member must be actively working with any CalPERS employer at the time of disability in order to be eligible for this benefit.

Standard Benefit

The standard Non-Industrial Disability Retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by *service*, which is determined as follows:

- *service* is CalPERS credited service, for members with less than 10 years of service or greater than 18.518 years of service; or
- *service* is CalPERS credited service plus the additional number of years that the member would have worked until age 60, for members with at least 10 years but not more than 18.518 years of service. The maximum benefit in this case is 33 1/3% of Final Compensation.

Members who are eligible for a larger service retirement benefit may choose to receive that benefit in lieu of a disability benefit. Members eligible to retire, and who have attained the normal retirement age determined by their service retirement benefit formula, will receive the same dollar amount for disability retirement as that payable for service retirement. For members who have earned service with multiple CalPERS employers, the benefit attributed to each employer is the total disability allowance multiplied by the ratio of service with a particular employer to the total CalPERS service.

Improved Benefit

Employers have the option of providing this improved benefit by contracting for this class 3 optional benefit.

The improved Non-Industrial Disability Retirement benefit is a monthly allowance equal to 30% of final compensation for the first 5 years of service, plus 1% for each additional year of service to a maximum of 50% of final compensation.

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Members who are eligible for a larger service retirement benefit may choose to receive that benefit in lieu of a disability benefit. Members eligible to retire, and who have attained the normal retirement age determined by their service retirement benefit formula, will receive the same dollar amount for disability retirement as that payable for service retirement. For members who have earned service with multiple CalPERS employers, the benefit attributed to each employer is the total disability allowance multiplied by the ratio of service with a particular employer to the total CalPERS service.

Industrial (Job Related) Disability Retirement

All safety members have this benefit.

Eligibility

An employee is eligible for Industrial Disability Retirement if he or she becomes disabled while working, where disabled means the member is unable to perform the duties of the job because of a work-related illness or injury which is expected to be permanent or to last indefinitely. A CalPERS member who has left active employment within this group is not eligible for this benefit, except to the extent described in the next paragraph.

Standard Benefit

The standard Industrial Disability Retirement benefit is a monthly allowance equal to 50% of final compensation. For a CalPERS member not actively employed in this group who became disabled while employed by some other CalPERS employer, the benefit is a return of or annuitization of the accumulated member contributions with respect to employment in this group. However, if a member is eligible for Service Retirement and if the Service Retirement benefit is more than the Industrial Disability Retirement benefit, the member may choose to receive the larger benefit.

Increased Benefit (75% of Final Compensation)

The increased Industrial Disability Retirement benefit is a monthly allowance equal to 75% of final compensation for total disability. For a CalPERS member not actively employed in this group who became disabled while employed by some other CalPERS employer, the benefit is a return of or annuitization of the accumulated member contributions with respect to employment in this group. However, if a member is eligible for Service Retirement and if the Service Retirement benefit is more than the Industrial Disability Retirement benefit, the member may choose to receive the larger benefit.

Improved Benefit (50% to 90% of Final Compensation)

The improved Industrial Disability Retirement benefit is a monthly allowance equal to the Workman's Compensation Appeals Board permanent disability rate percentage (if 50% or greater, with a maximum of 90%) times the final compensation. However, if a member is eligible for Service Retirement and if the Service Retirement benefit is more than the Industrial Disability Retirement benefit, the member may choose to receive the larger benefit. For a CalPERS member not actively employed in this group who became disabled while employed by some other CalPERS employer, the benefit is a return of the accumulated member contributions with respect to employment in this group.

Post-Retirement Death Benefit

Standard Lump Sum Payment

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Improved Lump Sum Payment

Employers have the option of providing any of these improved lump sum death benefit by contracting for any of these class 3 optional benefits.

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Upon the death of a retiree, a one-time lump sum payment of \$600, \$2,000, \$3,000, \$4,000 or \$5,000 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Form of Payment for Retirement Allowance

Standard Form of Payment

Generally, the retirement allowance is paid to the retiree in the form of an annuity for as long as he or she is alive. The retiree may choose to provide for a portion of his or her allowance to be paid to any designated beneficiary after the retiree's death. CalPERS provides for a variety of such benefit options, which the retiree pays for by taking a reduction in his or her retirement allowance. The larger the amount to be provided to the beneficiary is, and the younger the beneficiary is, the greater the reduction to the retiree's allowance.

Improved Form of Payment (Post Retirement Survivor Allowance)

Employers have the option to contract for this class 1 benefit providing an improved post retirement survivor allowance.

For retirement allowances with respect to service subject to the modified formula, 25% of the retirement allowance will automatically be continued to certain statutory beneficiaries upon the death of the retiree, without a reduction in the retiree's allowance. For retirement allowances with respect to service subject to the full formula, 50% of the retirement allowance will automatically be continued to certain statutory beneficiaries upon the death of the retiree, without a reduction in the retiree's allowance. This additional benefit is often referred to as post retirement survivor allowance (PRSA) or simply as survivor continuance.

In other words, 25% or 50% of the allowance, the continuance portion, is paid to the retiree for as long as he or she is alive, and that same amount is continued to the retiree's spouse (or if no eligible spouse, to unmarried children until they attain age 18; or, if no eligible children, to a qualifying dependent parent) for the rest of his or her lifetime. This benefit will not be discontinued in the event the spouse remarries.

The remaining 75% or 50% of the retirement allowance, which may be referred to as the option portion of the benefit, is paid to the retiree as an annuity for as long as he or she is alive. Or, the retiree may choose to provide for some of this option portion to be paid to any designated beneficiary after the retiree's death. CalPERS offers a variety of such benefit options, which the retiree pays for by taking a reduction to the option portion of his or her retirement allowance.

Pre-Retirement Death Benefits

Basic Death Benefit

Eligibility

An employee's beneficiary (or estate) may receive the Basic Death benefit if the member dies while actively employed. A CalPERS member must be actively employed with the CalPERS employer providing this benefit to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit described below may choose to receive that death benefit instead of this Basic Death benefit.

Standard Benefit

The Basic Death Benefit is a lump sum in the amount of the member's accumulated contributions, where interest is currently credited at 7.75% per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

1957 Survivor Benefit

Eligibility

An employee's *eligible survivor(s)* may receive the 1957 Survivor benefit if the member dies while actively employed, has attained at least age 50, and has at least 5 years of credited service (total service across all CalPERS employers and with certain other Retirement Systems with which CalPERS has reciprocity agreements). A CalPERS member must be actively employed with the CalPERS employer providing this benefit to be eligible for this benefit. An eligible survivor means the surviving spouse to whom the member was married at least one year before death or, if there is no eligible spouse, to the member's unmarried children under age 18. A member's survivor may choose this benefit in lieu of the Basic Death benefit or the Special Death benefit.

Standard Benefit

The 1957 Survivor benefit is a monthly allowance equal to one-half of the unmodified Service Retirement benefit that the member would have been entitled to receive if the member had retired on the date of his or her death. If the benefit is payable to the spouse, the benefit is discontinued upon the death of the spouse. If the benefit is payable to a dependent child, the benefit will be discontinued upon death or attainment of age 18, unless the child is disabled. There is a guarantee that the total amount paid will at least equal the Basic Death benefit.

Optional Settlement 2W Death Benefit

Eligibility

An employee's *eligible survivor* may receive the Optional Settlement 2W Death benefit if the member dies while actively employed, has attained at least age 50, and has at least 5 years of credited service (total service across all CalPERS employers and with certain other Retirement Systems with which CalPERS has reciprocity agreements). A CalPERS member who is no longer actively employed with **any** CalPERS employer is not eligible for this benefit. An *eligible survivor* means the surviving spouse to whom the member was married at least one year before death. A member's survivor may choose this benefit in lieu of the Basic Death benefit or the 1957 Survivor benefit.

Standard Benefit

The Optional Settlement 2W Death benefit is a monthly allowance equal to the Service Retirement benefit that the member would have received had the member retired on the date of his or her death and elected Optional Settlement 2W. (A retiree who elects Optional Settlement 2W receives an allowance that has been reduced so that it will continue to be paid after his or her death to a surviving beneficiary.) The allowance is payable as long as the surviving spouse lives, at which time it is continued to any unmarried children under age 18, if applicable. There is a guarantee that the total amount paid will at least equal the Basic Death Benefit.

Special Death Benefit

Eligibility

An employee's *eligible survivor(s)* may receive the Special Death benefit if the member dies while actively employed and the death is job-related. A CalPERS member who is no longer actively employed with **any** CalPERS employer is not eligible for this benefit. An *eligible survivor* means the surviving spouse to whom the member was married prior to the onset of the injury or illness that resulted in death. If there is no eligible spouse, an eligible survivor means the member's unmarried children under age 22. An eligible survivor who chooses to receive this benefit will not receive any other death benefit.

Improved Benefit

The Special Death benefit is a monthly allowance equal to 50% of final compensation, and will be increased whenever the compensation paid to active employees is increased but ceasing to increase when the member would have attained age 50. The allowance is payable to the surviving spouse until death at which time the

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allowance is continued to any unmarried children under age 22. There is a guarantee that the total amount paid will at least equal the Basic Death Benefit.

If the member's death is the result of an accident or injury caused by external violence or physical force incurred in the performance of the member's duty, and there are *eligible* surviving children (*eligible* means unmarried children under age 22) in addition to an eligible spouse, then an **additional monthly allowance** is paid equal to the following:

- if 1 eligible child: 12.5% of final compensation
- if 2 eligible children: 20.0% of final compensation
- if 3 or more eligible children: 25.0% of final compensation

Cost-of-Living Adjustments

Standard Benefit

Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2%. However, the cumulative adjustment may not be greater than the cumulative change in the Consumer Price Index since the date of retirement.

Improved Benefit

Employers have the option of providing any of these improved cost-of-living adjustments by contracting for any one of these class 1 optional benefits.

Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by either 3%, 4% or 5%. However, the cumulative adjustment may not be greater than the cumulative change in the Consumer Price Index since the date of retirement.

Purchasing Power Protection Allowance (PPPA)

Retirement and survivor allowances are protected against inflation by PPPA. PPPA benefits are cost-of-living adjustments that are intended to maintain an individual's allowance at 80% of the initial allowance at retirement adjusted for inflation since retirement. The PPPA benefit will be coordinated with other cost-of-living adjustments provided under the plan.

Employee Contributions

Each employee contributes toward his or her retirement based upon the following schedule. The employer may choose to "pick-up" these contributions for the employees.

The percent contributed below the monthly compensation breakpoint is 0%.

The monthly compensation breakpoint is \$0 for full and supplemental formula members.

The monthly compensation breakpoint is \$133.33 for employees covered by the modified formula.

The percent contributed above the monthly compensation breakpoint is 9%.

Refund of Employee Contributions

If the member's service with the employer ends, and if the member does not satisfy the eligibility conditions for any of the retirement benefits above, the member may elect to receive a refund of his or her employee contributions, which are credited annually with 6% interest.

APPENDIX C

- **CLASSIFICATION OF OPTIONAL BENEFITS**
- **EXAMPLE OF INDIVIDUAL AGENCY'S RATE CALCULATION**
- **DISTRIBUTION OF CLASS 1 BENEFITS**

Classification of Optional Benefits

Below is the list of the available optional benefit provisions and their initial classification upon establishment of risk pools. When new benefits become available as a result of legislation, the Chief actuary will determine their classification in accordance with the criteria established in the board policy.

Class 1

Class 1 benefits have been identified to be the more expensive ancillary benefits. These benefits vary by employer across the risk pool. Agencies contracting for a Class 1 benefit will be responsible for the past service liability associated with such benefit and will be required to pay a surcharge established by the actuary to cover the ongoing cost (normal cost) of the Class 1 benefit.

The table below shows the list of Class 1 benefits and their applicable surcharge for the Safety 3.0% at 50 Risk Pool. Last year's surcharges are shown for comparison.

	June 30, 2008	June 30, 2009
• One Year Final Compensation	0.917%	1.021%
• EPMC 7%	N/A	1.837%
• EPMC 8%	1.924%	2.100%
• EPMC 9%	2.164%	2.362%
• 25% PRSA	1.786%	1.709%
• 50% PRSA	1.786%	1.709%
• 3% Annual COLA	2.429%	2.634%
• 4% Annual COLA	2.429%	2.634%
• 5% Annual COLA	2.429%	2.634%
• IDR For Local Miscellaneous Members	N/A	N/A
• Increased IDR Allowance to 75% of Compensation	2.894%	3.678%
• Improved Industrial Disability Allowance for Local Safety Members	2.894%	3.678%
• 1% Employee Cost Sharing	(1.000%)	(1.000%)
• 2% Employee Cost Sharing	(2.000%)	(2.000%)
• .75% Employee Cost Sharing	(0.750%)	(0.750%)
• 7% Employee Contribution Reduction	7.000%	7.000%
• 3.50% Employee Contribution Reduction	3.500%	3.500%
• Employee Contribution Rate for CSUC Auxiliary Organizations Reduced to State Member Level - Covered by Social Security	N/A	N/A
• Employee Contribution Rate for CSUC Auxiliary Organizations Reduced to State Member Level - Not Covered by Social Security	N/A	N/A
• 1.25% @ 65 Miscellaneous	N/A	N/A
• 2.5% @ 55 Safety	N/A	N/A
• 1/2 @ 55 Safety	N/A	N/A

For employers contracting for more than one Class 1 benefit, the surcharges listed in this table will be added together.

Class 2

Class 2 benefits have been identified to be the ancillary benefits providing one-time increases in benefits. These benefits vary by employer across the risk pool. Agencies contracting for a Class 2 benefit will be responsible for the past service liability associated with such benefit.

The following benefits shall be classified as Class 2:

- One-time 1% to 6% Ad Hoc COLA Increases for members who retired or died prior to January 1, 1998 (Section 21328)

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- "Golden Handshakes" – Section 20903 Two Years Additional Service Credit
- Credit for Prior Service Paid for by the Employer
- Military Service Credit (Section 20996)
- Credit for Local Retirement System Service for Employees of Agencies Contracted on a Prospective basis (Section 20530.1)
- Prior Service Credit for Employees of an Assumed Agency Function (Section 20936)
- Limit Prior Service to Members Employed on Contract Date (Section 20938)
- Public Service Credit for Limited Prior Service (Section 21031)
- Public Service Credit for Employees of an Assumed Agency or Function (Section 21025)

Class 3

Class 3 benefits have been identified to be the less expensive ancillary benefits. Class 3 benefits may vary by rate plan within each risk pool. However, the employer contribution rate will not vary within the risk pool due to the Class 3 benefits.

The following benefits shall be classified as Class 3:

- Full formula plus social security
- Post Retirement Lump Sum Death Benefit
- \$600 lump sum retired death benefit (Section 21622)
- \$2,000 lump sum retired death benefit (Section 21623.5)
- \$3,000 lump sum retired death benefit (Section 21623.5)
- \$4,000 lump sum retired death benefit (Section 21623.5)
- \$5,000 lump sum retired death benefit (Section 21623.5)
- Improved non-industrial disability allowance (Section 21427)
- Special death benefit for local miscellaneous members (Section 21540.5)
- Service Credit Purchased by Member
- Partial Service Retirement (Section 21118)
- Optional Membership for Part Time Employees (Section 20325)
- Extension of Reciprocity Rights for Elective Officers (Section 20356)
- Removal of Contract Exclusions Prospectively Only (Section 20503)
- Alternate Death Benefit for Local Fire Members credited with 20 or more years of service (Section 21547.7)

Example Of Individual Agency's Rate Calculation

An individual employer rate is comprised of several components. These include the pool's net employer normal cost, payment on the pool's unfunded liability, additional surcharge payments for contracted Class 1 benefits, the normal cost phase-out and an agency's payment for their own side fund. An example of the total rate for an employer might look something like this:

Net Pool's Employer Normal Cost	17.164%
Rate Plan Surcharges	<u>1.021%</u>
Total Employer Normal Cost	18.185%
Plus: Pool's Payment on the Amortization Bases	5.927%
Side Fund Amortization Payment	<u>2.600%</u>
Total Employer Rate for fiscal year 2011-2012	26.712%

Details regarding your individual agency's normal cost phase out, side fund and surcharges can be found in Section 1.

Distribution of Class 1 Benefits

	% of members in the pool with contracted benefit
<i>Final Compensation</i>	
One Year Final Compensation	89.8%
Three Years Final Compensation	10.2%
<i>Post Retirement Survivor Continuance (PRSA)</i>	
No PRSA	57.4%
With PRSA	42.6%
<i>Cost-of-Living Adjustments (COLA)</i>	
2% COLA	95.2%
3% COLA	2.8%
4% COLA	0.4%
5% COLA	1.6%
<i>Industrial Disability Benefit</i>	
None	0.0%
Standard Industrial Disability Benefit (50% of Final Compensation)	99.3%
Improved Industrial Disability Benefit (75% of Final Compensation)	0.5%
Improved Industrial Disability Benefit (50% - 90% of Final Compensation)	0.2%

APPENDIX D

- **LIST OF PARTICIPATING EMPLOYERS**

APPENDIX D

Employer Name

ALPINE FIRE PROTECTION DISTRICT
AMERICAN CANYON FIRE DISTRICT
ARBUCKLE-COLLEGE CITY FIRE PROTECTION DISTRICT
ARCATA FIRE PROTECTION DISTRICT
BELMONT SAN CARLOS FIRE DEPARTMENT
BIG BEAR CITY COMMUNITY SERVICES DISTRICT
BLUE LAKE FIRE PROTECTION DISTRICT
BONITA-SUNNYSIDE FIRE PROTECTION DISTRICT
BROADMOOR POLICE PROTECTION DISTRICT
CAMBRIA COMMUNITY HEALTHCARE DISTRICT
CAMBRIA COMMUNITY SERVICES DISTRICT
CARMEL REGIONAL FIRE AMBULANCE AUTHORITY
CARMEL VALLEY FIRE PROTECTION DISTRICT
CENTRAL FIRE PROTECTION DISTRICT OF SANTA CRUZ COUNTY
CHESTER PUBLIC UTILITY DISTRICT
CITY OF ANDERSON
CITY OF ANGELS
CITY OF ARCATA
CITY OF ARROYO GRANDE
CITY OF ATASCADERO
CITY OF ATWATER
CITY OF AUBURN
CITY OF AZUSA
CITY OF BALDWIN PARK
CITY OF BANNING
CITY OF BARSTOW
CITY OF BEAUMONT
CITY OF BELL
CITY OF BELL GARDENS
CITY OF BELMONT
CITY OF BENICIA
CITY OF BISHOP
CITY OF BLYTHE
CITY OF BRAWLEY
CITY OF BRENTWOOD
CITY OF BUENA PARK
CITY OF BURLINGAME
CITY OF CALIFORNIA CITY
CITY OF CAMPBELL
CITY OF CAPITOLA
CITY OF CARMEL-BY-THE-SEA
CITY OF CHINO
CITY OF CITRUS HEIGHTS
CITY OF CLAREMONT
CITY OF CLEARLAKE
CITY OF CLOVERDALE
CITY OF COLTON
CITY OF COMPTON
CITY OF CORNING
CITY OF CORONA
CITY OF CORONADO
CITY OF COSTA MESA
CITY OF COTATI
CITY OF COVINA
CITY OF CYPRESS
CITY OF DEL MAR
CITY OF DESERT HOT SPRINGS

APPENDIX-D

CITY OF DIXON
CITY OF DOS PALOS
CITY OF EL CENTRO
CITY OF EL CERRITO
CITY OF ELK GROVE
CITY OF EMERYVILLE
CITY OF ESCALON
CITY OF EUREKA
CITY OF FORTUNA
CITY OF GALT
CITY OF GARDENA
CITY OF GLENORA
CITY OF GRASS VALLEY
CITY OF GRIDLEY
CITY OF HALF MOON BAY
CITY OF HAWTHORNE
CITY OF HEALDSBURG
CITY OF HERCULES
CITY OF HERMOSA BEACH
CITY OF HOLLISTER
CITY OF HUNTINGTON PARK
CITY OF IMPERIAL BEACH
CITY OF INDIO
CITY OF IONE
CITY OF IRWINDALE
CITY OF JACKSON
CITY OF LA HABRA
CITY OF LA PALMA
CITY OF LA VERNE
CITY OF LAGUNA BEACH
CITY OF LAKEPORT
CITY OF LINCOLN
CITY OF LIVERMORE
CITY OF LOMPOC
CITY OF LOS ALAMITOS
CITY OF LOS ALTOS
CITY OF LOS BANOS
CITY OF MADERA
CITY OF MANHATTAN BEACH
CITY OF MARINA
CITY OF MARTINEZ
CITY OF MAYWOOD
CITY OF MENLO PARK
CITY OF MONROVIA
CITY OF MONTCLAIR
CITY OF MONTEREY
CITY OF MORGAN HILL
CITY OF MORRO BAY
CITY OF MURRIETA
CITY OF NEVADA CITY
CITY OF NEWARK
CITY OF NEWMAN
CITY OF OAKDALE
CITY OF ORLAND
CITY OF OXNARD
CITY OF PACIFIC GROVE
CITY OF PACIFICA
CITY OF PALOS VERDES ESTATES
CITY OF PASO ROBLES

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CITY OF PATTERSON
CITY OF PIEDMONT
CITY OF PISMO BEACH
CITY OF PITTSBURG
CITY OF PLACENTIA
CITY OF PLACERVILLE
CITY OF PLEASANT HILL
CITY OF PLEASANTON
CITY OF POWAY
CITY OF RED BLUFF
CITY OF REDLANDS
CITY OF RIPON
CITY OF ROCKLIN
CITY OF ROHNERT PARK
CITY OF SALINAS
CITY OF SAN BRUNO
CITY OF SAN CARLOS
CITY OF SAN FERNANDO
CITY OF SAN GABRIEL
CITY OF SAN LEANDRO
CITY OF SAN LUIS OBISPO
CITY OF SAN MARCOS
CITY OF SAN MARINO
CITY OF SAN PABLO
CITY OF SAN RAMON
CITY OF SANTA CRUZ
CITY OF SANTA FE SPRINGS
CITY OF SANTA MARIA
CITY OF SANTA PAULA
CITY OF SANTEE
CITY OF SCOTTS VALLEY
CITY OF SEAL BEACH
CITY OF SEASIDE
CITY OF SEBASTOPOL
CITY OF SIGNAL HILL
CITY OF SOLANA BEACH
CITY OF SONOMA
CITY OF SONORA
CITY OF SOUTH GATE
CITY OF SOUTH LAKE TAHOE
CITY OF ST. HELENA
CITY OF SUISUN CITY
CITY OF SUSANVILLE
CITY OF SUTTER CREEK
CITY OF TEHACHAPI
CITY OF TULARE
CITY OF TURLOCK
CITY OF TUSTIN
CITY OF UKIAH
CITY OF VISTA
CITY OF WALNUT CREEK
CITY OF WATSONVILLE
CITY OF WEST SACRAMENTO
CITY OF WESTMINSTER
CITY OF WILLIAMS
CITY OF WILLITS
CITY OF WILLOWS
CITY OF YUBA CITY
CLOVERDALE FIRE PROTECTION DISTRICT

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COMPTON UNIFIED SCHOOL DISTRICT
COTTONWOOD FIRE PROTECTION DISTRICT
COUNTY OF ALPINE
COUNTY OF AMADOR
COUNTY OF CALAVERAS
COUNTY OF COLUSA
COUNTY OF GLENN
COUNTY OF INYO
COUNTY OF LASSEN
COUNTY OF MARIPOSA
COUNTY OF MODOC
COUNTY OF MONO
COUNTY OF NAPA
COUNTY OF NEVADA
COUNTY OF TRINITY
COUNTY OF TUOLUMNE
DIAMOND SPRINGS/EL DORADO FIRE PROTECTION DISTRICT
EAST BAY REGIONAL PARK DISTRICT
EL DORADO COUNTY FIRE PROTECTION DISTRICT
EL DORADO HILLS COUNTY WATER DISTRICT
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
FONTANA UNIFIED SCHOOL DISTRICT
FOUNTAIN VALLEY CITY
GARDEN VALLEY FIRE PROTECTION DISTRICT
GEORGETOWN FIRE PROTECTION DISTRICT
GLENDALE COMMUNITY COLLEGE DISTRICT
GOLD RIDGE FIRE PROTECTION DISTRICT
HACIENDA LA PUENTE UNIFIED SCHOOL DISTRICT
KENSINGTON COMMUNITY SERVICE DISTRICT
LAKESIDE FIRE PROTECTION DISTRICT
LINDEN-PETERS RURAL COUNTY FIRE PROTECTION DISTRICT
MARINWOOD COMMUNITY SERVICES DISTRICT
MARYSVILLE CITY
MENLO PARK FIRE PROTECTION DISTRICT
MONTEREY PENINSULA AIRPORT DISTRICT
MURRIETA FIRE PROTECTION DISTRICT
NORTH TAHOE FIRE PROTECTION DISTRICT
NORTHSTAR COMMUNITY SERVICES DISTRICT
PORT SAN LUIS HARBOR DISTRICT
RANCHO CUCAMONGA FIRE PROTECTION DISTRICT
RANCHO SANTA FE FIRE PROTECTION DISTRICT
RUNNING SPRINGS WATER DISTRICT
SALIDA FIRE PROTECTION DISTRICT
SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT
SAN DIEGO UNIFIED SCHOOL DISTRICT
SANTA ANA UNIFIED SCHOOL DISTRICT
SQUAW VALLEY PUBLIC SERVICE DISTRICT
STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT
STOCKTON UNIFIED SCHOOL DISTRICT
TEMPLETON COMMUNITY SERVICES DISTRICT
TOWN OF ATHERTON
TOWN OF COLMA
TOWN OF CORTE MADERA
TOWN OF FAIRFAX
TOWN OF HILLSBOROUGH
TOWN OF LOS GATOS
TOWN OF MAMMOTH LAKES
TOWN OF PARADISE
TOWN OF SAN ANSELMO

APPENDIX D

TOWN OF TRUCKEE
TWIN RIVERS UNIFIED SCHOOL DISTRICT
WINTERS FIRE PROTECTION DISTRICT
WOODSIDE FIRE PROTECTION DISTRICT

APPENDIX E

- **INVESTMENT RETURN SENSITIVITY ANALYSIS**

Investment Return Sensitivity Analysis

The investment return realized during a fiscal year first affects the contribution rate for the fiscal year 2 years later. Specifically, the investment return for 2009-2010 will first be reflected in the June 30, 2010 actuarial valuation that will be used to set the 2012-2013 employer contribution rates and 2010-2011 investment return will first be reflected in the June 30, 2011 actuarial valuation that will be used to set the 2013-2014 employer contribution rates.

In July 2010, the investment return for fiscal year 2009-2010 was announced to be 11.4%. Note that this return is before administrative expenses and also does not reflect final investment return information for real estate and private equities. The final return information for these two asset classes is expected to be available later in October. The preliminary 11.4% return for the 2009-2010 fiscal year is good news as it would help reduce the impact of the -24% return in 2008-2009 and the impact of the three year phase in adopted by the Board in June 2009. For purposes of projecting future employer rates, we are assuming an 11% investment return for fiscal year 2009-2010.

Based on an 11% investment return for fiscal year 2009-2010 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 2012-2013, the effect on the 2012-2013 Employer Rate is as follows:

Estimated 2012-2013 Pool's Base Employer Rate	Estimated Increase in Pool's Base Employer Rate between 2011-2012 and 2012-2013
24.3%	1.3%

As part of this report, a sensitivity analysis was performed to determine the effects of various investment returns during fiscal year 2010-2011 on the 2013-2014 employer rates. Once again, the projected 2013-2014 rate increases assume 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 fiscal year 2013-2014.

Five different 2010-2011 investment return scenarios were selected.

- The first scenario is what one would expect if the markets were to give us a 5th percentile return. The 5th percentile return corresponds to a -11% return for the 2010-2011 fiscal year.
- The second scenario is what one would expect if the markets were to give us a 25th percentile return. The 25th percentile return corresponds to a 0% return for the 2010-2011 fiscal year.
- The third scenario assumed the return for 2010-2011 would be our assumed 7.75% investment return which represents about a 47th percentile event.
- The fourth scenario is what one would expect if the markets were to give us a 75th percentile return. The 75th percentile return corresponds to a 16% return for the 2010-2011 fiscal year.
- Finally, the last scenario is what one would expect if the markets were to give us a 95th percentile return. The 95th percentile return corresponds to a 27% return for the 2010-2011 fiscal year.

The table below shows the estimated 2013-2014 contribution rate and the estimated increase over the 2012-2013 rate for your plan under the five different scenarios.

2010-2011 Investment Return Scenario	Estimated 2013-2014 Pool's Base Employer Rate	Estimated Increase in Pool's Base Employer Rate between 2012-2013 and 2013-2014
-11%	37.5%	13.2%
0%	32.3%	7.9%
7.75%	28.6%	4.2%
16%	25.0%	0.6%
27%	24.7%	0.3%

The rates shown on this page are the Pool's Base Employer Rates. This is the Pool's Net Normal Cost (excluding surcharges for Class 1 Benefits) plus the payment of the pool's amortization bases.

APPENDIX F

- **GLOSSARY OF ACTUARIAL TERMS**

Glossary of Actuarial Terms

Accrued Liability

The total dollars needed as of the valuation date to fund all benefits earned in the past for *current* members.

Actuarial Assumptions

Assumptions made about certain events that will affect pension costs. Assumptions generally can be broken down into two categories: demographic and economic. Demographic assumptions include such things as mortality, disability and retirement rates. Economic assumptions include investment return, salary growth and inflation.

Actuarial Methods

Procedures employed by actuaries to achieve certain goals of a pension plan. These may include things such as funding method, setting the length of time to fund the past service liability and determining the actuarial value of assets.

Actuarial Valuation

The determination, as of a valuation date of the normal cost, actuarial accrued liability, actuarial value of assets and related actuarial present values for a pension plan. These valuations are performed annually or when an employer is contemplating a change to their plan provisions.

Actuarial Value of Assets

The actuarial value of assets used for funding purposes is obtained through an asset smoothing technique where investment gains and losses are partially recognized in the year they are incurred, with the remainder recognized in subsequent years.

This method helps to dampen large fluctuations in the employer contribution rate.

Amortization Bases

Separate payment schedules for different portions of the unfunded liability. The total unfunded liability (or side fund) can be segregated by "cause", creating "bases" and each such base will be separately amortized and paid for over a specific period of time. This can be likened to a home mortgage that has 24 years of remaining payments and a second on that mortgage that has 10 years left. Each base or each mortgage note has its own terms (payment period, principal, etc.)

Generally in an actuarial valuation, the separate bases consist of changes in liability (principal) due to amendments, actuarial assumption changes, or methodology changes and gains and losses. Payment periods are determined by Board policy and vary based on the cause of the change.

Amortization Period

The number of years required to pay off an amortization base.

Annual Required Contributions (ARC)

The employer's periodic required annual contributions to a defined benefit pension plan, calculated in accordance with the plan assumptions. The ARC is determined by multiplying the employer contribution rate by the payroll reported to CalPERS for the applicable fiscal year. However, if this contribution is fully prepaid in a lump sum, then the dollar value of the ARC is equal to the Lump Sum Prepayment.

Class 1 Benefits

Class 1 benefits have been identified to be the more expensive ancillary benefits. These benefits vary by employer across the risk pool. Agencies contracting for a Class 1 benefit will be responsible for the past service liability associated with such benefit and will be required to pay a surcharge established by the actuary to cover the ongoing cost (normal cost) of the Class 1 benefit.

APPENDIX F

Class 2 Benefits

Class 2 benefits have been identified to be the ancillary benefits providing one-time increases in benefits. These benefits vary by employer across the risk pool. Agencies contracting for a Class 2 benefit will be responsible for the past service liability associated with such benefit.

Class 3 Benefits

Class 3 benefits have been identified to be the less expensive ancillary benefits. Class 3 benefits may vary by rate plan within each risk pool. However, the employer contribution rate will not vary within the risk pool due to the Class 3 benefits.

Entry Age

The earliest age at which a plan member begins to accrue benefits under a defined benefit pension Plan or risk pool. In most cases, this is the same as the date of hire.

(The assumed retirement age less the entry age is the amount of time required to fund a member's total benefit. Generally, the older a member is at hire, the greater the entry age normal cost. This is mainly because there is less time to earn investment income to fund the future benefits.)

Excess Assets

When a plan or pool's actuarial value of assets is greater than its accrued liability, the difference is the plan or pool's excess assets. A plan with excess assets is said to be overfunded. The result is that the plan or pool can temporarily reduce future contributions.

Entry Age Normal Cost Method

An actuarial cost method designed to fund a member's total plan benefit over the course of his or her career. This method is designed to produce stable employer contributions in amounts that increase at the same rate as the employer's payroll (i.e. level % of payroll).

Fresh Start

When multiple amortization bases are collapsed into one base and amortized over a new funding period. At CalPERS, fresh starts are used to avoid inconsistencies that would otherwise occur.

Funded Status

A measure of how well funded a plan or risk pool is. Or equivalently, how "on track" a plan or risk pool is with respect to assets vs. accrued liabilities. We calculate a funded ratio by dividing the market value of assets by the accrued liabilities. A ratio greater than 100% means the plan or risk pool has more assets than liabilities and a ratio less than 100% means liabilities are greater than assets.

Normal Cost

The annual cost of service accrual for the upcoming fiscal year for active employees. The normal cost plus surcharges should be viewed as the long term contribution rate.

Pension Actuary

A person who is responsible for the calculations necessary to properly fund a pension plan.

Prepayment Contribution

A payment made by the employer to reduce or eliminate the year's required employer contribution.

Present Value of Benefits

The total dollars needed as of the valuation date to fund all benefits earned in the past or expected to be earned in the future for current members.

Risk Pools

Using the benefit of the law of large numbers, it is a collection of employers for the purpose of sharing risk.

Rolling Amortization Period

An amortization period that remains the same each year or does not decline.

APPENDIX F

Side Fund

At the time of joining a risk pool, a side fund was created to account for the difference between the funded status of the pool and the funded status of your plan. Your side fund will be amortized on an annual basis, with the actuarial investment return assumption. This assumption is currently 7.75%. A positive side fund will cause your required employer contribution rate to be reduced by the Amortization of the Side Fund shown in REQUIRED CONTRIBUTIONS. A negative side fund will cause your required employer contribution rate to be increased by the Amortization of the Side Fund. In the absence of subsequent contract amendments or funding changes, the Side Fund will disappear at the end of the amortization period.

Superfunded

A condition existing when the actuarial value of assets exceeds the present value of benefits. When this condition exists on a given valuation date for a given plan, employee contributions for the rate year covered by that valuation may be waived.

Unfunded Liability

When a plan or pool's actuarial value of assets is less than its accrued liability, the difference is the plan or pool's unfunded liability. The plan or pool will have to temporarily increase contributions.



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October 2010

**MISCELLANEOUS PLAN OF THE CITY OF CAPITOLA (EMPLOYER # 806)
 Annual Valuation Report as of June 30, 2009**

Dear Employer,

Enclosed please find a copy of the June 30, 2009 actuarial valuation report of your pension plan. Since your plan had less than 100 active members in at least one valuation since June 30, 2003, it is required to participate in a risk pool. The following valuation report has been separated into two Sections:

- Section 1 contains specific information for your plan, including the development of your pooled employer contribution rate, and
- Section 2 contains the Risk Pool Actuarial Valuation appropriate to your plan, as of June 30, 2009.

This report contains important actuarial information about your pension plan at CalPERS. Your CalPERS staff actuary is available to discuss the actuarial report with you.

Changes Since the Prior Valuation

The CalPERS' Board of Administration adopted updated actuarial assumptions to be used beginning with the June 30, 2009 valuation. In addition, a temporary modification to our method of determining the actuarial value of assets and amortizing gains and losses has been implemented for the valuations as of June 30, 2009 through June 30, 2011. Finally, a cash flow analysis has been added to our process. If such an analysis indicates that funding progress will not be adequate, an additional contribution will be required.

There may also be changes specific to your plan such as contract amendments and funding changes.

Further descriptions of changes are included in the Section 2 "Highlights and Executive Summary" section and in Appendix A, "Statement of Actuarial Data, Methods and Assumptions."

Future Contribution Rates

The exhibit below displays the required employer contribution rate and Superfunded status for 2011/2012 along with an estimate of the contribution rate and Superfunded status for 2012/2013. The estimated rate for 2012/2013 is based on a projection of the most recent information we have available, including an estimate of the investment return for fiscal 2009/2010, namely 11.0%. See Section 2 Appendix E, "Investment Return Sensitivity Analysis", for increase in 2013/2014 rate projections under a variety of investment return scenarios for the Risk Pool's portion of your rate. Please disregard any projections that we may have provided to you in the past.

Fiscal Year	Employer Contribution Rate	Superfunded?
2011/2012	14.221%	No
2012/2013	14.8% (projected)	No

Member contributions (whether paid by the employer or the employee) are in addition to the above rates.

The estimate for 2012/2013 assumes that there are no amendments and no liability gains or losses (such as larger than expected pay increases, more retirements than expected, etc.). **This is a very important assumption because these gains and losses do occur and can have a significant effect on your contribution rate.** Even for the largest plans, such gains and losses can impact the employer's contribution rate by one or two percent or even more in some less common instances. These gains and losses cannot be predicted in advance so the projected employer contribution rate for 2012/2013 is just an estimate. Your actual rate for 2012/2013 will be provided in next year's report.

If you have questions, please call (888) CalPERS (225-7377). In the interest of allowing us to give every public agency their result, we ask that, if at all possible, you wait until after October 31 to contact us with questions.

Sincerely,



ALAN MILLIGAN, MAAA, FCA, FSA, FCIA
Chief Actuary

**Actuarial Valuation
as of June 30, 2009**

**The MISCELLANEOUS PLAN
of the CITY OF CAPITOLA
(Employer# 806)**

**Required Contributions
For Fiscal Year
July 1, 2011 - June 30, 2012**

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- **SECTION 2 – RISK POOL ACTUARIAL VALUATION INFORMATION**

Section 1

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

**Plan Specific Information for
The MISCELLANEOUS PLAN
of the CITY OF CAPITOLA
(Employer # 806)
(Rate Plan # 876)**

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Actuarial Certification

Section 1 of this report is based on the member and financial data as of June 30, 2009 provided by your agency and contained in our records, and the benefit provisions under your contract with CalPERS. Section 2 of this report is based on the member and financial data as of June 30, 2009 provided by employers participating in the risk pool and contained in our records, and benefit provisions under the CalPERS contracts for those agencies participating in the risk pool.

As set forth in Section 2 of this report, the Pool Actuaries have certified that, in their opinion, the valuation of the Risk Pool containing your MISCELLANEOUS PLAN has been performed in accordance with generally accepted actuarial principles consistent with standards of practice prescribed by the Actuarial Standards Board, and that the assumptions and methods are internally consistent and reasonable for the Risk Pool, as prescribed by the CalPERS Board of Administration according to provisions set forth in the California Public Employees' Retirement Law.

Having relied upon the information set forth in Section 2 of this report and based on the census and benefit provision information for your plan, it is my opinion as your Plan Actuary that the Side Fund as of June 30, 2009 and employer contribution rate as of July 1, 2011, have been properly and accurately determined in accordance with the principles and standards stated above.

The undersigned is an actuary for CalPERS and a member of both the American Academy of Actuaries and Society of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.



David Clement, ASA, MAAA, EA
Senior Pension Actuary, CalPERS
Plan Actuary

SECTION 1 – PLAN SPECIFIC INFORMATION FOR THE MISCELLANEOUS PLAN OF THE CITY OF CAPITOLA

Purpose of Section 1

Section 1 of this report was prepared by the Plan Actuary in order to:

- Certify that the actuarially required employer contribution rate of the MISCELLANEOUS PLAN of the CITY OF CAPITOLA for the fiscal year July 1, 2011 through June 30, 2012 is 14.221%;
- Set forth the plan's Employer Side Fund as of June 30, 2009;
- Provide pension information as of June 30, 2009 to be used in financial reports subject to Governmental Accounting Standards Board (GASB) Statement Number 27.

This section was prepared in order to provide actuarial information as of June 30, 2009 to the CalPERS Board of Administration and other interested parties

Use of this report for other purposes may be inappropriate.

Required Employer Contributions

	Fiscal Year 2010/2011	Fiscal Year 2011/2012
Employer Contribution Required (In Projected Dollars)		
Risk Pool's Net Employer Normal Cost	\$ 329,053	\$ 332,228
Risk Pool's Payment on Amortization Bases	46,653	153,782
Surcharge for Class 1 Benefits		
a) FAC 1	22,628	23,025
Phase out of Normal Cost Difference	0	0
Amortization of Side Fund	32,049	33,090
Total Employer Contribution	\$ 430,383	\$ 542,125
Annual Lump Sum Prepayment Option*	\$ 414,616	\$ 522,265
Projected Payroll for the Contribution Fiscal Year	\$ 3,881,254	\$ 3,812,144
Employer Contribution Required (Percentage of Payroll)		
Risk Pool's Net Employer Normal Cost	8.478%	8.715%
Risk Pool's Payment on Amortization Bases	1.202%	4.034%
Surcharge for Class 1 Benefits		
a) FAC 1	0.583%	0.604%
Phase out of Normal Cost Difference	0.000%	0.000%
Amortization of Side Fund	0.826%	0.868%
Total Employer Contribution	11.089%	14.221%

Appendix C of Section 2 of this report contains a list of Class 1 benefits and corresponding surcharges for each benefit.

Risk pooling was implemented as of June 30, 2003. The normal cost difference was scheduled to be phased out over a five year period. The phase out of normal cost difference began at 100% for the first year, and was incrementally reduced by 20% of the original normal cost difference for each subsequent year.

*Payment must be received by CalPERS between July 1 and July 15.

Projected Contributions

The rate shown below is an estimate for the employer contribution for Fiscal Year 2012/2013. The estimated rate is based on a projection of the most recent information we have available, including an estimate of the investment return for fiscal year 2009/2010, namely 11.0%:

Projected Employer Contribution Rate: 14.8%

The estimate also assumes that there are no liability gains or losses among the plans in your risk pool, that your plan has no new amendments in the next year, and that your plan's and your risk pool's payrolls both increase exactly 3.25% in the 2009/2010 fiscal year. Therefore, the projected employer contribution rate for 2012/2013 is just an estimate. Your actual rate for 2012/2013 will be provided in next year's report.

Rate Volatility

Your plan's employer contribution rate will inevitably fluctuate, for many reasons. However, the biggest fluctuations are generally due to changes in the side fund rate resulting from unexpected changes in payroll. The following figure shows how much *your* 2012/2013 rate would change for each 1% deviation between our 3.25% payroll growth assumption and your actual 2009/2010 payroll growth.

POTENTIAL 2012/2013 RATE IMPACT FROM 2009/2010 PAYROLL DEVIATION

% Rate Change per 1% Deviation from Assumed 3.25% Payroll Growth: (0.008%)

Examples: To see how your employer contribution rate might be affected by unexpected payroll change, suppose the following:

- *The % Rate Change per 1% Deviation figure given above is -0.400%*
- *Your plan's payroll increased 10% in 2009/2010 (6.75% more than our 3.25% assumption).*

Then your 2012/2013 rate would decrease $-0.400\% \times (10 - 3.25) = -2.70\%$ from that cause alone.

Or conversely, using the same % Rate Change per 1% Deviation figure given above, suppose your plan's payroll remained the same in 2009/2010 (3.25% less than our 3.25% assumption).

Then your 2012/2013 rate would increase $-0.400\% \times (0 - 3.25) = 1.3\%$ from that cause alone.

Note that if your plan had a negative side fund, an unexpected payroll increase would spread the payback of the negative side fund over a bigger payroll, which would decrease your plan's side fund percentage rate and the total employer contribution rate. On the other hand, if your plan had a positive side fund, an unexpected payroll increase would spread the payback of the positive side fund over a larger payroll, which would increase your plan's side fund percentage rate and the total employer contribution rate. In either case, the Side Fund dollar amount would not change.

Employer Side Fund

At the time of joining a risk pool, a side fund was created to account for the difference between the funded status of the pool and the funded status of your plan. The side fund for your plan as of the June 30, 2009 valuation is shown in the following table.

Your side fund will be credited, on an annual basis, with the actuarial investment return assumption. This assumption is currently 7.75%. A positive side fund will cause your required employer contribution rate to

SECTION 1 – PLAN SPECIFIC INFORMATION FOR THE MISCELLANEOUS PLAN OF THE CITY OF CAPITOLA

be reduced by the Amortization of Side Fund shown above in Required Employer Contributions. A negative side fund will cause your required employer contribution rate to be increased by the Amortization of Side Fund. In the absence of subsequent contract amendments or funding changes, the side fund will disappear at the end of the amortization period shown below.

Employer Side Fund Reconciliation

	June 30, 2008	June 30, 2009
Side Fund as of valuation date*	\$ (398,020)	\$ (397,660)
Adjustments	0	0
Side Fund Payment	30,063	31,040
Side Fund one year later	\$ (397,660)	\$ (396,258)
Adjustments	0	0
Side Fund Payment	31,040	32,049
Side Fund two years later	\$ (396,258)	\$ (393,700)
Amortization Period	18	17
Side Fund Payment during last year	\$ 32,049	\$ 33,090

* If your agency employed vouchers in fiscal year 2008/2009 to pay employee contributions, the June 30, 2009 Side Fund amount has been adjusted by a like amount without any further adjustment to the Side Fund's amortization period. Similarly, the Side Fund has been adjusted for the increase in liability from any recently adopted Class 1 or Class 2 contract amendments. Also, the Side Fund may be adjusted or eliminated due to recent lump sum payments. Contract amendments and lump sum payments may result in an adjustment to the Side Fund amortization period.

Superfunded Status

	June 30, 2008	June 30, 2009
Is the plan Superfunded?	No	No
[Yes if Assets exceed PVB, No otherwise]		

Summary of Participant Data

Below is a table showing a summary of the active member data for your plan upon which this valuation is based:

	June 30, 2008	June 30, 2009
Projected Payroll for Contribution Purposes	\$ 3,881,254	\$ 3,812,144
Number of Members		
Active	59	57
Transferred	36	38
Separated	26	26
Retired	45	46

List of Class 1 Benefit Provisions

- One Year Final Compensation

Information for Compliance with GASB Statement No. 27 for Cost-Sharing Multiple-Employer Defined Benefit Plan

Your plan is part of the Miscellaneous 2.5% at 55 Risk Pool, a cost-sharing multiple-employer defined benefit plan. Under GASB 27, an employer should recognize annual pension expenditures/expense equal to its contractually required contributions to the plan. Pension liabilities and assets result from the difference between contributions required and contributions made. The contractually required contribution for the period July 1, 2011 to June 30, 2012 has been determined by an actuarial valuation of the plan as of June 30, 2009. Your contribution rate for the indicated period is 14.221% of payroll. In order to calculate the dollar value of the contractually required contributions for inclusion in financial statements prepared as of June 30, 2012, this contribution rate, as modified by any subsequent financing changes or contract amendments for the year, would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2011 to June 30, 2012. However, if this contribution is fully prepaid in a lump sum, then the dollar value of contractually required contributions is equal to the lump sum prepayment. The employer and the employer's auditor are responsible for determining the contractually required contributions. Further, the required contributions in dollars and the percentage of that amount contributed for the current year and each of the two preceding years is to be disclosed under GASB 27.

A summary of principal assumptions and methods used to determine the contractually required contributions is shown below for the cost-sharing multiple-employer defined benefit plan.

Valuation Date	June 30, 2009
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	19 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.55% to 14.45% depending on Age, Service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%.

Complete information on assumptions and methods is provided in Appendix A of Section 2 of the report. Appendix B of Section 2 of the report contains a description of benefits included in the Risk Pool Actuarial Valuation.

A Schedule of Funding for the Risk Pool's actuarial value of assets, accrued liability, their relationship, and the relationship of the unfunded liability (UL) to payroll for the risk pool(s) to which your plan belongs can be found in Section 2 of the report.

SECTION 1 – PLAN SPECIFIC INFORMATION FOR THE MISCELLANEOUS PLAN OF THE CITY OF CAPITOLA

Summary of Major Benefit Options

Shown below is a summary of the major optional benefits for which your agency has contracted. A description of principal standard and optional plan provisions is in Appendix B within Section 2 of this report.

Benefit Provision	Coverage Group			
	70004	70001*	70002*	70003*
Benefit Formula	2.5% @ 55	2.0% @ 55	2.0% @ 55	2.5% @ 55
Social Security Coverage	no	yes	no	yes
Full/Modified	full	modified	full	modified
Final Average Compensation Period	12 mos.	12 mos.	12 mos.	12 mos.
Sick Leave Credit	yes	yes	yes	yes
Non-Industrial Disability	standard	standard	standard	standard
Industrial Disability	no	no	no	no
Pre-Retirement Death Benefits				
Optional Settlement 2W	yes	yes	yes	yes
1959 Survivor Benefit Level	level 2	no	level 2	no
Special	no	no	no	no
Alternate (firefighters)	no	no	no	no
Post-Retirement Death Benefits				
Lump Sum	\$500	\$500	\$500	\$500
Survivor Allowance (PRSA)	no	no	no	no
COLA	2%	2%	2%	2%
Employee Contributions				
Contractual employer paid	no	no	no	no
Contractual Employee Cost sharing	0%	0%	0%	0%

*Inactive Coverage Group

Section 2

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Miscellaneous 2.5% at 55 Risk Pool as of June 30, 2009

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Actuarial Certification

To the best of our knowledge, **Section 2** of this report is complete and accurate and contains sufficient information to disclose, fully and fairly, the funded condition of the Miscellaneous 2.5% at 55 Risk Pool. This valuation is based on the member and financial data as of June 30, 2009 provided by the various CalPERS databases and the benefits under this Risk Pool with CalPERS as of the date this report was produced. It is our opinion that the valuation has been performed in accordance with generally accepted actuarial principles, in accordance with standards of practice prescribed by the Actuarial Standards Board, and that the assumptions and methods are internally consistent and reasonable for this risk pool, as prescribed by the CalPERS Board of Administration according to provisions set forth in the California Public Employees' Retirement Law.

The undersigned is an actuary for CalPERS. She is a member of the American Academy of Actuaries and the Society of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.



May Shuang Yu, ASA, MAAA
Senior Pension Actuary, CalPERS
Pool Actuary

HIGHLIGHTS AND EXECUTIVE SUMMARY

- **PURPOSE OF SECTION 2**
- **RISK POOL'S REQUIRED EMPLOYER CONTRIBUTION**
- **RISK POOL'S REQUIRED BASE EMPLOYER RATE**
- **FUNDED STATUS OF THE RISK POOL**
- **COST AND VOLATILITY**
- **CHANGES SINCE THE PRIOR VALUATION**
- **SUBSEQUENT EVENTS**

HIGHLIGHTS AND EXECUTIVE SUMMARY

Purpose of Section 2

This Actuarial Valuation for the Miscellaneous 2.5% at 55 Risk Pool of the California Public Employees' Retirement System (CalPERS) was performed by CalPERS' staff actuaries using data as of June 30, 2009 in order to:

- set forth the actuarial assets and accrued liabilities of this risk pool as of June 30, 2009
- establish the actuarially required contribution rate of the pool for the fiscal year July 1, 2011 through June 30, 2012
- provide actuarial information as of June 30, 2009 to the CalPERS Board and other interested parties

Use of this report for other purposes may be inappropriate.

Risk Pool's Required Employer Contribution

(figures net of employee contributions)

	Fiscal Year 2010/2011	Fiscal Year 2011/2012
Contribution in Projected Dollars		
1. Pool's Gross Employer Normal Cost	\$ 33,877,025	\$ 37,093,911
2. Payment on Pool's Amortization Base	4,409,146	15,769,799
3. Payment on Employer Side Funds	<u>13,537,445</u>	<u>14,307,924</u>
4. Total Required Employer Contribution*	\$ 51,824,438	\$ 67,170,901

* Total may not add up due to rounding

	Fiscal Year 2010/2011	Fiscal Year 2011/2012
Contribution as a % of Projected Pay		
5. Pool's Gross Employer Normal Cost	9.234%	9.489%
6. Payment on Pool's Amortization Base	1.202%	4.034%
7. Payment on Employer Side Funds	<u>3.690%</u>	<u>3.660%</u>
8. Total Required Employer Contribution	14.126%	17.183%

These rates are the total required employer contributions by the pool for fiscal years 2010/2011 and 2011/2012. The Pool's Gross Employer Normal Cost includes the Class 1 surcharges for all employers that contract for the Class 1 type benefits. The payment on the pool's amortization base is the payment on the ongoing cumulative gains and losses experienced by the pool since its June 30, 2003 inception. The payment on employer side funds is the combination of all expected individual amortization payments on every side fund in the pool.

Risk Pool's Required Base Employer Rate

	Fiscal Year 2010/2011	Fiscal Year 2011/2012
1. Pool's Gross Employer Normal Cost	9.234%	9.489%
Less: Surcharges for Class 1 Benefits	<u>0.756%</u>	<u>0.774%</u>
2. Pool's Net Employer Normal Cost	8.478%	8.715%
3. Payment on Pool's Amortization Base	<u>1.202%</u>	<u>4.034%</u>
4. Pool's Base Employer Rate	9.680%	12.749%

The base employer contribution rate is the rate that each plan within the pool pays before any adjustments are made. It represents the pool funding for basic benefits (no Class 1 surcharges) for the fiscal year shown. To arrive at a plan's total contribution rate, several components must be added to this base rate. These components

HIGHLIGHTS AND EXECUTIVE SUMMARY

are Class 1 benefit surcharges, normal cost phase-out and any side-fund payment. More information about those additional components can be found in Section 1 of this report.

Funded Status of the Risk Pool

	June 30, 2008	June 30, 2009
1. Entry Age Normal Accrued Liability	\$ 1,537,909,933	\$ 1,834,424,640
2. Market Value of Assets Including Side Funds (MVA) Including Receivables	\$ 1,353,157,484	\$ 1,088,733,372
3. Funded Ratio (MVA) [(2) / (1)]	88.0%	59.4%

Cost and Volatility

Actuarial Cost Estimates in General

What will this pension plan cost? Unfortunately, there is no simple answer. There are two major reasons for the complexity of the answer:

First, all actuarial calculations, including those in this report, are based on a number of assumptions about the future. These assumptions can be divided into two categories.

- Demographic assumptions include the percentage of employees that will terminate, die, become disabled, and retire in each future year.
- Economic assumptions include future salary increases for each active employee, and the assumption with the greatest impact, future asset returns at CalPERS for each year into the future until the last dollar is paid to current members of your plan.

While CalPERS has set these assumptions as our best estimate of the real future of your plan, it must be understood that these assumptions are very long term predictors and will surely not be realized in any one year. For example, while the asset earnings at CalPERS have averaged more than the assumed return of 7.75% for the past twenty year period ending June 30, 2010, returns for each fiscal year ranged from -24% to +20.1%

Second, the very nature of actuarial funding produces the answer to the question of plan or pool cost as the sum of two separate pieces:

- The Normal Cost (i.e., the future annual premiums in the absence of surplus or unfunded liability) expressed as a percentage of total active payroll, and
- The Past Service Cost or Accrued Liability (i.e., representing the current value of the benefit for all credited past service of current members) which is expressed as a lump sum dollar amount.

The cost is the sum of a percent of future pay and a lump sum dollar amount (the sum of an apple and an orange if you will). To communicate the total cost, either the Normal Cost (i.e., future percent of payroll) must be converted to a lump sum dollar amount (in which case the total cost is the present value of benefits), or the Past Service Cost (i.e., the lump sum) must be converted to a percent of payroll (in which case the total cost is expressed as the employer's rate, part of which is permanent and part temporary). Converting the Past Service Cost lump sum to a percent of payroll requires a specific amortization period, and the plan or pool rate will vary depending on the amortization period chosen. And as the first point above states; these results depend on all assumptions being exactly realized.

Rate Volatility

As is stated above, the actuarial calculations supplied in this communication are based on a number of assumptions about very long term demographic and economic behavior. Unless these assumptions (terminations, deaths, disabilities, retirements, salary growth, and investment return) are exactly realized each year, there will be differences on a year to year basis. The year to year differences between actual experience and the assumptions are called actuarial gains and losses and serve to lower or raise the plan or pool's rates from year to year. Therefore, the rates will inevitably fluctuate, especially due to the ups and downs of investment returns. Pools that have higher asset to payroll ratio produce more volatile employer rates. In the

HIGHLIGHTS AND EXECUTIVE SUMMARY

table below we have shown the pool's volatility index, based on the retirement formula, a measure of the pool's potential future rate volatility. It should be noted that this ratio increases over time but generally tends to stabilize as the plan or pool matures.

This year, a new rate stabilization methodology was implemented. Although there is no method that can provide perfectly stable rates, the new method will give employers time to prepare for the rate increases ahead. The new policy is also fiscally responsible in that employers are required to pay for the 2008-09 fiscal year asset loss with a 30 year fixed amortization schedule. It continues to be true that a plan that has a volatility index that is three times the index of a second plan will have three times the volatility in rates as compared to the second plan. However, the amount of change has been dramatically reduced through the rate stabilization process.

	As of June 30, 2009
Market Value of Assets without Receivables	\$ 1,084,456,453
Payroll	355,150,151
Volatility Index	3.1

Changes since the Prior Valuation

Actuarial Assumptions

CalPERS recently completed an experience study that analyzed demographic data for the years 1997 to 2007. As a result of this study, the CalPERS' Board of Administration adopted updated actuarial assumptions to be used beginning with the June 30, 2009 valuation. Nearly all of the demographic assumptions have changed, including salary increase assumptions and rates for mortality, disability, termination and retirement.

The new assumptions are described in Appendix A. The effect of the change in assumptions on the unfunded liability is shown in the "(Gain)/Loss Analysis".

The effect on the risk pool's required employer contribution rate is shown below.

	<u>Old Assumptions</u>	<u>New Assumptions</u>
Risk Pool's Required 2011/2012 Employer Contribution Before and After Change to Assumptions		
Contribution as a % of Projected Pay		
Pool's Gross Employer Normal Cost	9.253%	9.489%
Payment on Pool's Amortization Base	2.053%	4.034%
Payment on Employer Side Funds	3.660%	3.660%
Total Required Employer Contribution	14.966%	17.183%

Actuarial Methods

In June 2009, the CalPERS Board adopted changes to the asset smoothing method as well as changes to the Board policy on the amortization of gains and losses in order to phase in over a three year period the impact of the -24% investment loss experienced by CalPERS in fiscal year 2008-2009. The following changes were adopted:

- Increase the corridor limits for the actuarial value of assets from 80%-120% of market value to 60%-140% of market value on June 30, 2009
- Reduce the corridor limits for the actuarial value of assets to 70%-130% of market value on June 30, 2010
- Return to the 80%-120% of market value corridor limits for the actuarial value of assets on June 30, 2011 and thereafter

HIGHLIGHTS AND EXECUTIVE SUMMARY

- Isolate and amortize all gains and losses during fiscal year 2008-2009, 2009-2010 and 2010-2011 over fixed and declining 30 year periods (as opposed to the current rolling 30 year amortization)

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

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

A complete description of all methods is in Appendix A. The detailed calculation of the actuarial value of assets is shown in the "Development of the Actuarial Value of Assets." The effect of the change in method on the unfunded liability is shown in the "(Gain)/Loss Analysis" and the effect on your employer contribution rate is included in the "Reconciliation of Required Employer Contributions."

Benefits

The standard actuarial practice at CalPERS is to recognize mandated legislative benefit changes in the first annual valuation whose valuation date follows the effective date of the legislation. Voluntary benefit changes by employers within the risk pool are generally included in the first valuation whose report is dated after the amendment becomes effective. These voluntary changes are included in the liabilities reported in this valuation.

The valuation generally reflects plan changes by amendments effective prior to August 1, 2010. Please refer to Appendix B for a summary of the plan provisions used in this valuation report. The provisions in Appendix B do not indicate the class of benefits voluntarily contracted for by individual employers within the risk pool. Refer to Section 1 of the valuation report for a list of your specific contracted benefits. The increase in the pool's unfunded liabilities due to Class 1 or 2 amendments by individual employers within the pool is embedded in the Liability (Gain) / Loss shown in the Gain / Loss section of this report. This amount, however, is offset by additional contributions through a surcharge for employers who voluntarily contract for those benefits.

Subsequent Events

There were no significant subsequent events to report in this valuation.

SUMMARY OF LIABILITIES AND RATES

- **DEVELOPMENT OF POOL'S ACCRUED AND UNFUNDED LIABILITIES**
- **(GAIN)/LOSS ANALYSIS 06/30/08 - 06/30/09**
- **SCHEDULE OF AMORTIZATION BASES FOR THE RISK POOL**
- **DEVELOPMENT OF RISK POOL'S ANNUAL REQUIRED BASE CONTRIBUTION**
- **POOL'S EMPLOYER CONTRIBUTION RATE HISTORY**
- **FUNDING HISTORY**

SUMMARY OF LIABILITY AND RATES**Development of Pool's Accrued and Unfunded Liabilities**

	June 30, 2008	June 30, 2009
1. Present Value of Projected Benefits		
a) Active Members	\$ 1,173,884,995	\$ 1,326,239,932
b) Transferred Members	158,312,065	177,385,802
c) Separated Members	58,376,683	49,024,072
d) Members and Beneficiaries Receiving Payments	<u>615,905,109</u>	<u>747,017,292</u>
e) Total	\$ 2,006,478,852	\$ 2,299,667,098
2. Present Value of Future Employer Normal Costs	\$ 242,795,256	\$ 244,377,139
3. Present Value of Future Employee Contributions	\$ 225,773,663	\$ 220,865,319
4. Entry Age Normal Accrued Liability		
a) Active Members [(1a) - (2) - (3)]	\$ 705,316,076	\$ 860,997,474
b) Transferred Members (1b)	158,312,065	177,385,802
c) Separated Members (1c)	58,376,683	49,024,072
d) Members and Beneficiaries Receiving Payments (1d)	<u>615,905,109</u>	<u>747,017,292</u>
e) Total	\$ 1,537,909,933	\$ 1,834,424,640
5. Actuarial Value of Assets (AVA) Including Receivables	\$ 1,337,707,835	\$ 1,493,430,831
6. Unfunded Accrued Liability [(4e) - (5)]	200,202,098	340,993,809
7. Side Funds (AVA)	\$ (131,874,482)	\$ (133,165,243)
8. Actuarial Value of Assets excluding Side Funds [(5) - (7)] Including Receivables	1,469,582,317	1,626,596,074
9. Unfunded Liability excluding Side Funds [(4e) - (8)]	68,327,616	207,828,566
10. Market Value of Assets (MVA) Including Receivables	\$ 1,353,157,484	\$ 1,088,733,372
11. Funded Ratio (MVA) [(10) / (4e)]	88.0%	59.4%

SUMMARY OF LIABILITY AND RATES**(Gain)/Loss Analysis 06/30/08 - 06/30/09**

We introduced the concepts of Actuarial Gains and Losses in the Cost and Volatility Section of this report. To reiterate, when we calculate the cost requirements of your plan, we use assumptions about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is contrasted against the expected experience based on the actuarial assumptions. The differences are reflected below as your pool's actuarial gains or losses.

1. Total (Gain)/Loss	
a) Unfunded Liability/(Surplus) as of June 30, 2008	\$ 68,327,616
b) Expected payment on the unfunded liability	3,002,821
c) Interest accumulation $[\.0775 \times (1a) - ((1.0775)^{.5} - 1) \times (1b)]$	5,181,202
d) Expected Unfunded Liability before other changes $[(1a) - (1b) + (1c)]$	70,505,997
e) Change due to change in assumptions	86,658,449
f) Expected Unfunded Liability after changes $[(1d) + (1e)]$	157,164,446
g) Actual Unfunded Liability/(Surplus) as of June 30, 2009	<u>207,828,566</u>
h) Total (Gain)/Loss $[(1g) - (1f)]$	\$ 50,664,120
2. Contribution (Gain)/Loss	
a) Expected contribution	\$ 77,520,627
b) Expected interest on contributions	2,947,875
c) Total expected contributions with interest $[(2a) + (2b)]$	80,468,502
d) Actual contributions	81,266,032
e) Expected interest on actual contributions	3,090,301
f) Total actual contributions with interest $[(2d) + (2e)]$	<u>84,356,333</u>
g) Contribution (Gain)/Loss $[(2c) - (2f)]$	\$ (3,887,831)
3. Asset (Gain)/Loss	
a) Actuarial Value of Assets as of 06/30/08 Including Receivables	\$ 1,337,707,835
b) Receivables as of 06/30/08	<u>3,843,174</u>
c) Actuarial Value of Assets as of 06/30/08	1,333,864,661
d) Contributions received	81,266,032
e) Benefits, refunds and lump sums paid	(58,686,719)
f) Transfers and miscellaneous adjustments	1,008,771
g) Expected interest	104,271,494
h) Transfers into the pool (AVA Basis)	78,042,705
i) Transfers out of the pool (AVA Basis)	<u>(22,777,546)</u>
j) Expected Assets as of 06/30/09 [Sum (3c) through (3i)]	1,516,989,399
k) Receivables as of 06/30/09	<u>4,276,919</u>
l) Expected Assets Including Receivables	1,521,266,317
m) Actual Actuarial Value of Assets as of 06/30/09 Including Receivables	<u>1,493,430,831</u>
n) Asset (Gain)/Loss $[(3l) - (3m)]$	\$ 27,835,486
4. Liability (Gain)/Loss	
a) Total (Gain)/Loss (1h)	\$ 50,664,120
b) Contribution (Gain)/Loss (2g)	(3,887,831)
c) Asset (Gain)/Loss excluding side fund (3n)	<u>27,835,486</u>
d) Liability (Gain)/Loss $[(4a) - (4b) - (4c)]^*$	\$ 26,716,465

* Includes (Gain)/Loss on plans transferring into the pool.

SUMMARY OF LIABILITY AND RATES

Schedule of Amortization Bases for the Risk Pool

The schedule below shows the development of the payment on the Pool's amortization bases used to determine the Total Required Employer Contributions to the Pool. Each row of the schedule gives a brief description of a base (or portion of the Unfunded Actuarial Liability), the balance of the base on the valuation date, and the number of years remaining in the amortization period. In addition, we show the expected payments for the two years immediately following the valuation date, the balances on the dates a year and two years after the valuation date, and the scheduled payment for fiscal year 2011-2012. Please refer to Appendix A for an explanation of how amortization periods are determined.

Reason for Base	Amortization Period	Balance on June 30, 2009	Expected Payment 09-10	Balance June 30, 2010	Expected Payment 10-11	Balance June 30, 2011	Scheduled Payment for 2011-2012	Payment as a percentage of payroll
FRESH START	25	\$4,840,237	\$306,797	\$4,896,892	\$316,767	\$4,947,588	\$327,062	0.084%
(GAIN)/LOSS	30	\$70,792,323	\$2,395,041	\$73,792,611	\$4,431,318	\$74,911,710	\$4,498,520	1.150%
PAYMENT (GAIN)/LOSS	30	\$(5,126,561)	\$6,426	\$(5,530,540)	\$(429,237)	\$(5,513,597)	\$(331,098)	(0.086%)
ASSUMPTION CHANGE	20	\$86,658,449	\$(869,061)	\$94,276,588	\$(897,306)	\$102,514,451	\$7,743,035	1.981%
SPECIAL (GAIN)/LOSS	30	<u>\$50,664,118</u>	<u>\$0</u>	<u>\$54,590,587</u>	<u>\$0</u>	<u>\$58,821,357</u>	<u>\$3,532,280</u>	<u>0.904%</u>
Total		\$207,828,566	\$1,839,203	\$222,026,138	\$3,421,542	\$235,681,509	\$15,769,799	4.034%

The special (gain)/loss base is the first of three special bases that will be established for the gain/loss that is recognized in this and the next two annual valuations. Unlike the gain/loss occurring in previous and subsequent years, the gain/loss recognized in the 2009, 2010, and 2011 annual valuations will be amortized over fixed and declining 30 year periods so that these annual gain/losses will be fully paid off in 30 years.

SUMMARY OF LIABILITY AND RATES**Development of Risk Pool's Annual Required Base Contribution**

	Fiscal Year 2010/2011	Fiscal Year 2011/2012
1. Contribution in Projected Dollars		
a) Total Normal Cost	\$ 63,006,718	\$ 68,265,463
b) Employee Contribution	29,129,692	31,171,551
c) Pool's Gross Employer Normal Cost [(1a) - (1b)]	33,877,025	37,093,911
d) Total Surcharges for Class 1 Benefits	2,773,558	3,025,681
e) Net Employer Normal Cost [(1c) - (1d)]	31,103,468	34,068,230
f) Payment on Pool's Amortization Base	\$ 4,409,146	\$ 15,769,799
g) Total Required Employer Contributions [(1e) + (1f)]	35,512,614	49,838,029
2. Annual Covered Payroll as of Valuation Date	\$ 333,307,600	\$ 355,150,151
3. Projected Payroll for Contribution Fiscal Year	\$ 366,872,701	\$ 390,914,864
4. Contribution as a % of Projected Pay		
a) Total Normal Cost [(1a) / (3)]	17.174%	17.463%
b) Employee Contribution [(1b) / (3)]	7.940%	7.974%
c) Pool's Gross Employer Normal Cost [(1c) / (3)]	9.234%	9.489%
d) Total Surcharges for Class 1 Benefits [(1d) / (3)]	0.756%	0.774%
e) Net Employer Normal Cost [(1e) / (3)]	8.478%	8.715%
f) Payment on Pool's Amortization Base [(1f) / (3)]	1.202%	4.034%
g) Total Required Employer Contributions [(1g) / (3)]	9.680%	12.749%

SUMMARY OF LIABILITY AND RATES

Pool's Employer Contribution Rate History

Valuation Date	Net Employer Normal Cost	Total Surcharges for Class 1 Benefits	Gross Employer Normal Cost	Payment on Pool's Amortization Bases	Total Payment On Employer Side Funds	Total Employer Contribution
06/30/2005	8.370%	0.813%	9.183%	0.413%	4.826%	14.422%
06/30/2006	8.377%	0.863%	9.240%	0.656%	4.503%	14.399%
06/30/2007	8.403%	0.775%	9.178%	0.762%	3.817%	13.757%
06/30/2008	8.478%	0.756%	9.234%	1.202%	3.690%	14.126%
06/30/2009	8.715%	0.774%	9.489%	4.034%	3.660%	17.183%

Funding History

Valuation Date	Accrued Liabilities (AL)	Market Value of Assets (MVA)	Funded Ratio (MVA/AL)
06/30/2005	\$579,276,103	\$513,331,728	88.6%
06/30/2006	\$912,988,585	\$831,688,706	91.1%
06/30/2007	\$1,315,454,361	\$1,322,660,245	100.6%
06/30/2008	\$1,537,909,933	\$1,353,157,484	88.0%
06/30/2009	\$1,834,424,640	\$1,088,733,372	59.4%

Valuation Date	Accrued Liabilities (AL)	Actuarial Value of Assets (AVA)	Unfunded Liabilities (UL)	Funded Ratio (AVA/AL)	Annual Covered Payroll	UL As a % of Payroll
06/30/2005	\$579,276,103	\$500,388,523	\$78,887,580	86.4%	\$129,379,492	61.0%
06/30/2006	\$912,988,585	\$787,758,909	\$125,229,676	86.3%	\$200,320,145	62.5%
06/30/2007	\$1,315,454,361	\$1,149,247,298	\$166,207,063	87.4%	\$289,090,187	57.5%
06/30/2008	\$1,537,909,933	\$1,337,707,835	\$200,202,098	87.0%	\$333,307,600	60.1%
06/30/2009	\$1,834,424,640	\$1,493,430,831	\$340,993,809	81.4%	\$355,150,151	96.0%

Information shown here is for compliance with GASB No. 27 for a cost-sharing multiple-employer defined benefit plan.

SUMMARY OF ASSETS

- **RECONCILIATION OF THE MARKET VALUE OF ASSETS**
- **DEVELOPMENT OF THE ACTUARIAL VALUE OF ASSETS**
- **ASSET ALLOCATION**

SUMMARY OF ASSETS**Reconciliation of the Market Value of Assets**

1. Market Value of Assets as of June 30, 2008 Including Receivables	\$ 1,353,157,484
2. Receivables for Service Buybacks as of June 30, 2008	3,843,174
3. Market Value of Assets as of June 30, 2008 [1 - 2]	1,349,314,310
4. Employer Contributions	49,313,069
5. Employee Contributions	31,952,963
6. Benefit Payments to Retirees and Beneficiaries	(56,330,703)
7. Refunds	(2,163,660)
8. Lump Sum Payments	(192,356)
9. Transfers and Miscellaneous Adjustments	1,008,771
10. Investment Return	<u>(328,692,055)</u>
11. Market Value of Assets as of June 30, 2009 (w/o Pool Transfers)	\$ 1,044,210,339
12. Transfers into and out of the Risk Pool	40,246,114
13. Market Value of Assets as of June 30, 2009	\$ 1,084,456,453
14. Receivables for Service Buybacks as of June 30, 2009	4,276,919
15. Market Value of Assets as of June 30, 2009 Including Receivables [13 + 14]	1,088,733,372

Development of the Actuarial Value of Assets

1. Actuarial Value of Assets as of June 30, 2008 Used for Rate Setting Purposes	1,337,707,835
2. Receivables for Service Buyback as of June 30, 2008	3,843,174
3. Actuarial Value of Assets as of June 30, 2008 [1 - 2]	1,333,864,661
4. Employer Contributions	49,313,069
5. Employee Contributions	31,952,963
6. Benefit Payments to Retirees and Beneficiaries	(56,330,703)
7. Refunds	(2,163,660)
8. Lump Sum Payments	(192,356)
9. Transfers and Miscellaneous Adjustments	1,008,771
10. Expected Investment Income at 7.75%	<u>104,271,494</u>
11. Expected Actuarial Value of Assets (w/o Pool Transfers)	\$ 1,461,724,240
12. Market Value of Assets June 30, 2009 (w/o Pool Transfers)	1,044,210,339
13. Preliminary Actuarial Value of Assets (w/o Pool Transfers) $[(11) + ((12) - (11)) / 15]$	1,433,889,980
14. Preliminary Actuarial Value to Market Value Ratio	137.32%
15. Final Actuarial Value to Market Value Ratio (minimum 60%, maximum 140%)	137.32%
16. Market Value of Assets June 30, 2009	1,084,456,453
17. Actuarial Value of Assets as of June 30, 2009	1,489,153,912
18. Receivables for Service Buybacks as of June 30, 2009	4,276,919
19. Actuarial Value of Assets as of June 30, 2009 Used for Rate Setting Purposes [17 + 18]	1,493,430,831

SUMMARY OF ASSETS

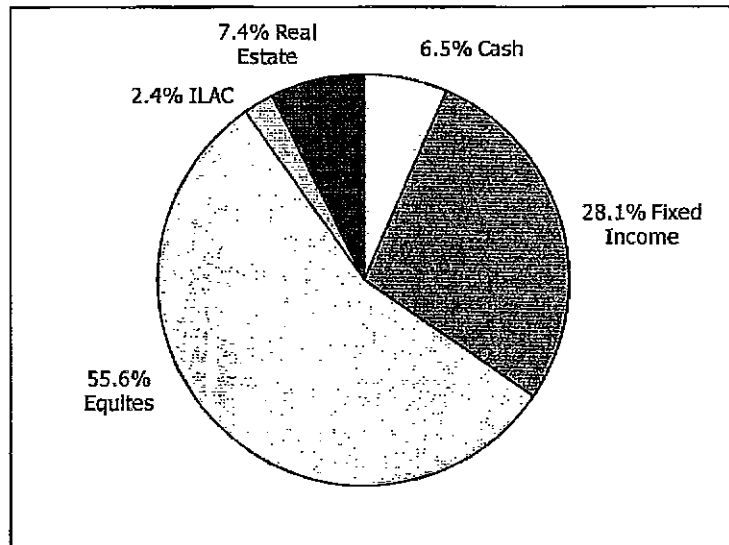
Asset Allocation

The starting point and most important element of CalPERS' successful return on investment is the asset allocation or diversification among stocks, bonds, cash and other investments. Asset allocation is not an asset-only or liability-only decision. All factors, including liabilities, benefit payments, operating expenses, and employer and member contributions are taken into account in determining the appropriate asset allocation mix. The goal is to maximize returns at a prudent level of risk which presents an ever-changing balancing act between market volatility and long-term goals.

CalPERS follows a strategic asset allocation policy that identifies the percentage of funds to be invested in each asset class.

The asset allocation and market value of assets shown below reflect the values of the Public Employees Retirement Fund (PERF) in its entirety as of June 30, 2009. The assets for Miscellaneous 2.5% at 55 Risk Pool are part of the Public Employees Retirement Fund (PERF) and are invested accordingly.

(A) Asset Class	(B) Market Value (\$ Billion)	(C) Current Allocation	(D) Target
1) Total Cash Equivalents	12.0	6.5%	0.0%
2) Total Global Fixed Income	51.6	28.1%	19.0%
3) Total Equities	102.0	55.6%	66.0%
4) Inflation Linked (ILAC)	4.4	2.4%	5.0%
5) Total Real Estate	<u>13.5</u>	<u>7.4%</u>	<u>10.0%</u>
Total Fund	183.5	100.0%	100.0%



SUMMARY OF PARTICIPANT DATA

- **SOURCE OF THE PARTICIPANT DATA**
- **DATA VALIDATION TESTS AND ADJUSTMENTS**
- **SUMMARY OF VALUATION DATA**
- **ACTIVE MEMBERS**
- **TRANSFERRED AND TERMINATED MEMBERS**
- **RETIRED MEMBERS AND BENEFICIARIES**

SUMMARY OF PARTICIPANT DATA

Source of the Participant Data

The data was extracted from various databases within CalPERS and placed in a database by a series of extract programs. Included in this data are:

- individual member and beneficiary information,
- employment and payroll information,
- accumulated contributions with interest,
- service information,
- benefit payment information,
- information about the various organizations which contract with CalPERS, and
- detailed information about the plan provisions applicable to each group of members.

Data Validation Tests and Adjustments

Once the information is extracted from the various computer systems into the database, update queries are then run against this data to correct for flaws found in the data. This part of the process is intended to validate the participant data for all CalPERS plans. The data is then checked for reasonableness and consistency with data from the prior valuation.

Checks on the data include:

- a reconciliation of the membership of the plans,
- comparisons of various member statistics (average attained age, average entry age, average salary, etc.) for each plan with those from the prior valuation,
- comparisons of pension amounts for each retiree and beneficiary receiving payments with those from the prior valuation,
- checks for invalid ages and dates, and
- reasonableness checks on various key data elements such as service and salary.

As a result of the tests on the data, a number of adjustments were determined to be necessary. These included:

- dates of hire and dates of entry were adjusted where necessary to be consistent with the service fields, the date of birth and each other.

SUMMARY OF PARTICIPANT DATA**Summary of Valuation Data**

	June 30, 2008	June 30, 2009
1. Number of Plans in the Risk Pool	160	163
2. Active Members		
a) Counts	5,402	5,492
b) Average Attained Age	45.35	45.59
c) Average Entry Age on Rate Plan	36.70	36.61
d) Average Years of Service	8.66	8.98
e) Average Annual Covered Pay	\$ 61,701	\$ 64,667
f) Annual Covered Payroll	333,307,600	355,150,151
g) Projected Annual Payroll for Contribution Year	366,872,701	390,914,864
h) Present Value of Future Payroll	2,837,898,563	2,766,104,432
3. Transferred Members		
a) Counts	2,404	2,507
b) Average Attained Age	47.07	47.19
c) Average Years of Service	4.01	3.95
d) Average Annual Covered Pay	\$ 84,062	\$ 86,531
4. Terminated Members		
a) Counts	2,297	2,383
b) Average Attained Age	44.91	45.40
c) Average Years of Service	3.22	3.19
d) Average Annual Covered Pay	\$ 40,477	\$ 40,850
5. Retired Members and Beneficiaries		
a) Counts*	3,796	4,286
b) Average Attained Age	68.04	68.04
c) Average Annual Benefits*	\$ 13,803	\$ 14,587
6. Active to Retired Ratio [(2a) / (5a)]	1.42	1.28

Counts of members included in the valuation are counts of the records processed by the valuation. Multiple records may exist for those who have service in more than one valuation group. This does not result in double counting of liabilities.

* Values may not match those on pages 27 and 28 due to inclusion of community property settlements.

SUMMARY OF PARTICIPANT DATA**Active Members**

Counts of members included in the valuation are counts of the records processed by the valuation. Multiple records may exist for those who have service in more than one valuation group. This does not result in double counting of liabilities.

**Distribution of Active Members by Age and Service
Years of Service at Valuation Date**

Attained Age	0-4	5-9	10-14	15-19	20-25	25+	Total
15-24	186	1	0	0	0	0	187
25-29	366	64	1	0	0	0	431
30-34	314	170	36	2	0	0	522
35-39	298	186	78	26	1	0	589
40-44	326	179	110	68	35	5	723
45-49	325	203	134	96	100	43	901
50-54	291	221	136	120	102	94	964
55-59	177	146	105	81	77	98	684
60-64	95	94	42	42	32	47	352
65 and over	43	28	20	22	10	16	139
All Ages	2421	1292	662	457	357	303	5,492

**Distribution of Average Annual Salaries by Age and Service
Years of Service at Valuation Date**

Attained Age	0-4	5-9	10-14	15-19	20-25	25+	Average
15-24	\$33,108	\$42,089	\$0	\$0	\$0	\$0	\$33,156
25-29	47,864	53,589	86,434	0	0	0	48,804
30-34	53,501	60,181	62,247	67,317	0	0	56,333
35-39	57,790	63,710	66,893	74,354	67,419	0	61,613
40-44	60,963	67,691	70,280	71,060	70,766	76,126	65,575
45-49	66,435	63,179	72,612	77,615	76,182	74,749	69,290
50-54	67,148	70,581	77,425	81,257	78,548	74,634	73,077
55-59	68,441	68,797	66,060	82,761	76,911	78,569	72,252
60-64	68,873	64,122	77,127	67,973	77,677	80,070	70,777
65 and over	47,817	61,015	62,520	43,475	62,453	62,630	54,662
Average	57,586	64,918	70,939	75,748	76,209	76,157	64,667

SUMMARY OF PARTICIPANT DATA**Transferred and Terminated Members****Distribution of Transfers to Other CalPERS Plans by Age and Service Years of Service at Valuation Date**

Attained Age	0-4	5-9	10-14	15-19	20-25	25+	Total	Average Salary
15-24	29	0	0	0	0	0	29	\$51,657
25-29	109	2	0	0	0	0	111	62,690
30-34	178	25	0	0	0	0	203	67,664
35-39	202	45	9	2	0	0	258	74,056
40-44	243	66	13	8	1	0	331	85,680
45-49	331	118	41	11	3	1	505	89,329
50-54	324	103	52	19	3	0	501	95,604
55-59	260	65	37	5	3	1	371	92,596
60-64	108	36	12	7	0	0	163	102,237
65 and over	28	3	3	1	0	0	35	92,814
All Ages	1812	463	167	53	10	2	2,507	86,531

Distribution of Terminated Participants with Funds on Deposit by Age and Service Years of Service at Valuation Date

Attained Age	0-4	5-9	10-14	15-19	20-25	25+	Total	Average Salary
15-24	54	0	0	0	0	0	54	\$25,595
25-29	166	2	0	0	0	0	168	32,586
30-34	239	25	1	0	0	0	265	37,554
35-39	241	38	4	0	0	0	283	40,509
40-44	246	71	13	2	1	0	333	46,025
45-49	300	88	25	12	2	1	428	45,632
50-54	249	80	28	7	2	1	367	43,486
55-59	186	50	14	9	1	1	261	41,696
60-64	117	33	16	0	2	0	168	36,479
65 and over	38	14	2	0	0	2	56	22,251
All Ages	1836	401	103	30	8	5	2,383	40,850

SUMMARY OF PARTICIPANT DATA**Retired Members and Beneficiaries****Distribution of Retirees and Beneficiaries by Age and Retirement Type***

Attained Age	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Total
Under 30	0	0	0	0	0	2	2
30-34	0	0	1	0	0	0	1
35-39	0	2	6	0	0	2	10
40-44	0	3	8	0	0	4	15
45-49	0	20	14	1	2	10	47
50-54	130	29	13	1	0	10	183
55-59	556	48	17	2	0	13	636
60-64	890	51	12	5	0	36	994
65-69	674	42	10	5	1	61	793
70-74	448	34	3	4	0	75	564
75-79	311	15	1	4	0	81	412
80-84	241	8	0	2	0	91	342
85 and Over	182	5	0	4	0	89	280
All Ages	3432	257	85	28	3	474	4,279

Distribution of Average Annual Amounts for Retirees and Beneficiaries by Age and Retirement Type*

Attained Age	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Average
Under 30	\$0	\$0	\$0	\$0	\$0	\$3,695	\$3,695
30-34	0	0	154	0	0	0	154
35-39	0	10,217	168	0	0	9,633	4,071
40-44	0	12,056	2,691	0	0	5,326	5,267
45-49	0	10,361	3,691	24,299	491	10,795	8,343
50-54	14,087	11,315	4,479	6,696	0	19,230	13,206
55-59	19,294	13,792	1,125	7,801	0	11,038	18,188
60-64	18,530	10,702	7,240	13,392	0	10,640	17,680
65-69	15,272	9,680	2,946	10,770	47	11,286	14,466
70-74	14,375	7,991	2,516	9,774	0	10,050	13,319
75-79	12,616	7,754	1,457	3,544	0	11,414	12,087
80-84	12,055	10,943	0	9,304	0	8,973	11,193
85 and Over	9,515	8,594	0	2,834	0	9,104	9,273
All Ages	15,835	10,602	3,260	8,951	343	10,271	14,598

SUMMARY OF PARTICIPANT DATA**Retired Members and Beneficiaries (continued)****Distribution of Retirees and Beneficiaries by Years Retired and Retirement Type***

Years Retired	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Total
Under 5 Yrs	1420	34	35	7	0	188	1,684
5-9	822	65	16	5	0	123	1,031
10-14	522	67	19	7	2	82	699
15-19	321	49	8	4	0	21	403
20-24	192	17	4	1	0	21	235
25-29	124	16	3	3	0	16	162
30 and Over	31	9	0	1	1	23	65
All Years	3432	257	85	28	3	474	4,279

Distribution of Average Annual Amounts for Retirees and Beneficiaries by Years Retired and Retirement Type*

Years Retired	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Average
Under 5 Yrs	\$20,540	\$14,398	\$1,747	\$11,068	\$0	\$12,367	\$19,073
5-9	14,229	12,576	3,880	15,476	0	9,855	13,448
10-14	12,505	9,727	5,606	7,152	491	8,660	11,512
15-19	12,097	8,885	4,456	3,185	0	10,832	11,401
20-24	10,441	8,341	2,838	2,801	0	7,836	9,894
25-29	7,540	7,439	109	7,757	0	5,039	7,149
30 and Over	4,237	7,769	0	6,883	47	6,453	5,486
All Years	15,835	10,602	3,260	8,951	343	10,271	14,598

* Counts of members do not include alternate payees receiving benefits while the member is still working. Therefore, the total counts may not match information on page 24 of the report. Multiple records may exist for those who have service in more than one coverage group. This does not result in double counting of liabilities.

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- **STATEMENT OF ACTUARIAL DATA, METHODS AND ASSUMPTIONS**

Data

As stated in the Actuarial Certification, the data which serves as the basis of this valuation has been obtained from the various CalPERS databases. We have reviewed the valuation data and believe that it is reasonable and appropriate in aggregate. We are unaware of any potential data issues that would have a material effect on the results of this valuation, except that data does not always contain the latest salary information for former members now in reciprocal systems and does not recognize the potential for usually large salary deviation in certain cases such as elected officials. Therefore, salary information in these cases may not be accurate. These situations are relatively infrequent, however, and when they do occur, they generally do not have a material impact on the employer contribution rates.

Actuarial Methods

Funding Method

The actuarial funding method used for the Retirement Program is the Entry Age Normal Cost Method. Under this method, projected benefits are determined for all members and the associated liabilities are spread in a manner that produces level annual cost as a percent of pay in each year from the age of hire (entry age) to the assumed retirement age. The cost allocated to the current fiscal year is called the normal cost.

The actuarial accrued liability for active members is then calculated as the portion of the total cost of the plan allocated to prior years. The actuarial accrued liability for members currently receiving benefits, for active members beyond the assumed retirement age, and for members entitled to deferred benefits, is equal to the present value of the benefits expected to be paid. No normal costs are applicable for these participants.

The excess of the total actuarial accrued liability over the actuarial value of plan assets is called the unfunded actuarial accrued liability. Funding requirements are determined by adding the normal cost and an amortization of the unfunded liability as a level percentage of assumed future payrolls. All changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately over a 20-year period. All gains or losses are tracked and amortized over a rolling 30-year period with the exception of gains and losses in fiscal years 2008-2009, 2009-2010 and 2010-2011 in which each year's gains or losses will be isolated and amortized over fixed and declining 30 year periods (as opposed to the current rolling 30 year amortization). If a pool's accrued liability exceeds the actuarial value of assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30-year amortization of the unfunded liability.

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

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

The necessary additional contribution will be obtained by changing the amortization period of the gains and losses prior to 2009 to a period which will result in the satisfaction of the above criteria. CalPERS actuaries will reassess the criteria above when performing each future valuation to determine whether or not additional contributions are necessary.

An exception to the funding rules above is used whenever the application of such rules results in inconsistencies. In these cases a "fresh start" approach is used. This simply means that the current unfunded actuarial liability is projected and amortized over a set number of years. For instance, if the annual contribution on the total unfunded liability was less than the amount produced by a 30-year amortization of the unfunded liability, the plan actuary would implement a 30-year fresh start. In addition, a fresh start is needed in the following situations:

- 1) when a positive payment would be required on a negative unfunded actuarial liability (or conversely a negative payment on a positive unfunded actuarial liability); or

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- 2) when there are excess assets, rather than an unfunded liability. In this situation a 30-year fresh start is used, unless a larger fresh start is needed to avoid a negative total rate.

It should be noted that the actuary may choose to use a fresh start under other circumstances. In all cases, the period of the fresh start is chosen by the actuary according to his or her best judgment, and will not be less than five years nor greater than 30 years.

Asset Valuation Method

In order to dampen the effect of short term market value fluctuations on employer contribution rates, the following asset smoothing technique is used. First an Expected Value of Assets is computed by bringing forward the prior year's Actuarial Value of Assets and the contributions received and benefits paid during the year at the assumed actuarial rate of return. The Actuarial Value of Assets is then computed as the Expected Value of Assets plus one-fifteenth of the difference between the actual Market Value of Assets and the Expected Value of Assets as of the valuation date. However in no case will the Actuarial Value of Assets be less than 80% nor greater than 120% of the actual Market Value of Assets.

In June 2009, the CalPERS Board adopted changes to the asset smoothing method in order to phase in over a three year period the impact of the -24% investment loss experienced by CalPERS in fiscal year 2008-2009. The following changes were adopted:

- Increase the corridor limits for the actuarial value of assets from 80%-120% of market value to 60%-140% of market value on June 30, 2009
- Reduce the corridor limits for the actuarial value of assets to 70%-130% of market value on June 30, 2010
- Return to the 80%-120% of market value corridor limits for the actuarial value of assets on June 30, 2011 and thereafter

Accounts Receivable

In preparing valuations on and after June 30, 2007, and setting employer contribution rates, the asset figures used include accounts receivable. The CalPERS Actuarial Office assumes that all assets are accruing interest at the actuarially-assumed rate. Therefore, the rates depicted assume that all payments have been made and are accruing interest.

This change generally had minimal impact on the employer rates and no special amortization base has been created.

Miscellaneous

Superfunded Status

If a rate plan is superfunded (actuarial value of assets exceeds the present value of benefits), as of the most recently completed annual valuation, the employer may cover their employees' member contributions (both taxed and tax-deferred) using their employer assets during the fiscal year for which this valuation applies. This would entail transferring assets within the Public Employees' Retirement Fund (PERF) from the employer account to the member accumulated contribution accounts. This change was implemented effective January 1, 1999 pursuant to Chapter 231 (Assembly Bill 2099) which added Government Code Section 20816.

Superfunded status applies only to individual plans, not risk pools. For rate plans within a risk pool, actuarial value of assets is the sum of the rate plan's side fund plus the rate plan's pro-rata share of non-side fund assets. Superfunded status is determined only on annual valuation dates.

Internal Revenue Code Section 415

The limitations on benefits imposed by Internal Revenue Code Section 415 were not taken into account in this valuation. The effect of these limitations has been deemed immaterial on the overall results of this valuation.

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Internal Revenue Code Section 401(a)(17)

The limitations on compensation imposed by Internal Revenue Code Section 401(a)(17) were taken into account in this valuation. It was determined that this change generally had minimal impact on the employer rates and no special amortization base has been created.

ACTUARIAL ASSUMPTIONS

Economic Assumptions

Investment Return

7.75% compounded annually (net of expenses). This assumption is used for all plans.

Salary Growth

Annual increases vary by category, entry age, and duration of service. The assumed increases are shown below.

Public Agency Miscellaneous

<u>Duration of Service</u>	<u>Entry Age 20</u>	<u>Entry Age 30</u>	<u>Entry Age 40</u>
0	0.1445	0.1265	0.1005
1	0.1215	0.1075	0.0875
2	0.1035	0.0935	0.0775
3	0.0905	0.0825	0.0695
4	0.0805	0.0735	0.0635
5	0.0725	0.0675	0.0585
10	0.0505	0.0485	0.0435
15	0.0455	0.0435	0.0385
20	0.0415	0.0395	0.0355
25	0.0385	0.0385	0.0355
30	0.0385	0.0385	0.0355

Public Agency Fire

<u>Duration of Service</u>	<u>Entry Age 20</u>	<u>Entry Age 30</u>	<u>Entry Age 40</u>
0	0.1075	0.1075	0.1045
1	0.0975	0.0965	0.0875
2	0.0895	0.0855	0.0725
3	0.0825	0.0775	0.0625
4	0.0765	0.0705	0.0535
5	0.0715	0.0645	0.0475
10	0.0535	0.0485	0.0375
15	0.0435	0.0415	0.0365
20	0.0395	0.0385	0.0355
25	0.0375	0.0375	0.0355
30	0.0375	0.0375	0.0355

Public Agency Police

<u>Duration of Service</u>	<u>Entry Age 20</u>	<u>Entry Age 30</u>	<u>Entry Age 40</u>
0	0.1115	0.1115	0.1115
1	0.0955	0.0955	0.0955
2	0.0835	0.0835	0.0805
3	0.0745	0.0725	0.0665
4	0.0675	0.0635	0.0575
5	0.0615	0.0575	0.0505
10	0.0475	0.0445	0.0365
15	0.0435	0.0415	0.0355
20	0.0395	0.0385	0.0355
25	0.0375	0.0365	0.0355
30	0.0375	0.0365	0.0355

APPENDIX A**Public Agency County Peace Officers**

<u>Duration of Service</u>	<u>Entry Age 20</u>	<u>Entry Age 30</u>	<u>Entry Age 40</u>
0	0.1315	0.1315	0.1315
1	0.1115	0.1085	0.1055
2	0.0965	0.0915	0.0865
3	0.0845	0.0795	0.0735
4	0.0755	0.0695	0.0635
5	0.0685	0.0625	0.0555
10	0.0485	0.0445	0.0405
15	0.0435	0.0405	0.0385
20	0.0395	0.0385	0.0365
25	0.0375	0.0365	0.0355
30	0.0375	0.0365	0.0355

Schools

<u>Duration of Service</u>	<u>Entry Age 20</u>	<u>Entry Age 30</u>	<u>Entry Age 40</u>
0	0.1105	0.0985	0.0845
1	0.0965	0.0875	0.0765
2	0.0865	0.0795	0.0695
3	0.0775	0.0725	0.0645
4	0.0715	0.0665	0.0595
5	0.0655	0.0625	0.0555
10	0.0475	0.0465	0.0435
15	0.0415	0.0405	0.0375
20	0.0385	0.0375	0.0345
25	0.0365	0.0365	0.0345
30	0.0365	0.0365	0.0345

- The Miscellaneous salary scale is used for Local Prosecutors.
- The Police salary scale is used for Other Safety, Local Sheriff, and School Police.

Overall Payroll Growth

3.25% compounded annually (used in projecting the payroll over which the unfunded liability is amortized).
This assumption is used for all plans.

Inflation

3.00% compounded annually. This assumption is used for all plans.

Non-valued Potential Additional Liabilities

The potential liability loss for a cost-of-living increase exceeding the 3% inflation assumption, and any potential liability loss from future member service purchases are not reflected in the valuation.

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Miscellaneous Loading Factors

Credit for Unused Sick Leave

Final Average Salary is increased by 1% for those agencies that have accepted the provision providing Credit for Unused Sick Leave.

Conversion of Employer Paid Member Contributions (EPMC)

Final Average Salary is increased by the Employee Contribution Rate for those agencies that have contracted for the provision providing for the Conversion of Employer Paid Member Contributions (EPMC) during the final compensation period.

Norris Decision (Best Factors)

Employees hired prior to July 1, 1982 have projected benefit amounts increased in order to reflect the use of "Best Factors" for these employees in the calculation of optional benefit forms. This is due to a 1983 Supreme Court decision, known as the Norris decision, which required males and females to be treated equally in the determination of benefit amounts. Consequently, anyone already employed at that time is given the best possible conversion factor when optional benefits are determined. No loading is necessary for employees hired after July 1, 1982.

APPENDIX A**Demographic Assumptions****Pre-Retirement Mortality**

Non-Industrial Death Rates vary by age and gender. Industrial Death rates vary by age. See sample rates in table below. The non-industrial death rates are used for all plans. The industrial death rates are used for Safety Plans (except for Local Prosecutor safety members where the corresponding Miscellaneous Plan does not have the Industrial Death Benefit).

Age	Non-Industrial Death (Not Job-Related)		Industrial Death (Job-Related)
	Male	Female	Male and Female
20	0.00047	0.00016	0.00003
25	0.00050	0.00026	0.00007
30	0.00053	0.00036	0.00010
35	0.00067	0.00046	0.00012
40	0.00087	0.00065	0.00013
45	0.00120	0.00093	0.00014
50	0.00176	0.00126	0.00015
55	0.00260	0.00176	0.00016
60	0.00395	0.00266	0.00017
65	0.00608	0.00419	0.00018
70	0.00914	0.00649	0.00019
75	0.01220	0.00878	0.00020
80	0.01527	0.01108	0.00021

Miscellaneous Plans usually have Industrial Death rates set to zero unless the agency has specifically contracted for Industrial Death benefits. If so, each Non-Industrial Death rate shown above will be split into two components: 99% will become the Non-Industrial Death rate and 1% will become the Industrial Death rate.

Post-Retirement Mortality

Rates vary by age, type of retirement and gender. See sample rates in table below. These rates are used for all plans.

Age	Healthy Recipients		Non-Industrially Disabled (Not Job-Related)		Industrially Disabled (Job-Related)	
	Male	Female	Male	Female	Male	Female
50	0.00239	0.00125	0.01632	0.01245	0.00443	0.00356
55	0.00474	0.00243	0.01936	0.01580	0.00563	0.00546
60	0.00720	0.00431	0.02293	0.01628	0.00777	0.00798
65	0.01069	0.00775	0.03174	0.01969	0.01388	0.01184
70	0.01675	0.01244	0.03870	0.03019	0.02236	0.01716
75	0.03080	0.02071	0.06001	0.03915	0.03585	0.02665
80	0.05270	0.03749	0.08388	0.05555	0.06926	0.04528
85	0.09775	0.07005	0.14035	0.09577	0.11799	0.08017
90	0.16747	0.12404	0.21554	0.14949	0.16575	0.13775
95	0.25659	0.21556	0.31025	0.23055	0.26108	0.23331
100	0.34551	0.31876	0.45905	0.37662	0.40918	0.35165
105	0.58527	0.56093	0.67923	0.61523	0.64127	0.60135
110	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000

APPENDIX A**Marital Status**

For active members, a percentage married upon retirement is assumed according to the following table.

<u>Member Category</u>	<u>Percent Married</u>
Miscellaneous Member	85%
Local Police	90%
Local Fire	90%
Other Local Safety	90%
School Police	90%

Age of Spouse

It is assumed that female spouses are 3 years younger than male spouses. This assumption is used for all plans.

Terminated Members

It is assumed that terminated members refund immediately if non-vested. Terminated members who are vested are assumed to follow the same service retirement pattern as active members but with a load to reflect the expected higher rates of retirement, especially at lower ages. The following table shows the load factors that are applied to the service retirement assumption for active members to obtain the service retirement pattern for separated vested members:

<u>Age</u>	<u>Load Factor</u>
50	450%
51	250%
52 through 56	200%
57 through 60	150%
61 through 64	125%
65 and above	100% (no change)

Termination with Refund

Rates vary by entry age and service for Miscellaneous Plans. Rates vary by service for Safety Plans. See sample rates in tables below.

Public Agency Miscellaneous

<u>Duration of Service</u>	<u>Entry Age 20</u>	<u>Entry Age 25</u>	<u>Entry Age 30</u>	<u>Entry Age 35</u>	<u>Entry Age 40</u>	<u>Entry Age 45</u>
0	0.1742	0.1674	0.1606	0.1537	0.1468	0.1400
1	0.1545	0.1477	0.1409	0.1339	0.1271	0.1203
2	0.1348	0.1280	0.1212	0.1142	0.1074	0.1006
3	0.1151	0.1083	0.1015	0.0945	0.0877	0.0809
4	0.0954	0.0886	0.0818	0.0748	0.0680	0.0612
5	0.0212	0.0193	0.0174	0.0155	0.0136	0.0116
10	0.0138	0.0121	0.0104	0.0088	0.0071	0.0055
15	0.0060	0.0051	0.0042	0.0032	0.0023	0.0014
20	0.0037	0.0029	0.0021	0.0013	0.0005	0.0001
25	0.0017	0.0011	0.0005	0.0001	0.0001	0.0001
30	0.0005	0.0001	0.0001	0.0001	0.0001	0.0001
35	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001

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Public Agency Safety			
<u>Duration of Service</u>	<u>Fire</u>	<u>Police</u>	<u>County Peace Officer</u>
0	0.0710	0.1013	0.0997
1	0.0554	0.0636	0.0782
2	0.0398	0.0271	0.0566
3	0.0242	0.0258	0.0437
4	0.0218	0.0245	0.0414
5	0.0029	0.0086	0.0145
10	0.0009	0.0053	0.0089
15	0.0006	0.0027	0.0045
20	0.0005	0.0017	0.0020
25	0.0003	0.0012	0.0009
30	0.0003	0.0009	0.0006
35	0.0003	0.0009	0.0006

The Police Termination and Refund rates are used for Public Agency Local Prosecutors, Other Safety, Local Sheriff, and School Police.

Schools						
<u>Duration of Service</u>	<u>Entry Age 20</u>	<u>Entry Age 25</u>	<u>Entry Age 30</u>	<u>Entry Age 35</u>	<u>Entry Age 40</u>	<u>Entry Age 45</u>
0	0.1730	0.1627	0.1525	0.1422	0.1319	0.1217
1	0.1585	0.1482	0.1379	0.1277	0.1174	0.1071
2	0.1440	0.1336	0.1234	0.1131	0.1028	0.0926
3	0.1295	0.1192	0.1089	0.0987	0.0884	0.0781
4	0.1149	0.1046	0.0944	0.0841	0.0738	0.0636
5	0.0278	0.0249	0.0221	0.0192	0.0164	0.0135
10	0.0172	0.0147	0.0122	0.0098	0.0074	0.0049
15	0.0115	0.0094	0.0074	0.0053	0.0032	0.0011
20	0.0073	0.0055	0.0038	0.0020	0.0002	0.0002
25	0.0037	0.0023	0.0010	0.0002	0.0002	0.0002
30	0.0015	0.0003	0.0002	0.0002	0.0002	0.0002
35	0.0002	0.0002	0.0002	0.0002	0.0002	0.0002

Termination with Vested Benefits

Rate vary by entry age and service for Miscellaneous Plans. Rates vary by service for Safety Plans. See sample rates in tables below.

Public Agency Miscellaneous					
<u>Duration of Service</u>	<u>Entry Age 20</u>	<u>Entry Age 25</u>	<u>Entry Age 30</u>	<u>Entry Age 35</u>	<u>Entry Age 40</u>
5	0.0656	0.0597	0.0537	0.0477	0.0418
10	0.0530	0.0466	0.0403	0.0339	0.0000
15	0.0443	0.0373	0.0305	0.0000	0.0000
20	0.0333	0.0261	0.0000	0.0000	0.0000
25	0.0212	0.0000	0.0000	0.0000	0.0000
30	0.0000	0.0000	0.0000	0.0000	0.0000
35	0.0000	0.0000	0.0000	0.0000	0.0000

APPENDIX A**Public Agency Safety**

Duration of Service	Fire	Police	County Peace Officer
5	0.0162	0.0163	0.0265
10	0.0061	0.0126	0.0204
15	0.0058	0.0082	0.0130
20	0.0053	0.0065	0.0074
25	0.0047	0.0058	0.0043
30	0.0045	0.0056	0.0030
35	0.0000	0.0000	0.0000

- When a member is eligible to retire, the termination with vested benefits probability is set to zero.
- After termination with vested benefits, a miscellaneous member is assumed to retire at age 59 and a safety member at age 54.
- The Police Termination with vested benefits rates are used for Public Agency Local Prosecutors, Other Safety, Local Sheriff, and School Police.

Schools

Duration of Service	Entry Age 20	Entry Age 25	Entry Age 30	Entry Age 35	Entry Age 40
5	0.0816	0.0733	0.0649	0.0566	0.0482
10	0.0629	0.0540	0.0450	0.0359	0.0000
15	0.0537	0.0440	0.0344	0.0000	0.0000
20	0.0420	0.0317	0.0000	0.0000	0.0000
25	0.0291	0.0000	0.0000	0.0000	0.0000
30	0.0000	0.0000	0.0000	0.0000	0.0000
35	0.0000	0.0000	0.0000	0.0000	0.0000

APPENDIX A

Non-Industrial (Not Job-Related) Disability

Rates vary by age and gender for Miscellaneous Plans.

Rates vary by age for Safety Plans

Age	Miscellaneous		Fire	Police	County Peace Officer	Schools	
	Male	Female	Male and Female	Male and Female	Male and Female	Male	Female
20	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
25	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
30	0.0002	0.0002	0.0001	0.0002	0.0001	0.0002	0.0001
35	0.0006	0.0009	0.0001	0.0003	0.0004	0.0006	0.0004
40	0.0015	0.0016	0.0001	0.0004	0.0007	0.0014	0.0009
45	0.0025	0.0024	0.0002	0.0005	0.0013	0.0028	0.0017
50	0.0033	0.0031	0.0005	0.0008	0.0018	0.0044	0.0030
55	0.0037	0.0031	0.0010	0.0013	0.0010	0.0049	0.0034
60	0.0038	0.0025	0.0015	0.0020	0.0006	0.0043	0.0024

- The Miscellaneous Non-Industrial Disability rates are used for Local Prosecutors.
- The Police Non-Industrial Disability rates are used for Other Safety, Local Sheriff, and School Police.

Industrial (Job-Related) Disability

Rates vary by age and category.

Age	Fire	Police	County Peace Officer
20	0.0002	0.0007	0.0003
25	0.0012	0.0032	0.0015
30	0.0025	0.0064	0.0031
35	0.0037	0.0097	0.0046
40	0.0049	0.0129	0.0063
45	0.0061	0.0161	0.0078
50	0.0074	0.0192	0.0101
55	0.0721	0.0668	0.0173
60	0.0721	0.0668	0.0173

- The Police Industrial Disability rates are used for Local Sheriff and Other Safety.
- Fifty Percent of the Police Industrial Disability rates are used for School Police.
- One Percent of the Police Industrial Disability rates are used for Local Prosecutors.
- Normally, rates are zero for Miscellaneous Plans unless the agency has specifically contracted for Industrial Disability benefits. If so, each Miscellaneous Non-Industrial Disability rate will be split into two components: 50% will become the Non-Industrial Disability rate and 50% will become the Industrial Disability rate.

APPENDIX A**Service Retirement****Public Agency Miscellaneous 2% @ 60**

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.011	0.015	0.018	0.021	0.023	0.026
51	0.009	0.013	0.016	0.018	0.020	0.023
52	0.013	0.018	0.022	0.025	0.028	0.031
53	0.011	0.016	0.019	0.022	0.025	0.028
54	0.015	0.021	0.025	0.028	0.032	0.036
55	0.023	0.032	0.039	0.044	0.049	0.055
56	0.019	0.027	0.032	0.037	0.041	0.046
57	0.025	0.035	0.042	0.048	0.054	0.060
58	0.030	0.042	0.051	0.058	0.065	0.073
59	0.035	0.049	0.060	0.068	0.076	0.085
60	0.062	0.087	0.105	0.119	0.133	0.149
61	0.079	0.110	0.134	0.152	0.169	0.190
62	0.132	0.186	0.225	0.255	0.284	0.319
63	0.126	0.178	0.216	0.244	0.272	0.305
64	0.122	0.171	0.207	0.234	0.262	0.293
65	0.173	0.243	0.296	0.334	0.373	0.418
66	0.114	0.160	0.194	0.219	0.245	0.274
67	0.159	0.223	0.271	0.307	0.342	0.384
68	0.113	0.159	0.193	0.218	0.243	0.273
69	0.114	0.161	0.195	0.220	0.246	0.276
70	0.127	0.178	0.216	0.244	0.273	0.306

Public Agency Miscellaneous 2% @ 55

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.015	0.020	0.024	0.029	0.033	0.039
51	0.013	0.016	0.020	0.024	0.027	0.033
52	0.014	0.018	0.022	0.027	0.030	0.036
53	0.017	0.022	0.027	0.032	0.037	0.043
54	0.027	0.034	0.041	0.049	0.056	0.067
55	0.050	0.064	0.078	0.094	0.107	0.127
56	0.045	0.057	0.069	0.083	0.095	0.113
57	0.048	0.061	0.074	0.090	0.102	0.122
58	0.052	0.066	0.080	0.097	0.110	0.131
59	0.060	0.076	0.092	0.111	0.127	0.151
60	0.072	0.092	0.112	0.134	0.153	0.182
61	0.089	0.113	0.137	0.165	0.188	0.224
62	0.128	0.162	0.197	0.237	0.270	0.322
63	0.129	0.164	0.199	0.239	0.273	0.325
64	0.116	0.148	0.180	0.216	0.247	0.294
65	0.174	0.221	0.269	0.323	0.369	0.439
66	0.135	0.171	0.208	0.250	0.285	0.340
67	0.133	0.169	0.206	0.247	0.282	0.336
68	0.118	0.150	0.182	0.219	0.250	0.297
69	0.116	0.147	0.179	0.215	0.246	0.293
70	0.138	0.176	0.214	0.257	0.293	0.349

APPENDIX A

Public Agency Miscellaneous 2.5% @ 55

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.026	0.033	0.040	0.048	0.055	0.062
51	0.021	0.026	0.032	0.038	0.043	0.049
52	0.021	0.026	0.032	0.038	0.043	0.049
53	0.026	0.033	0.040	0.048	0.055	0.062
54	0.043	0.054	0.066	0.078	0.089	0.101
55	0.088	0.112	0.136	0.160	0.184	0.208
56	0.055	0.070	0.085	0.100	0.115	0.130
57	0.061	0.077	0.094	0.110	0.127	0.143
58	0.072	0.091	0.111	0.130	0.150	0.169
59	0.083	0.105	0.128	0.150	0.173	0.195
60	0.088	0.112	0.136	0.160	0.184	0.208
61	0.083	0.105	0.128	0.150	0.173	0.195
62	0.121	0.154	0.187	0.220	0.253	0.286
63	0.105	0.133	0.162	0.190	0.219	0.247
64	0.105	0.133	0.162	0.190	0.219	0.247
65	0.143	0.182	0.221	0.260	0.299	0.338
66	0.105	0.133	0.162	0.190	0.219	0.247
67	0.105	0.133	0.162	0.190	0.219	0.247
68	0.105	0.133	0.162	0.190	0.219	0.247
69	0.105	0.133	0.162	0.190	0.219	0.247
70	0.125	0.160	0.194	0.228	0.262	0.296

Public Agency Miscellaneous 2.7% @ 55

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.028	0.035	0.043	0.050	0.058	0.065
51	0.022	0.028	0.034	0.040	0.046	0.052
52	0.022	0.028	0.034	0.040	0.046	0.052
53	0.028	0.035	0.043	0.050	0.058	0.065
54	0.044	0.056	0.068	0.080	0.092	0.104
55	0.091	0.116	0.140	0.165	0.190	0.215
56	0.061	0.077	0.094	0.110	0.127	0.143
57	0.063	0.081	0.098	0.115	0.132	0.150
58	0.074	0.095	0.115	0.135	0.155	0.176
59	0.083	0.105	0.128	0.150	0.173	0.195
60	0.088	0.112	0.136	0.160	0.184	0.208
61	0.085	0.109	0.132	0.155	0.178	0.202
62	0.124	0.158	0.191	0.225	0.259	0.293
63	0.107	0.137	0.166	0.195	0.224	0.254
64	0.107	0.137	0.166	0.195	0.224	0.254
65	0.146	0.186	0.225	0.265	0.305	0.345
66	0.107	0.137	0.166	0.195	0.224	0.254
67	0.107	0.137	0.166	0.195	0.224	0.254
68	0.107	0.137	0.166	0.195	0.224	0.254
69	0.107	0.137	0.166	0.195	0.224	0.254
70	0.129	0.164	0.199	0.234	0.269	0.304

APPENDIX A**Public Agency Miscellaneous 3% @ 60**

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.026	0.033	0.040	0.048	0.055	0.062
51	0.021	0.026	0.032	0.038	0.043	0.049
52	0.019	0.025	0.030	0.035	0.040	0.046
53	0.025	0.032	0.038	0.045	0.052	0.059
54	0.039	0.049	0.060	0.070	0.081	0.091
55	0.083	0.105	0.128	0.150	0.173	0.195
56	0.055	0.070	0.085	0.100	0.115	0.130
57	0.061	0.077	0.094	0.110	0.127	0.143
58	0.072	0.091	0.111	0.130	0.150	0.169
59	0.080	0.102	0.123	0.145	0.167	0.189
60	0.094	0.119	0.145	0.170	0.196	0.221
61	0.088	0.112	0.136	0.160	0.184	0.208
62	0.127	0.161	0.196	0.230	0.265	0.299
63	0.110	0.140	0.170	0.200	0.230	0.260
64	0.110	0.140	0.170	0.200	0.230	0.260
65	0.149	0.189	0.230	0.270	0.311	0.351
66	0.110	0.140	0.170	0.200	0.230	0.260
67	0.110	0.140	0.170	0.200	0.230	0.260
68	0.110	0.140	0.170	0.200	0.230	0.260
69	0.110	0.140	0.170	0.200	0.230	0.260
70	0.132	0.168	0.204	0.240	0.276	0.312

Public Agency Fire ½ @ 55 and 2% @ 55

Age	Rate	Age	Rate
50	0.01588	56	0.11079
51	0.00000	57	0.00000
52	0.03442	58	0.09499
53	0.01990	59	0.04409
54	0.04132	60	1.00000
55	0.07513		

Public Agency Police ½ @ 55 and 2% @ 55

Age	Rate	Age	Rate
50	0.02552	56	0.06921
51	0.00000	57	0.05113
52	0.01637	58	0.07241
53	0.02717	59	0.07043
54	0.00949	60	1.00000
55	0.16674		

APPENDIX A**Public Agency Police 2%@ 50**

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.014	0.014	0.014	0.014	0.025	0.045
51	0.012	0.012	0.012	0.012	0.023	0.040
52	0.026	0.026	0.026	0.026	0.048	0.086
53	0.052	0.052	0.052	0.052	0.096	0.171
54	0.070	0.070	0.070	0.070	0.128	0.227
55	0.090	0.090	0.090	0.090	0.165	0.293
56	0.064	0.064	0.064	0.064	0.117	0.208
57	0.071	0.071	0.071	0.071	0.130	0.232
58	0.063	0.063	0.063	0.063	0.115	0.205
59	0.140	0.140	0.140	0.140	0.174	0.254
60	0.140	0.140	0.140	0.140	0.172	0.251
61	0.140	0.140	0.140	0.140	0.172	0.251
62	0.140	0.140	0.140	0.140	0.172	0.251
63	0.140	0.140	0.140	0.140	0.172	0.251
64	0.140	0.140	0.140	0.140	0.172	0.251
65	1.000	1.000	1.000	1.000	1.000	1.000

- These rates also apply to Local Prosecutors, Local Sheriff, School Police, and Other Safety.

Public Agency Fire 2%@50

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.007	0.007	0.007	0.007	0.010	0.015
51	0.008	0.008	0.008	0.008	0.013	0.019
52	0.017	0.017	0.017	0.017	0.027	0.040
53	0.047	0.047	0.047	0.047	0.072	0.107
54	0.064	0.064	0.064	0.064	0.098	0.147
55	0.087	0.087	0.087	0.087	0.134	0.200
56	0.078	0.078	0.078	0.078	0.120	0.180
57	0.090	0.090	0.090	0.090	0.139	0.208
58	0.079	0.079	0.079	0.079	0.122	0.182
59	0.073	0.073	0.073	0.073	0.112	0.168
60	0.114	0.114	0.114	0.114	0.175	0.262
61	0.114	0.114	0.114	0.114	0.175	0.262
62	0.114	0.114	0.114	0.114	0.175	0.262
63	0.114	0.114	0.114	0.114	0.175	0.262
64	0.114	0.114	0.114	0.114	0.175	0.262
65	1.000	1.000	1.000	1.000	1.000	1.000

APPENDIX A**Public Agency Police 3%@ 55**

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.019	0.019	0.019	0.019	0.040	0.060
51	0.024	0.024	0.024	0.024	0.049	0.074
52	0.024	0.024	0.024	0.024	0.051	0.077
53	0.059	0.059	0.059	0.059	0.121	0.183
54	0.069	0.069	0.069	0.069	0.142	0.215
55	0.116	0.116	0.116	0.116	0.240	0.363
56	0.076	0.076	0.076	0.076	0.156	0.236
57	0.058	0.058	0.058	0.058	0.120	0.181
58	0.076	0.076	0.076	0.076	0.157	0.237
59	0.094	0.094	0.094	0.094	0.193	0.292
60	0.141	0.141	0.141	0.141	0.290	0.438
61	0.094	0.094	0.094	0.094	0.193	0.292
62	0.118	0.118	0.118	0.118	0.241	0.365
63	0.094	0.094	0.094	0.094	0.193	0.292
64	0.094	0.094	0.094	0.094	0.193	0.292
65	1.000	1.000	1.000	1.000	1.000	1.000

- These rates also apply to Local Prosecutors, Local Sheriff, School Police, and Other Safety.

Public Agency Fire 3%@55

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.012	0.012	0.012	0.018	0.028	0.033
51	0.008	0.008	0.008	0.012	0.019	0.022
52	0.018	0.018	0.018	0.027	0.042	0.050
53	0.043	0.043	0.043	0.062	0.098	0.114
54	0.057	0.057	0.057	0.083	0.131	0.152
55	0.092	0.092	0.092	0.134	0.211	0.246
56	0.081	0.081	0.081	0.118	0.187	0.218
57	0.100	0.100	0.100	0.146	0.230	0.268
58	0.081	0.081	0.081	0.119	0.187	0.219
59	0.078	0.078	0.078	0.113	0.178	0.208
60	0.117	0.117	0.117	0.170	0.267	0.312
61	0.078	0.078	0.078	0.113	0.178	0.208
62	0.098	0.098	0.098	0.141	0.223	0.260
63	0.078	0.078	0.078	0.113	0.178	0.208
64	0.078	0.078	0.078	0.113	0.178	0.208
65	1.000	1.000	1.000	1.000	1.000	1.000

APPENDIX A

Public Agency Police 3%@ 50

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.070	0.070	0.070	0.131	0.193	0.249
51	0.050	0.050	0.050	0.095	0.139	0.180
52	0.061	0.061	0.061	0.116	0.171	0.220
53	0.069	0.069	0.069	0.130	0.192	0.247
54	0.071	0.071	0.071	0.134	0.197	0.255
55	0.090	0.090	0.090	0.170	0.250	0.322
56	0.069	0.069	0.069	0.130	0.191	0.247
57	0.080	0.080	0.080	0.152	0.223	0.288
58	0.087	0.087	0.087	0.164	0.242	0.312
59	0.090	0.090	0.090	0.170	0.251	0.323
60	0.135	0.135	0.135	0.255	0.377	0.485
61	0.090	0.090	0.090	0.170	0.251	0.323
62	0.113	0.113	0.113	0.213	0.314	0.404
63	0.090	0.090	0.090	0.170	0.251	0.323
64	0.090	0.090	0.090	0.170	0.251	0.323
65	1.000	1.000	1.000	1.000	1.000	1.000

- These rates also apply to Local Prosecutors, Local Sheriff, School Police, and Other Safety.

Public Agency Fire 3%@50

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.034	0.034	0.034	0.048	0.068	0.080
51	0.046	0.046	0.046	0.065	0.092	0.109
52	0.069	0.069	0.069	0.097	0.138	0.163
53	0.084	0.084	0.084	0.117	0.166	0.197
54	0.103	0.103	0.103	0.143	0.204	0.241
55	0.127	0.127	0.127	0.177	0.252	0.298
56	0.121	0.121	0.121	0.169	0.241	0.285
57	0.101	0.101	0.101	0.141	0.201	0.238
58	0.118	0.118	0.118	0.165	0.235	0.279
59	0.100	0.100	0.100	0.140	0.199	0.236
60	0.150	0.150	0.150	0.210	0.299	0.354
61	0.100	0.100	0.100	0.140	0.199	0.236
62	0.125	0.125	0.125	0.175	0.249	0.295
63	0.100	0.100	0.100	0.140	0.199	0.236
64	0.100	0.100	0.100	0.140	0.199	0.236
65	1.000	1.000	1.000	1.000	1.000	1.000

APPENDIX A**Schools 2%@ 55**

Age	Duration of Service					
	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.005	0.009	0.013	0.015	0.016	0.018
51	0.005	0.010	0.014	0.017	0.019	0.021
52	0.006	0.012	0.017	0.020	0.022	0.025
53	0.007	0.014	0.019	0.023	0.026	0.029
54	0.012	0.024	0.033	0.039	0.044	0.049
55	0.024	0.048	0.067	0.079	0.088	0.099
56	0.020	0.039	0.055	0.065	0.072	0.081
57	0.021	0.042	0.059	0.070	0.078	0.087
58	0.025	0.050	0.070	0.083	0.092	0.103
59	0.029	0.057	0.080	0.095	0.105	0.118
60	0.037	0.073	0.102	0.121	0.134	0.150
61	0.046	0.090	0.126	0.149	0.166	0.186
62	0.076	0.151	0.212	0.250	0.278	0.311
63	0.069	0.136	0.191	0.225	0.251	0.281
64	0.067	0.133	0.185	0.219	0.244	0.273
65	0.091	0.180	0.251	0.297	0.331	0.370
66	0.072	0.143	0.200	0.237	0.264	0.295
67	0.067	0.132	0.185	0.218	0.243	0.272
68	0.060	0.118	0.165	0.195	0.217	0.243
69	0.067	0.133	0.187	0.220	0.246	0.275
70	0.066	0.131	0.183	0.216	0.241	0.270

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- **SUMMARY OF PRINCIPAL PLAN PROVISIONS**

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The following is a description of the principal plan provisions used in calculating the liabilities of the Miscellaneous 2.5% at 55 Risk Pool. Plan provisions are divided based on whether they are standard, Class 1, Class 2 or Class 3 benefits. Standard benefits are applicable to all members of the risk pool while Class 1, 2 or 3 benefits vary among employers. Provided at the end of the listing is a table providing the percentage of members participating in the pool that are subject to each benefit.

Many of the statements in this summary are general in nature, and are intended to provide an easily understood summary of the complex Public Employees' Retirement Law. The law itself governs in all situations.

Service Retirement

Eligibility

A CalPERS member becomes eligible for Service Retirement upon attainment of age 50 with at least 5 years of credited service (total service across all CalPERS employers, and with certain other Retirement Systems with which CalPERS has reciprocity agreements)

Benefit

The Service Retirement benefit calculated for service earned by this group of employees is a monthly allowance equal to the product of the *benefit factor*, *years of service*, and *final compensation*, where

- The *benefit factor* for this group of employees comes from the **2.5% at 55 Miscellaneous** benefit formula factor table. The factor depends on the member's age at retirement. Listed below are the factors for retirement at whole year ages:

Retirement Age	2.5% at 55 Miscellaneous Factor
50	2.0%
51	2.1%
52	2.2%
53	2.3%
54	2.4%
55 & Up	2.5%

- The *years of service* is the amount credited by CalPERS to a member while he or she is employed in this group (or for other periods that are recognized under the employer's contract with CalPERS). For a member who has earned service with multiple CalPERS employers, the benefit from each employer is calculated separately according to each employer's contract, and then added together for the total allowance. Any unused sick leave accumulated at the time of retirement will be converted to credited service at a rate of 0.004 years of service for each day of sick leave.
- The *final compensation* is the monthly average of the member's highest 36 or 12 consecutive months' full-time equivalent monthly pay (no matter which CalPERS employer paid this compensation). The standard benefit available to all members is 36 months. Employers have the option of providing a final compensation equal to the highest 12 consecutive months by contracting for this class 1 optional benefit.
- For employees covered by the modified formula, the final compensation is offset by \$133.33 (or by one third if the final compensation is less than \$400). Employers have the option to contract for the class 3 benefit that will eliminate the offset applicable to the final compensation of employees covered by a modified formula.
- The Miscellaneous Service Retirement benefit is not capped. The Safety Service Retirement benefit is capped at 90% of final compensation.

Vested Deferred Retirement

Eligibility for Deferred Status

A CalPERS member becomes eligible for a deferred vested retirement benefit when he or she leaves employment, keeps his or her contribution account balance on deposit with CalPERS, **and** has earned at least 5 years of credited service (total service across all CalPERS employers, and with certain other Retirement Systems with which CalPERS has reciprocity agreements).

Eligibility to Start Receiving Benefits

The CalPERS member becomes eligible to receive the deferred retirement benefit upon satisfying the eligibility requirements for Deferred Status and upon attainment of age 50.

Benefit

The vested deferred retirement benefit is the same as the Service Retirement benefit, where the benefit factor is based on the member's age at allowance commencement. For members who have earned service with multiple CalPERS employers, the benefit from each employer is calculated separately according to each employer's contract, and then added together for the total allowance.

Non-Industrial (Non-Job Related) Disability Retirement

Eligibility

A CalPERS member is eligible for Non-Industrial Disability Retirement if he or she becomes *disabled* and has at least 5 years of credited service (total service across all CalPERS employers, and with certain other Retirement Systems with which CalPERS has reciprocity agreements). There is no special age requirement. *Disabled* means the member is unable to perform his or her job because of an illness or injury which is expected to be permanent or to last indefinitely. The illness or injury does not have to be job related. A CalPERS member must be actively working with any CalPERS employer at the time of disability in order to be eligible for this benefit.

Standard Benefit

The standard Non-Industrial Disability Retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by *service*, which is determined as follows:

- *service* is CalPERS credited service, for members with less than 10 years of service or greater than 18.518 years of service; or
- *service* is CalPERS credited service plus the additional number of years that the member would have worked until age 60, for members with at least 10 years but not more than 18.518 years of service. The maximum benefit in this case is 33 1/3% of Final Compensation.

Members who are eligible for a larger service retirement benefit may choose to receive that benefit in lieu of a disability benefit. Members eligible to retire, and who have attained the normal retirement age determined by their service retirement benefit formula, will receive the same dollar amount for disability retirement as that payable for service retirement. For members who have earned service with multiple CalPERS employers, the benefit attributed to each employer is the total disability allowance multiplied by the ratio of service with a particular employer to the total CalPERS service.

Improved Benefit

Employers have the option of providing this improved benefit by contracting for this class 3 optional benefit.

The improved Non-Industrial Disability Retirement benefit is a monthly allowance equal to 30% of final compensation for the first 5 years of service, plus 1% for each additional year of service to a maximum of 50% of final compensation.

Members who are eligible for a larger service retirement benefit may choose to receive that benefit in lieu of a disability benefit. Members eligible to retire, and who have attained the normal retirement age determined by

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their service retirement benefit formula, will receive the same dollar amount for disability retirement as that payable for service retirement. For members who have earned service with multiple CalPERS employers, the benefit attributed to each employer is the total disability allowance multiplied by the ratio of service with a particular employer to the total CalPERS service.

Industrial (Job Related) Disability Retirement

Employers have the option of providing this improved benefit by contracting for this class 1 optional benefit.

Eligibility

An employee is eligible for Industrial Disability Retirement if he or she becomes disabled while working, where disabled means the member is unable to perform the duties of the job because of a work-related illness or injury which is expected to be permanent or to last indefinitely. A CalPERS member who has left active employment within this group is not eligible for this benefit, except to the extent described in the next paragraph.

Standard Benefit

The standard Industrial Disability Retirement benefit is a monthly allowance equal to 50% of final compensation. For a CalPERS member not actively employed in this group who became disabled while employed by some other CalPERS employer, the benefit is a return of or annuitization of the accumulated member contributions with respect to employment in this group. However, if a member is eligible for Service Retirement and if the Service Retirement benefit is more than the Industrial Disability Retirement benefit, the member may choose to receive the larger benefit.

Increased Benefit (75% of Final Compensation)

The increased Industrial Disability Retirement benefit is a monthly allowance equal to 75% of final compensation for total disability. For a CalPERS member not actively employed in this group who became disabled while employed by some other CalPERS employer, the benefit is a return of or annuitization of the accumulated member contributions with respect to employment in this group. However, if a member is eligible for Service Retirement and if the Service Retirement benefit is more than the Industrial Disability Retirement benefit, the member may choose to receive the larger benefit.

Post-Retirement Death Benefit

Standard Lump Sum Payment

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Improved Lump Sum Payment

Employers have the option of providing any of these improved lump sum death benefit by contracting for any of these class 3 optional benefits.

Upon the death of a retiree, a one-time lump sum payment of \$600, \$2,000, \$3,000, \$4,000 or \$5,000 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Form of Payment for Retirement Allowance

Standard Form of Payment

Generally, the retirement allowance is paid to the retiree in the form of an annuity for as long as he or she is alive. The retiree may choose to provide for a portion of his or her allowance to be paid to any designated beneficiary after the retiree's death. CalPERS provides for a variety of such benefit options, which the retiree

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pays for by taking a reduction in his or her retirement allowance. The larger the amount to be provided to the beneficiary is, and the younger the beneficiary is, the greater the reduction to the retiree's allowance.

Improved Form of Payment (Post Retirement Survivor Allowance)

Employers have the option to contract for this class 1 benefit providing an improved post retirement survivor allowance.

For retirement allowances with respect to service subject to the modified formula, 25% of the retirement allowance will automatically be continued to certain statutory beneficiaries upon the death of the retiree, without a reduction in the retiree's allowance. For retirement allowances with respect to service subject to the full formula, 50% of the retirement allowance will automatically be continued to certain statutory beneficiaries upon the death of the retiree, without a reduction in the retiree's allowance. This additional benefit is often referred to as post retirement survivor allowance (PRSA) or simply as survivor continuance.

In other words, 25% or 50% of the allowance, the continuance portion, is paid to the retiree for as long as he or she is alive, and that same amount is continued to the retiree's spouse (or if no eligible spouse, to unmarried children until they attain age 18; or, if no eligible children, to a qualifying dependent parent) for the rest of his or her lifetime. This benefit will not be discontinued in the event the spouse remarries.

The remaining 75% or 50% of the retirement allowance, which may be referred to as the option portion of the benefit, is paid to the retiree as an annuity for as long as he or she is alive. Or, the retiree may choose to provide for some of this option portion to be paid to any designated beneficiary after the retiree's death. CalPERS offers a variety of such benefit options, which the retiree pays for by taking a reduction to the option portion of his or her retirement allowance.

Pre-Retirement Death Benefits

Basic Death Benefit

Eligibility

An employee's beneficiary (or estate) may receive the Basic Death benefit if the member dies while actively employed. A CalPERS member must be actively employed with the CalPERS employer providing this benefit to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit described below may choose to receive that death benefit instead of this Basic Death benefit.

Standard Benefit

The Basic Death Benefit is a lump sum in the amount of the member's accumulated contributions, where interest is currently credited at 7.75% per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

1957 Survivor Benefit

Eligibility

An employee's *eligible survivor(s)* may receive the 1957 Survivor benefit if the member dies while actively employed, has attained at least age 50, and has at least 5 years of credited service (total service across all CalPERS employers and with certain other Retirement Systems with which CalPERS has reciprocity agreements). A CalPERS member must be actively employed with the CalPERS employer providing this benefit to be eligible for this benefit. An eligible survivor means the surviving spouse to whom the member was married at least one year

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before death or, if there is no eligible spouse, to the member's unmarried children under age 18. A member's survivor may choose this benefit in lieu of the Basic Death benefit or the Special Death benefit.

Standard Benefit

The 1957 Survivor benefit is a monthly allowance equal to one-half of the unmodified Service Retirement benefit that the member would have been entitled to receive if the member had retired on the date of his or her death. If the benefit is payable to the spouse, the benefit is discontinued upon the death of the spouse. If the benefit is payable to a dependent child, the benefit will be discontinued upon death or attainment of age 18, unless the child is disabled. There is a guarantee that the total amount paid will at least equal the Basic Death benefit.

Optional Settlement 2W Death Benefit

Eligibility

An employee's *eligible survivor* may receive the Optional Settlement 2W Death benefit if the member dies while actively employed, has attained at least age 50, and has at least 5 years of credited service (total service across all CalPERS employers and with certain other Retirement Systems with which CalPERS has reciprocity agreements). A CalPERS member who is no longer actively employed with **any** CalPERS employer is not eligible for this benefit. An *eligible survivor* means the surviving spouse to whom the member was married at least one year before death. A member's survivor may choose this benefit in lieu of the Basic Death benefit or the 1957 Survivor benefit.

Standard Benefit

The Optional Settlement 2W Death benefit is a monthly allowance equal to the Service Retirement benefit that the member would have received had the member retired on the date of his or her death and elected Optional Settlement 2W. (A retiree who elects Optional Settlement 2W receives an allowance that has been reduced so that it will continue to be paid after his or her death to a surviving beneficiary.) The allowance is payable as long as the surviving spouse lives, at which time it is continued to any unmarried children under age 18, if applicable. There is a guarantee that the total amount paid will at least equal the Basic Death Benefit.

Special Death Benefit

Eligibility

An employee's *eligible survivor(s)* may receive the Special Death benefit if the member dies while actively employed and the death is job-related. A CalPERS member who is no longer actively employed with **any** CalPERS employer is not eligible for this benefit. An *eligible survivor* means the surviving spouse to whom the member was married prior to the onset of the injury or illness that resulted in death. If there is no eligible spouse, an eligible survivor means the member's unmarried children under age 22. An eligible survivor who chooses to receive this benefit will not receive any other death benefit.

Improved Benefit

The Special Death benefit is a monthly allowance equal to 50% of final compensation, and will be increased whenever the compensation paid to active employees is increased but ceasing to increase when the member would have attained age 50. The allowance is payable to the surviving spouse until death at which time the allowance is continued to any unmarried children under age 22. There is a guarantee that the total amount paid will at least equal the Basic Death Benefit.

If the member's death is the result of an accident or injury caused by external violence or physical force incurred in the performance of the member's duty, and there are *eligible* surviving children (*eligible* means unmarried children under age 22) in addition to an eligible spouse, then an **additional monthly allowance** is paid equal to the following:

- if 1 eligible child: 12.5% of final compensation

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- if 2 eligible children: 20.0% of final compensation
- if 3 or more eligible children: 25.0% of final compensation

Cost of Living Adjustments

Standard Benefit

Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2%. However, the cumulative adjustment may not be greater than the cumulative change in the Consumer Price Index since the date of retirement.

Improved Benefit

Employers have the option of providing any of these improved cost-of-living adjustments by contracting for any one of these class 1 optional benefits.

Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by either 3%, 4% or 5%. However, the cumulative adjustment may not be greater than the cumulative change in the Consumer Price Index since the date of retirement.

Purchasing Power Protection Allowance (PPPA)

Retirement and survivor allowances are protected against inflation by PPPA. PPPA benefits are cost-of-living adjustments that are intended to maintain an individual's allowance at 80% of the initial allowance at retirement adjusted for inflation since retirement. The PPPA benefit will be coordinated with other cost-of-living adjustments provided under the plan.

Employee Contributions

Each employee contributes toward his or her retirement based upon the following schedule. The employer may choose to "pick-up" these contributions for the employees.

The percent contributed below the monthly compensation breakpoint is 0%.

The monthly compensation breakpoint is \$0 for full and supplemental formula members, except for those members in the CSU auxiliary organizations where the breakpoint is \$513.

The monthly compensation breakpoint is \$133.33 for employees covered by the modified formula.

The percent contributed above the monthly compensation breakpoint is 8% except for those members in the CSU auxiliary organizations where the contribution rate has been set at the State member level.

Refund of Employee Contributions

If the member's service with the employer ends, and if the member does not satisfy the eligibility conditions for any of the retirement benefits above, the member may elect to receive a refund of his or her employee contributions, which are credited annually with 6% interest.

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- **CLASSIFICATION OF OPTIONAL BENEFITS**
- **EXAMPLE OF INDIVIDUAL AGENCY'S RATE CALCULATION**
- **DISTRIBUTION OF CLASS 1 BENEFITS**

Classification of Optional Benefits

Below is the list of the available optional benefit provisions and their initial classification upon establishment of risk pools. When new benefits become available as a result of legislation, the Chief actuary will determine their classification in accordance with the criteria established in the board policy.

Class 1

Class 1 benefits have been identified to be the more expensive ancillary benefits. These benefits vary by employer across the risk pool. Agencies contracting for a Class 1 benefit will be responsible for the past service liability associated with such benefit and will be required to pay a surcharge established by the actuary to cover the ongoing cost (normal cost) of the Class 1 benefit.

The table below shows the list of Class 1 benefits and their applicable surcharge for the Miscellaneous 2.5% at 55 Risk Pool. Last year's surcharges are shown for comparison.

	June 30, 2008	June 30, 2009
• One Year Final Compensation	0.583%	0.604%
• EPMC 7%	1.005%	1.066%
• EPMC 8%	1.148%	1.219%
• EPMC 9%	N/A	N/A
• 25% PRSA	0.982%	0.903%
• 50% PRSA	0.982%	0.903%
• 3% Annual COLA	1.318%	1.363%
• 4% Annual COLA	1.318%	1.363%
• 5% Annual COLA	1.318%	1.363%
• IDR For Local Miscellaneous Members	0.527%	0.464%
• Increased IDR Allowance to 75% of Compensation	0.930%	0.813%
• Improved Industrial Disability Allowance for Local Safety Members	N/A	N/A
• 1% Employee Cost Sharing	(1.000%)	(1.000%)
• 2% Employee Cost Sharing	(2.000%)	(2.000%)
• .75% Employee Cost Sharing	(0.750%)	(0.750%)
• 7% Employee Contribution Reduction	7.000%	7.000%
• 3.50% Employee Contribution Reduction	3.500%	3.500%
• Employee Contribution Rate for CSUC Auxiliary Organizations Reduced to State Member Level - Covered by Social Security	2.000%	2.000%
• Employee Contribution Rate for CSUC Auxiliary Organizations Reduced to State Member Level - Not Covered by Social Security	1.000%	1.000%
• 1.25% @ 65 Miscellaneous	N/A	N/A
• 2.5% @ 55 Safety	N/A	N/A
• 1/2 @ 55 Safety	N/A	N/A

For employers contracting for more than one Class 1 benefit, the surcharges listed in this table will be added together.

Class 2

Class 2 benefits have been identified to be the ancillary benefits providing one-time increases in benefits. These benefits vary by employer across the risk pool. Agencies contracting for a Class 2 benefit will be responsible for the past service liability associated with such benefit.

The following benefits shall be classified as Class 2:

- One-time 1% to 6% Ad Hoc COLA Increases for members who retired or died prior to January 1, 1998 (Section 21328)

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- "Golden Handshakes" – Section 20903 Two Years Additional Service Credit
- Credit for Prior Service Paid for by the Employer
- Military Service Credit (Section 20996)
- Credit for Local Retirement System Service for Employees of Agencies Contracted on a Prospective basis (Section 20530.1)
- Prior Service Credit for Employees of an Assumed Agency Function (Section 20936)
- Limit Prior Service to Members Employed on Contract Date (Section 20938)
- Public Service Credit for Limited Prior Service (Section 21031)
- Public Service Credit for Employees of an Assumed Agency or Function (Section 21025)

Class 3

Class 3 benefits have been identified to be the less expensive ancillary benefits. Class 3 benefits may vary by rate plan within each risk pool. However, the employer contribution rate will not vary within the risk pool due to the Class 3 benefits.

The following benefits shall be classified as Class 3:

- Full formula plus social security
- Post Retirement Lump Sum Death Benefit
- \$600 lump sum retired death benefit (Section 21622)
- \$2,000 lump sum retired death benefit (Section 21623.5)
- \$3,000 lump sum retired death benefit (Section 21623.5)
- \$4,000 lump sum retired death benefit (Section 21623.5)
- \$5,000 lump sum retired death benefit (Section 21623.5)
- Improved non-industrial disability allowance (Section 21427)
- Special death benefit for local miscellaneous members (Section 21540.5)
- Service Credit Purchased by Member
- Partial Service Retirement (Section 21118)
- Optional Membership for Part Time Employees (Section 20325)
- Extension of Reciprocity Rights for Elective Officers (Section 20356)
- Removal of Contract Exclusions Prospectively Only (Section 20503)
- Alternate Death Benefit for Local Fire Members credited with 20 or more years of service (Section 21547.7)

Example Of Individual Agency's Rate Calculation

An individual employer rate is comprised of several components. These include the pool's net employer normal cost, payment on the pool's unfunded liability, additional surcharge payments for contracted Class 1 benefits, the normal cost phase-out and an agency's payment for their own side fund. An example of the total rate for an employer might look something like this:

Net Pool's Employer Normal Cost	8.715%
Rate Plan Surcharges	<u>0.604%</u>
Total Employer Normal Cost	9.319%
Plus: Pool's Payment on the Amortization Bases	4.034%
Side Fund Amortization Payment	<u>2.600%</u>
Total Employer Rate for fiscal year 2011-2012	15.953%

Details regarding your individual agency's normal cost phase out, side fund and surcharges can be found in Section 1.

Distribution of Class 1 Benefits

	% of members in the pool with contracted benefit
<i>Final Compensation</i>	
One Year Final Compensation	78.9%
Three Years Final Compensation	21.1%
<i>Post Retirement Survivor Continuance (PRSA)</i>	
No PRSA	76.2%
With PRSA	23.8%
<i>Cost-of-Living Adjustments (COLA)</i>	
2% COLA	96.6%
3% COLA	0.8%
4% COLA	1.7%
5% COLA	0.9%
<i>Industrial Disability Benefit</i>	
None	95.0%
Standard Industrial Disability Benefit (50% of Final Compensation)	3.7%
Improved Industrial Disability Benefit (75% of Final Compensation)	1.3%
Improved Industrial Disability Benefit (50% - 90% of Final Compensation)	0.0%

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- **LIST OF PARTICIPATING EMPLOYERS**

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Employer Name

ALAMEDA COUNTY CONGESTION MANAGEMENT AGENCY
ALAMEDA COUNTY SCHOOLS INSURANCE GROUP
ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY
ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY
ALBANY MUNICIPAL SERVICES JOINT POWERS AUTHORITY
ANDERSON FIRE PROTECTION DISTRICT
ARROYO GRANDE DISTRICT CEMETERY
ASSOCIATION OF BAY AREA GOVERNMENTS
ASSOCIATION OF CALIFORNIA WATER AGENCIES
BEAUMONT DISTRICT LIBRARY
BUTTE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT
CALIFORNIA ASSOCIATION FOR PARK AND RECREATION INDEMNITY
CAYUCOS SANITARY DISTRICT
CAYUCOS-MORRO BAY CEMETERY DISTRICT
CENTRAL COUNTY FIRE DEPARTMENT
CENTRAL FIRE PROTECTION DISTRICT OF SANTA CRUZ COUNTY
CHESTER PUBLIC UTILITY DISTRICT
CHINO BASIN WATERMASTER
CHINO VALLEY INDEPENDENT FIRE DISTRICT
CITY OF ALBANY
CITY OF ARROYO GRANDE
CITY OF ATASCA DERO
CITY OF BLUE LAKE
CITY OF BLYTHE
CITY OF CALISTOGA
CITY OF CAPITOLA
CITY OF CHOWCHILLA
CITY OF CRESCENT CITY
CITY OF DIXON
CITY OF DUARTE
CITY OF EAST PALO ALTO
CITY OF FIREBAUGH
CITY OF GRASS VALLEY
CITY OF GROVER BEACH
CITY OF GUSTINE
CITY OF HEALDSBURG
CITY OF HOLLISTER
CITY OF IONE
CITY OF JACKSON
CITY OF LA PUENTE
CITY OF LA QUINTA
CITY OF LA VERNE
CITY OF LAKE ELSINORE
CITY OF LAKEPORT
CITY OF LARKSPUR
CITY OF LEMON GROVE
CITY OF LOMITA
CITY OF MILL VALLEY
CITY OF NEVADA CITY
CITY OF OAKDALE
CITY OF OAKLEY
CITY OF PINOLE
CITY OF PISMO BEACH
CITY OF PLACERVILLE
CITY OF RANCHO MIRAGE
CITY OF RANCHO PALOS VERDES
CITY OF RANCHO SANTA MARGARITA

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CITY OF SAN CARLOS
CITY OF SAN PABLO
CITY OF SANGER
CITY OF SANTA PAULA
CITY OF SAUSALITO
CITY OF SCOTTS VALLEY
CITY OF SIERRA MADRE
CITY OF SOLANA BEACH
CITY OF SOLVANG
CITY OF SOUTH EL MONTE
CITY OF TEMPLE CITY
CITY OF TWENTYNINE PALMS
CITY OF WATERFORD
COASTSIDE COUNTY WATER DISTRICT
CRESTLINE VILLAGE WATER DISTRICT
DE LUZ COMMUNITY SERVICES DISTRICT
DENAIR COMMUNITY SERVICES DISTRICT
DESERT WATER AGENCY
EAST BAY DISCHARGERS AUTHORITY
EASTERN SIERRA TRANSIT AUTHORITY
EXPOSITION METRO LINE CONSTRUCTION AUTHORITY
FALLBROOK PUBLIC UTILITY DISTRICT
FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
FOUNTAIN VALLEY CITY
GOLDEN SIERRA JOB TRAINING AGENCY
GREAT BASIN UNIFIED AIR POLLUTION CONTROL DISTRICT
HEBER PUBLIC UTILITY DISTRICT
HERITAGE RANCH COMMUNITY SERVICES DISTRICT
HI-DESERT WATER DISTRICT
HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
HIGGINS AREA FIRE PROTECTION DISTRICT
KERN COUNTY COUNCIL OF GOVERNMENTS
KIRKWOOD MEADOWS PUBLIC UTILITIES DISTRICT
LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT
LOS ANGELES COUNTY AREA E CIVIL DEFENSE AND DISASTER BOARD
LOS ANGELES COUNTY LAW LIBRARY
LOS ANGELES MEMORIAL COLISEUM COMMISSION
LOS ANGELES TO PASADENA METRO BLUE LINE CONSTRUCTION
MADERA HOUSING AUTHORITY, THE CITY OF
MC FARLAND RECREATION AND PARK DISTRICT
MIDPENINSULA REGIONAL OPEN SPACE DISTRICT
MONTE VISTA COUNTY WATER DISTRICT
NAPA COUNTY TRANSPORTATION AND PLANNING AGENCY
NEVADA COUNTY RESOURCE CONSERVATION DISTRICT
NORTH MARIN WATER DISTRICT
OLIVENHAIN MUNICIPAL WATER DISTRICT
ORO LOMA SANITARY DISTRICT
OXNARD HARBOR DISTRICT
PEBBLE BEACH COMMUNITY SERVICES DISTRICT
PLEASANT VALLEY RECREATION AND PARK DISTRICT
PUBLIC AGENCY RISK SHARING AUTHORITY OF CALIFORNIA
RAINBOW MUNICIPAL WATER DISTRICT
RANCHO CUCAMONGA FIRE PROTECTION DISTRICT
REDWOOD EMPIRE SCHOOL INSURANCE GROUP
REGIONAL COUNCIL OF RURAL COUNTIES
ROSAMOND COMMUNITY SERVICES DISTRICT
ROSE BOWL OPERATING COMPANY
ROWLAND WATER DISTRICT
SACRAMENTO AREA COUNCIL OF GOVERNMENTS

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SACRAMENTO TRANSPORTATION AUTHORITY
SACRAMENTO-YOLO MOSQUITO AND VECTOR CONTROL DISTRICT
SAN BENITO COUNTY WATER DISTRICT
SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT
SAN ELIJO JOINT POWERS AUTHORITY
SAN FRANCISCO BAY AREA WATER EMERGENCY TRANSPORTATION AUTHORITY
SAN LUIS WATER DISTRICT
SAN MATEO COUNTY HARBOR DISTRICT
SANTA CLARA COUNTY LAW LIBRARY
SANTA CRUZ PORT DISTRICT
SEWERAGE COMMISSION--OROVILLE REGION
SHASTA LAKE FIRE PROTECTION DISTRICT
SHASTA LOCAL AGENCY FORMATION COMMISSION
SOQUEL CREEK WATER DISTRICT
SOUTH ORANGE COUNTY WASTE WATER AUTHORITY
SOUTH SAN JOAQUIN IRRIGATION DISTRICT
SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
SOUTHEAST AREA SOCIAL SERVICES FUNDING AUTHORITY
SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
SUMMIT CEMETERY DISTRICT
SUSANVILLE CONSOLIDATED SANITARY DISTRICT
TOWN OF COLMA
TOWN OF CORTE MADERA
TOWN OF FAIRFAX
TOWN OF WOODSIDE
TRABUCO CANYON WATER DISTRICT
TRI-DAM HOUSING AND PERSONNEL AGENCY
TRINDEL INSURANCE FUND
TWIN CITIES POLICE AUTHORITY
UNITED WATER CONSERVATION DISTRICT
VALLEY OF THE MOON WATER DISTRICT
VALLEY SANITARY DISTRICT
VALLEY-WIDE RECREATION AND PARK DISTRICT
VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
WATER FACILITIES AUTHORITY-JOINT POWERS AGENCY
WEST BAY SANITARY DISTRICT
WEST CONTRA COSTA INTEGRATED WASTE MANAGEMENT AUTHORITY
WEST VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT
WEST VALLEY SANITATION DISTRICT OF SANTA CLARA COUNTY
WESTERN MUNICIPAL WATER DISTRICT
WILLOW COUNTY WATER DISTRICT
WILLOW CREEK COMMUNITY SERVICES DISTRICT
WINTERS CEMETERY DISTRICT
YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY
YOLO COUNTY TRANSPORTATION DISTRICT

APPENDIX E

- **INVESTMENT RETURN SENSITIVITY ANALYSIS**

Investment Return Sensitivity Analysis

The investment return realized during a fiscal year first affects the contribution rate for the fiscal year 2 years later. Specifically, the Investment return for 2009-2010 will first be reflected in the June 30, 2010 actuarial valuation that will be used to set the 2012-2013 employer contribution rates and 2010-2011 investment return will first be reflected in the June 30, 2011 actuarial valuation that will be used to set the 2013-2014 employer contribution rates.

In July 2010, the investment return for fiscal year 2009-2010 was announced to be 11.4%. Note that this return is before administrative expenses and also does not reflect final investment return information for real estate and private equities. The final return information for these two asset classes is expected to be available later in October. The preliminary 11.4% return for the 2009-2010 fiscal year is good news as it would help reduce the impact of the -24% return in 2008-2009 and the impact of the three year phase in adopted by the Board in June 2009. For purposes of projecting future employer rates, we are assuming an 11% investment return for fiscal year 2009-2010.

Based on an 11% investment return for fiscal year 2009-2010 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 2012-2013, the effect on the 2012-2013 Employer Rate is as follows:

Estimated 2012-2013 Pool's Base Employer Rate	Estimated Increase in Pool's Base Employer Rate between 2011-2012 and 2012-2013
13.3%	0.6%

As part of this report, a sensitivity analysis was performed to determine the effects of various investment returns during fiscal year 2010-2011 on the 2013-2014 employer rates. Once again, the projected 2013-2014 rate increases assume 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 fiscal year 2013-2014.

Five different 2010-2011 investment return scenarios were selected.

- The first scenario is what one would expect if the markets were to give us a 5th percentile return. The 5th percentile return corresponds to a -11% return for the 2010-2011 fiscal year.
- The second scenario is what one would expect if the markets were to give us a 25th percentile return. The 25th percentile return corresponds to a 0% return for the 2010-2011 fiscal year.
- The third scenario assumed the return for 2010-2011 would be our assumed 7.75% investment return which represents about a 47th percentile event.
- The fourth scenario is what one would expect if the markets were to give us a 75th percentile return. The 75th percentile return corresponds to a 16% return for the 2010-2011 fiscal year.
- Finally, the last scenario is what one would expect if the markets were to give us a 95th percentile return. The 95th percentile return corresponds to a 27% return for the 2010-2011 fiscal year.

The table below shows the estimated 2013-2014 contribution rate and the estimated increase over the 2012-2013 rate for your plan under the five different scenarios.

2010-2011 Investment Return Scenario	Estimated 2013-2014 Pool's Base Employer Rate	Estimated Increase in Pool's Base Employer Rate between 2012-2013 and 2013-2014
-11%	20.1%	6.8%
0%	17.3%	4.0%
7.75%	15.4%	2.1%
16%	13.6%	0.3%
27%	13.5%	0.1%

The rates shown on this page are the Pool's Base Employer Rates. This is the Pool's Net Normal Cost (excluding surcharges for Class 1 Benefits) plus the payment of the pool's amortization bases.

APPENDIX F

- **GLOSSARY OF ACTUARIAL TERMS**

Glossary of Actuarial Terms

Accrued Liability

The total dollars needed as of the valuation date to fund all benefits earned in the past for *current* members.

Actuarial Assumptions

Assumptions made about certain events that will affect pension costs. Assumptions generally can be broken down into two categories: demographic and economic. Demographic assumptions include such things as mortality, disability and retirement rates. Economic assumptions include investment return, salary growth and inflation.

Actuarial Methods

Procedures employed by actuaries to achieve certain goals of a pension plan. These may include things such as funding method, setting the length of time to fund the past service liability and determining the actuarial value of assets.

Actuarial Valuation

The determination, as of a valuation date of the normal cost, actuarial accrued liability, actuarial value of assets and related actuarial present values for a pension plan. These valuations are performed annually or when an employer is contemplating a change to their plan provisions.

Actuarial Value of Assets

The actuarial value of assets used for funding purposes is obtained through an asset smoothing technique where investment gains and losses are partially recognized in the year they are incurred, with the remainder recognized in subsequent years.

This method helps to dampen large fluctuations in the employer contribution rate.

Amortization Bases

Separate payment schedules for different portions of the unfunded liability. The total unfunded liability (or side fund) can be segregated by "cause", creating "bases" and each such base will be separately amortized and paid for over a specific period of time. This can be likened to a home mortgage that has 24 years of remaining payments and a second on that mortgage that has 10 years left. Each base or each mortgage note has its own terms (payment period, principal, etc.)

Generally in an actuarial valuation, the separate bases consist of changes in liability (principal) due to amendments, actuarial assumption changes, or methodology changes and gains and losses. Payment periods are determined by Board policy and vary based on the cause of the change.

Amortization Period

The number of years required to pay off an amortization base.

Annual Required Contributions (ARC)

The employer's periodic required annual contributions to a defined benefit pension plan, calculated in accordance with the plan assumptions. The ARC is determined by multiplying the employer contribution rate by the payroll reported to CalPERS for the applicable fiscal year. However, if this contribution is fully prepaid in a lump sum, then the dollar value of the ARC is equal to the Lump Sum Prepayment.

Class 1 Benefits

Class 1 benefits have been identified to be the more expensive ancillary benefits. These benefits vary by employer across the risk pool. Agencies contracting for a Class 1 benefit will be responsible for the past service liability associated with such benefit and will be required to pay a surcharge established by the actuary to cover the ongoing cost (normal cost) of the Class 1 benefit.

APPENDIX F

Class 2 Benefits

Class 2 benefits have been identified to be the ancillary benefits providing one-time increases in benefits. These benefits vary by employer across the risk pool. Agencies contracting for a Class 2 benefit will be responsible for the past service liability associated with such benefit.

Class 3 Benefits

Class 3 benefits have been identified to be the less expensive ancillary benefits. Class 3 benefits may vary by rate plan within each risk pool. However, the employer contribution rate will not vary within the risk pool due to the Class 3 benefits.

Entry Age

The earliest age at which a plan member begins to accrue benefits under a defined benefit pension Plan or risk pool. In most cases, this is the same as the date of hire.

(The assumed retirement age less the entry age is the amount of time required to fund a member's total benefit. Generally, the older a member is at hire, the greater the entry age normal cost. This is mainly because there is less time to earn investment income to fund the future benefits.)

Excess Assets

When a plan or pool's actuarial value of assets is greater than its accrued liability, the difference is the plan or pool's excess assets. A plan with excess assets is said to be overfunded. The result is that the plan or pool can temporarily reduce future contributions.

Entry Age Normal Cost Method

An actuarial cost method designed to fund a member's total plan benefit over the course of his or her career. This method is designed to produce stable employer contributions in amounts that increase at the same rate as the employer's payroll (i.e. level % of payroll).

Fresh Start

When multiple amortization bases are collapsed into one base and amortized over a new funding period. At CalPERS, fresh starts are used to avoid inconsistencies that would otherwise occur.

Funded Status

A measure of how well funded a plan or risk pool is. Or equivalently, how "on track" a plan or risk pool is with respect to assets vs. accrued liabilities. We calculate a funded ratio by dividing the market value of assets by the accrued liabilities. A ratio greater than 100% means the plan or risk pool has more assets than liabilities and a ratio less than 100% means liabilities are greater than assets.

Normal Cost

The annual cost of service accrual for the upcoming fiscal year for active employees. The normal cost plus surcharges should be viewed as the long term contribution rate.

Pension Actuary

A person who is responsible for the calculations necessary to properly fund a pension plan.

Prepayment Contribution

A payment made by the employer to reduce or eliminate the year's required employer contribution.

Present Value of Benefits

The total dollars needed as of the valuation date to fund all benefits earned in the past or expected to be earned in the future for current members.

Risk Pools

Using the benefit of the law of large numbers, it is a collection of employers for the purpose of sharing risk.

Rolling Amortization Period

An amortization period that remains the same each year or does not decline.

APPENDIX F

Side Fund

At the time of joining a risk pool, a side fund was created to account for the difference between the funded status of the pool and the funded status of your plan. Your side fund will be amortized on an annual basis, with the actuarial investment return assumption. This assumption is currently 7.75%. A positive side fund will cause your required employer contribution rate to be reduced by the Amortization of the Side Fund shown in REQUIRED CONTRIBUTIONS. A negative side fund will cause your required employer contribution rate to be increased by the Amortization of the Side Fund. In the absence of subsequent contract amendments or funding changes, the Side Fund will disappear at the end of the amortization period.

Superfunded

A condition existing when the actuarial value of assets exceeds the present value of benefits. When this condition exists on a given valuation date for a given plan, employee contributions for the rate year covered by that valuation may be waived.

Unfunded Liability

When a plan or pool's actuarial value of assets is less than its accrued liability, the difference is the plan or pool's unfunded liability. The plan or pool will have to temporarily increase contributions.



Item #: 3.F.

CITY COUNCIL AGENDA REPORT

MEETING OF JANUARY 13, 2011

FROM: CITY MANAGER'S DEPARTMENT
DATE: DECEMBER 16, 2010
SUBJECT: ADOPT RESOLUTION AUTHORIZING AN INCREASE IN THE RESIDENTIAL AND COMMERCIAL GARBAGE COLLECTION AND RECYCLING RATES FOR 2011

Recommended Action: By motion and roll call vote, that the City Council adopt the proposed Resolution Approving a Rate Schedule for Residential & Commercial Garbage Collection and Recycling in Capitola Effective January 1, 2011, superseding Resolution No. 3792, as authorized in the Franchise Agreement dated April 24, 2008.

BACKGROUND

The City of Capitola has a franchise agreement with GreenWaste Recovery, Inc., to collect the city's commercial and residential refuse, recycling, yard waste and food waste. GreenWaste Recovery's franchise agreement allows for an annual customer rate increase of 100% of the San Francisco – Oakland – San Jose Bay Area Consumer Price Index (CPI).

DISCUSSION

Green Waste Recovery (GWR) is the City of Capitola's franchise holder for refuse, recycling, yard and food waste collection services. The Franchise Agreement was renewed in April 2008, with an effective date of September 1, 2008 through December 31, 2018. The Agreement allows for an annual rate increase by the CPI, less the tipping fee revenues, effective January 1 of each year of the contract.

To determine the new customer rates, the Agreement allows GWR to increase the rates by 100% of the San Francisco – Oakland – San Jose Bay Area Consumer Price Index for the period ending October 2010, which was 0.910%. The CPI increase may only be applied to that portion (87.56%) of the revenue that excludes the tipping fee revenue; therefore the CPI increase applicable to the non-tipping fee will be 0.796%.

Residential	Current Rates	New Rates
Carts	Monthly	Monthly
35 Gallon	\$ 13.84	\$ 13.95
64 Gallon	\$ 23.54	\$ 23.73

Customers will be notified on their bills, refuse containers, city newsletter and our website.

FISCAL IMPACT

The increase of 0.796% results in the average residential customer increase of \$0.19 cents per/month.

ATTACHMENTS

1. Draft Resolution
2. 2010 Rates

Report Prepared By: Lisa G. Murphy
Assist. to City Manager

Reviewed and Forwarded
By City Manager: 

DRAFT

ATTACHMENT 1

RESOLUTION NO.

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAPITOLA APPROVING A RATE SCHEDULE FOR RESIDENTIAL AND COMMERCIAL GARBAGE COLLECTION AND RECYCLING IN CAPITOLA EFFECTIVE JANUARY 1, 2011 SUPERCEDING RESOLUTION NO. 3792

WHEREAS, the City of Capitola has a franchise agreement with GreenWaste Recovery, Inc., for refuse, recycling, yard and food waste collection; and

WHEREAS, the franchise agreement allows for GreenWaste Recovery to increase the rates annually by 100% of the Consumer Price Index for San Francisco-Oakland-San Jose area which was 0.910% for the period ending October 2010 and that equates to a 0.796% increase based on a formula that excludes the tipping fee revenue; and

WHEREAS, the tipping fee charged by the Monterey Regional Waste Management District (Marina Landfill) did not change, therefore no increase on that portion of that fee will not be passed on to the consumer; and

WHEREAS, the City Council adopted Resolution No. 3792 on December 10, 2009, which adopted a rate schedule effective January 1, 2010; and

WHEREAS, the total fee increase for both commercial and residential will increase by 0.796%, as per the Franchise Agreement dated April 24, 2008, effective January 1, 2011; and

WHEREAS, the City Council considered the garbage rate increase at a public meeting where members of the public had the opportunity to address the council on the proposed increase.

NOW, THEREFORE, BE IT HEREBY RESOLVED that the City Council of the City of Capitola approves the Rate Schedule for Residential and Commercial Refuse, Recycling and Yard Waste in Capitola as shown on the "Schedule of Rates" attached to this resolution (Exhibit A-1, Residential Rates; Exhibit A-2 Commercial Rates) effective January 1, 2011.

BE IT FURTHER RESOLVED that this resolution supercedes Resolution No. 3792.

I HEREBY CERTIFY that the above and foregoing resolution was passed and adopted by the City Council of the City of Capitola at its regular meeting held on the 13th day of January, 2011, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

ATTEST:

Dennis Norton, Mayor

Pamela Greeninger, City Clerk, MMC

**City of Capitola Residential Rate Structure
Contract Year Beginning January 1, 2011**

Residential	# of Carts	CPI Adj 0.796%	
		Monthly	Quarterly
1) <u>Carts</u>			
10 Gallon	1	\$ 10.34	\$ 31.03
20 Gallon	1	\$ 12.31	\$ 36.92
35 Gallon	1	\$ 13.95	\$ 41.84
35 Gallon	2	\$ 27.89	\$ 83.68
35 Gallon	3	\$ 42.94	\$ 128.81
35 Gallon	4	\$ 57.43	\$ 172.30
35 Gallon	5	\$ 71.59	\$ 214.77
35 Gallon	6	\$ 85.91	\$ 257.73
35 Gallon	7	\$ 100.27	\$ 300.80
35 Gallon	8	\$ 111.70	\$ 335.09
64 Gallon	1	\$ 23.73	\$ 71.18
64 Gallon	2	\$ 47.44	\$ 142.33
64 Gallon	3	\$ 189.81	\$ 569.44
96 Gallon	1	\$ 33.62	\$ 100.87
96 Gallon	2	\$ 67.21	\$ 201.64
96 Gallon	3	\$ 100.83	\$ 302.48
96 Gallon	4	\$ 130.65	\$ 391.95
96 Gallon	5	\$ 168.04	\$ 504.12

Items 2 through 6 will not be changed during Franchise Term, i.e., will not receive the COLA adjustment as set forth in section 7.1c

2) Special pick-up for service not on a regular schedule

\$25.00 plus \$2.50 per bag, \$2.75 per 32 gallon can. For other means of bundling or containing, \$2.75 for each equivalent in volume to a 32 gallon can.

3) Special Service for walk-in by driver

\$5.00 per can or bag plus the monthly rate. Except as provided in Section 4.1.B(4).

4) Extra containers picked up at time of regular service shall be billed as in #2 above, but without the \$25.00 charge.

5) Bulky Goods Items Pricing

Furniture	\$15.00	per large item	\$ 10.00
Non-CFC Appliance	25.00	per large item	\$ 15.00
Carpet	\$ 0.50	per square foot	

6) Service Re-Start 25.00

# of bins	Commercial Bins		CPI Increase
	Bin Size	Frequency	0.796%
1	1 cu yd	1	\$ 141.66
1	1 cu yd	2	\$ 214.12
1	1 cu yd	3	\$ 286.44
1	1 cu yd	4	\$ 359.04
1	1 cu yd	5	\$ 431.51
1	1 cu yd	6	\$ 503.96
2	1 cu yd	1	\$ 214.12
2	1 cu yd	2	\$ 359.04
2	1 cu yd	3	\$ 503.96
2	1 cu yd	4	\$ 648.90
2	1 cu yd	5	\$ 793.80
2	1 cu yd	6	\$ 938.72
3	1 cu yd	1	\$ 286.58
3	1 cu yd	2	\$ 503.97
3	1 cu yd	3	\$ 721.49
3	1 cu yd	4	\$ 938.74
3	1 cu yd	5	\$1,156.12
3	1 cu yd	6	\$1,373.48
4	1 cu yd	1	\$ 359.04
4	1 cu yd	2	\$ 648.90
4	1 cu yd	3	\$ 939.02
4	1 cu yd	4	\$1,228.60
4	1 cu yd	5	\$1,518.44
4	1 cu yd	6	\$1,808.24
1	2 cu yd	1	\$ 214.15
1	2 cu yd	2	\$ 359.04
1	2 cu yd	3	\$ 503.96
1	2 cu yd	4	\$ 648.90
1	2 cu yd	5	\$ 793.80
1	2 cu yd	6	\$ 938.72
2	2 cu yd	1	\$ 359.04
2	2 cu yd	2	\$ 648.90
2	2 cu yd	3	\$ 938.73
2	2 cu yd	4	\$1,228.59
2	2 cu yd	5	\$1,518.45
2	2 cu yd	6	\$1,808.30
3	2 cu yd	1	\$ 503.96
3	2 cu yd	2	\$ 938.73
3	2 cu yd	3	\$1,373.51
3	2 cu yd	4	\$1,808.30
3	2 cu yd	5	\$2,243.06

RESOLUTION NO.

1	3 cu yd	1	\$ 286.57
1	3 cu yd	2	\$ 502.52
1	3 cu yd	3	\$ 721.35
1	3 cu yd	4	\$ 938.73
1	3 cu yd	5	\$1,156.13
1	3 cu yd	6	\$1,373.51
2	3 cu yd	1	\$ 503.96
2	3 cu yd	2	\$ 938.73
2	3 cu yd	3	\$1,373.51
2	3 cu yd	4	\$1,808.30
2	3 cu yd	5	\$2,243.06
2	3 cu yd	6	\$2,677.84
3	3 cu yd	1	\$ 721.34
3	3 cu yd	2	\$1,373.51
3	3 cu yd	3	\$2,025.68
3	3 cu yd	4	\$2,677.84
3	3 cu yd	5	\$3,330.00
3	3 cu yd	6	\$3,982.16
4	3 cu yd	1	\$ 938.73
4	3 cu yd	2	\$1,808.30
4	3 cu yd	3	\$2,677.84
4	3 cu yd	4	\$3,547.38
4	3 cu yd	5	\$4,416.96
4	3 cu yd	6	\$5,286.47
1	4 cu yd	1	\$ 359.04
1	4 cu yd	2	\$ 648.90
1	4 cu yd	3	\$ 938.73
1	4 cu yd	4	\$1,228.59
1	4 cu yd	5	\$1,518.45
1	4 cu yd	6	\$1,808.30
2	4 cu yd	1	\$ 648.90
2	4 cu yd	2	\$1,228.59
2	4 cu yd	3	\$1,808.30
2	4 cu yd	4	\$2,456.75
2	4 cu yd	5	\$2,967.67
2	4 cu yd	6	\$3,547.38
3	4 cu yd	1	\$ 938.26
3	4 cu yd	2	\$1,808.30
3	4 cu yd	3	\$2,677.84
3	4 cu yd	4	\$3,547.38
3	4 cu yd	5	\$4,416.96
3	4 cu yd	6	\$5,286.47
4	4 cu yd	1	\$1,228.59
4	4 cu yd	2	\$2,388.00
4	4 cu yd	3	\$3,547.39
4	4 cu yd	4	\$4,706.77

4	4 cu yd	5	\$5,866.24
4	4 cu yd	6	\$7,025.55
5	4 cu yd	1	\$1,562.15
5	4 cu yd	2	\$2,967.68
5	4 cu yd	3	\$4,416.95
5	4 cu yd	4	\$5,866.17
5	4 cu yd	5	\$7,315.50
5	4 cu yd	6	\$8,764.66
1	6 cu yd	1	\$ 503.96
1	6 cu yd	2	\$ 938.73
1	6 cu yd	3	\$1,373.51
1	6 cu yd	4	\$1,808.30
1	6 cu yd	5	\$2,243.06
1	6 cu yd	6	\$2,677.84
2	6 cu yd	1	\$ 938.73
2	6 cu yd	2	\$1,808.30
2	6 cu yd	3	\$2,677.84
2	6 cu yd	4	\$3,547.36
2	6 cu yd	5	\$4,416.95
2	6 cu yd	6	\$5,286.49
1	8 cu yd	1	\$ 648.90
1	8 cu yd	2	\$1,228.59
1	8 cu yd	3	\$1,808.30
1	8 cu yd	4	\$2,387.98
1	8 cu yd	5	\$2,967.69
1	8 cu yd	6	\$3,547.36

Commercial Carts

1	35G	\$ 18.57
1	64G	\$ 37.54
1	96G	\$ 55.85

Commercial Cans

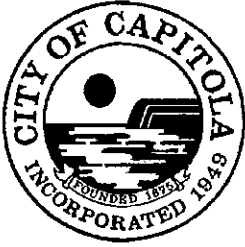
1	32G	\$ 14.19
2	32G	\$ 28.38
3	32G	\$ 42.58

Drop Box Rates

1	15 Yard	\$ 401.42
1	20 Yard	\$ 482.32
1	30 Yard	\$ 645.97
1	40 Yard	\$ 861.05
1	Compactor	\$ 307.04

RATES CHANGE FOR RESIDENTIAL CUSTOMERS

Residential Carts	# of Carts	1/1/2010 Rates		1/1/2011 Rates 0.796%	
		Monthly	Quarterly	Monthly	Quarterly
10 Gallon	1	\$ 10.26	\$ 30.78	\$ 10.34	\$ 31.03
20 Gallon	1	\$ 12.21	\$ 36.63	\$ 12.31	\$ 36.92
35 Gallon	1	\$ 13.84	\$ 41.51	\$ 13.95	\$ 41.84
35 Gallon	2	\$ 27.67	\$ 83.01	\$ 27.89	\$ 83.68
35 Gallon	3	\$ 42.60	\$ 127.79	\$ 42.94	\$ 128.81
35 Gallon	4	\$ 56.98	\$ 170.94	\$ 57.43	\$ 172.30
35 Gallon	5	\$ 71.02	\$ 213.07	\$ 71.59	\$ 214.77
35 Gallon	6	\$ 85.23	\$ 255.69	\$ 85.91	\$ 257.73
35 Gallon	7	\$ 99.47	\$ 298.42	\$ 100.27	\$ 300.80
35 Gallon	8	\$ 110.81	\$ 332.44	\$ 111.70	\$ 335.09
64 Gallon	1	\$ 23.54	\$ 70.62	\$ 23.73	\$ 71.18
64 Gallon	2	\$ 47.07	\$ 141.20	\$ 47.44	\$ 142.33
64 Gallon	3	\$ 188.31	\$ 564.94	\$ 189.81	\$ 569.44
96 Gallon	1	\$ 33.36	\$ 100.08	\$ 33.62	\$ 100.87
96 Gallon	2	\$ 66.68	\$ 200.05	\$ 67.21	\$ 201.64
96 Gallon	3	\$ 100.03	\$ 300.09	\$ 100.83	\$ 302.48
96 Gallon	4	\$ 129.62	\$ 388.85	\$ 130.65	\$ 391.95
96 Gallon	5	\$ 166.71	\$ 500.14	\$ 168.04	\$ 504.12



CITY COUNCIL AGENDA REPORT

MEETING OF JANUARY 13, 2011

FROM: FINANCE DEPARTMENT

DATE: JANUARY 4, 2011

SUBJECT: QUARTERLY SALES TAX AND TRANSIENT OCCUPANCY TAX – Q1, FY2010-11

Recommended Action:

By motion, City Council receive and file 1st Quarter 2010-11 Sales Tax and Transient Occupancy Tax Status Report (unaudited) for the City of Capitola.

BACKGROUND

The State Board of Equalization (SBOE) advances a portion of the City’s anticipated sales tax on a monthly basis. Quarterly, the SBOE trues up the actual sales tax results with the advances. This final true-up calculation and resulting payment or reimbursement to the state is made approximately three months after the end of the quarter. As a result, the final figures for first quarter FY 2010-11 shown below reflect transactions that took place in the City for July, 2010 - September, 2010.

Capitola’s Municipal Code, Section 3.32 requires any operator that rents to transients (defined as a stay of 30 days or less) to charge, collect, and remit to the City a 10% tax of the room rate. Transient Occupancy Tax (TOT) revenues are recorded in the General Fund for unrestricted use.

DISCUSSION & FISCAL IMPACT

In late December, the City received its final true up from the SBOE for the quarter ending September 30, 2010.

SALES TAX REVENUE - Q1 PERFORMANCE							
	REVENUE			\$		%	
	2009-10 Actual	Final 2010-11 Budget Allocation	2010-11 Actual	2009-10 Actual vs. Actual	2010-11 Actual vs. Budget	2009-10 Actual vs. Actual	2010-11 Actual vs. Budget
Bradley Burns (3/4%)	\$ 722,380	\$ 733,938	\$ 769,382	\$ 47,002	\$ 35,444	6.5%	4.8%
Triple Flip (1/4%)	\$ 276,589	\$ 527,407	\$ 510,595	\$ 234,006	\$ (16,812)	84.6%	-3.2%
Local Tax (1/4%)	\$ 210,000	\$ 206,282	\$ 215,656	\$ 5,656	\$ 9,374	2.7%	4.5%
Year-To-Date Performance (Q1 Actual excl. SBOE adj.)	\$ 1,208,969	\$ 1,467,627	\$ 1,495,633	\$ 286,664	\$ 28,006	23.7%	1.9%

As shown in the table above, Bradley Burns ¾% revenue for the quarter was \$47,000 or 6.5% above 2009-10 and \$35,400 or 4.8% above budget. Local District tax was \$5,700 or 2.7% above prior year and \$9,400 or 4.5% above budget. The triple flip increase of \$234,000 over prior year is due to a negative adjustment in fiscal 2009-10.

Transient Occupancy Tax collected was:

Transient Occupancy Tax (TOT) Revenue - Q1 collected				
	2009-10	2010-11	2010-11 vs. 2009-10	
			\$	%
Q1	\$ 230,200	\$ 233,000	\$ 2,800	1.2%
Full Year	\$ 591,925	\$ 700,000		
YTD % of Full Year	38.9%	33.3%		

First quarter 2010-11 TOT was \$2,800 or 1.2% above first quarter 2009-10. First quarter results represent 33.3% of the full year budget for 2010-11 as compared first quarter 2009-10 which was 39.8% of the full year results.

Report Prepared By: Lonnie Wagner
Accountant II

**Reviewed and Forwarded
By City Manager:** 





CITY COUNCIL/REDEVELOPMENT AGENCY/CAPITOLA FINANCING AUTHORITY AGENDA REPORT

MEETING OF JANUARY 13, 2011

FROM: FINANCE DEPARTMENT
DATE: JANUARY 3, 2011
SUBJECT: COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR JUNE 30, 2010

Recommended Action: By motion, receive and file the Comprehensive Annual Financial Reports for the City of Capitola and Capitola Redevelopment Agency for June 30, 2010.

BACKGROUND

At the end of each fiscal year, state law requires that an independent audit firm is retained by the City of Capitola and the Redevelopment Agency to audit the general-purpose financial statements and issue an opinion. In accordance with Government Code section 12460, this document has been submitted to the California State Controller's Office and the California Department of Housing and Community Development pursuant to the December 31, 2010 deadline. The fiscal year 2009-10 Comprehensive Annual Financial Report (CAFR) for the City of Capitola, including the Capitola Redevelopment Agency, is herewith presented to the City Council, Redevelopment Agency Board, the Capitola Financing Authority, and citizens of Capitola.

DISCUSSION

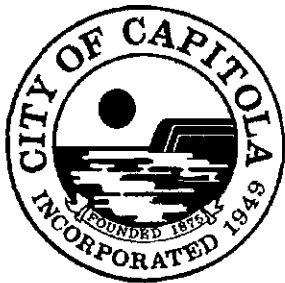
The financial report presents the financial condition, results of operations, and current economic condition for the fiscal year ended June 30, 2010 for the City of Capitola, the Redevelopment Agency of the City of Capitola, and its component units. The independent audit firm of Teaman, Ramirez & Smith, Certified Public Accountants, have issued the following opinion on the City's financial records, found on page 1 of the CAFR: "In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Capitola, California, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America."

ATTACHMENTS *(Included in the Agenda packet with Capitola Financing Authority Item 3.B. only.)*

1. City of Capitola Comprehensive Annual Financial Report, June 30, 2010
2. Basic Financial Stmtns. of the Redevelopment Agency of the City of Capitola, June 30, 2010
3. City of Capitola Single Audit Report on Federal Award Programs, December 14, 2010
4. City of Capitola Management Representation Letter, December 14, 2010
5. Internal Controls and Compliance letter, December 14, 2010
6. Management Letter Items for Consideration, December 14, 2010 and Mgmt. Response
7. Report on Appropriations Limits letter, December 14, 2010
8. Professional Standards Letter, December 14, 2010

Report Prepared By: Lonnie Wagner
Accountant II

Reviewed and Forwarded by City
Manager/Executive Director



Item #: 5.A.

CITY COUNCIL AGENDA REPORT

MEETING OF JANUARY 13, 2011

FROM: CITY MANAGER'S DEPARTMENT

DATE: DECEMBER 20, 2010

SUBJECT: REQUEST FROM JFS, INC., DBA CAPITOLA BOAT AND BAIT, TO EXERCISE THEIR OPTION TO EXTEND THEIR LEASE FOR ONE ADDITIONAL YEAR TO DECEMBER 31, 2011, AND FOR RENT RELIEF FOR THE MONTHS OF JANUARY, FEBRUARY, AND MARCH 2011

Recommended Action: By motion and roll call vote, that the City Council approve extension of the Wharf Lease and Mooring Concession Agreement between JFS, Inc., and the City of Capitola for one year, with the new expiration date being December 31, 2011; and Council direction regarding the request from JFS, Inc., to waive rent except utility bills for the months of January, February, and March 2011.

BACKGROUND

The City has a Wharf Lease and Mooring Concession Agreement with JFS, Inc., to operate the Capitola Boat and Bait shop located on Capitola Wharf. The current lease agreement (4th Amendment to the lease) expired on December 31, 2010, with a one year option to renew.

DISCUSSION

The City has received a letter from Frank Ealy of JFS, Inc., to exercise their option to extend the lease agreement for one additional year to December 31, 2011. Mr. Ealy also verbally requested rent relief for the months of January, February and March 2011. The current lease agreement with JFS, Inc., included a rent waiver for the months of January, February and March of 2009 and 2010, except for the utility bills. JFS, Inc. is requesting that the Council consider implementing a rent waiver for the same months for 2011.

FISCAL IMPACT

The monthly rent is \$2,939.27. The fiscal impact would be a loss of \$8,817.81 to the general fund.

ATTACHMENT

1. Letter dated December 10, 2010, from Frank Ealy, JFS, Inc.
2. 4th Amendment to Wharf Lease

Report Prepared By: Lisa G. Murphy
Assist. to the City Manager

**Reviewed and Forwarded
by City Manager:** 

ATTACHMENT 1

City of Capitola
420 Capitola Ave.
Capitola, CA 95010

CITY OF CAPITOLA

December 10, 2010

Subject: Renewal of Lease Agreement

To Whom it May Concern,

According to the terms of our ^{4th} 3rd Amendment to the Wharf Lease and Mooring Concession agreement with the City, JFS Inc. would like to exercise our option to extend our lease for one additional year. The new expiration date would become December 31, 2011.

Sincerely,



Frank Ealy
JFS, Inc.dba Capitola Boat and Bait
831-462-2208

4th AMENDMENT TO THE
WHARF LEASE AND MOORING CONCESSION AGREEMENT

Between

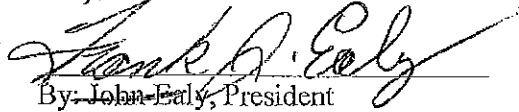
CITY OF CAPITOLA & JFS, INC.

The City of Capitola and JFS, Inc. hereby agree to the following Amendment to the Wharf Lease and Mooring Concession Agreement dated December 1995 and assigned to JFS, Inc. on April 2, 1997 and amended again on May 26, 2005:

- 1) Section 1. (a) regarding Term/Option/Notice Requirements is hereby amended to ad as follows:
 - (a) Lessee exercised its option to renew this lease for a term that ended December 31, 2005. The term of this lease shall be extended for 2 additional years, commencing on January 1, 2009 and ending on December 31, 2010 with a one year option to renew.
 - (b) For the months of January, February & March of 2009 and 2010 the City of Capitola will waive the rent due except for the utility bills.
- 2) Section 4.(b) regarding Rental is hereby amended to read as follows:
 - (a) The greater of one-twelfth (1/12) of the annual percentage rent (based upon the figures for the previous year) or one-twelfth of the fixed annual rent shall be due and payable by the first day of each month.
- 3) Section 23. Regarding Rental Review is hereby amended to read as follows: The rental required to be paid pursuant to Paragraph 4 herein is subject to review by Lessor and may be modified by Lessor in the manner hereinafter set forth. Changes in the percentage rate shall occur not more frequently then every 3 years and not before July 31, 1999.

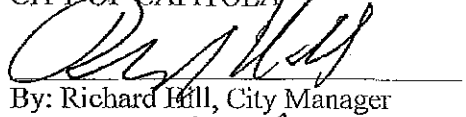
All other terms and conditions of the December 1995 Agreement remain in full force and effect.

JFS, INC


By: John Early, President

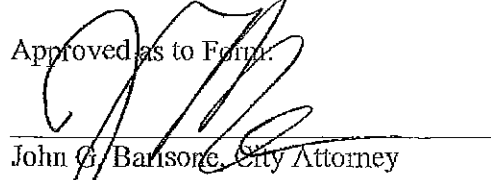
Date: 8-20-09

CITY OF CAPITOLA

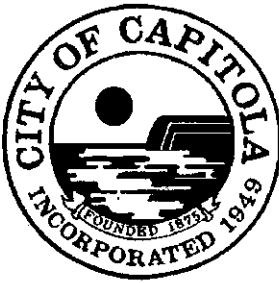

By: Richard Hill, City Manager

Date: 5/21/09

Approved as to Form:


John G. Barisone, City Attorney

Date: 5-7-09



Item #: 5.B.

CITY COUNCIL AGENDA REPORT

MEETING OF JANUARY 13, 2011

FROM: ART & CULTURAL COMMISSION
DATE: JANUARY 3, 2011
SUBJECT: 41ST AVENUE PUBLIC ART PROJECT

RECOMMENDED ACTION: That the City Council receive information and provide direction.

BACKGROUND

The Art & Cultural Commission has conceptualized and initiated a new Public Art project in the medians along 41st Avenue from Clares Street to Brommer Street, the gateway to the City's commercial corridor. The Commission envisions a cohesive series of three dimensional art works, most likely sculptures that would be placed all along the medians. This project would beautify and add much needed interest to this area as well as extend the City's public art focus from the Village into the commercial area of 41st Avenue.

DISCUSSION

The Art & Cultural Commission believes a Public Art project on 41st Avenue would be an excellent location for displaying public art. The Commission envisions hiring one artist to create a cohesive series of sculptures that represent the spirit and natural resources of the community. This project would enhance the experience of traversing the city's main retail corridor and provide a unique visual experience to the community.

This art project will be the largest undertaking by the Commission. Because of this the Commission feels it is essential to hire a professional Public Art Manager to bring this project to a successful completion. A professional Public Art Manager would provide administration and management services for the process. Anticipated costs for this consultant will be up to \$20,000. A request for proposals would be issued for these services and will come to the Council for approval.

A two-part artist selection process is proposed. First, a Call to Artists requesting qualifications and basic concept will be widely distributed through the Cultural Council, art solicitation websites, and advertised on the City's website and Community Channel 8 scroll. Second, up to two proposing artists will be selected by an artist selection panel composed of members of the commission and the community. The two artists will be paid a nominal amount to prepare and submit a detailed design of their proposal to the Art & Cultural Commission for final selection. Once an artist has been identified, the Art and Cultural Commission will seek approval from the Council for the artwork and artist contract. The target date for completion would be early 2012.

FISCAL IMPACT

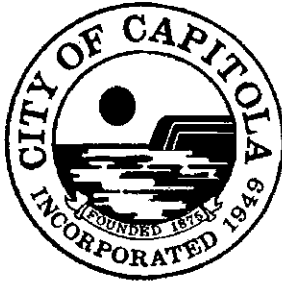
Funding required for this project is \$200,000 from the Public Art Fund, which has \$157,000 as of January 3, 2011. It is anticipated that an additional \$120,000 will be received from Target and \$130,000 from the Fairfield Inn will by June 30, 2011, for a total of \$407,000 in this fiscal year. There would also be an additional expenditure of 10 to 15% for administrative costs. Ongoing maintenance will also be funded through the Public Art Fund.

ATTACHMENTS – None

Report Prepared By: Lisa G. Murphy
Assistant to the City Manager

Reviewed and Forwarded
By City Manager: 

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Item #: 5.C.

CITY COUNCIL AGENDA REPORT

MEETING OF JANUARY 13, 2011

FROM: CITY MANAGER'S OFFICE
DATE: JANUARY 3, 2011
SUBJECT: BUDGET CALENDAR FOR THE 2011-2012 FISCAL YEAR

Recommended Action: By motion and voice vote, that the City Council approve the proposed Budget Calendar for FY 2011-12.

BACKGROUND

The Capitola Municipal Code, Section 3.20.010 Budget Procedure – Timing & Preparation, states, "On or before March 1st of each year, the budget officer should prepare and disseminate a budget calendar specifying the dates of study sessions, hearings, meetings and other significant budget events."

DISCUSSION

Staff has prepared a draft Budget Calendar for FY 2011-12. Of note, staff is proposing initiating the budget cycle with a Special Joint City Council/RDA Meeting on February 17 to establish Budgeting Principles. The budgeting principles would serve to guide staff's preparation of the draft budget and would replace the City's annual goal setting process of past years. Sample budgeting principles from two other jurisdictions are attached.

Pursuant to this calendar, the proposed budget will be distributed on Friday, May 6, and the presentation of the City and RDA Budgets is scheduled for a Special Meeting on Wednesday, May 11. This is a tentative schedule that may be changed as necessary by the City Manager and/or Council. Some meetings may be cancelled if they become unnecessary based upon prior sessions.


FISCAL IMPACT

None

ATTACHMENTS

1. Budget Calendar – 2011/2012 Fiscal Year
2. Sample budgeting principles

Report Prepared By: Lisa G. Murphy
Assist. to City Manager

**Reviewed and Forwarded
by City Manager:** 



BUDGET CALENDAR - 2011/2012 FISCAL YEAR**DRAFT**

The City Manager and/or the City Council may change this tentative schedule. NOTE: Some meetings may be cancelled if they become unnecessary based on prior sessions.

Meeting Date 2011	Week/Day	Nature of Meeting	Description
January 27	2 nd Thursday	Regular Council/RDA Mtg	Council to determine whether or not to receive new community grant applications for FY11/12
February 17		*Special Joint Council/RDA Mtg	Establish Budgeting Principles
Due date: February 24	Wednesday	N/A	Community Grant Application Deadline
March 8	2 nd Tuesday	Finance Advisory Committee Mtg	Finance Advisory Committee to discuss elements of the budget
April 7	1 st Thursday	Planning Commission	Planning Commission Review of the Capital Improvement Program (CIP)
May 6	1 st Friday	N/A	Proposed Budget Distribution
May 10	2 nd Tuesday	Finance Advisory Committee Mtg	Finance Advisory Committee to discuss proposed budget and draft presentation with recommendations to Council
May 11	2 nd Wednesday	*Special Joint Council/RDA Mtg	Presentation of City and RDA Budgets
May 12	2 nd Thursday	Regular Council/ RDA Mtg	
May 19	3 rd Thursday	*Special Joint Council/RDA Mtg	<ul style="list-style-type: none"> - CIP Presentation - City Manager Report regarding Community Grant Applications - Community Grant Presentations - Finance Advisory Committee Presentation - Council Deliberation
May 26	4 th Thursday	Regular Council/RDA Mtg	
June 1	1 st Wednesday	*Special Joint Council/RDA Mtg	Council and RDA Budget Deliberations
June 9	2 nd Thursday	Regular Council/RDA Mtg	Reports from Finance: Appropriations Limit Resolution and Investment Policy
June 16	3 rd Thursday	*Special Joint Council/RDA Mtg	Final Council and RDA Budget Deliberations <i>(if necessary)</i>
June 23	4 th Thursday	Regular Council/RDA Mtg	Final Adoption of the City and RDA Budgets and Pertinent Resolutions

NOTE: ***Special Meetings** will begin at 6:00 p.m. Meetings are held in the City Hall Council Chambers and will be televised "Live" on Charter Communications Cable Channel 8.

Attachment 2

City of Ventura

Overall Priority Statements

1. Emphasize economic prosperity to ensure sustainable funding for necessary city programs and to meet critical needs, including maintaining the high priority City Council has placed on public safety, financial stewardship, and streets and public utilities

Revenue Operating Principles

1. Move toward recovering the full cost of any fee-based service except where the Council and the community see a clear public interest in full or partial subsidy
2. Without lowering standards of quality, streamline regulations and processes that impede business investment and economic prosperity
3. Assure sufficient resources to actively pursue Federal and State funding opportunities
4. Programs, and initiatives that produce income rapidly, or save future expenses rapidly should generally be given higher priority than those that simply consume revenue

Expense Operating Principles

1. Reorganize to cut costs and improve effectiveness in order to submit a structurally balanced budget
2. Use the green strategies whenever we can demonstrate a short-term net reduction in operating costs
3. Emphasize pro-active prevention over reactive responses to reduce costs
4. Make strategic use of volunteers, partnerships and collaborations, including with other public agencies, to meet community needs and/or provide services
5. Do not use "one-time money" for ongoing operations

City of San Luis Obispo – 2007-2009 Multi-Year Budgeting Goals

Public Safety Service Levels. Improve public safety service levels, with an emphasis in police services on neighborhood patrols (particularly at night) and traffic safety; and on prevention and training in fire services.

Neighborhood Paving and Deferred Street Maintenance. Restore the neighborhood and downtown paving program, and catch up with deferred street maintenance.

Traffic Congestion Relief. Expand efforts to reduce and manage traffic congestion throughout the City, including the Los Osos Valley Road corridor and interchange

Bikeway Improvements. Continue to work towards completion of the Railroad Safety Trail; improve maintenance of existing bicycle trails, lanes and byways; and consider additional bike trails.

Flood Protection. Reduce flood risk by opening the Los Osos Valley Road/Highway 101 area of San Luis Obispo Creek, pursuing improvements to San Luis Obispo Creek in the Mid-Higuera area and implementing the Storm Sewer Master Plan.

Senior Citizen Facilities. Enhance senior center facilities through improvements to the current senior center and pursuit of plans for a future senior center.

Roller Hockey Rink and Skate Park Improvements. Complete major upgrades to the existing roller hockey rink and skateboard park facilities at Santa Rosa Park.

Homeless Services. Work with social services partners to develop improved homeless sheltering and services.

Affordable Housing. Strengthen efforts to increase affordable housing, including ways of augmenting existing funding.

Neighborhood Wellness. Increase building and zoning code enforcement to promote neighborhood wellness and community appearance.

Downtown Improvements. Strengthen support for the Downtown in multiple areas, such as maintenance, economic development, public safety, parking, tourism promotion, progress on the installation of pedestrian lighting and comprehensive directional sign program and other improvements as resources allow.

Open Space Preservation. Restore open space acquisition program funding to at least \$200,000 per year and bring forward opportunities should they arise that further leverage City funds through grant programs.



Item #: 5.D.

CITY COUNCIL AGENDA REPORT

MEETING OF JANUARY 13, 2011

FROM: CITY CLERK'S OFFICE
DATE: DECEMBER 15, 2010
SUBJECT: COUNCIL MEMBER APPOINTMENT OF STANDBY CITY COUNCIL MEMBERS

Recommended Action: That Council Members Harlan, Norton and Termini nominate from 1 to 3 persons to serve as their Standby City Council Members pursuant to Municipal Code Section 2.04.165, and that Council Members Nicol and Storey review their appointment(s) and make any changes at this time. By motion:

1. City Council approval of nominations of Standby City Council Members; and
 2. Direct staff to inform nominees of their appointment and schedule the necessary Oath of Office of Standby City Council Members at a regular meeting of the City Council.
-

BACKGROUND

Following all general municipal elections this matter is brought to the City Council so that newly elected council members can appoint their standby city council members and to provide an opportunity for ongoing council members to review their appointment(s) and make changes.

DISCUSSION

Attached is the current roster of Standby City Council Members. Current council members should review the contact information for their appointment(s) to make sure it is up-to-date if they plan to keep their appointment. Since Council Member Norton's appointment is Michael Termini and he is now a council member, he will need to nominate a new appointment. A nomination form (Attachment 4) will need to be completed by each council member and submitted to the City Clerk prior to the meeting.

To become effective, nominations must be approved by the City Council. Council Members will make their nominations at the meeting. By motion and voice vote, the Council will approve the nominations and direct staff to invite all newly appointed Standby Council Members to a City Council meeting where the City Clerk will administer the Oath of Office at the beginning of the meeting.

Government Code Section 8640 stipulates: "*Each standby officer shall take the oath of office required for the officer occupying the office for which he stands by. Persons appointed...shall serve in their posts as standby officers at the pleasure of the governing body appointing them and may be removed and replaced at any time with or without cause.*"

FISCAL IMPACT – None

ATTACHMENTS

1. Municipal Code Section 2.04.165
2. Standby City Council Member Roster
3. Former Standby City Council Member Roster
4. Nomination Form

Report Prepared By: Pamela Greenfinger, City Clerk

**Reviewed and Forwarded
By City Manager:** 

Capitola Municipal Code

2.04.165 Appointment of standby city council members.

Government Code Sections 8635 and following provide that the city council shall have the authority to appoint up to three standby city council members per council position. Such standby members would serve as city council persons in the event that a council member is "unavailable" in an "emergency" as those words are defined in the California Emergency Services Act. Each council member may nominate from one to three persons to serve as his or her standby members. In making that nomination, the council member shall follow the criteria of Government Code Section 8639 which reads as follows:

Consideration shall be given to places of residence and work, so that for each office for which standby officers are appointed there shall be the greatest probability of survivorship. Standby officers may be residents or officers of a political subdivision other than that to which they are appointed as standby officers.

The duties of such standby council members shall be as set forth in Government Code Section 8641. To become effective the nomination must be approved by the city council, and the nominee must take the oath of office. Terms of office and method of removal shall be as provided in Government Code Section 8640. (Ord. 782, 1995)

CITY OF CAPITOLA
Standby City Council Members
 (Capitola Municipal Code Section 2.04.165)

COUNCIL MEMBER STEPHANIE HARLAN'S APPOINTMENT:

Name	Address	Phone No.	Email

COUNCIL MEMBER KIRBY NICOL'S APPOINTMENT:

Name	Address	Phone No.	Email
Michael Routh Appointed 12/9/04	4590 Crystal Street Capitola, CA 95010	476-5402	gwakwak@sbcglobal.net

COUNCIL MEMBER DENNIS NORTON'S APPOINTMENT:

Name	Address	Phone No.	Email
Michael Termini Appointed 1/8/09	503 Oak Drive Capitola, CA 95010	476-6206	Michael@triadelectric.com

COUNCIL MEMBER SAM STOREY'S APPOINTMENT:

Name	Address	Phone No.	Email
Maureen O'Malley-Moore Appointed 1/25/07	606 Burlingame Avenue Capitola, CA 95010	465-0764 (Home) 295-3062 (Cell)	Maureen@OMalleyclan.com

COUNCIL MEMBER MICHAEL TERMINI'S APPOINTMENT:

Name	Address	Phone No.	Email

Draft: 1/13/11

CITY OF CAPITOLA
Standby City Council Members
 (Capitola Municipal Code Section 2.04.165)

COUNCIL MEMBER ROBERT "BOB" BEGUN'S APPOINTMENT:

Name	Address	Phone No.	Email
Tony Gualtieri Apptd 1/25/07	502 Grand Avenue Capitola, CA 95010	475-2217	tkcapitola@sbcglobal.net

COUNCIL MEMBER RON GRAVES' APPOINTMENT:

Name	Address	Phone No.	Email
Stephanie Harlan Apptd 1/25/07	1941 42 nd Avenue Capitola, CA 95010	475-7184	slharlan@sbcglobal.net
Jerry Clarke Apptd 1/25/07	502 El Salto Drive Capitola, CA 95010	685-6684 (Work) 462-0577 (Home)	dpohill@aol.com

COUNCIL MEMBER KIRBY NICOL'S APPOINTMENT:

Name	Address	Phone No.	Email
Michael Routh Apptd 12/9/04	4590 Crystal Street Capitola, CA 95010	476-5402	gwakwak@sbcglobal.net

COUNCIL MEMBER DENNIS NORTON'S APPOINTMENT:

Name	Address	Phone No.	Email
Michael Termini Apptd 1/8/09	503 Oak Drive Capitola, CA 95010	476-6206	Michael@triadelectric.com

COUNCIL MEMBER SAM STOREY'S APPOINTMENT:

Name	Address	Phone No.	Email
Maureen O'Malley-Moore Apptd 1/25/07	606 Burlingame Avenue Capitola, CA 95010	465-0764 (Home) 295-3062 (Cell)	Maureen@OMalleyclan.com

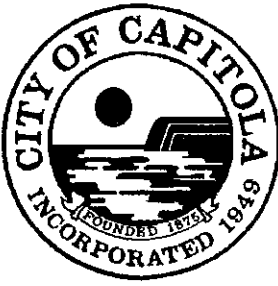
Nominations for Standby City Council Members
(Capitola Municipal Code Section 2.04.165)

Name	Address	Phone No.	Email

Date: _____

Submitted by: _____
Council Member

NOTE: Each council member may nominate from 1 to 3 persons.



CITY COUNCIL AGENDA REPORT

MEETING OF JANUARY 13, 2011

FROM: CITY MANAGER'S DEPARTMENT
DATE: DECEMBER 15, 2010
SUBJECT: OPTIONS FOR DIGITAL DISTRIBUTION OF CITY COUNCIL AGENDA PACKETS

Recommended Action: That City Council:

1. Receive a report from staff regarding transitioning from printed paper agenda packets to digital agenda packets, and
 2. Direct staff regarding the preparation of an administrative policy for digital reading devices.
-

BACKGROUND

In fall of last year, City Council requested staff develop a program to facilitate a transition from printed paper agenda packets to digital agenda packets. This staff report outlines that program, and Council options.

DISCUSSION

City Council holds approximately 28 meetings a year. The average agenda packet size in 2009 was 167 pages. There are currently 18 agenda packets produced for each meeting. In other words, each year the City prints more than 84,000 pages in the preparation of Council agenda packets. Agenda packets are distributed to City Council, Department Heads, and other interested parties. The costs to produce those City Council agenda packets are outlined below.

	Paper and Printing	Staff Time	Total
Annual Cost Per Council Packet	\$ 96	\$ 191	\$ 287
Total Annual Cost for Council Packet Production	\$ 1,725	\$ 3,440	\$ 5,165

In addition, the production of each agenda packet results in other environmental impacts associated with the production of paper, and the waste-stream the printed documents ultimately produce.

The Planning Commission is currently meeting about 14 times per year, with packets averaging about 95 pages. Staff estimates the direct and indirect production costs of a Planning Commission packet to be about \$179/yr per packet.

Staff has focused on two areas to facilitate a transition to paperless agenda packets. First, staff has developed an agenda packet in a searchable PDF format with bookmarks, rather than the past practice of simply scanning a copy of the printed document. This new digital packet format will be used in the preparation of future agenda packets, and will be refined over time based on input from digital packet users.

Second, staff contacted other jurisdictions regarding the hardware technology they are using for this purpose and interviewed users of the technology. Following those discussions staff purchased an iPad this winter to test the hardware and explore software options. Based on the system test, staff has developed a process for the distribution, and long term storage of agenda material for the iPad.

The following table outlines Administrative Policy Options for Council to consider. In all cases, individuals could choose to participate in the program, or continue to receive paper agenda packets.

Option	Description	City Cost per User	Advantages
<i>Self Purchase</i>	Individuals purchase hardware and software at their own cost. City staff assists individuals who chose to use the recommended technology options. No new policy necessary.	Annual direct and indirect cost savings of \$245 and \$167 per Council and PC packet.	Individuals responsible for acquiring and maintaining personal property.
<i>City Purchase</i>	City purchases, and owns, hardware and software for packet recipients who could use the technology consistent with the City's adopted Information System Use Policy (attached). City would purchase basic Wifi Ipad.	\$499 per Ipad. City costs recovered in 21/34 months for Council and PC users respectively	City maintains control of all hardware/software to ensure proper maintenance.
<i>Stipend</i>	City provides a single \$250 stipend for agenda packet recipients who agree to go paperless for 2-years and use the recommended hardware/software. Recipients would be eligible for a new stipend every 2-years to update technology.	Annual direct and indirect savings of \$167 per Council user, and \$54 per PC user: assuming 2-year stipend cycle.	City maintains some control of hardware/software options, limiting amount of time IT staff spends helping individual users, without restrictions associated with City's Information System Policy.

Should Council select the *City Purchase* or *Stipend* option, Council should determine who should be eligible to participate. Staff estimates there would be 8-12 participants if Council Members, Department Heads, and Planning Commissioners were all eligible.

FISCAL IMPACT

Potential City costs, and savings, vary depending on the option selected by Council. At a high end, the total up-front cost to implement the *City Purchase* option for City Council, Planning Commission, and Department Heads would be \$6,000, with a total project cost recovery in 22 months. At a low end, the program would immediately reduce City costs.

ATTACHMENTS

Information System Use Policy

Report Prepared By: Jamie Goldstein, City Manager

**Reviewed and Forwarded
By City Manager:** 





ADMINISTRATIVE POLICY

Number: V-1

Issued: August 21, 2002

Jurisdiction: Staff

City of Capitola Information System Use Policy

I. PURPOSE

The purpose of this policy is to identify the acceptable treatment of the City's Information Systems including, software, hardware, systems access, use and employee responsibilities. These rules, policies and procedures are in place to protect the employees, partners and the City of Capitola, from illegal or damaging actions by individuals, either knowingly or unknowingly; and to make clear the rights and responsibilities of those who have access to the City's Information System.

II. POLICY

It is the policy of the City of Capitola that all devices, hardware, software, firmware and appurtenant equipment of the City's Information System shall be used in an appropriate, business like manner as identified in this policy. Each employee is responsible for the use of the Information Systems equipment under his or her control and complying with this policy, and there are no employee rights to privacy with regard to this equipment.

This policy applies to all employees, contractors, consultants, temporaries, and other workers at the City of Capitola, including all personnel affiliated with third parties. This policy applies to all electronic and computer equipment that is owned or leased by the City of Capitola, including but not limited to any device or system that has access to the City of Capitola network, or stores any non-public city information.

A. Acceptable Use

1. For business reasons, the City of Capitola desires to provide a reasonable level of privacy. Users should be aware that the data they create on the City's Information Systems remain the property of the City of Capitola. Because of the need to protect the City of Capitola's Information System, management cannot guarantee the confidentiality of information stored on any network device belonging to the City of Capitola.
2. Employees are responsible for exercising good judgment regarding the reasonableness of personal use. Individual departments are responsible for creating guidelines concerning personal use of Internet/Intranet/Extranet systems not already covered in this document. If there is any uncertainty, employees should consult their supervisor or manager. For security and network maintenance purposes, authorized individuals within the City of Capitola may monitor equipment, systems and network traffic at any time, as outlined in the Audit Policy section.

B. Security and Proprietary Information

1. Examples of confidential information include but are not limited to: company private, corporate strategies, competitor sensitive, trade secrets, specifications, customer lists, attorney/client correspondence, any non public information, employee personnel files

and research data. Employees should take all necessary steps to prevent unauthorized access to this information.

2. Keep passwords secure and do not share accounts. Authorized users are responsible for the security of their passwords and accounts. System level passwords should be changed quarterly.
3. Workstations should be shut down and powered off if unattended for more than two days, or over the weekend.
4. All workstations connected to the City of Capitola network shall be continually executing approved virus-scanning software with a current virus database. If questions or concerns regarding viruses or the virus status of a workstation arise, it is the responsibility of the employee to contact the Information Systems Technician before taking action.
5. Employees must use caution when opening unexpected e-mail attachments received from known or unknown senders, which may contain viruses, e-mail bombs, or Trojan horse code.

C. Unacceptable Use: The following activities are prohibited, unless otherwise approved by the City Manager. Employees may be exempted from these restrictions during the course of their legitimate job responsibilities (e.g., systems administration staff may have a need to disable the network access of a workstation if that workstation is disrupting production services).

1. Under no circumstances is an employee of the City of Capitola authorized to engage in any activity that is illegal under local, state, federal or international law while utilizing the City of Capitola-owned resources.
2. The list below is by no means exhaustive, but attempt to provide a framework for activities which fall into the category of unacceptable use. **System and Network Activities**

The following activities are strictly prohibited, with no exceptions:

- a. Violations of the rights of any person or company protected by copyright, trade secret, patent or other intellectual property, or similar laws or regulations, including, but not limited to, the installation or distribution of "pirated" or other software products that are not appropriately licensed for use by the City of Capitola.
- b. Unauthorized copying of copyrighted material including, but not limited to, digitization and distribution of photographs from magazines, books or other copyrighted sources, copyrighted music, and the installation of any copyrighted software for which the City of Capitola or the end user does not have an active license is strictly prohibited.
- c. Exporting software, technical information, encryption software or technology, in violation of international or regional export control laws, is illegal. The Information

Systems Technician should be consulted prior to export of any material that is in question.

- d. Intentional introduction of malicious programs into the network or server (e.g., viruses, worms, Trojan horses, e-mail bombs, etc.).
- e. Using a City of Capitola Information System to actively engage in procuring or transmitting material that is in violation of sexual harassment or hostile workplace laws in the user's local jurisdiction.
- f. Making fraudulent offers of products, items, or services originating from any City of Capitola account.
- g. Making statements about warranty, expressly or implied, unless it is a part of normal job duties.
- h. Effecting security breaches or disruptions of network communication. Security breaches include, but are not limited to, accessing data of which the employee is not an intended recipient or logging into a server or account that the employee is not expressly authorized to access, unless these duties are within the scope of regular duties. For purposes of this section, "disruption" includes, but is not limited to, network sniffing, pinged floods, packet spoofing, denial of service, and forged routing information for malicious purposes.
- i. Port scanning or security scanning directed at any external network is expressly prohibited.
- j. Executing any form of network monitoring which will intercept data not intended for the employee's workstation, unless this activity is a part of the employee's normal job/duty.
- k. Circumventing user authentication or security of any workstation, network or account.
- l. Interfering with or denying service to any user other than the employee's workstation (for example, denial of service attack).
- m. Using any program/script/command, or sending messages of any kind, with the intent to interfere with, or disable, a user's terminal session, via any means, locally or via the Internet/Intranet/Extranet.
- n. Providing information about, or lists of, the City of Capitola employees, computer networks, software, or operating systems to parties outside the City of Capitola. All inquiries of this nature should be directed to the Information Systems Technician.

D. Passwords/Security: Passwords are an important aspect of computer security. They are the front line of protection for user accounts. A poorly chosen password may result in the compromise of the City of Capitola's entire corporate network. As such, all the City of Capitola employees (including contractors and vendors with access to the City of Capitola systems) are responsible for taking the appropriate steps, as outlined below, to select and secure their passwords.

1. All system-level passwords (e.g., root, enable, NT admin, application administration accounts, etc.) must be changed on at least a quarterly basis.
2. If an account or password is suspected to have been compromised, report the incident to Information Systems and change all passwords.

E. Internet/Communications: As part of the City's commitment to the utilization of new technologies, many/all of our employees have access to the Internet. The following policies, rules and procedures are promulgated to ensure compliance with copyright laws, and protect the City of Capitola from being victimized by the threat of viruses or hacking.

1. It is the City of Capitola policy to limit Internet access to official business. Employees are authorized to access the Internet, for personal business, after-hours, in strict compliance with the other terms of this policy. The intentional introduction of viruses, or malicious tampering with any computer system, is expressly prohibited.
2. Employees using City of Capitola accounts are acting as representatives of the City of Capitola. As such, employees should act accordingly so as not to damage the reputation of the organization.
3. Employees shall not place company material (copyrighted software, internal correspondence, etc.) on any publicly accessible Internet computer without prior permission from the City Manager.
4. Alternate Internet Service Provider connections to the City of Capitola internal network are not permitted unless expressly authorized and properly protected by a firewall or other appropriate security device(s).
5. The Internet does not guarantee the privacy and confidentiality of information. Sensitive material transferred over the Internet may be at risk of detection by a third-party. Employees must exercise caution and care when transferring such material in any form.
6. Unless otherwise noted, all software on the Internet should be considered copyrighted work. Therefore, employees are prohibited from downloading software and/or modifying any such files without permission from the copyright holder.

F. Software Usage: It is the policy of the City of Capitola to respect all computer software copyrights and to adhere to the terms of all software licenses to which the City of Capitola is a party. The City of Capitola will take all steps appropriate to prohibit users from duplicating any licensed software or related documentation for use either on the City of Capitola premises or elsewhere unless the City of Capitola is expressly authorized to do so by agreement with the licensor. Unauthorized duplication of software may subject users and/or the City of Capitola to both civil and criminal penalties under the United States Copyright Act.

It is against the policy of the City of Capitola for any employee to use software in any manner inconsistent with the applicable license agreement, including giving or receiving software or fonts from clients, contractors, customers and others..

G. Registration of Software. When the City of Capitola receives the software, the designated department (Information Systems) must receive the software first to complete registration and inventory requirements before installation. In the event the software is shrink-wrapped, the designated department is responsible for completing the registration card and returning it to the software publisher. Software must be registered in the name of the City of Capitola and department in which it will be used.

H. Home Computers. The City of Capitola computers are organization-owned assets and must be kept both software legal and virus free. . City owned software cannot be taken home and loaded on a user's home computer if it also resides on the City of Capitola computer. If a user needs to use software at home, he/she should consult with the Information Systems department to determine if appropriate licenses permit home use. No user will give software to any outsiders including clients, customers, and others.

I. Shareware. Shareware software is copyrighted software that is distributed via the Internet. It is the policy of the City of Capitola to pay shareware authors the fee they specify for use of their products. Under this policy, acquisition and registration of shareware products will be handled the same way as for commercial software products.

J. Audits. The software manager or designated department will conduct regular audits of all the City of Capitola PCs and servers, including portables, to ensure that the city is in compliance with all software licenses and compliance with this policy. Surprise audits may be conducted as well. Audits will be conducted in any manner appropriate as determined by the Information Systems Technician or the City Manager. The full cooperation of all users may be required during audits.

K. Penalties and Reprimands. Software will be used only in accordance with its license agreement. Unless otherwise provided in the license, any duplication of copyrighted software, except for backup and archival purposes by the Information Systems department, is a violation of copyright law. In addition to violating copyright law, unauthorized duplication of software is contrary to the City of Capitola standards of conduct. Any user who determines that there may be a misuse of software within the organization will notify the Network Administrator, department manager, or legal counsel.

According to the US Copyright Act, illegal reproduction of software is subject to civil damages of as much as US\$100,000 per title infringed, and criminal penalties, including fines of as much as US\$250,000 per title infringed and imprisonment of up to five years. A City of Capitola user who makes, acquires, or uses unauthorized copies of software will be disciplined as appropriate under the circumstances. The City of Capitola does not permit the illegal duplication of software and will not tolerate it.

L. Auditing: To provide the authority for members of the City of Capitola's Information Systems department to conduct an audit on any system at the City of Capitola.

1. Audits may be conducted to:

- a. Ensure integrity, confidentiality and availability of information and resources
- b. Investigate possible security incidents and ensure conformance to the City of Capitola security policies
- c. Monitor user or system activity where appropriate.

2. The City of Capitola reserves the right to audit networks and systems at any time, to ensure compliance with this policy. Audits may be conducted randomly or at the request of the City Manager, department head/designated authority. Such requests shall be submitted to the Information Systems department or the Network Administrator in writing, and shall be kept on file with the appropriate department. This access may include:

- a. User level and/or system level access to any computing or communications device
- b. Access to information (electronic, hardcopy, etc.) that may be produced, transmitted or stored on the City of Capitola equipment or premises
- c. Access to work areas (labs, offices, cubicles, storage areas, etc.)
- d. Access to interactively monitor and log traffic on the City of Capitola networks.

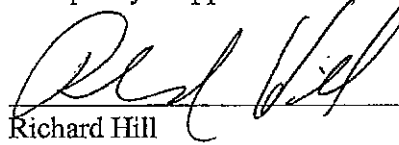
Any employee found to have violated this policy may be subject to disciplinary action, up to and including termination of employment.

J. Definitions

Term	Definition
<i>Denial of Service</i>	Preventing the use of a computer or system, usually by overloading it's communication or computing capacity
<i>Information System</i>	All information processing devices and related connections including: computers, software, hardware, firmware, appurtenant devices, wires, linkages and connections
<i>Network Sniffing</i>	Collecting traffic from a network, usually to analyze and attempt to exploit vulnerabilities in the communications protocols of that network
<i>Packet Spoofing</i>	Generating traffic on a network that appears to come from a different location

<i>PDA</i>	Personal Data Assistant, such as the Palm Pilot or Handspring Visor.
<i>Ping Floods</i>	Continually using the network tool, Ping, in an attempt to cause a DoS attack on a computer or system
<i>Port scanning</i>	Using specialized tools to determine what communication ports are in use on a target system
<i>Shareware</i>	Software with usually limited capability or incomplete documentation which is available for trial use at little or no cost but which can be upgraded upon payment of a fee to the author
<i>Spam</i>	Unauthorized and/or unsolicited electronic mass mailings

This policy is approved and authorized by:



Richard Hill
City Manager



Item #: 5.F.

CITY COUNCIL/REDEVELOPMENT AGENCY AGENDA REPORT

MEETING OF JANUARY 13, 2011

FROM: OFFICE OF THE CITY CLERK
DATE: JANUARY 5, 2011
SUBJECT: CITY COUNCIL/REDEVELOPMENT AGENCY MINUTES

Recommended Action: By motion and roll call vote, that the City Council/Agency Directors approve implementation of Action Minutes as the City's formal record of City Council/Redevelopment Agency Minutes.

BACKGROUND

The City Clerk/Secretary to the Redevelopment Agency prepares minutes for all regular and special meetings of the City Council/Redevelopment Agency. Minutes are reviewed by the council members/directors and must be formally approved. Once approved, the minutes are an official record of meeting action and may be subpoenaed for court purposes. The primary purpose of the minutes is to record the actions taken by the City Council and Redevelopment Agency.

DISCUSSION

In an effort to reduce paper and improve productivity utilizing technological advances, staff has proposed a Joint City Council/Redevelopment Agency Agenda and joint meeting minutes.

Minutes are given the highest priority in the City Clerk/RDA Secretary's office, with the goal to provide minutes for approval at the next meeting. Currently minutes summarize staff's presentation, discussion, comments from the public and the final action taken. In reviewing other local agencies practices, there are four types of minutes.

Action Minutes – Action minutes reflect only the "action taken" by the legislative body and not the individual dialogue of each discussion item. Official Council/Redevelopment Agency meeting minutes must record the action taken and action minutes meet this requirement. Action minutes do not involve subjectivity on the part of the transcriber.

Verbatim Minutes – Every word spoken is recorded as is done with legal proceedings. Verbatim minutes are a detailed method of preparing minutes, which does not involve subjectivity on the transcriber. The city has not used verbatim minutes as it is a very time-consuming process and the transcript is significantly more difficult for the reader to navigate and digest.

Detailed or Detailed Summary Minutes – Detailed minutes are similar to summary minutes in that they include summarized discussion held on each agenda item. Detailed minutes paraphrase extensive discussion between Council, staff, consultants, applicants, and the public. Detailed minutes are also subjective and rely on interpretation by the preparer to encapsulate pertinent information of importance to the speaker.

Summary Minutes – Summary minutes include each agenda item with a summarized discussion. Summary minutes are subjective and differ from one city to another in that they may contain a lot of verbiage, or they may resemble action minutes with some lengthy discussion included. Summary minutes rely on interpretation by the transcriber of what is being said and what the transcriber views as important dialogue. Capitola's City Clerk/RDA Secretary has produced summary minutes for many years. A significant amount of time is spent preparing summary minutes; time which could be spent working on other projects.

In reviewing the minute practices of other cities, staff has found that the overwhelming trend among California cities is to use action recaps (action minutes) rather than summary or detailed summary minutes for the City Council/Redevelopment Agency formal record. The main reasons given for this trend include new information technologies, such as real-time cable and internet broadcasts, as well as audio, video and digital copies of meetings, which provide multiple methods for elected officials, staff and/or the public to access verbatim records of meeting discussions. The City streams "live" and records the broadcasts of Capitola City Council/Redevelopment Agency meetings. Video recordings of the meetings can be accessed from the City's website, and DVD's may be purchased from the City or from Community Television of Santa Cruz County.

Many city attorneys prefer action minutes over summary minutes, especially with the availability of video/digital copies, because summary minutes are more subjective as they are the transcriber's paraphrased version of the action taken. Action recaps are more defensible and remove the liability of the "he said/she said" dialogue regarding city actions.

In addition, providing summary and/or verbatim minutes requires significantly more staff time to prepare. Implementation of strictly "Action minutes" would result in more efficient minute preparation, allow staff to quickly return to the Council/Agency with minutes for approval, and provide significant savings by reducing administrative time associated minute preparation.

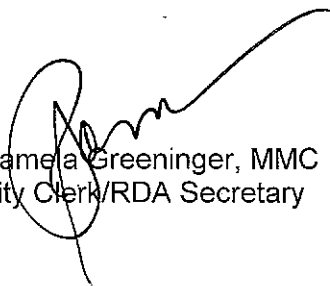
FISCAL IMPACT

The reduction in staff time by producing Action Minutes will permit the City Clerk/RDA Secretary to perform other important duties and projects, as well as to have more time to train staff members and work on office procedures.


ATTACHMENTS

None

Report Prepared By: Pamela Greeninger, MMC
City Clerk/RDA Secretary



**Reviewed and Forwarded
by City Manager/Executive
Director:**





Item #: 5.G.

CAPITOLA REDEVELOPMENT AGENCY AGENDA REPORT

MEETING OF JANUARY 13, 2011

FROM: OFFICE OF THE EXECUTIVE DIRECTOR

DATE: JANUARY 6, 2011

SUBJECT: DIRECTOR CONSIDERATION OF AMENDING SECTION 3.02A OF THE BYLAWS OF THE CAPITOLA REDEVELOPMENT AGENCY PERTAINING TO REGULAR MEETING TIME

Recommended Action: By motion and roll call vote, Director adoption of the proposed Agency Resolution repealing Agency Resolution No. 2010-4 and amending Resolution No. 7-01 by amending Section 3.02A of the Bylaws of the Redevelopment Agency of the City of Capitola regarding Regular Meeting Time, as submitted.

BACKGROUND

At the Agency's December 9, 2010 meeting, the Directors approved an amendment to the Agency bylaws reducing the number of regular meetings to one per month in an effort to simplify the City and Agency public meeting process, as well as reduce administrative workload. At that meeting it was brought to staff's attention that the proposed amendment would still require the City to call the Agency meeting to order at half of all City Council meetings.

DISCUSSION

In response to those comments from the December meeting staff researched the process utilized by other local redevelopment agencies, and is now recommending the attached bylaw amendment. If approved, the amendment would stipulate that the Agency would meet concurrently with the City Council and meeting minutes for both entities would be prepared jointly.

The change would simplify the City's public hearing process for all regular meetings, and reduce administrative workload associated with the separate preparation of Agency and Council minutes.

FISCAL IMPACT

Agency Directors and the RDA Treasurer receive \$30 per meeting attended. Reduction in meetings pursuant to Agency Resolution No. 2010-4 would have resulted in a decrease of \$1,800 in stipend expenses. Since that resolution has not been implemented and the stipend expenses are included in the adopted budget, there would be no fiscal change. The proposed amendment would result in significant indirect savings by reducing the administrative time associated with the preparation of Agency meeting minutes, the need for separate Minute books, etc.

ATTACHMENTS

1. Draft Agency Resolution
2. Agency Resolution No. 2010-4 and No. 7-01
3. Current Bylaws of the Redevelopment Agency

Report Prepared By: Jamie Goldstein, Executive Director

Reviewed and Forwarded by
Executive Director 

AGENCY RESOLUTION NO. 2011-1

RESOLUTION OF THE CAPITOLA REDEVELOPMENT AGENCY
REPEALING AGENCY RESOLUTION NO. 2010-4 AND AMENDING AGENCY RESOLUTION
NO. 7-01 BY AMENDING SECTION 3.02 A OF THE BYLAWS OF THE REDEVELOPMENT
AGENCY OF THE CITY OF CAPITOLA REGARDING BOARD MEETING TIMES

THE REDEVELOPMENT AGENCY OF THE CITY OF CAPITOLA DOES HEREBY
RESOLVE as follows:

Bylaw Section 3.02 A. is amended to read as follows:

A. **Time.** Regular meetings (as that phrase is used in Government Code Section 54954) of the Capitola Redevelopment Agency shall be held on the second and fourth Thursday of each month to be held concurrently with the regular meeting of the Capitola City Council commencing at 7:00 p.m. When meetings are adjourned, the Secretary shall comply with Government Code Sections 54955 and 54955.1. By minute order the Agency may, at a regular or special meeting; cancel any previously-scheduled regular meeting or adjourn to a special meeting of the Agency.

I HEREBY CERTIFY that the foregoing resolution was passed and adopted by the Capitola Redevelopment Agency on the 13th day of January, 2011, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Dennis Norton, Chairperson

ATTEST:

Pamela Greeninger, Secretary

COPY AGENCY RESOLUTION NO. 2010-4

**RESOLUTION OF THE CAPITOLA REDEVELOPMENT AGENCY
TO AMEND AGENCY RESOLUTION NO. 7-01 BY AMENDING SECTION 3.02 A
OF THE BYLAWS OF THE REDEVELOPMENT AGENCY OF THE
CITY OF CAPITOLA REGARDING BOARD MEETING TIMES**

THE REDEVELOPMENT AGENCY OF THE CITY OF CAPITOLA DOES HEREBY RESOLVE as follows:

Bylaw Section 3.02 A. is amended to read as follows:

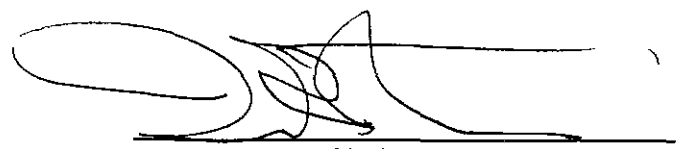
A. **Time.** Regular meeting (as that phrase is used in Government Code Section 54954) of the Capitola Redevelopment Agency shall be held:

- 1. On the second Thursday of each month commencing between 6:00 p.m. and 7:00 p.m. The exact time of commencement will be determined by the Executive Director (based upon his/her estimate of time required) and shall be set forth in notice of meeting posted at the place of meeting in accordance with Government Code Section 54954.2(a).

The exceptions to the foregoing are the following: When meetings are adjourned, the Secretary shall comply with Government Code Sections 54955 and 54955.1. By minute order the Agency may, at a regular or special meeting, cancel any previously-scheduled regular meeting.


I HEREBY CERTIFY that the foregoing resolution was passed and adopted by the Capitola Redevelopment Agency on the 9th day of December, 2010, by the following vote:

- AYES: Directors Harlan, Termini, Nicol, Storey, and Chairperson Norton
- NOES: None
- ABSENT: None
- ABSTAIN: None



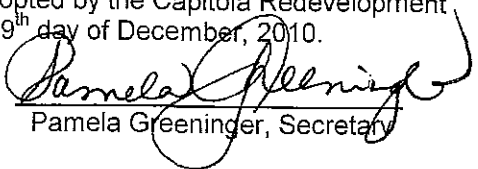
Chairperson

ATTEST:



Pamela Greeninger, Secretary

This is to certify that the above and foregoing is a true and correct copy of Agency Resolution No. 2010-4 passed and adopted by the Capitola Redevelopment Agency on the 9th day of December, 2010.



Pamela Greeninger, Secretary

COPY

AGENCY RESOLUTION NO. 7-01

RESOLUTION OF THE CAPITOLA REDEVELOPMENT AGENCY
AMENDING SECTION 3.02 A. OF THE BYLAWS
OF THE REDEVELOPMENT AGENCY OF THE
CITY OF CAPITOLA REGARDING BOARD MEETING TIMES

THE REDEVELOPMENT AGENCY OF THE CITY OF CAPITOLA DOES HEREBY
RESOLVES as follows:

Bylaw Section 3.02 A. is amended to read as follows:


A. **Time.** Regular meetings (as that phrase is used in Government Code Section 54954) of the Capitola Redevelopment Agency shall be held:

1. On the second and fourth Thursday of each month commencing between 6:00 p.m. and 7:00 p.m. The exact time of commencement will be determined by the Executive Director (based upon his/her estimate of time required) and shall be set forth in notice of meeting posted at the place of meeting in accordance with Government Code Section 54954.2(a).

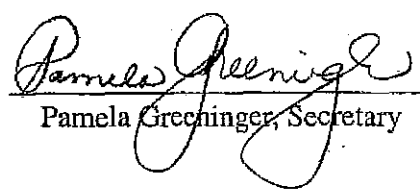
The exceptions to the foregoing are the following: The second regular meeting for November is scheduled on the fourth Tuesday. For December only one regular meeting will occur. It will be on the second Thursday. When meetings are adjourned, the Secretary shall comply with Government Code Sections 54955 and 54955.1. By minute order the Agency may, at a regular or special meeting, cancel any previously-scheduled regular meeting.

I HEREBY CERTIFY that the foregoing resolution was passed and adopted by the Capitola Redevelopment Agency on the 13th day of September, 2001, by the following vote:

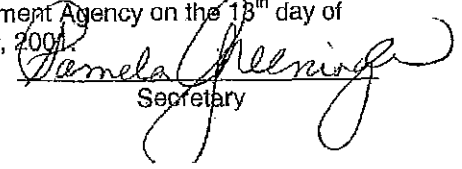
- AYES: Directors Ortiz, Gualtieri, Harlan, Arthur and Chairperson Norton
- NOES: None
- ABSENT: None
- ABSTAIN: None



 Dennis R. Norton, Chairperson

ATTEST:


 Pamela Greeninger, Secretary

This is to certify that the above and foregoing is a true and correct copy of Agency Resolution No. 7-01 passed and adopted by the Capitola Redevelopment Agency on the 13th day of September, 2001.


 Secretary



BYLAWS OF THE REDEVELOPMENT AGENCY OF THE CITY OF CAPITOLA

ARTICLE I - THE AGENCY

- Section 1.01 Name of Agency
- Section 1.02 Seal of Agency
- Section 1.03 Office of Agency and Place of Meeting
- Section 1.04 Powers
- Section 1.05 Members

ARTICLE II - OFFICERS

- Section 2.01 Officers
- Section 2.02 Chairperson
- Section 2.03 Vice-Chairperson
- Section 2.04 Executive Director
- Section 2.05 Deputy Executive Director
- Section 2.06 Treasurer
- Section 2.07 General Counsel
- Section 2.08 Secretary
- Section 2.09 Compensation
- Section 2.10 Additional Duties
- Section 2.11 Election or Appointment of Officers
- Section 2.12 Vacancies
- Section 2.13 Additional Personnel
- Section 2.14 Checking Account Signatories

ARTICLE III - MEETINGS

- Section 3.01 Annual Meeting
- Section 3.02 Regular Meeting
- Section 3.03 Special Meetings
- Section 3.04 Quorum
- Section 3.05 Order of Business
- Section 3.06 Manner of Voting
- Section 3.07 Conduct of Meeting

BYLAWS OF THE REDEVELOPMENT AGENCY OF THE CITY OF CAPITOLA

ARTICLE I - THE AGENCY

Section 1.01. Name of Agency. The official name of the Agency shall be the "Redevelopment Agency of the City of Capitola."

Section 1.02. Seal of Agency. The seal of the Agency shall be in the form of a circle and shall bear the name of the Agency and the year of its organization.

Section 1.03. Office of Agency and Place of Meeting. The office of the Agency shall be at 420 Capitola Avenue, Capitola, California, but the Agency may hold its meeting at any place in the City of Capitola, California, which the Agency may from time-to-time designate by resolution.

Section 1.04. Powers. The powers of the Agency shall be vested in the members thereof then in office, who reserve unto themselves the right to delegate by resolutions such powers as are appropriate and permissible by law.

Section 1.05. Members. The members of the Agency shall be the members of the City Council of the City of Capitola.

ARTICLE II – OFFICERS

Section 2.01. Officers. The officers of the Agency shall be a Chairperson and a Vice-Chairperson. Other officials acting as its staff shall be an Executive Director, a Deputy Executive Director, a Treasurer, a General Counsel and a Secretary.

Section 2.02. Chairperson. The Chairperson of the Agency shall be a member of the agency, selected by a majority of the members. The Chairperson, when present, shall preside at all meetings of the Agency. Except as otherwise authorized by resolution of the Agency or the provisions of these Bylaws, the Chairperson may sign all contracts, deeds and other instruments approved by Agency members. At each meeting, the Chairperson may submit such recommendations and information as the Chairperson may consider proper concerning the business, affairs and policies of the Agency.

Section 2.03. Vice-Chairperson. The Vice-Chairperson shall be a member of the Agency selected by a majority of the members. The Vice-Chairperson shall perform the duties of the Chairperson in the absence or incapacity of the Chairperson. In case of the resignation or death of the Chairperson, the Vice-Chairperson shall perform such duties as are imposed on the Chairperson until such time as the Agency shall elect a new Chairperson. In the absence of the Chairperson and Vice-Chairperson, the Agency members shall elect a member present as Temporary Chairperson for the purpose of conducting meetings and performing the duties of the Chairperson.

Section 2.04. Executive Director. The Executive Director shall be appointed by the Agency and shall serve at the pleasure of the Agency. The Executive Director shall have general supervision over administration of the Agency business and its affairs, subject to the direction of the Agency.

Section 2.05. Deputy Executive Director. The Deputy Executive Director may be appointed by the Agency and shall serve at the pleasure of the Agency. The Deputy Executive Director shall assist in the general supervision and administration of Agency business and its affairs, subject to the direction of the Executive Director and the Agency.

Section 2.06 Treasurer. The Treasurer shall be appointed by and shall serve at the pleasure of the Board of Directors of the Agency. With the technical assistance of the City/Agency Finance Director, the Treasurer shall oversee deposits and disbursements of Agency money and investment of same, and shall render to the Agency Board an account of the financial transactions and investment activities of the Agency no less frequently than quarterly, or more often as requested by the Agency Board. Subject to approval of the Agency Board, the Treasurer may designate as assistants or deputies, appropriate City Staff who, in the Treasurer's absence, shall perform the above-described duties on the Treasurer's behalf. The Treasurer shall give such bond for faithful performance of the Treasurer's duties as the Agency Board may require. The Treasurer shall be the Agency's "Chief Financial Officer" as that term is used in Health and Safety Code Section 33675 for the 1998-99 and succeeding Statements of Indebtedness. [Amended 6/22/95 By Agency Resolution No. 5-95; Amended 10/26/95 By Agency Resolution No. 10-95; Amended 1/27/00 By Agency Resolution No. 2-00]

Section 2.07. General Counsel. The General Counsel shall serve at the pleasure of the Agency. The General Counsel shall be the chief legal officer of the Agency and shall be responsible for the preparation of all proposed resolutions, laws, rules, contracts, bonds and all other legal papers for the Agency. The General Counsel shall give advice or opinions in writing to the Chairperson or other Agency officers whenever required to do so. The General Counsel shall attend to all suits and other matters to which the Agency is a part or in which the Agency may be legally interested and do such other things pertaining to the General Counsel's office as the Agency may require.

Section 2.08. Secretary. The Secretary shall be appointed by the Agency and shall serve at the pleasure of the Agency. The Secretary shall keep the records of the Agency, shall act as secretary at meetings of the Agency and shall record all votes and keep a record of the proceedings of the Agency in a journal of proceedings to be kept for such purpose, and shall perform all duties incident to the Secretary's office. In the absence of the Secretary, the Executive Director shall appoint a member of the staff to act as Secretary.

Section 2.09. Compensation. The members of the Agency shall receive such compensation as the City Council prescribes, but said compensation shall not exceed \$30.00 per member for each meeting of the Agency attended by the member. No member shall receive compensation for attending more than four (4) meetings of the Agency during any calendar month. In addition, members shall receive their actual and necessary expenses, including traveling expenses incurred in the discharge of their duties.

The Treasurer of the Agency shall receive such compensation as the Agency Directors prescribes, but said compensation shall not exceed \$30.00 per meeting of the Agency attended by the Treasurer, not to exceed four (4) payments for any calendar month. [Amended 4/12/07, Agency Resolution No. 2007-4]

Section 2.10. Additional Duties. The officers of the Agency shall perform such other duties and functions as may from time-to-time be required by the Agency or the Bylaws or rules and regulations of the Agency.

Section 2.11. Election or Appointment of Officers. Officers other than Chairperson and Vice-Chairperson shall serve until they resign or are removed or replaced by the members.

Section 2.12. Vacancies. Should the offices of Chairperson and Vice-Chairperson become vacant, the Agency shall elect a successor from its membership at the next regular meeting. Should any office other than Chairperson or Vice-Chairperson become vacant, the Agency shall appoint a successor within a reasonable time or by resolution determine that such office shall remain vacant for a definite or indefinite period of time.

Section 2.13. Additional Personnel. The Agency may, from time to time, appoint or employ such personnel as it deems necessary to exercise its powers, duties and functions as prescribed by the California Community Redevelopment Law and all other laws of the State of California applicable thereto. The selection, duties and compensation of such personnel shall be determined by the Agency, subject to the laws of the State of California.

Section 2.14. Checking Account Signatories. Checks drawn on the general account of the Agency shall be signed by two of the following officers: Treasurer; Executive Director; Deputy Executive Director; Secretary. Upon change of the identity of any person occupying one of these offices, the Executive Director shall cause a corresponding change to the account signatory card.

[Added 10/26/95, Agency Resolution No. 10-95; Amended 3/14/96, Agency Resolution No. 2-96; Amended 11/12/98, Agency Resolution No. 13-98; Amended 1/27/00, Agency Resolution No. 2-00]

ARTICLE III – MEETINGS

Section 3.01. Annual Meeting. The annual meeting of the Agency shall be held on the second Thursday of January at 7:00 P.M., or as soon thereafter as the City Council's agenda causes the City Council to adjourn as the Redevelopment Agency, in the Chambers of the City Council, 420 Capitola Avenue, Capitola, California. In the event such date shall fall on a legal holiday, the annual meeting shall be held on the next Thursday thereafter, unless the members schedule a different date.

Section 3.02. Regular Meetings.

A. **Time.** Regular meetings (as that phrase is used in Government Code Section 54954) of the Capitola Redevelopment Agency shall be held:

1. On the second Thursday of each month commencing between 6:00 p.m. and 7:00 p.m. The exact time of commencement will be determined by the Executive Director (based upon his/her estimate of time required) and shall be set forth in notice of meeting posted at the place of meeting in accordance with Government Code Section 54954.2(a).

The exceptions to the foregoing are the following: When meetings are adjourned, the Secretary shall comply with Government Code Sections 54955 and 54955.1. By minute order the Agency may, at a regular or special meeting, cancel any previously-scheduled regular meeting.

B. **Place.** All meetings of the Redevelopment Agency shall be held at Capitola City Hall, 420 Capitola Avenue, Capitola, California. If, by reason of fire, flood, earthquake or other emergency, it is unsafe to meet in the place designated, the meetings may be held for the duration of the emergency at such place as is designated by the chairperson of the Agency.

[Amended 10/12/95, Agency Resolution No. 9-95; Amended 2/11/99, Agency Resolution No. 2-99; Amended 3/23/00, Agency Resolution No. 3-00; Amended 9/13/01, Agency Resolution No. 7-01; Amended 12/9/10, Agency Resolution No. 2010-4]

Section 3.03. Special Meetings. The Chairperson or the Executive Director of the Agency may, when either deems it expedient, call a special meeting of the Agency for the purpose of transacting the business designated in the call. Upon written request of any two (2) Agency members, delivered to the Executive Director, such a meeting shall be called. The means and method for calling such special meeting shall be as set forth in the Ralph M. Brown Act, Government Code Section 54950 *et seq.* At such special meeting, no business shall be considered other than as designated in the call. [Amended 10/12/95, Agency Resolution No. 9-95]

Section 3.04. Quorum. Three (3) members of the Agency shall constitute a quorum for the purpose of conducting its business and exercising its powers and for all other purposes, but a smaller number may adjourn from time to time until the quorum is obtained. Every official act of the Agency shall be adopted by a majority vote. A "majority vote" shall mean a majority of all members present when a quorum is present.

Section 3.05. Order of Business. At the regular meetings of the Agency, the following shall be the order of business:

- 1) Roll Call
- 2) Oral Communications
- 3) Consent Calendar
- 4) Public Hearings
- 5) Regular Business
- 6) Adjournment

All resolutions shall be in writing and designated by number, reference to which shall be inscribed in the minutes and an approved copy filed in the official book of resolutions of the Agency. [Amended 3/23/00, Agency Resolution No. 3-00]

Section 3.06. Manner of Voting. The voting on formal resolutions, matters to any federal, state, county or city agency, and on such other matters as may be requested by a majority of the Agency members, shall be by roll call, and the ayes and noes and members present not voting shall be entered upon the minutes of such meeting.

Section 3.07. Conduct of Meeting. The Chairperson shall conduct each such meeting in a businesslike and fair manner, and in accordance with the Ralph M. Brown Act, but shall not be obligated to follow any technical, formal, or parliamentary rules or principles of procedure. The Chairperson's rulings on procedural matters shall be conclusive and binding on all members, unless at the time of a ruling a request for a vote on the ruling is made by a member, in which case the decision of a majority of such members shall be conclusive and binding on all members. Without limiting the generality of the foregoing, the Chairperson shall have all the powers usually vested in the Chairperson of a meeting of the members.

[ORIGINAL BYLAWS ADOPTED: Agency Resolution No. 2-81, 10/22/81;
AMENDMENTS: Agency Resolution No. 4-94, 7/28/94; No. 5-95, 6/22/95; No. 9-95,
10/12/95; No. 10-95, 10/26/95; No. 2-96, 3/14/96; No. 13-98, 11/12/98; No. 2-99, 2/11/99;
No. 2-00, 1/27/00; No. 3-00, 3/23/00; No. 7-01, 9/13/01; No. 2007-4, 4/12/07; No. 2010-4,
12/9/10]

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Item #: 5.H.

CITY COUNCIL AGENDA REPORT

MEETING OF JANUARY 13, 2011

FROM: DEPARTMENT OF PUBLIC WORKS
DATE: JANUARY 6, 2011
SUBJECT: GRANT FOR ELECTRIC VEHICLE CHARGING STATION INSTALLATION

Recommended Action: By motion and roll call vote take the following actions:

1. Accept a grant from Coulomb Technologies, Inc for two electric vehicle charging stations near City Hall and authorize the City Manager to execute two agreements with Coulomb.
2. Approve the installation of the charging stations in the Pacific Cove Parking Lot.
3. Award a sole source contract to Phat Energy in an amount not to exceed \$4,500 for the installation of the two charging stations at a site to be determined.
4. Approving a Notice of Exemption from CEQA for the installation of the charging stations

BACKGROUND

Through the efforts of the Monterey Bay Electric Vehicle Alliance on December 7, 2010 the City has been awarded a grant by Coulomb Technologies for two electric vehicle charging stations valued at \$6,000 apiece. The City is responsible for installing the stations at a cost of approximately \$4,500. Coulomb Technologies funding is being provided by the American Recovery and Reinvestment Act (ARRA) and also includes two years of service and maintenance.

DISCUSSION

Pursuant to the attached agreements with Coulomb (Attachments 1 and 2) the City must agree to maintain the stations until December 31, 2013. At that time the City may remove, relocate, or retain the stations. The agreement with Coulomb allows the City to establish rules pertaining to the use of the stations regarding fees and time limits. Staff recommends that initially the stations operate at no fee and the time limit for parking be 4-hours.

Coulomb and their approved installer Phat Energy have given the City two location options for the charging stations. The first is in the Pacific Cove Parking Lot along the back fence, near the existing electrical panel. The second is in the City Hall Parking Lot near the museum. Due to the fact that the site in the City Hall lot is being considered for a modular office building sometime in the future coupled with the limited number of unrestricted parking spaces in the City Hall lot, staff is recommending the station installation in the Pacific Cove Parking Lot. Attachment 3 and 4 shows the 2 proposed locations. Attachments 5 and 6 are the installation proposals from Phat Energy.

CEQA

Section 15061 (b) (3) provides that a project is exempt from CEQA if the activity does not have the

AGENDA STAFF REPORT

January 13, 2011

PARTIAL GRANT FOR ELECTRIC VEHICLE CHARGING STATION INSTALLATION

Page 2

there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.

Section 15311 provides that a project is exempt from CEQA if the project consists of construction or replacement of minor structures accessory to existing commercial, industrial, or institutional facilities.

Section 15301 consists of the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of use beyond that existing at the time of the lead agency's determination. A notice of exemption (Attachment 7) has been prepared for the Council's consideration.

FISCAL IMPACT

It is recommended that the \$4,500 installation cost be covered by transferring funds within the Capital Improvement Program fund from the Esplanade Retaining Wall project. The retaining wall project has been deferred for a year. Full funding for the retaining wall project will be reprogrammed in the next fiscal year.

ATTACHMENTS

1. Letter and agreement with Coulomb Technologies
2. ChargePoint Master Services Agreement
3. Pacific Cove Parking Lot site map with proposed location
4. City Hall Parking Lot site map with proposed location
5. Phat Energy proposal for installation in Pacific Cove Parking Lot
6. Phat Energy proposal for installation in City Hall Parking Lot
7. Notice of Exemption

**Report Prepared By: Steven Jesberg
Public Works Director**

**Reviewed and Forwarded
By City Manager:**





8/16/2010

Mr. Customer
VP Sales & Marketing
Electric Motorcars
400 S Goodway Ave
Los Angeles, CA 90010

Dear Customer:

Congratulations! You have been awarded one or more Coulomb Technologies, Inc. ("CTI") electric vehicle charging stations under the ChargePoint America™ Program . The Program has been funded in part under the terms of Grant number DE-EE0003391 from the United States Department of Energy (the "DOE") as part of the American Reinvestment and Recovery Act ("ARRA"). In order to receive delivery of the Charging Stations, you must agree to all of the terms and conditions following. Furthermore, you need to:

1. Countersign at the end of this letter and provide a copy of it back to Coulomb or to the local Coulomb Distributor
2. Provide a \$0 PO to Coulomb Technology for the charger(s). Please make sure the part numbers on the order correspond to the part numbers on this letter and provide a ship to address with a contact name, phone number, and email.
3. Sign and return the attached Master Services Support Agreement
4. Return the documents within 30 days of the date of this award letter

We appreciate your participation in this exciting program and look forward to creating an electric vehicle charging infrastructure in your area.

Best regards,

Michael Jones
Western Region Director
ChargePoint America Program
Coulomb Technologies



2. **Shipment and Delivery.** CTI will pay for the cost of standard delivery charges of the Charging Stations to the locations designated by You in writing to CTI. CTI shall choose the method by which Charging Stations are to be delivered. If You desire expedited delivery, You will be responsible for the payment of all delivery charges. No Charging Stations will be delivered until CTI has received written confirmation that You have obtained all applicable permits for the installation of the Charging Stations. A CTI representative, or one of its authorized distributors (“Authorized Distributors”) will assist You in obtaining the necessary permits.

3. **Installation.** (a) Unless specifically agreed in writing, installation of the Charging Stations may only be done by an Authorized Distributor or one or more installers chosen by such Authorized Distributor. Should You wish to use your own installer, you shall request CTI’s permission, in its reasonable discretion, to do so no more than fifteen (15) days prior to the scheduled installation date. You should be aware, however, that your installer may be subject to the provisions of the Davis Bacon Act (FAR 52.222-6). The Davis Bacon Act is a federal law that requires certain private contractors working on federal construction projects to pay their workers a wage at least equal to locally prevailing wages, as determined by the United States Department of Labor, for the type of work being performed. It is likely that the installation of Charging Stations would be treated as a federal construction project requiring observance of the Davis Bacon Act requirements. Union pay scales have frequently been used as a guide by the Department of Labor when determining locally prevailing wages. In addition, because the Charging Stations are being awarded to You under a federal program, in the event You use your own installer, such installer shall become subject to certain audit and other rights granted to the United States government and to CTI. **YOU SHOULD CONTACT CTI IMMEDIATELY FOR A COMPLETE EXPLANATION OF THE APPLICABLE REPORTING, AUDITING AND OTHER REQUIREMENTS THAT APPLY TO YOU OR YOUR INSTALLER SHOULD YOU WISH TO USE YOUR OWN INSTALLER TO INSTALL THE CHARGING STATIONS.**

(b) You agree to cause the installation of the Charging Stations within forty five (45) days of their delivery to You. In the event that the Charging Stations have not been installed by the expiration of such forty five day period, CTI reserves the right to reclaim the Charging Stations. In the event that You are having trouble arranging for the installation of the Charging Stations by an Authorized Distributor or an installer chosen by such Authorized Distributor, please contact CTI as soon as possible so that it can assist you in obtaining prompt installation of the Charging Stations.

(c) The Charging Stations are not to be removed from their packaging by any person other than the Installer.

4. **Warranty.** The Charging Stations will be covered by the terms of CTI’s standard Warranty (the “Warranty”) for a period beginning on the date of installation and running until December 31, 2013. Should You wish to obtain an extended warranty, You should contact CTI or an Authorized Distributor.

5. **Access to the Public.** All of the Charging Stations will be installed in a manner and in locations that make them available for access and use by the general public. The Charging Stations, and the facilities in which they are located, shall be kept clean and in good repair. You shall promptly call CTI or an Authorized Distributor in order to arrange for the repair of any non-functioning Charging Stations.



6. **Network Access.** As a part of the award, You will receive free a free subscription for ChargePoint™ Network Standard Service, as defined in the ChargePoint™ Master Services Subscription Agreement (the “Master Services Agreement”), that will expire December 31, 2013 (the “Subscription Period”). You must execute a copy of the Master Services Agreement as a part of your obligations under this ChargePoint America™ Station Award Agreement and must keep the Charging Stations connected to the ChargePoint™ Network throughout the entire Subscription Period. CTI offers various other services, such as billing services, which may be accessed through the ChargePoint™ Network. All of such services are subject to CTI’s standard terms and conditions.
7. **Access to Information.** The use of the Charging Stations will be subject to CTI’s standard privacy policy (the “Privacy Policy”), which may be accessed at <https://www.chargepointportal.net/index.php/general/uri/privacy.html>. Notwithstanding anything to the contrary contained in the immediately preceding sentence, or in the Privacy Policy, CTI reserves the right, on behalf of the DOE, to collect certain anonymous information regarding the use and operation of the Charging Stations.
8. **Certain Rights of the United States Government.** Notwithstanding the fact that You are being awarded the Charging Stations under the Program, the United States Government reserves the right to seize the Charging Stations under certain, limited circumstances, including, without limitation, national emergency.
9. **No Right to Remove or Sell the Charging Stations.** The Charging Stations may not be sold or removed from their place of installation, prior to January 1, 2014, without the prior written consent of CTI.
10. **Additional Charging Stations.** In the event that You have purchased Charging Stations that are to become a part of the Program, CTI’s standard terms and conditions shall apply.
11. **No Amendment or Modification.** No modification, amendment or waiver of this Agreement shall be effective unless in writing and either signed or electronically accepted by the party against whom the amendment, modification or waiver is to be asserted.
12. **Waiver.** CTI’s failure at any time to require your performance of any obligation under this Agreement will in no way affect the full right to require such performance at any time thereafter. CTI’s waiver of a breach of any provision of this Agreement will not constitute a waiver of the provision itself. CTI’s failure to exercise any of its rights provided in this Agreement will not constitute a waiver of such rights. No waiver will be effective unless in writing and signed by a CTI authorized representative. Any such waiver will be effective only with respect to the specific instance and for the specific purpose given.
13. **Applicable law.** This Agreement will be construed, and performance will be determined, according to the laws of the State of California without reference to such state’s principles of conflicts of law and the state and federal courts of California shall have exclusive jurisdiction over any claim arising under this Agreement.
14. **Waiver of Jury Trial.** You and CTI each hereby waive any right to jury trial in connection with any action or litigation arising out of this Agreement.



15. **Severability.** Except as otherwise specifically provided herein, if any term or condition of this Agreement or the application thereof to either You or CTI will to any extent be determined by any judicial, governmental or similar authority, to be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to this Agreement, You and CTI or circumstances other than those as to which it is determined to be invalid or unenforceable, will not be affected thereby.

16. **Assignment.** You may not assign any of your rights or obligations under this Agreement, whether by operation of law or otherwise, without the prior written consent of CTI.

17. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which, taken together, shall constitute but one and the same document.

COULOMB TECHNOLOGIES, INC.

Praveen K. Mandal, President

AWARDEE:

By: _____
(Signature)

Name: _____

Title: _____

[Handwritten Signature]
12-9-10
CITY ATTORNEY



CHARGEPOINT AMERICA™ STATION AWARD AGREEMENT

1. **Charging Stations.** You (“You”) have been awarded one or more Coulomb Technologies, Inc. (“CTI”) electric vehicle charging stations under the ChargePoint America™ Program . The Program has been funded in part under the terms of Grant number DE-EE0003391 from the United States Department of Energy (the “DOE”) as part of the American Reinvestment and Recovery Act (“ARRA”). The charging stations will be installed at the locations specified on Appendix A.

Product Name	Product Description	Product Code	Qty	Unit Price	Total Price
CT2101C-CDMA-LOCK-CCR	CHARGEPOINT AMERICA DOE EVSE PACKAGE Commercial/Public Outdoor Dual Output Level2/Level1 J1772 & Nema 5-20R EVSE,208/240V 30A Max.& 120VAC 16A Max Simultaneous operation, Gateway, Zigbee LAN, Locking holster, Bollard. ChargePoint America DOE Parts Warranty thru 12/31/2013. UL Listed.	CT2101C-CDMA-LOCK-CCR	2	\$0.00	\$0.00

Grand Total:	\$0.00
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APPENDIX A - CHARGING STATION LOCATIONS

2 Stations - XXX Address

CHARGEPOINT®
MASTER SERVICES SUBSCRIPTION AGREEMENT

IMPORTANT: PLEASE READ THIS MASTER SERVICES SUBSCRIPTION AGREEMENT ("AGREEMENT") CAREFULLY.

THIS AGREEMENT GOVERNS REGISTRATION OF YOUR CHARGING STATION ON THE CHARGEPOINT NETWORK AND ACTIVATION OF CHARGEPOINT NETWORK SERVICES. SUBSCRIBING FOR A CHARGEPOINT NETWORK SERVICE CONSTITUTES ACCEPTANCE OF ALL OF THE TERMS AND CONDITIONS OF THIS AGREEMENT AND IS BINDING ON YOU AND THE BUSINESS ENTITY YOU REPRESENT (COLLECTIVELY, "SUBSCRIBER" OR "YOU"). IF YOU ARE ENTERING INTO THIS AGREEMENT ON BEHALF OF A COMPANY OR OTHER LEGAL ENTITY, YOU REPRESENT THAT YOU HAVE AUTHORITY TO BIND SUCH COMPANY OR OTHER LEGAL ENTITY AND ITS AFFILIATES TO THESE TERMS AND CONDITIONS; IF NOT, YOU MAY NOT ENTER INTO THIS AGREEMENT AND MAY NOT USE THE CHARGEPOINT SERVICES.

YOU MAY NOT ACCESS THE CHARGEPOINT SERVICES IF YOU ARE A DIRECT COMPETITOR OF CTI EXCEPT WITH CTI'S PRIOR WRITTEN CONSENT. IN ADDITION, YOU MAY NOT ACCESS THE CHARGEPOINT SERVICES FOR PURPOSES OF MONITORING THEIR AVAILABILITY, PERFORMANCE OR FUNCTIONALITY, OR ANY OTHER BENCHMARKING OR COMPETITIVE PURPOSE.

1. DEFINITIONS. The following terms shall have the definitions set forth below when used in this Agreement:

1.1 "Affiliate" means any entity which directly or indirectly controls, is controlled by, or is under common control with the subject entity. "Control", for purposes of this definition, means direct or indirect ownership or control of fifty percent (50%) or more of the voting interests of the subject entity.

1.2 "ChargePass™ RFID Card" means a CTI provisioned radio-frequency identification card issued to a ChargePass Account Holder which permits a User of such card access to the ChargePoint Network for the delivery of Subscriber-provided services and the ChargePass Account Holder to use the ChargePoint Network to manage their ChargePass Account.

1.3 "ChargePass Account" means an account registered with CTI that permits a User to prepay for access to Networked Charging Stations utilizing a ChargePassRFID Card.

1.4 "ChargePass Account Holder" means a User who has registered with the Network Operator and created a ChargePass Account.

1.5 "ChargePoint Network" means the Network Operator provisioned software, firmware, hardware (excluding Charging Stations owned and registered by Subscribers) and services for Subscribers and Users that, among other things, provision, manage, and allow access to Networked Charging Stations by ChargePass Account Holders via the RFID Card and by other Users via the utilization of contactless RFID embedded credit cards, or authorized credit or electronic debit card transactions and permit Subscribers to register, activate, monitor and operate Charging Stations .

1.6 "ChargePoint Network Standard Service" means the bundled group of ChargePoint Services that assist in the basic operation of the Networked Charging Stations. The ChargePoint Network Standard Service is required to be subscribed to by Subscriber in order to register and activate a Charging Station on the ChargePoint Network.

1.7 "ChargePoint Services" means the ChargePoint Network support services and ChargePoint software applications, as such may be introduced and made available to Subscribers by the

Network Operator from time to time, which provide network support and functionalities for Users and Subscribers and allow Subscribers, among other things, to monitor and control Networked Charging Stations. ChargePoint Services, including, but not limited to, the ChargePoint Network Standard Service, are made available for subscription by Subscribers pursuant to Purchase Orders entered into between Subscriber and CTI.

1.8 *“Charging Session”* has the same definition as “Session” set forth below.

1.9 *“Charging Station”* means the electric vehicle charging station(s) installed by Subscriber at the Subscriber Location(s), either manufactured by CTI or by another entity, which have embedded within them CTI proprietary hardware and firmware, enabling Subscriber to register and activate such charging stations on the ChargePoint Network. A charging station may be designated by a Subscriber as a Commercial Charging Station or a Free Charging Station, a Public Charging Station or a Private Charging Station and such designations may be changed at any time with respect to any Networked Charging Station(s) utilizing the ChargePoint Network Standard Service.

1.10 *“Commercial Charging Station”* means a Charging Station that is designated by the Subscriber as one where Users must pay a Session Fee for access to the Charging Station.

1.11 *“CTI”* means Coulomb Technologies, Inc., a Delaware corporation.

1.12 *“CTI Marks”* means the various trademarks, service marks, names and designations used in connection with the CTI manufactured Charging Stations and/or the ChargePoint Network, including, without limitation, ChargePoint and ChargePass.

1.13 *“CTI Intellectual Property”* means all intellectual property of CTI relating to the CTI Marks, the ChargePoint Network, the ChargePoint Services, ChargePass, ChargePass RFID Cards, ChargePass Accounts and all other Intellectual Property Rights of CTI.

1.14 *“Documentation”* means written information (whether contained in user or technical manuals, product materials, specifications or otherwise) pertaining to ChargePoint Services and/or the ChargePoint Network and made available by the Network Operator to Subscribers and/or Users in any manner (including on-line).

1.15 *“Free Charging Station”* means a Charging Station that is designated by the Subscriber as one where Users do not pay a Session Fee for access to the Charging Station.

1.16 *“Intellectual Property Rights”* means all intellectual property rights, including, without limitation, patents, patent applications, patent rights, trademarks, trademark applications, trade names, service marks, service mark applications, copyrights, copyright applications, franchises, licenses, inventories, know-how, trade secrets, Subscriber lists, proprietary processes and formulae, all source and object code, algorithms, architecture, structure, display screens, layouts, inventions, development tools and all documentation and media constituting, describing or relating to the above, including, without limitation, manuals, memoranda and records.

1.17 *“Malicious Code”* means viruses, worms, time bombs, Trojan horses and other malicious code, malware, spyware, files, scripts, agents or programs.

1.18 *“Net Session Fees”* means all Session Fees actually collected on behalf of the Subscriber from Users by Network Operator for use of Networked Charging Stations less Session Authorization Fees and Session Processing Fees, as well as any Taxes and Regulatory Charges, if any, required by law to be collected by CTI from Users in connection with the use of Networked Charging Stations. Except as required by law, Subscriber shall be responsible for the payment of all Taxes and Regulatory Charges incurred in connection with the Networked Charging Stations.

1.19 *“Networked Charging Station”* means a Charging Station for which a Subscriber has subscribed for the ChargePoint Network Standard Service and registered and activated such Charging Station on the ChargePoint Network.

1.20 *“Network Operator”* means the entity responsible for provisioning, managing and maintaining the ChargePoint Network and offering ChargePoint Services. CTI is the Network Operator in North America but is permitted at any time to assign its rights and obligations as Network Operator under this Agreement to another entity.

1.21 *“Network Web Portal”* means any of the secure Internet web portals established and maintained by the Network Operator which will allow (i) Subscriber through its Subscriber Accounts to access ChargePoint Services for the management and control of Subscriber’s Networked Charging Stations and (ii) ChargePass Account Holders through their respective ChargePass Accounts to track their use of Networked Charging Stations, replenish ChargePass RFID Cards and otherwise manage their ChargePass Account.

1.22 *“Party”* means the Network Operator and Subscriber.

1.23 *“Private Charging Station”* means a Charging Station for which access by the general public is restricted (e.g., a Charging Station located in a private parking facility or restricted corporate campus).

1.24 *“Public Charging Station”* means a Charging Station that is accessible by any User subject only to stated hours of operation.

1.25 *“Purchase Order”* means the purchase order(s) or other documentation entered into between Subscriber and the Network Operator, its distributors or other authorized representatives for the subscription of ChargePoint Services the terms of which are incorporated herein by reference.

1.26 *“Purchased ChargePoint Services”* means those ChargePoint Services made available by the Network Operator and for which a Subscription has been purchased by Subscriber with respect to any of Subscriber’s Networked Charging Stations or for which the Subscription Term has automatically been renewed pursuant to Section 8.3 (Automatic Renewal of Subscriptions).

1.27 *“Regulatory Charges”* is defined in Section 4.6 (Taxes and Regulatory Charges).

1.28 *“Session”* or *“Charging Session”* means a continuous period of time measuring not less than five (5) minutes commencing when a User has accessed a Networked Charging Station and the delivery of Subscriber provided services has been initiated and terminating upon the cessation by such User of the Subscriber provided services.

1.29 *“Session Authorization Fees”* means the fees payable by the Subscriber to the Network Operator to pre-authorize a Charging Session at a Commercial Networked Charging Station.

1.30 *“Session Fees”* means the fees set by the Subscriber for a Charging Session, including any applicable Taxes and/or Regulatory Charges.

1.31 *“Session Processing Fees”* means the fees charged by the Network Operator for the management, collection and processing of Session Fees on behalf of Subscriber and the remittance of Net Session Fees to Subscribers.

1.32 *“Session Transaction Fees”* means the complete set of fees, session authorization fees and session processing fees, charged by the Network Operator to the Subscriber for collection of User Session Fees on behalf of the Subscriber, as well as any applicable Taxes and Regulatory Charges.

1.33 *"Software Application"* means computer programs, including firmware, as provided or otherwise made available to Subscriber by the Network Operator, or its distributors or other authorized representatives, as embedded in or downloaded by Subscriber to the Subscriber's Charging Stations, related products and any Upgrades.

1.34 *"Subscriber"* is an owner of one or more Charging Stations for which Subscriber has purchased Subscriptions for ChargePoint Services and registered with and activated on the ChargePoint Network.

1.35 *"Subscriber Account"* means an account established by a Subscriber.

1.36 *"Subscriber Location(s)"* means the physical locations where Subscriber has installed Networked Charging Stations registered with the ChargePoint Network.

1.37 *"Subscription"* means a subscription for ChargePoint Services purchased by a Subscriber.

1.38 *"Subscription Fees"* means the fees payable by Subscriber to the Network Operator for subscribing to any of the ChargePoint Services.

1.39 *"Subscription Term"* means the Term for which Subscriber has purchased a Subscription for Purchased ChargePoint Services for a Networked Charging Station.

1.40 *"Taxes"* is defined in Section 4.6 (Taxes and Regulatory Charges).

1.41 *"Upgrades"* means any authorized upgrades, updates, bug fixes or modified versions of Software Applications furnished by the Network Operator.

1.42 *"Users"* means any person using Networked Charging Stations including, without limitation, ChargePass Account Holders.

1.43 *"You"* or *"Your"* means the company or other legal entity for which you are accepting this Agreement and the Affiliates of that company or entity.

2. CTI'S RESPONSIBILITIES AND AGREEMENTS.

2.1 NETWORK OPERATION. The Network Operator shall be solely responsible for: (i) *Provisioning and Operating the ChargePoint Network* – provisioning and operating, maintaining, administration and support of the ChargePoint Network infrastructure (but excluding Subscribers' Charging Stations and infrastructure for transmitting data from Networked Charging Stations to any ChargePoint Network operations center); (ii) *Provisioning and Operating Network Web Portals* – provisioning and operating, maintaining, administration and support of the Network Web Portals; (iii) *User Acquisition, Administration and Support* -- acquisition and registration of new ChargePass Account Holders, administration and support of ChargePass Accounts and provisioning the support services for Users embodied in the ChargePoint Services, and (iv) *Data Protection* – using commercially reasonable efforts to comply with all applicable laws and regulations of the United States of America and all other governmental entities governing, restricting or otherwise pertaining to the use, distribution, export or import of data, products, services and/or technical data whether such information or data relates to either the Subscriber or Users in connection with the ChargePoint Network.

2.2 PURCHASED CHARGEPOINT SERVICES. The Network Operator shall make the Purchased ChargePoint Services available to Subscriber pursuant to this Agreement and the applicable Purchase Orders for each Networked Charging Station during the Subscription Term. The Network Operator represents and warrants that: (i) *Authority* -- it has the power and authority to enter into and be bound by this Agreement, (ii) *Performance of ChargePoint Services* -- the ChargePoint Services shall

perform materially in accordance with the Documentation, (iii) **Support for Purchased ChargePoint Services** – it will provide all support for Purchased ChargePoint Services and technical support and maintenance for all Software Applications as set forth in the Documentation, including, without limitation, Upgrades, (iv) **Continuity of Purchased ChargePoint Services** – It will use commercially reasonable efforts to make the Purchased ChargePoint Services available 24 hours a day, 7 days a week, 365 days per year, except for planned downtime (of which Subscriber shall be given not less than eight (8) hours prior notice via electronic messaging to the email address for notices specified in each Subscriber Account), (v) **No Decrease in Functionality of ChargePoint Services** -- subject to Section 2.3(vi), the functionality of the ChargePoint Services shall not materially decrease during the Subscription Term, and (vi) **Malicious Code** – it will use commercially reasonable efforts to ensure that it does not transmit to Subscriber any Malicious Code (excepting Malicious Code transmitted to CTI or the Network Operator by Subscriber or its Affiliates). Subscriber’s exclusive remedy for a breach of any of the foregoing shall be as provided in Section 8.4 (Termination) and Section 8.5 (Refund or Payment Upon Termination) as set forth below.

2.3 LIMITATIONS ON RESPONSIBILITY. Neither CTI, its distributors nor its other authorized representatives nor the Network Operator shall be responsible for, or makes any representation or warranty to Subscriber with respect to the following: (i) **Competing Subscriber Locations** -- specific location(s) or number of Networked Charging Stations now, or in the future, owned, operated and/or installed by Subscribers other than Subscriber, or the total number of Networked Charging Stations that comprise the ChargePoint Network; (ii) **Electrical Service Interruptions** – continuous availability of electrical service to any Networked Charging Stations; (iii) **Cellular and Internet Service Interruptions** – continuous availability of any wireless or cellular communications network or Internet service provider network not operated by CTI or the Network Operator; (iv) **Network Intrusions** – availability of or interruption of the ChargePoint Network attributable to unauthorized intrusions; (v) **Unregistered Charging Stations** -- Charging Stations that are not registered and activated with the ChargePoint Network, and (vi) **Google™ Services** – the continued availability of any Google services incorporated for use with the ChargePoint Services; provided that, if Google ceases to make the Google Application Programming Interface (“API”) or any similar program available on reasonable terms for the ChargePoint Services, the Network Operator shall make commercially reasonable efforts to replace the Google API or such similar program with products providing similar functionalities if such products are available upon terms which the Network Operator, in its reasonable discretion, believes are commercially reasonable; and provided further that, if Google ceases to make the Google API or similar program available, or available on reasonable terms for the ChargePoint Services, the Network Operator may cease providing such features without entitling Subscriber to any refund, credit or other compensation.

2.4 DISCLAIMER OF WARRANTY. EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS SECTION 2, NEITHER CTI, THE NETWORK OPERATOR NOR ANY OF THEIR RESPECTIVE DISTRIBUTORS OR OTHER AUTHORIZED REPRESENTATIVES AS APPLICABLE, MAKES ANY WARRANTIES OF ANY KIND, WHETHER EXPRESS OR IMPLIED, STATUTORY OR OTHERWISE, AND HEREBY EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES, INCLUDING ANY WARRANTIES OF MERCHANTABILITY FOR FITNESS FOR A PARTICULAR PURPOSE, TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW.

3. SUBSCRIBER RESPONSIBILITIES AND AGREEMENTS

3.1 GENERAL. Subscriber shall be solely responsible for: (i) **Installation of Charging Stations and/or Related Electrical Vehicle Charging Products** – the purchase and installation of Subscriber’s Charging Stations and other electrical vehicle charging products shall be at Subscriber’s sole cost and expense; (ii) **Registration and Activation of Charging Stations with the ChargePoint Network** – registration with and activation of Subscriber’s Charging Stations on the ChargePoint Network through a

Network Web Portal, including, without limitation, keeping current Subscriber's contact information, email address for the receipt of notices hereunder, billing address for invoices and payment of Subscriber's Net Session Fees due under this Agreement; (iii) **Pricing and Access** -- setting the pricing (including all applicable Taxes and Regulatory Charges) for any Subscriber provided services accessed by Users through Networked Charging Stations that are designated Commercial Charging Stations and any conditions limiting access thereof, (iv) **Update of Registration of Charging Stations** -- if a Networked Charging Station is moved from its registered location Subscriber shall update the registration location of the Networked Charging Station on the appropriate Network Web Portal within five (5) business days of making any change in the Subscriber Location(s); (v) **Identification of Charging Stations and Subscriber Locations** -- provisioning and installation of appropriate signage that clearly and prominently identifies and, where appropriate, provides directions to the Subscriber Locations so that they may be easily located by Users; (vi) **Public Access Level** -- designation of each Networked Charging Station as either a Public Charging Station or a Private Charging Station; (vii) **Commercialization** -- designation of each Networked Charging Station as either a Commercial Charging Station or a Free Charging Station; (viii) **Appearance and Cleanliness** -- keeping Networked Charging Stations and Subscriber Locations(s) clean and free of graffiti, unauthorized advertising, debris and other materials that would obscure, block access or otherwise detract from or cast a negative light on the reputation of the ChargePoint Network; (ix) **Maintenance, Service and Repair of Networked Charging Stations** -- the maintenance, service, repair and/or replacement of Subscriber's Networked Charging Stations as needed, including deactivation of Networked Charging Stations that are non-operational and not intended to be replaced or repaired by Subscriber within ten (10) business days from the ChargePoint Network; (x) **Location of Charging Stations** -- assuring the accessibility, lighting and other factors pertaining to the safety of Users while utilizing the Charging Stations not directly related to the design or manufacture of the Charging Stations themselves; and (xi) **Compliance with Laws** -- operating and maintaining the Subscriber's Networked Charging Stations in a manner that complies with all applicable laws.

3.2 REPRESENTATIONS AND WARRANTIES OF SUBSCRIBER. Subscriber represents and warrants to CTI, the Network Operator, their respective its distributors and other authorized representatives that: (i) **Authority** -- Subscriber has the power and authority to enter into and be bound by this Agreement and to install the Charging Stations and any other electrical vehicle charging products to be registered and activated on the ChargePoint Network at the Subscriber Location(s); (ii) **No Violation With Subscriber's Electrical Supply or Other Agreements** -- Subscriber assumes all responsibility that the electrical usage consumed by any of Subscriber's Networked Charging Station does not violate or otherwise conflict with the terms and conditions of any applicable electrical purchase or other agreement including, without limitation, any lease, to which Subscriber is a party; (iii) **Installation of Charging Stations Will Not Violate Any Other Agreements or Laws** -- Subscriber will not install or attach Charging Stations on or to infrastructure not owned by Subscriber without proper authority, or in a manner that will block any easement or right of way. Subscriber will observe all legal requirements with respect to vehicle clearances from intersections, points of ingress or egress and public infrastructure such as fire hydrants, lampposts, parking meters, and will otherwise observe all applicable governmental restrictions or restrictions applicable to the Subscriber Locations under any other agreements to which Subscriber is subject; and (iv) **Compliance Laws** -- Subscriber will comply with all applicable laws.

3.3 FURTHER AGREEMENTS OF SUBSCRIBER MADE IN CONNECTION WITH REGISTRATION OF CHARGING STATIONS ON THE CHARGEPOINT NETWORK AND USE OF CHARGEPOINT SERVICES. Subscriber further acknowledges and agrees with the Network Operator, CTI, and their respective distributors and authorized representatives, as applicable, as follows: (i) **Display of CTI Marks** -- Subscriber will not remove, conceal or cover the CTI Marks or any other markings, labels, legends,

trademarks, or trade names installed or placed on the Networked Charging Stations or any peripheral equipment for use in connection with the Networked Charging Stations for so long as such Charging Stations are Networked Charging Stations; (ii) **Use of Network Web Portals** -- Subscriber shall comply with, and shall have responsibility for and cause all other persons accessing or using Network Web Portals to comply with, all of the rules, regulations and policies of the Network Operator, as well as other networks and computer systems used to access Network Web Portals, whether operated by Subscriber, its suppliers or others and Subscriber agrees to indemnify and hold the Network Operator, CTI, and their respective distributors and authorized representatives, directors, shareholders, officers, agents, employees, permitted successors and assigns harmless from any third party notices, allegations, claims, suits or proceedings (each, a "Claim") resulting from Subscriber's use of Network Web Portals and the ChargePoint Services in violation of the terms of this Section 3.3(ii) or of Section 3.3(iii); (iii) **Use of the ChargePoint Network and ChargePoint Services** -- Subscriber shall be responsible for use of the ChargePoint Services in compliance with this Agreement, and in particular, shall: (A) use its commercially reasonable efforts to prevent unauthorized access to Purchased ChargePoint Services, (B) use the Purchased ChargePoint Services only in accordance with the Documentation and applicable laws and government regulation, (C) shall not sell, resell, rent or lease the Purchased ChargePoint Services, (D) shall not interfere with or disrupt the integrity of the ChargePoint Network, the ChargePoint Services or any third party data contained therein, and (E) shall not attempt to gain unauthorized access to the ChargePoint Network or the ChargePoint Services or their related systems or networks; (iv) **Future ChargePoint Services** -- Purchase Orders are not contingent on the delivery of any future functionality or features, nor dependent on any oral or written comments anticipating future functionality or features; (iv) **Ownership of Data** -- All data collected by the Network Operator in connection with the operation of the ChargePoint Network shall be owned by CTI and the Network Operator and Subscriber acknowledges and agrees that Subscriber shall have no right of access or the use of such data for any purpose other than the management of Subscriber's Networked Charging Stations while registered with the ChargePoint Network.

4. FEES AND PAYMENT FOR PURCHASED CHARGEPOINT SERVICES.

4.1 SUBSCRIPTION FEES. Subscriber shall pay the Subscription Fees set forth on any Purchase Order for Purchased ChargePoint Services. Except as otherwise specified herein or in any Purchase Order, (i) Subscription Fees are quoted in and payable in U.S. Dollars, (ii) Subscription Fees are based on ChargePoint Services purchased and not on actual usage, (iii) payment obligations are non-cancelable and are non-refundable, and (iv) Subscriptions are non-transferable (provided, that any Subscription may be transferred to a Charging Station that is purchased by Subscriber to replace a previously Networked Charging Station). Subscription Fees are based on annual periods that begin on the date of the Subscription start date and end each annual anniversary thereafter.

4.2 INVOICING AND PAYMENT. Subscriber shall provide the Network Operator with valid and up to date credit card information if Subscriber is subscribing for ChargePoint Services online through the applicable Network Web Portal. In all other cases, payment of Subscription Fees shall be made under the terms of any accepted Purchase Order pursuant to a method of payment reasonably acceptable to the Network Operator. Where Subscriber provides credit card information to the Network Operator through such Network Web Portal for the payment of Subscription Fees, Subscriber hereby authorizes the Network Operator to charge such credit card for all Purchased ChargePoint Services for the initial Subscription Term and the automatic renewal of Subscription Term(s) as set forth in Section 8.3 (Automatic Renewal of Subscriptions). All credit card charges shall be made in advance, either annually or in accordance with the terms of the accepted Purchase Order. If the Purchase Order specifies that payment shall be made by a method other than credit card, the Network Operator, its

distributors or authorized representatives, as applicable, shall invoice Subscriber in advance in accordance with the accepted Purchase Order (including the automatic renewal of Subscription Term(s)) and invoiced charges shall be due within thirty (30) days of the invoice date.

4.3 OVERDUE SUBSCRIPTION FEES. If any invoiced Subscription Fees are not received by the Network Operator by the due date, then such charges: (i) may accrue late interest at the rate of one and one-half percent (1.5%) of the outstanding balance per month, or the maximum rate permitted by law, whichever is lower, from the date such payment was due until paid, and (ii) the Network Operator may condition future Subscription renewals and acceptance of Purchase Orders on payment terms other than those set forth herein.

4.4 ACCELERATION AND SUSPENSION OF CHARGEPOINT SERVICES. If any amount owing by Subscriber under this Agreement for Subscription Fees for Purchased ChargePoint Services or under any other agreement between the Network Operator and Subscriber is more than thirty (30) days overdue (or, in the event that Subscriber has authorized the Network Operator to charge the amount owing to Subscriber's credit card and payment under such credit card has been declined, more than 5 days has passed since Subscriber has received notice from the Network Operator of such event), the Network Operator may, without otherwise limiting the Network Operator's rights or remedies, accelerate Subscriber's unpaid fee obligations under such agreements so that all such obligations become immediately due and payable, and suspend the use by Subscriber of the Purchased ChargePoint Services until such amounts are paid in full.

4.5 PAYMENT DISPUTES. The Network Operator shall not exercise its rights under Section 4.3 (Overdue Subscription Fees) or Section 4.4 (Acceleration and Suspension of ChargePoint Services) if the applicable charges are under reasonable and good faith dispute and Subscriber is cooperating diligently to resolve the dispute.

4.6 TAXES AND REGULATORY CHARGES. Unless required by law or otherwise stated herein, Session Authorization Fees and Session Processing Fees do not include any taxes, levies, duties or similar governmental assessments of any nature, including, but not limited to, value added, sales, local, city, state or federal taxes ("**Taxes**") or any fees or other assessments levied or imposed by any governmental regulatory agency ("**Regulatory Charges**"). Subscriber is responsible for the payment of all Taxes and Regulatory Charges hereunder in connection with Purchased ChargePoint Services, Session Fees, Session Authorization Fees and Session Processing Fees; provided, that the Network Operator is solely responsible for all Taxes and Regulatory Charges assessable based on the Network Operator's income, property and employees. Where the Network Operator is required by law to collect and/or remit the Taxes or Regulatory Charges for which Subscriber is responsible, the appropriate amount shall be invoiced to Subscriber in accordance with this Section 4 and deducted by the Network Operator from Session Fees, unless Subscriber has otherwise provided the Network Operator with a valid tax or regulatory exemption certificate or authorization from the appropriate taxing or regulatory authority.

5. FLEX-BILLING SERVICE FOR NETWORKED CHARGING STATIONS.

5.1. SESSION FEES. Subscriber shall have sole authority to determine and set in real-time a User's Session Fees (which shall include all applicable Taxes and Regulatory Charges) applicable to Subscriber's Networked Charging Stations that are designated as Commercial Charging Stations.

5.2. SESSION TRANSACTION FEES. In exchange for the Network Operator collecting Session Fees on behalf of the Subscriber, the Subscriber hereby authorizes the Network Operator to deduct from all Session Fees collected: (i) a Session Authorization Fee, and (ii) a Session Processing Fee, each in the amount and subject to the terms and conditions as set forth in **Schedule 1**.

5.3 PAYMENT TO SUBSCRIBER OF NET SESSION FEES. The Network Operator shall remit to Subscriber not more than thirty (30) days after the end of each calendar month to the address set forth in Subscriber's Account information registered on the applicable Network Web Portal all Net Session Fees.

5.5 NO COMMERCIALIZATION OF CHARGING STATIONS PRIOR TO JULY 1, 2010. Subscriber acknowledges and agrees that prior to July 1, 2010, Networked Charging Stations shall not be commercialized, *i.e.*, no Session Authorization Fee will be paid by Subscribers and no Session Fees will be collected from Users.

6. PROPRIETARY RIGHTS.

6.1 RESERVATION OF RIGHTS. Subject to the limited rights granted expressly hereunder, CTI reserves all right, title and interest in and to the ChargePoint Services, including all related Intellectual Property Rights. No rights are granted to Subscriber hereunder except as expressly set forth herein. CTI shall have a royalty-free, worldwide, transferable, sublicensable, irrevocable perpetual license to use or incorporate in the ChargePoint Services any suggestions, enhancement requests, recommendations or other feedback provided by Subscribers or Users relating to the ChargePoint Services.

6.2 RESTRICTIONS ON USE. Neither Subscriber nor any of its Affiliates shall: (i) permit any third party to access the ChargePoint Services except as otherwise expressly provided herein or in any Purchase Order, (ii) create derivative works based on the ChargePoint Services, (iii) copy, frame or mirror any part or content of the ChargePoint Services, other than copying or framing on Subscribers own intranets or otherwise for Subscriber's own internal business purposes, (iv) reverse engineer any Charging Station or Software Application, or (v) access the ChargePoint Network, any Network Web Portal or the ChargePoint Services in order to (A) build a competitive product or service, or (B) copy any features, functions, interface, graphics or "look and feel" of any Network Web Portal or the ChargePoint Services.

6.3 GRANT OF LIMITED LICENSE FOR CTI MARKS.

(a) LICENSE GRANT. Subscriber is granted under this Agreement the nonexclusive privilege of displaying the CTI Marks during the Term of this Agreement in connection with the Networked Charging Stations installed by Subscriber. Subscriber warrants that it shall not use any of the CTI Marks for any products other than the Networked Charging Stations at the Subscriber Locations(s). CTI may provide trademark usage guidelines with respect to Subscriber's use of the CTI Marks which will be made available on a Network Web Portal, in which case Subscriber thereafter must comply with such guidelines. If no such guidelines are provided, then for each initial use of the CTI Mark, Subscriber must obtain CTI's prior written consent, which shall not be unreasonably withheld or delayed, and after such consent is obtained, Subscriber may use the CTI Mark in the approved manner. The CTI Marks may not be used under this Agreement as a part of the name under which Subscriber's business is conducted or in connection with the name of a business of Subscriber or its Affiliates.

(b) NO REGISTRATION OF CTI MARKS BY SUBSCRIBER. Neither Subscriber nor any of its Affiliates will take any action, directly or indirectly, to register or apply for or cause to be registered or applied in Subscriber's favor or in the favor of any third party any CTI Marks or any patent, trademark, service mark, copyright, trade name, domain name or registered design that is substantially similar to a patent, trademark, service mark, copyright, trade name or registered design of CTI or the Network Operator, or that is licensed to, connected with or derived from confidential, material or proprietary information imparted to or licensed to Subscriber by CTI or the Network Operator.

(c) **USE OF CTI MARKS BY SUBSCRIBER ON INTERNET.** Subscriber shall be entitled to use the CTI Marks to promote the ChargePoint Network on Subscriber-owned websites and through the Internet advertising of Subscriber and its Affiliates, *provided*, that Subscriber is limited to using the CTI Marks in connection with the Internet as follows: (i) **Compliance with Law** -- the use must be in compliance with local rules regarding advertising of the Networked Charging Stations and the ChargePoint Network on the Internet; (ii) **No Domain Name** -- no license is granted to use or register any domain name containing "CTI", the name of the Network Operator or the CTI Marks; and (iii) **Notice of License** – Subscriber and its Affiliates, as applicable, will at all times indicate that each of the CTI Marks is a mark of CTI and used under license, as appropriate.

(d) **TERMINATION AND CESSATION OF USE OF CTI MARKS.** Upon termination of this Agreement Subscriber and its Affiliates will immediately discontinue all use and display of the name "CTI", the name of the Network Operator and the CTI Marks.

6.4 FEDERAL GOVERNMENT END USER PROVISIONS. CTI provides the ChargePoint Services, including Software Applications and technology, for ultimate federal government end use solely in accordance with the following: Government technical data and software rights related to the ChargePoint Services include only those rights customarily provided to the public as defined in this Agreement. This customary commercial license is provided in accordance with FAR 11.211 (Technical Data) and FAR 11.212 (Software) and, for Department of Defense transactions, DFAR 252.227-7015 (Technical Data – Commercial items) and DFAR 226.7202-3 (Rights in Commercial Computer Software or Computer Software Documentation). If a government agency has a need for rights not conveyed under these terms, it must negotiate with CTI to determine if there are acceptable terms for transferring such rights, and a mutually acceptable written addendum specifically conveying such rights must be included in any applicable Purchase order, contract or other agreement.

7. INDEMNIFICATION

7.1 INDEMNIFICATION OF SUBSCRIBER BY CTI. CTI shall defend at its expense any third party notices, allegations, claims, suits, or proceedings ("**Claim**") against Subscriber and its Affiliates, and their respective directors, shareholders, officers, agents, employees, permitted successors and assigns, to the extent alleging that the use of any of the ChargePoint Services as permitted hereunder or the CTI Marks as furnished hereunder infringes or misappropriates the Intellectual Property Rights of any third party, and to pay costs and damages finally awarded in any such suit or agreed to by CTI in settlement with such third party (including reasonable attorney's fees and expenses), provided that CTI is notified promptly in writing of the suit and at CTI's request and at its expense is given control of said suit and all requested reasonable assistance for defense of same. CTI agrees that it shall not settle any Claim unless Subscriber and its Affiliates, as applicable, are unconditionally released from any liability as part of any settlement. This indemnity does not extend to any suit based upon any infringement or alleged infringement of any Intellectual Property Rights by the combination of a product (including the ChargePoint Services) furnished by CTI with other elements not furnished by CTI if such infringement would have been avoided by the use of the CTI product (including in conjunction with the CTI furnished ChargePoint Services) alone.

7.2 INDEMNIFICATION OF CTI AND THE NETWORK OPERATOR BY SUBSCRIBER. Subscriber shall defend CTI, the Network Operator, and their respective distributors, authorized agents, directors, shareholders, officers, agents, employees, permitted successors and assigns against any Claim brought by a third party (i) as a result of Subscriber's negligence or willful misconduct or (ii) alleging that Subscriber's or any of its Affiliates' use of the ChargePoint Network or ChargePoint Services in violation of this Agreement infringes or misappropriates the Intellectual Property Rights of any third party or

violates applicable law, and to pay costs and damages finally awarded in any such suit or agreed to by Subscriber in settlement with such third party (including reasonable attorney's fees and expenses), provided that Subscriber is notified promptly in writing of the suit and at Subscriber's request and at its expense is given control of said suit and all requested reasonable assistance for defense of same. Subscriber agrees that it shall not settle any Claim unless CTI, the Network Operator, and their respective distributors and/or other authorized representatives, as applicable, are unconditionally released from any liability as part of any settlement.

7.3 LIMITATION OF LIABILITY. Except for liability for indemnification against third party claims for infringement or misappropriation of intellectual property rights, the Network Operator and CTI's aggregate liability under this Agreement shall not exceed the aggregate Subscription Fees paid by Subscriber to the Network Operator in the calendar year prior to the event giving rise to the Claim. THE FOREGOING DOES NOT LIMIT SUBSCRIBER'S PAYMENT OBLIGATIONS FOR THE PURCHASED CHARGEPOINT SERVICES.

7.4 EXCLUSION OF CONSEQUENTIAL AND RELATED DAMAGES. REGARDLESS OF WHETHER ANY REMEDY SET FORTH HEREIN FAILS OF ITS ESSENTIAL PURPOSE OR OTHERWISE, IN NO EVENT WILL CTI, THE NETWORK OPERATOR OR THEIR RESPECTIVE DISTRIBUTORS OR OTHER AUTHORIZED REPRESENTATIVES BE LIABLE FOR ANY LOST REVENUE OR PROFIT, LOST OR DAMAGED DATA, BUSINESS INTERRUPTION, LOSS OF CAPITAL, OR FOR SPECIAL, INDIRECT, CONSEQUENTIAL, INCIDENTAL OR PUNITIVE DAMAGES, HOWEVER CAUSED AND REGARDLESS OF THE THEORY OF LIABILITY OR WHETHER ARISING OUT OF THE USE OF OR INABILITY TO USE THE CHARGEPOINT NETWORK, ANY CHARGEPOINT SERVICES, THIS AGREEMENT OR OTHERWISE OR BASED ON ANY EXPRESSED, IMPLIED OR CLAIMED WARRANTIES BY SUBSCRIBER NOT SPECIFICALLY SET FORTH IN THIS AGREEMENT AND EVEN IF CTI, THE NETWORK OPERATOR OR THEIR RESPECTIVE DISTRIBUTORS, OTHER AUTHORIZED REPRESENTATIVES, SUPPLIERS OR LICENSORS HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. BECAUSE SOME STATES OR JURISDICTION DO NOT ALLOW LIMITATION OR EXCLUSION OF CONSEQUENTIAL OR INCIDENTAL DAMAGES, THE ABOVE LIMITATION MAY NOT APPLY TO YOU.

7.5 EXCLUSIVE REMEDY. The foregoing states the indemnifying party's sole liability to, and the indemnified party's exclusive remedy against, the other party with respect to any Claim described in this Section 7.

7.6 ELECTRICAL, CELLULAR AND INTERNET SERVICE INTERRUPTIONS. None of CTI, the Network Operator, any of their respective distributors, other authorized representatives, or Subscriber shall have any liability whatsoever to the other with respect to damages caused by: (i) electrical outages, power surges, brown-outs, utility load management or any other similar electrical service interruptions whatever the cause; (ii) interruptions in wireless or cellular service linking Networked Charging Stations to the ChargePoint Network; (iii) interruptions attributable to unauthorized ChargePoint Network intrusions; or (iv) interruptions in services provided by any Internet service provider not affiliated with CTI or the Network Operator. This includes the loss of data resulting from such electrical, wireless, cellular or Internet service interruptions.

8. TERM AND TERMINATION.

8.1 TERM OF AGREEMENT. This Agreement shall become effective on the date of acceptance and continues until all Subscriptions (including any automatic renewals thereof) purchased by Subscriber have been terminated or otherwise have expired.

8.2 TERM OF PURCHASED SUBSCRIPTIONS. Subscriptions purchased by Subscriber commence on the start date specified in the Purchase Order and shall continue for the applicable

Subscription Term specified therein for each Subscription or until the Purchased ChargePoint Services provided pursuant to any Subscription are otherwise terminated, changed or canceled by the Network Operator or Subscriber as allowed by the terms and conditions set forth herein.

8.3 AUTOMATIC RENEWAL OF SUBSCRIPTIONS. Unless otherwise specified in the applicable Purchase Order, all purchased Subscriptions shall automatically be renewed for a period equal to that of the expiring Subscription, unless either party gives the other notice of non-renewal not less than thirty (30) days prior to the schedule expiration date for the relevant Subscription Term. The per-unit pricing for any renewal term shall be the same as during the prior term unless the Network Operator shall have given Subscriber notice to the email address for the Subscriber Account that Subscriber has provided hereunder of any increase in pricing for Subscriptions not less than thirty (30) days prior to the end of such expiring Subscription, in which case the price increase shall be effective upon renewal and thereafter. Any such pricing increase shall not exceed ten percent (10%) over the pricing for the relevant Purchased ChargePoint Services in the prior term, unless the pricing for such expiring Subscription was designated in the applicable Purchase Order as promotional or a one-time offer.

8.4 TERMINATION.

(a) BY THE NETWORK OPERATOR. This Agreement and the Purchased ChargePoint Services furnished hereunder may be immediately suspended or terminated: (i) if Subscriber is in material violation of any of Subscriber's obligations under this Agreement, provided, that Subscriber shall be given written notice of such violation and if cured within thirty (30) days of such notice, any suspension or termination of Purchased ChargePoint Services shall be restored and this Agreement shall continue in effect, (ii) Subscriber becomes the subject of a petition in bankruptcy or any other proceeding related to insolvency, receivership, liquidation or an assignment for the benefit of creditors, (iii) upon the determination by any regulatory body that the subject matter of this Agreement is subject to any governmental regulatory authorization or review, or (iv) if, pursuant to the terms of this Agreement, the Network Operator is permitted the right to terminate upon the occurrence of an event or events.

(b) BY SUBSCRIBER. This Agreement may be terminated by Subscriber for cause: (i) upon thirty (30) days written notice given to the Network Operator alleging a material breach of this Agreement and the alleged breach remains unremedied at the expiration of such period, or (ii) the Network Operator becomes the subject of a petition in bankruptcy or any other proceeding related to insolvency, receivership, liquidation or an assignment for the benefit of creditors. This Agreement may be terminated by Subscriber upon the voluntary deactivation and removal from registration via the applicable Network Web Portal of all Networked Charging Stations owned by Subscriber and its Affiliates from the ChargePoint Network, at which time this Agreement shall terminate effective immediately; provided, that Subscriber shall not be entitled to any refund of prepaid Subscription Fees as a result of such termination.

8.5 REFUND OR PAYMENT UPON TERMINATION. Upon any termination of this Agreement for cause by Subscriber pursuant to Section 8.4(b)(i), or (ii) or the election of the Network Operator to terminate this Agreement pursuant to Section 8.4(a)(iii), the Network Operator shall refund to Subscriber the pro-rata portion of any pre-paid Subscription Fees for the remainder of the applicable Subscription Term for all Subscriptions after the effective date of termination. Upon any termination for cause by the Network Operator pursuant to Section 8.4(a)(i), (ii) or (iv) or upon the voluntary removal from registration and activation of all of Subscriber's Network Charging Stations from the ChargePoint Network, Subscriber shall pay any unpaid Subscription Fees covering the remainder of the Subscription

Term for any accepted Purchase Orders. In no event shall any termination relieve Subscriber of any liability for the payment of Subscription Fees or Session Processing Fees for any period prior to the termination date.Subscriber

9. **AMENDMENT OR MODIFICATION.** No modification, amendment or waiver of this Agreement shall be effective unless in writing and either signed or electronically accepted by the party against whom the amendment, modification or waiver is to be asserted; *provided*, that subject to any applicable Purchase Order the Network Operator may change the Session Authorization Fee and/or the Session Processing Fee as provided in **Schedule 1**.

10. **WAIVER.** The failure of either Party at any time to require performance by the other Party of any obligation hereunder will in no way affect the full right to require such performance at any time thereafter. The waiver by either Party of a breach of any provision hereof will not constitute a waiver of the provision itself. The failure of either Party to exercise any of its rights provided in this Agreement will not constitute a waiver of such rights. No waiver will be effective unless in writing and signed by an authorized representative of the Party against whom such waiver is sought to be enforced. Any such waiver will be effective only with respect to the specific instance and for the specific purpose given.

11. **FORCE MAJEURE.** Except with respect to payment obligations, neither the Network Operator nor Subscriber will be liable for failure to perform any of its obligations hereunder due to causes beyond such party's reasonable control and occurring without its fault or negligence (a "**Force Majeure Event**"). A Force Majeure Event will include, but not be limited to, fire, flood, earthquake or other natural disaster (irrespective of such party's condition of any preparedness therefore); war, embargo; riot; strike; labor action; any lawful order, decree, or other directive of any government authority that prohibits a party from performing its obligations under this Agreement; material shortages; shortage of transport; and failures of suppliers to deliver material or components in accordance with the terms of their contracts.

11. **APPLICABLE LAW.** This Agreement will be construed, and performance will be determined, according to the laws of the State of California without reference to such state's principles of conflicts of law (the "**Applicable Law**") and the state and federal courts of California shall have exclusive jurisdiction over any claim arising under this Agreement.

12. **WAIVER OF JURY TRIAL.** Each Party hereby waives any right to jury trial in connection with any action or litigation arising out of this Agreement.

13. **SURVIVAL.** Those provisions dealing with the Intellectual Property Rights of CTI, limitations of liability and disclaimers, restrictions of warranty, Applicable Law and those other provisions which by their nature or terms are intended to survive the termination of this Agreement will remain in full force and effect as between the Parties hereto as contemplated hereby.

14. **SEVERABILITY.** Except as otherwise specifically provided herein, if any term or condition of this Agreement or the application thereof to either Party will to any extent be determined jointly by the Parties or by any judicial, governmental or similar authority, to be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to this Agreement, the Parties or circumstances other than those as to which it is determined to be invalid or unenforceable, will not be affected thereby. If, however such invalidity or unenforceability will, in the reasonable opinion of either Party cause this Agreement to fail of its intended purpose and the Parties cannot by mutual agreement amend this Agreement to cure such failure, either Party may terminate this Agreement for cause as provided herein above.

15. ASSIGNMENT. Subscriber may not assign any of its rights or obligations hereunder, whether by operation of law or otherwise, without the prior written consent of the Network Operator (not to be unreasonably withheld). In the event of any purported assignment in breach of this Section 15, the Network Operator shall be entitled, at its sole discretion, to terminate this Agreement upon written notice given to Subscriber. In the event of such a termination, Subscriber shall pay any unpaid Subscription Fees covering the remainder of the Subscription Term for any accepted Purchase Orders. In no event shall any termination relieve Subscriber of any liability for the payment of Subscription Fees or Session Processing Fees for any period prior to the termination date. Subject to the foregoing, this Agreement shall bind and inure to the benefit of the parties, their respective successors and permitted assigns. CTI and the Network Operator may each assign its rights and obligations under this Agreement. Within ninety (90) days of any such assignment, CTI or the Network Operator, as the case may be, shall provide written notice to Subscriber of the fact of such assignment.

16. NO AGENCY OR PARTNERSHIP CREATED BY THIS AGREEMENT. CTI, in the performance of this Agreement, and in its role as the Network Operator, is an independent contractor. In performing its obligations under this Agreement, CTI shall maintain complete control over its employees, its subcontractors and its operations. No partnership, joint venture or agency relationship is intended by CTI and any Subscriber to be created by this Agreement.

17. ENTIRE AGREEMENT. This Agreement, **Schedule 1** and the applicable Purchase Orders of Subscriber contain the entire agreement between the Parties and supersedes and cancels all previous and contemporaneous agreements, negotiations, commitments, understandings, representations and writings in respect to the subject matter hereof. To the extent of any conflict or inconsistency between the terms and conditions of this Agreement and any Purchase Order, the Purchase Order shall prevail. Notwithstanding any language to the contrary therein, no terms or conditions stated in any other documentation (excluding **Schedule 1** and Purchase Orders) shall be incorporated into or form any part of this Agreement, and all such purported terms and conditions shall be null and void.

18. **COUNTERPARTS.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which, taken together, shall constitute but one and the same document.

COULOMB TECHNOLOGIES, INC.

Praveen K. Mandal, President

SUBSCRIBER:

By: _____
(Signature)

Name: _____

Title: _____

On Behalf of:

(Print Name of Company or Other Legal Entity)

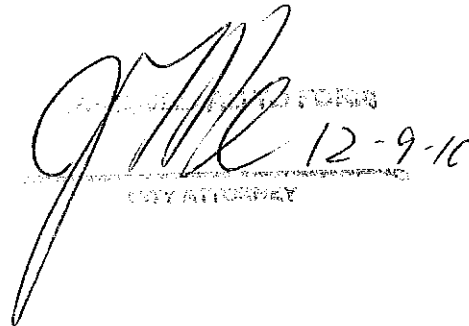
Address: _____

City: _____

State: _____ Zip Code: _____

E-Mail Address for Notices: _____

(Please complete Appendix A if signing up for Flex Billing Service.)



A handwritten signature in black ink is written over a faint, circular stamp. The signature is stylized and appears to be 'P. Mandal'. To the right of the signature, the date '12-9-10' is handwritten. The stamp contains the text 'COULOMB TECHNOLOGIES, INC.' at the top and 'CITY ATTORNEY' at the bottom.

Schedule 1: Subscriber Session Transaction Fee Schedule¹

<u>Fee Schedule</u>	<u>For Each Charging Session using ChargePass Card</u>	<u>For Each Charging Session Using Credit Card</u>
Session Authorization Fee²	\$0.50 per Session	\$0.50 per Session
Session Processing Fee³	7.5% of Session Fees	7.5% of Session Fees

¹ Subscriber is required to separately subscribe for the ChargePoint™ Network Standard Service in order to activate its Charging Stations on the ChargePoint™ Network.

² The Session Authorization Fee may not be increased more than once in any twelve (12) month period nor more than the greater of (i) ten percent (10%) or (ii) the Consumer Price Index rate of change promulgated by the United State Bureau of Labor Statistics with respect to the 12-month period just then ended when any notice of change is given by CTI to Subscribers.

³ CTI may increase the Session Processing Fee payable pursuant to this Agreement at any time after July 1, 2011, upon not less than one hundred eight (180) days notice (the "**Notice Period**") given by electronic notice posted to the Subscriber Portal and sent to each individual Subscriber Account, and any such change shall thereafter be binding and enforceable with respect to Subscriber after the expiration of such Notice Period; *provided, further*, that the Session Processing Fee may not be increased by more than one percentage point in any twelve (12) month period, nor in the aggregate, increased to more than twenty percent (20.00%) of Session Fees at any time.

Appendix A: Account Information Form for Flex Billing Services

Complete and fax this form to Coulomb Technologies Sales Operations (+1-214-716-1244) to sign up for Flex Billing services. All fields are required (except where noted).

Business Info

Business Legal Name: _____

Business Legal Address: _____
(Number) (Street) (City) (State/Province) (Postal Code) (Country)

Business Federal Tax ID: _____

Individual Point of Contact

Contact Name: _____

Contact Phone: _____

Contact Fax: _____

Contact Email Address: _____

Bank Account Info

Bank Name: _____

Bank Address: _____
(Number) (Street) (City) (State/Province) (Postal Code) (Country)

Bank Routing number or Swift Code: _____

Bank's Account number (if applicable): _____

Business's Account Number: _____

Business's Account Name: _____
(Remit To Name, if different than Business Legal Name)

Business's Account Address: _____
(Remit To Address, if different than Business Legal Address)

Business's Federal Tax ID: _____
(if Remit To Entity is if different than Business Legal Entity)

Additional Information (for Non-US Customers Only)

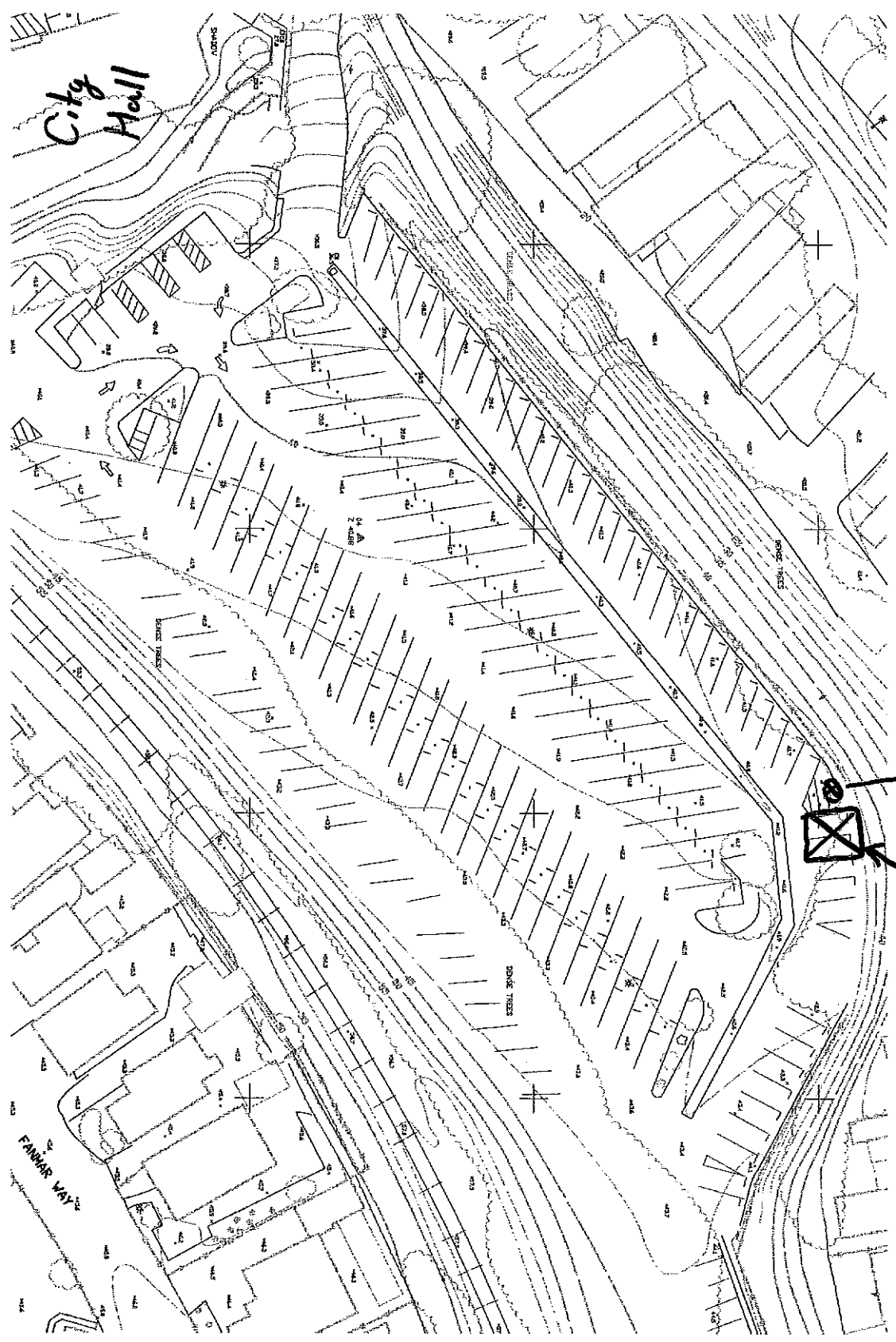
Intermediary Bank Name: _____

Intermediary Bank Address: _____
(Number) (Street) (City) (State/Province) (Postal Code) (Country)

Intermediary Bank Routing or Swift Code: _____

Intermediary Bank' Account number if applicable: _____

Pacific Cove Parking Lot



Existing Electric Panel

Proposed EV
Station site

DATE	PERSON



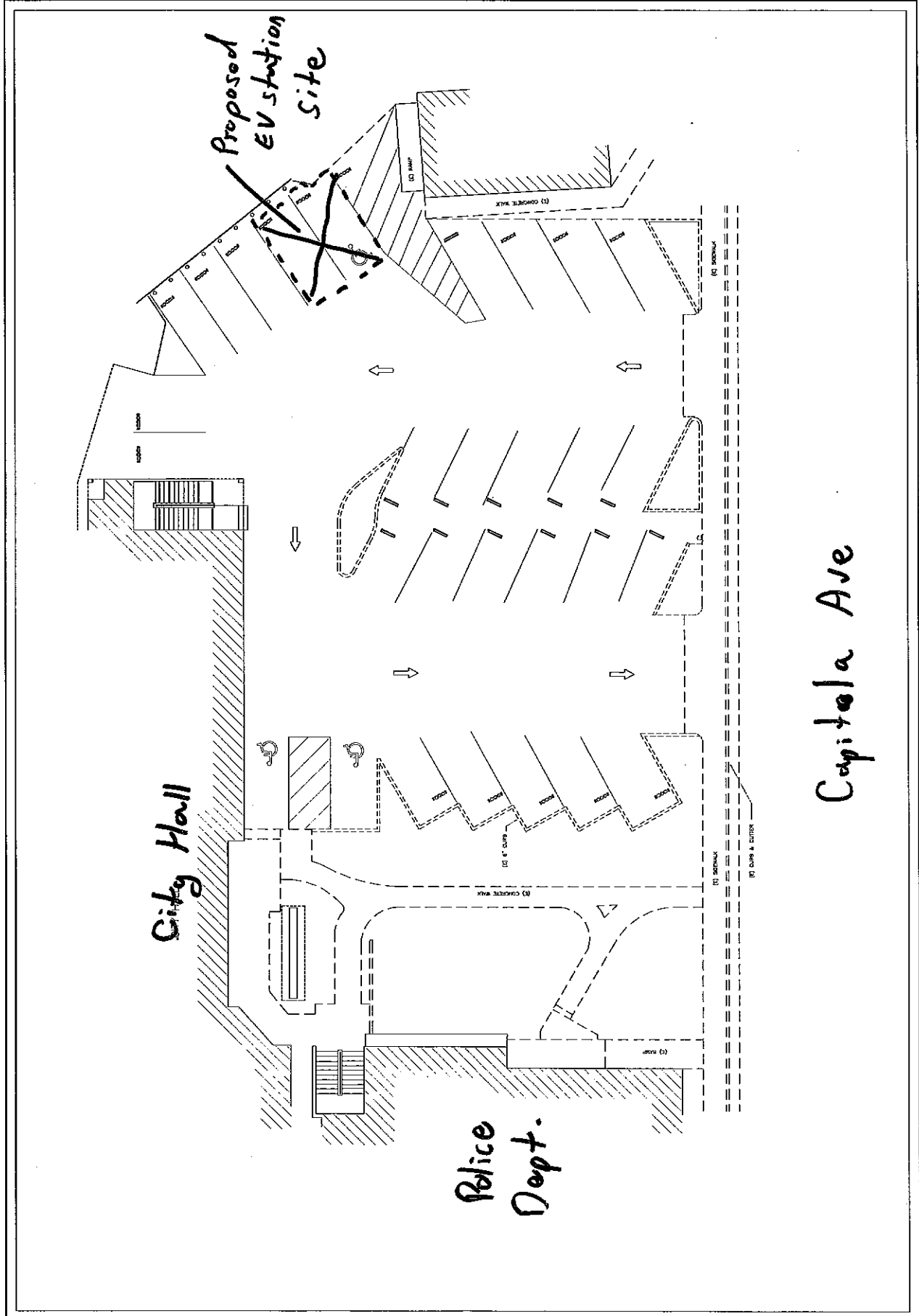
JOE L. AKERS
 CIVIL ENGINEER
 423-4537
 423-4537
 423-4537

CAPITOLA CITY HALL
 LOWER PARKING LOT
 EXISTING LAYOUT

DATE	SCALE
03/10	1/8" = 1'-0"

SHEET
 1 OF 3

City Hall Parking Lot



Capitola Ave

Electric Vehicle Charging Station Installation Proposal

City of Capitola (Upper Lot)

Demo

- Temporary disconnection of local lighting and power circuit(s)

Electrical Plan

Furnish and install the following, including any necessary commodities (conduit, wire, cable, fittings, boxes) required to complete installation.

- Furnish and provide dedicated electrical power to one (1) new Chargepoint CT2101 located in upper Pacific Cove parking lot. Completed installation includes pouring of 18"x18"x18" concrete mounting pad.
- Installation of two permanent protective bollards

Bid Amount: \$4,092.00

Exclusions

Demo:

Removal of debris created by others. Dumpster

Electrical Plan:

Painting and/or patching of interior walls.

Exterior painting and/or singage.

Striping of parking area.

Any and all costs which may be incurred due to existing code violations.

Permit fees.

Option

The two proposals and the related documentation are attached. Consider that approximately \$1,500 of each proposal is devoted to protective bollards. The City may consider strategically positioned parking curbs as a worthwhile alternative and if parking length allows.

Electric Vehicle Charging Station Installation Proposal

City of Capitola (Lower Lot)

Demo

- Temporary disconnection of local lighting and power circuit(s)

Electrical Plan

Furnish and install the following, including any necessary commodities (conduit, wire, cable, fittings, boxes) required to complete installation.

- Furnish and provide dedicated electrical power to one (1) new Chargepoint CT2101 located in lower City Hall parking lot. Completed installation includes pouring of 18"x18"x18" concrete mounting pad.
- Installation of two permanent protective bollards

Bid Amount: \$4,328.00

Exclusions

Demo:

Removal of debris created by others. Dumpster

Electrical Plan:

Painting and/or patching of interior walls.

Exterior painting and/or singage.

Striping of parking area.

Any and all costs which may be incurred due to existing code violations.

Permit fees.

Option

The two proposals and the related documentation are attached. Consider that approximately \$1,500 of each proposal is devoted to protective bollards. The City may consider strategically positioned parking curbs as a worthwhile alternative and if parking length allows.



NOTICE OF EXEMPTION

DATE: JANUARY 13, 2011
 TO: COUNTY CLERK, COUNTY OF SANTA CRUZ
 FROM: COMMUNITY DEVELOPMENT DEPARTMENT

Based on a preliminary review of the project the following activity is determined to be exempt from further environmental review requirements of the California Environmental Quality Act (CEQA) of 1970, as defined in the State Guidelines for the implementation of CEQA.

Case No.: #10-072

Location: Urban Area Inside the Coastal Zone and Appeals Jurisdiction within the City of Capitola, 420 Capitola Ave, CA 95010

Project Title:

Project Description: Installation of Coulomb Technologies CT 2100 electric vehicle charging station with a dual outlet (110/220V) for public use in the currently developed Pacific Cove Parking Lot behind City Hall located at 420 Capitola Ave and in front of City Hall in the existing parking lot. The units will be available for public use and benefit owners of electric vehicles, plug-in hybrid vehicles, electric bikes, scooters and motorcycles, as well as Neighborhood Electric Vehicles (NEVs) who are visiting the City of Capitola City Hall or nearby retail stores and restaurants.

Exempt Status: (Check one)

Ministerial
 Statutory
 Categorical Exemption 15301, 15311 (c)
 Emergency Project
 No Possibility of Significant Effect [§15061 (b) 3]

Cite specific CEQA Guideline Section: Sections §§ 15061 (b) 3, 15301, 15311 (c)

Reasons to support exemption findings:

Please see the attached impact discussion for the proposed amendment on the following pages.

Department Representative

Date

Note: A copy must be filed with the County Clerk of the Board after project approval and posted by the Clerk of the Board for a period of 30 days to begin a 35 day statute of limitations on legal challenges.

Date File of County Clerk

Impact Discussion

Section 15061 (b) (3) provides that a project is exempt from CEQA if the activity is covered by the general rule that CEQA applies only to projects, which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.

Section 15311 provides that a project is exempt from CEQA if the project consists of construction or replacement of minor structures accessory to existing commercial, industrial, or institutional facilities.

Section 15301 of the CEQA Guidelines consists of the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of use beyond that existing at the time of the lead agency's determination. The key consideration is whether the project involves negligible or no expansion of uses.

Discussion:

The project is the Installation of Coulomb Technologies CT 2100 electric vehicle charging station with a dual outlet (110/220V) for public use in the currently developed Pacific Cove Parking Lot behind City Hall located at 420 Capitola Ave and in front of City Hall in the existing parking lot. The unit will be available for public use and benefit owners of electric vehicles, plug-in hybrid vehicles, electric bikes, scooters and motorcycles, as well as Neighborhood Electric Vehicles (NEVs) who are visiting City Hall or nearby retail stores and restaurants.

The charging station will not be an expansion of uses as the parking lots are currently constructed and used to park vehicles. The parking spaces with the electrical charging station will be available to electric vehicles only, but will have a negligible impact on the supply of parking. Temporary construction impacts are anticipated to be insignificant.