

NEW ISSUE—BOOK-ENTRY

S&P: “AA-”

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described in this Official Statement, under existing law, the interest on the 2014 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See “TAX MATTERS.”

\$35,000,000*

**SUCCESSOR AGENCY TO THE FAIRFIELD REDEVELOPMENT AGENCY
(FAIRFIELD REDEVELOPMENT PROJECTS)
2014 TAX ALLOCATION REFUNDING BONDS**

Dated: Delivery Date

Due: August 1, as shown on the inside front cover

Purpose of the Bonds. The captioned bonds (the “2014 Bonds”) are being issued by the Successor Agency to the Fairfield Redevelopment Agency (the “Successor Agency”), as successor to the Fairfield Redevelopment Agency (the “Redevelopment Agency”), to refinance certain outstanding obligations of the Successor Agency and related obligations of the Fairfield Public Financing Authority (the “Authority”). The outstanding obligations of the Successor Agency and the Authority refinanced redevelopment and low- and moderate-income housing projects in five redevelopment project areas of the Redevelopment Agency (the “Project Areas”), as described in this Official Statement.

Indenture. The Successor Agency is issuing the 2014 Bonds pursuant to an Indenture of Trust, dated as of January 1, 2014 (the “Indenture”), by and between the Successor Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

Book-Entry; Principal and Interest Payments. The 2014 Bonds will be delivered as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to ultimate purchasers (“Beneficial Owners”) in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of bonds representing their ownership interest in the 2014 Bonds.

Semiannual principal of and semiannual interest on the 2014 Bonds due February 1 and August 1 of each year, commencing August 1, 2014, will be payable by the Trustee to DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the 2014 Bonds (see “THE 2014 BONDS—Book-Entry System”). See “THE 2014 BONDS.”

Record Date. The record date for the 2014 Bonds is the 15th calendar day of the month preceding each Interest Payment Date, whether or not it is a Business Day (as defined in the Indenture)

Redemption. The 2014 Bonds are subject to optional redemption prior to maturity. See “THE 2014 BONDS – Redemption.”

Security for the Bonds. The 2014 Bonds are payable from and secured by a pledge of the Tax Revenues (as defined in this Official Statement) to be derived from the Project Areas and moneys in certain funds and accounts established under the Indenture, as further described in this Official Statement. See “SECURITY FOR THE 2014 BONDS.”

The Successor Agency will fund a debt service reserve account for the 2014 Bonds. See “SECURITY FOR THE 2014 BONDS – Reserve Account.”

Bond Insurance; Reserve Fund Surety Bond. The Successor Agency has applied for a municipal bond insurance policy and a debt service reserve fund surety bond and will decide whether to purchase any such policy and/or surety bond in connection with the pricing of the 2014 Bonds.

Existing Senior Debt Related to One Project Area; Parity Bonds. The 2011 North Texas Street Bonds (as defined in this Official Statement) are outstanding and are payable from property tax revenues generated in the North Texas Street Project (as defined in this Official Statement) on a senior basis to the 2014 Bonds. The Indenture authorizes the Successor Agency to issue additional bonds payable from Tax Revenues on a parity with the 2014 Bonds. See “THE 2014 BONDS - Existing Senior Debt; Parity Bonds.”

Cover is a Summary. This cover page of the Official Statement contains information for quick reference only. It is not a complete summary of the 2014 Bonds. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Attention is hereby directed to certain risk factors more fully described in this Official Statement. See “RISK FACTORS”.

Limited Obligations. The 2014 Bonds are special obligations of the Successor Agency and are secured by an irrevocable pledge of, and are payable as to principal and interest from Tax Revenues and other funds described in this Official Statement. The principal of and interest on the 2014 Bonds are not a debt of the City of Fairfield (the “City”), the County of Solano (the “County”), the State of California (the “State”) or any of their political subdivisions except the Successor Agency, and none of the City, the County, the State nor any of their political subdivisions except the Successor Agency is liable thereon. The principal of and interest on the 2014 Bonds are not payable out of any funds or properties other than those set forth in the Indenture. Neither the members of the Successor Agency, the Oversight Board of the Successor Agency, the County Board of Supervisors nor any persons executing the 2014 Bonds are liable personally on the 2014 Bonds.

The 2014 Bonds are offered, when, as and if issued, subject to the approval of Jones Hall, A Professional Law Corporation, San Francisco, Bond Counsel to the Successor Agency. Certain legal matters will be passed on for the Successor Agency by Jones Hall, A Professional Law Corporation, Disclosure Counsel. Certain legal matters will be passed on for the Successor Agency by the City Attorney and for the Underwriter by Schiff Hardin LLP, San Francisco, California, Underwriter’s Counsel. It is anticipated that the 2014 Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about April __, 2014.



The date of this Official Statement is _____, 2014.

* Preliminary; subject to change.

MATURITY SCHEDULE

\$35,000,000*

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY
OF THE CITY OF FAIRFIELD
(FAIRFIELD REDEVELOPMENT PROJECTS)
2014 TAX ALLOCATION REFUNDING BONDS**

<u>Maturity Date (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP[†] (Base _____)</u>
2014					
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					

*Preliminary; subject to change.

† Copyright 2014, CUSIP Global Services, and a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by S&P Capital IQ. Neither the Successor Agency nor the Underwriter assumes any responsibility for the accuracy of the CUSIP data.

**SUCCESSOR AGENCY TO THE
FAIRFIELD REDEVELOPMENT AGENCY
FAIRFIELD, CALIFORNIA**

CITY COUNCIL

Harry T. Price, *Mayor*
Rick Vaccaro, *Vice Mayor*
Pam Bertani, *Council Member*
Catherine Moy, *Council Member*
John Mraz, *Council Member*

SUCCESSOR AGENCY STAFF

Sean Quinn, *Interim City Manager**
Greg Stepanicich, *City Attorney*
Oscar Reyes Jr., *City Treasurer*
David White, *Assistant City Manager/Finance Director*
Karen Rees, *City Clerk*

SPECIAL SERVICES

Bond and Disclosure Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Fiscal Consultant

HdL Coren & Cone
Diamond Bar, California

Financial Advisor

Kitahata & Company
San Francisco, California

Trustee

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

* Sean Quinn, who retired as City Manager effective April 3, 2014, will be the Interim City Manager from April 7, 2014 through June 30, 2014 while the City searches for a replacement.

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GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the 2014 Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the 2014 Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the Successor Agency or the Project Areas since the date of this Official Statement.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the 2014 Bonds referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the 2014 Bonds.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

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

Document References and Summaries. All references to and summaries of the Indenture or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

Stabilization of and Changes to Offering Prices. The Underwriter may over allot or take other steps that stabilize or maintain the market price of the 2014 Bonds at a level above that which might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the 2014 Bonds to certain dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

Bonds are Exempt from Securities Laws Registration. The issuance and sale of the 2014 Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

Estimates and Projections. Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words.

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

Website. The City maintains an Internet website, but the information on the website is not incorporated in this Official Statement.

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OFFICIAL STATEMENT

\$35,000,000*
**SUCCESSOR AGENCY TO THE
FAIRFIELD REDEVELOPMENT AGENCY
(FAIRFIELD REDEVELOPMENT PROJECTS)
2014 TAX ALLOCATION REFUNDING BONDS**

INTRODUCTORY STATEMENT

This Official Statement, including the cover page, is provided to furnish information in connection with the sale by the Successor Agency to the Fairfield Redevelopment Agency (the "**Successor Agency**") of the captioned bonds (the "**2014 Bonds**").

Authority and Purpose

The Successor Agency is issuing the 2014 Bonds pursuant to authority granted by the Constitution of the State of California, Section 34177.5(a)(1) of the Health & Safety Code of the State of California (which is part of the Dissolution Act described below), Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "**Refunding Law**") and an Indenture of Trust dated as of January 1, 2014 (the "**Indenture**") by and between the Successor Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the "**Trustee**"). See "THE 2014 BONDS – Authority for Issuance."

The Successor Agency is issuing the 2014 Bonds for the following purposes:

(i) To prepay three loans (collectively, the "**2003 Non-Housing Loans**") of the Fairfield Redevelopment Agency (the "**Redevelopment Agency**") made by the Fairfield Public Financing Authority (the "**Authority**") to the Redevelopment Agency pursuant to three loan agreements (the "**2003A Loan Agreements**"). The proceeds of the 2003 Non-Housing Loans were used to refund and defease certain bonds of the Authority that were issued to finance redevelopment projects in four redevelopment project areas of the Redevelopment Agency (there was a fourth loan agreement related to the Regional Center Project (as defined below), but that loan has been prepaid).

The prepayment of the 2003 Non-Housing Loans will result in the refunding and defeasance of the Fairfield Public Financing Authority 2003 Refunding Revenue Bonds, Series A (Fairfield Redevelopment Projects) (the "**2003A Bonds**"), which are outstanding in the principal amount of \$33,210,000 as of February 1, 2014.

(ii) To prepay one loan (the "**2003 Housing Loan**") made to the Fairfield Redevelopment Agency (the "**Redevelopment Agency**") by the Authority pursuant to a loan agreement (the "**2003B Loan Agreement**"). The 2003 Housing Loan proceeds

* Preliminary; subject to change.

were used to refund and defease certain bonds of the Redevelopment Agency that were issued to finance the Redevelopment Agency's housing activities.

The prepayment of the 2003 Housing Loan will result in the refunding and defeasance of the \$4,810,000 initial principal amount Fairfield Public Financing Authority 2003 Refunding Revenue Bonds, Series B (Housing Tax Revenues) (the "**2003B Bonds**"), which are outstanding in the principal amount of \$3,380,000 as of February 1, 2014.

It is important to note that this Preliminary Official Statement assumes that the 2003 Housing Loan and the 2003B Bonds will be refinanced from proceeds of the 2014 Bonds. However, if the refinancing of the 2003 Housing Loan does not result in debt service savings under market conditions on the pricing date of the 2014 Bonds, the 2003 Housing Loan will remain outstanding and will be payable from property tax revenues generated in all five Project Areas (as defined below) on a senior basis to the 2014 Bonds.

The City and the Successor Agency

City and County. The City of Fairfield (the "**City**") is located in northern Solano County (the "**County**"). The City was incorporated in 1903. It maintains a council-manager form of government, with the Mayor and Council members elected at-large for four-year terms.

See "APPENDIX G – Supplemental Information – City of Fairfield."

Redevelopment Agency. The Redevelopment Agency was a redevelopment agency with all of the powers vested in such organizations under the California Community Redevelopment Law (the "**Redevelopment Law**"). The members of the City Council of the City sat as the governing board of the Redevelopment Agency.

Dissolution Act. On June 29, 2011, Assembly Bill No. 26 ("**AB X1 26**") was enacted, together with a companion bill, Assembly Bill No. 27 ("**AB X1 27**"). The provisions of AB X1 26 provided for the dissolution of all redevelopment agencies in the State of California (the "**State**"). The provisions of AB X1 27 permitted redevelopment agencies to avoid such dissolution by the payment of certain amounts. A lawsuit was brought in the California Supreme Court, *California Redevelopment Association, et al., v. Matosantos, et al.*, 53 Cal. 4th 231 (Cal. Dec. 29, 2011), challenging the constitutionality of AB X1 26 and AB X1 27. The California Supreme Court largely upheld AB X1 26, invalidated AB X1 27, and held that AB X1 26 may be severed from AB X1 27 and enforced independently. As a result of AB X1 26 and the decision of the California Supreme Court in the California Redevelopment Association case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Redevelopment Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

The primary provisions enacted by AB X1 26 relating to the dissolution and winding down of former redevelopment agency affairs are found in Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the California Health and Safety Code, as amended on June 27, 2012 by Assembly Bill No. 1484 ("**AB 1484**"), enacted as Chapter 26, Statutes of 2012 (as amended from time to time, the "**Dissolution Act**").

Successor Agency. Pursuant to Section 34173 of the Dissolution Act, the City made an election to act as the successor agency to the Redevelopment Agency. Subdivision (g) of Section 34173 of the Dissolution Act, added by AB 1484, expressly affirms that the Successor Agency is a separate public entity and legal entity from the City, that the two entities shall not merge, and that the liabilities of the Redevelopment Agency will not be transferred to the City nor will the assets of the Redevelopment Agency become assets of the City.

The Redevelopment Plans and the Project Areas

Redevelopment Plans. The Redevelopment Agency formed five project areas (the “Project Areas”). The Project Area names, the date of adoption of the redevelopment plans (together, the “Redevelopment Plans”) and the ordinance numbers are as follows:

Project Area Name	Date of Redevelopment Plan Adoption	Ordinance Number
Regional Center Project	November 23, 1976	Ord. No. 76-31
Highway 12 Project	December 27, 1979	Ord. Nos. 79-45 and 79-46
City Center Project	July 6, 1982	Ord. No. 82.13
Cordelia Area Project	July 19, 1983	Ord. No. 83-14
North Texas Street Project	October 3, 1995	Ord. No. 95-17

Tax Allocation Financing

Prior to the enactment of AB X1 26, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues, and the Solano County Auditor-Controller apportioned tax increment revenue to all redevelopment agencies in two roughly equal payments in December and April of each fiscal year. An additional payment was made in August to allocate any revenues that had not previously been paid. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopts the redevelopment plan becomes the base year valuation. Assuming the taxable valuation never drops below the base year level, the taxing agencies receiving property taxes thereafter received only that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion of property taxes produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of redevelopment agency obligations.

Authority to Issue Refunding Bonds

The Dissolution Act authorizes each successor agency to issue refunding bonds secured by a pledge of, and lien on, and to be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund (defined below) established by the county auditor-controller for the successor agency by the Dissolution Act. Section 34177.5(a)(1) authorizes the issuance of refunding bonds to provide savings to the successor agency, provided that (i) the total interest cost to maturity on the refunding bonds or other indebtedness plus the principal amount of the refunding bonds or other indebtedness does not exceed the total remaining interest cost to maturity on the bonds or other indebtedness to be refunded plus the remaining principal of the bonds or other indebtedness to be refunded, and (ii) the principal amount of the

refunding bonds or other indebtedness does not exceed the amount required to defease the refunded bonds or other indebtedness, to establish customary debt service reserves, and to pay related costs of issuance. See "SECURITY FOR THE 2014 BONDS."

Successor agencies have no power to levy property taxes and must rely on the allocation of taxes as described above. See "RISK FACTORS."

Security for the 2014 Bonds

The 2014 Bonds are payable only from Tax Revenues and moneys in certain funds and accounts held by the Trustee under the Indenture, as described in this Official Statement. See "Limited Obligation" below.

The Dissolution Act requires the Solano County Auditor-Controller (the "**County Auditor-Controller**") to determine the amount of property taxes that would have been allocated to the Redevelopment Agency from the Project Areas had the Redevelopment Agency not been dissolved pursuant to the operation of AB X1 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Successor Agency established and held by the County Auditor-Controller (the "**Redevelopment Property Tax Trust Fund**") pursuant to the Dissolution Act. The Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the dissolved Redevelopment Agency, with the same lien priority and legal effect as if the 2014 Bonds had been issued prior to effective date of AB X1 26, in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date, and will be included in the Successor Agency's Recognized Obligation Payment Schedule (see "SECURITY FOR THE 2014 BONDS – Recognized Obligation Payment Schedule").

The Dissolution Act further provides that property tax revenues pledged to any bonds authorized under the Dissolution Act, such as the 2014 Bonds, are taxes allocated to the successor agency pursuant to the provisions of the Redevelopment Law and the State Constitution.

Property tax revenues will be allocated to the Successor Agency on a semi-annual basis (on January 2 and June 1) based on a Recognized Obligation Payment Schedule submitted by the Successor Agency to an oversight board established for the Successor Agency (the "**Oversight Board**") and the Department of Finance. The County Auditor-Controller will distribute funds from the Redevelopment Property Tax Trust Fund for each six-month period in the order specified in the Dissolution Act. See "SECURITY FOR THE 2014 BONDS – Recognized Obligation Payment Schedules."

In accordance with the Dissolution Act, the term "**Tax Revenues**" is defined under the Indenture as the monies deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to subdivision (c) of Section 34172 of the Redevelopment Law, as provided in paragraph (2) of subdivision (a) of Section 34183 of the Redevelopment Law; except for amounts deposited therein to pay debt service on:*[delete if the 2003 Bonds are redeemed: (1) the 2003B Bonds; and (2)]* the 2011 North Texas Street Bonds. *Tax Revenues include property tax revenues generated in all five of the Project Areas.*

In the event that the applicable property tax revenue provisions of the Dissolution Act are determined by a court in a final judicial decision to be invalid and, in place of the invalid

provisions of the Dissolution Act, provisions of the Redevelopment Law or the equivalent shall become applicable to the 2014 Bonds, then the term "Tax Revenues" shall mean the Prior Tax Revenues, which does not include the Regional Center Project or the North Texas Street Project. See Appendix A - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

The redevelopment plan limits applicable to each Project Area are identified in the related Project Area-specific section of this Official Statement. The Successor Agency's statutory and negotiated pass-through obligations are discussed in "SECURITY FOR THE 2014 BONDS."

Existing Senior Debt Related to One Project Area; Parity Bonds

Outstanding Bonds of the Project Areas. When the 2014 Bonds are issued, the \$6,725,000 Fairfield Redevelopment Agency, North Texas Street Project Tax Allocation Bonds, Series 2011 (Federally Taxable) (the "2011 North Texas Street Bonds") will remain outstanding.

Debt service on the 2011 North Texas Street Bonds is payable from property tax revenues generated in the North Texas Street Project on a senior basis to the 2014 Bonds.

See "THE PROJECT AREAS" and the five following sections, which describe each Project Area, for a description of the Project Areas.

As described above, this Preliminary Official Statement assumes that the 2003 Housing Loan and the 2003B Bonds will be refinanced from proceeds of the 2014 Bonds. However, if the refinancing of the 2003 Housing Loan does not result in debt service savings under market conditions on the pricing date of the 2014 Bonds, the 2003 Housing Loan will remain outstanding and will be payable from property tax revenues generated in all five Project Areas (as defined below) on a senior basis to the 2014 Bonds.

Future Parity Bonds. The Indenture authorizes the Successor Agency to issue additional bonds payable from Tax Revenues on a parity with the 2014 Bonds. See "THE 2014 BONDS - Parity Bonds."

Bond Insurance; Reserve Fund Surety Bond

The Successor Agency has applied for a municipal bond insurance policy and a debt service reserve fund surety bond and will decide whether to purchase any such policy and/or surety bond in connection with the pricing of the 2014 Bonds.

Limited Obligation

The 2014 Bonds are special obligations of the Successor Agency and are secured by an irrevocable pledge of, and are payable as to principal and interest from Tax Revenues and other funds. The principal of and interest on the 2014 Bonds are not a debt of the City, the County, the State or any of their political subdivisions except the Successor Agency, and none of the City, the County, the State nor any of their political subdivisions except the Successor Agency are liable thereon. The principal of and interest on the 2014 Bonds are not payable out of any funds or properties other than those set forth in the Indenture. No member of the Successor

Agency, the Oversight Board, the County Board of Supervisors or any person executing the 2014 Bonds is liable personally on the 2014 Bonds by reason of their issuance.

Debt Service Reserve Fund

The Successor Agency will fund a debt service reserve account (the “**Reserve Account**”) in an amount equal to the “**Reserve Requirement**,” as defined in the Indenture. See “SECURITY FOR THE 2014 BONDS – Reserve Account.”

Professionals Involved in the Offering

HdL Coren & Cone, Diamond Bar, California, has acted as fiscal consultant to the Successor Agency (the “**Fiscal Consultant**”) and advised the Successor Agency as to the taxable values and Tax Revenues projected to be available to pay debt service on the 2014 Bonds as referenced in this Official Statement. The report prepared by the Fiscal Consultant is referred to as the “**Fiscal Consultant Report**” and is attached as Appendix H.

Kitahata & Company, San Francisco, California, has acted as financial advisor to the Successor Agency (the “**Financial Advisor**”).

The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, will act as Trustee with respect to the 2014 Bonds.

All proceedings in connection with the issuance of the 2014 Bonds are subject to the approval of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the Successor Agency. Jones Hall is also acting as Disclosure Counsel. The City Attorney, as Successor Agency counsel, will render certain opinions on behalf of the Successor Agency. Certain legal matters will be passed on for the Underwriter by Schiff Hardin LLP, San Francisco, California. *Payment of the fees and expenses of Bond Counsel, Disclosure Counsel and Underwriter’s Counsel is contingent upon the sale and delivery of the 2014 Bonds.*

Further Information

Brief descriptions of the Redevelopment Law, the Dissolution Act, the Refunding Law, the 2014 Bonds, the Indenture, the Successor Agency, the Redevelopment Agency, the County and the City are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references in this Official Statement to the Redevelopment Law, the Dissolution Act, the Refunding Law, the 2014 Bonds, the Indenture, the Constitution and the laws of the State as well as the proceedings of the Redevelopment Agency, the Successor Agency, the County and the City are qualified in their entirety by reference to such documents and laws. References in this Official Statement to the 2014 Bonds are qualified in their entirety by the form included in the Indenture and by the provisions of the Indenture.

During the period of the offering of the 2014 Bonds, copies of the forms of all documents are available from the City Clerk, City of Fairfield, 1000 Webster Street, Fairfield, California 94533.

REFUNDING PLAN

Refunding of the 2003A Bonds

Pursuant to the Indenture, the Successor Agency will deliver a portion of the net proceeds of the 2014 Bonds to the Trustee for deposit in an escrow account established under the Indenture (the “**2003A Escrow Account**”).

The Trustee will hold amounts deposited in the 2003A Escrow Account uninvested. From the moneys on deposit in the 2003A Escrow Account, the Escrow Bank will pay, on the redemption date, the outstanding principal amount of the 2003A Bonds and the accrued interest on the 2003A Bonds to the redemption date (without premium) and will concurrently cause prepayment of the 2003A Loans. The Successor Agency expects to redeem the 2003A Bonds on May 5, 2014.*

Sufficiency of the deposits in the 2003A Escrow Account for those purposes will be verified by the Verification Agent. See “VERIFICATION OF MATHEMATICAL ACCURACY.” Assuming the accuracy of the Verification Agent’s computations, as a result of the deposit and application of funds as provided in the 2003A Escrow Account, the Successor Agency’s obligations under the 2003A Loan Agreements and the Authority’s obligations under the Indenture of Trust related to the 2003A Bonds will be discharged.

The amounts held and invested by the Trustee in the 2003A Escrow Account are pledged solely to the payment of amounts due and payable by the Successor Agency under the 2003A Loan Agreements. Neither the funds deposited in the 2003A Escrow Account nor any interest on the invested funds will be available for the payment of debt service with respect to the 2014 Bonds.

Refunding of the 2003B Bonds

This section of the Preliminary Official Statement assumes that the Successor Agency will issue the 2014 Bonds to refinance the 2003 Housing Loan and the 2003B Bonds will be refinanced from proceeds of the 2014 Bonds. However, the 2003 Housing Loan and the 2003B Bonds will be refinanced only if the refinancing will generate debt service savings under market conditions on the pricing date of the 2014 Bonds.

The Successor Agency will deliver a portion of the net proceeds of the 2014 Bonds to the Trustee for deposit in an escrow account established under the Indenture (the “**2003B Escrow Account**”).

* Preliminary; subject to change.

The Trustee will hold amounts deposited in the 2003B Escrow Account uninvested. From the moneys on deposit in the 2003B Escrow Account, the Trustee will pay, on the redemption date, the outstanding principal amount of the 2003B Bonds and the accrued interest on the 2003B Bonds to the redemption date (without premium) and will concurrently cause prepayment of the 2003B Loan. The Successor Agency expects to redeem the 2003B Bonds on May 5, 2014.*

Sufficiency of the deposits in the 2003B Escrow Account for those purposes will be verified by the Verification Agent. See “VERIFICATION OF MATHEMATICAL ACCURACY.” Assuming the accuracy of the Verification Agent’s computations, as a result of the deposit and application of funds as provided in the 2003B Escrow Account, the Successor Agency’s obligations under the 2003B Loan Agreement and the Authority’s obligations under the Indenture of Trust related to the 2003B Bonds will be discharged.

The amounts held and invested by the Trustee in the 2003B Escrow Account are pledged solely to the payment of amounts due and payable by the Successor Agency under the 2003B Loan Agreement. Neither the funds deposited in the 2003B Escrow Account nor any interest on the invested funds will be available for the payment of debt service with respect to the 2014 Bonds.

Estimated Sources and Uses of Funds

The estimated sources and uses of funds are summarized below.

	<u>Amount</u>
Sources:	
Principal Amount of 2014 Bonds	
Plus: 2003A Bonds - Available Funds	
Plus: 2003B Bonds - Available Funds*	
Less: Underwriter’s Discount	
Plus: Net Original Issue Premium/Less: Net Original Issue Discount	
Total Sources	
Uses:	
2003B Escrow Account	
2003B Escrow Account	
Reserve Account ⁽¹⁾	
Costs of Issuance Fund ⁽²⁾	
Total Uses	

(1) The Reserve Requirement may be funded with a debt service reserve fund surety bond.
 (2) Costs of Issuance include fees and expenses for Bond Counsel, Disclosure Counsel, Fiscal Consultant, Trustee, Successor Agency Counsel, printing expenses, rating fee and other costs related to the issuance of the 2014 Bonds.
 * The availability of these funds depends upon whether the 2003 Housing Loan and the 2003B Bonds will be refinanced with proceeds of the 2014 Bonds.

* Preliminary; subject to change.

Debt Service Schedule

The following table shows the annual debt service schedule for the 2014 Bonds, assuming no optional redemption of the 2014 Bonds.

Bond Year Ending August 1	Principal	Interest	Total Debt Service
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			

See "THE PROJECT AREAS - Projected Tax Revenues and Estimated Debt Service Coverage" for a summary of projected Tax Revenues available to pay debt service on the 2014 Bonds and the resulting estimated debt service coverage.

THE 2014 BONDS

Authority for Issuance

The issuance of the 2014 Bonds and the Indenture were authorized by the Successor Agency pursuant to Resolution No. SA2013-05 adopted on November 19, 2013 (the “**Resolution**”), and by the Oversight Board for the Successor Agency pursuant to Resolution No. OB2013-48 adopted on December 9, 2013 (the “**Oversight Board Resolution**”).

Pursuant to the Dissolution Act, written notice of the Oversight Board Resolution was provided to the State Department of Finance (“**DOF**”) on December 10, 2013. On March 21, 2014, the DOF provided a letter to the Successor Agency stating that based on the DOF’s review and application of the law, the Oversight Board Resolution approving the 2014 Bonds is approved by the DOF. See “APPENDIX F – State Department of Finance Approval Letter.”

Section 34177.5 of the Dissolution Act provides that when, as here, a successor agency issues refunding bonds with the approval of the oversight board and the Department of Finance, the oversight board may not unilaterally approve any amendments to or early termination of the bonds, and the scheduled payments on the bonds shall be listed in the Recognized Obligation Payment Schedule and are not subject to further review and approval by the Department of Finance or the California State Controller.

Description of the 2014 Bonds

The 2014 Bonds will be issued and delivered in fully-registered form without coupons in the denomination of \$5,000 or any integral multiple thereof for each maturity, initially in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”), New York, New York, as registered owner of all 2014 Bonds. The initially executed and delivered Bonds will be dated the date of delivery (the “**Closing Date**”) and mature on August 1 in the years and in the amounts shown on the inside cover page of this Official Statement.

Interest on the 2014 Bonds will be calculated on the basis of a 360-day year of twelve 30-day months at the rates shown on the inside cover page of this Official Statement, payable semiannually on February 1 and August 1 in each year, commencing on August 1, 2014, by check mailed to the registered owners thereof or upon the request of the Owners of \$1,000,000 or more in principal amount of 2014 Bonds, by wire transfer to an account in the United States which shall be designated in written instructions by such Owner to the Trustee on or before the Record Date preceding the Interest Payment Date.

One fully-registered certificate will be issued for each maturity of the 2014 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See “APPENDIX C – Book-Entry Only System.”

Redemption^{*}

Optional Redemption. The 2014 Bonds maturing on or before August 1, 2024, are not subject to optional redemption prior to maturity. The 2014 Bonds maturing on or after August 1, 2025, are subject to redemption, at the option of the Successor Agency on any date on or after August 1, 2024, as a whole or in part, by such maturities as will be determined by the Successor

^{*} Preliminary; subject to change.

Agency and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium.

Notice of Redemption. The Trustee on behalf of and at the expense of the Successor Agency will mail (by first class mail, postage prepaid) notice of any redemption at least 30 but not more than 60 days prior to the redemption date, to (i) the Owners of any 2014 Bonds designated for redemption at their respective addresses appearing on the Registration Books, and (ii) to the Securities Depositories and to the Municipal Securities Rulemaking Board Electronic Municipal Market Access system accessible at emma.msrb.org ; but such mailing will not be a condition precedent to a redemption and neither failure to receive a redemption notice nor any defect in the redemption notice will affect the validity of the proceedings for the redemption of such 2014 Bonds or the cessation of the accrual of interest on the 2014 Bonds to be redeemed.

The redemption notice will state the redemption date and the redemption price, will state that such redemption is conditioned upon the timely delivery of the redemption price by the Successor Agency to the Trustee for deposit in the Redemption Account, will designate the CUSIP number of the 2014 Bonds to be redeemed, state the individual number of each Bond to be redeemed or state that all Bonds between two stated numbers (both inclusive) or all of the 2014 Bonds Outstanding (or all Bonds of a maturity) are to be redeemed, and will require that such Bonds be then surrendered at the Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on the 2014 Bonds to be redeemed will not accrue from and after the redemption date.

The Successor Agency has the right to rescind any notice of the optional redemption of Bonds by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the 2014 Bonds then called for redemption, and such cancellation will not constitute an Event of Default. The Successor Agency and the Trustee have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee will mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

Upon the payment of the redemption price of 2014 Bonds being redeemed, each check or other transfer of funds issued for such purpose will, to the extent practicable, bear the CUSIP number identifying, by issue and maturity, the 2014 Bonds being redeemed with the proceeds of such check or other transfer.

Partial Redemption of Bonds. In the event only a portion of any 2014 Bond is called for redemption, then upon surrender of such Bond the Successor Agency will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Successor Agency, a new 2014 Bond or 2014 Bonds of the same interest rate and maturity, of authorized denominations, in aggregate principal amount equal to the unredeemed portion of the 2014 Bond to be redeemed.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the redemption price of and interest on the 2014 Bonds so called for redemption have been duly deposited with the Trustee, the 2014 Bonds so called will cease to be entitled to any benefit under the Indenture other than the right to receive payment of the

redemption price and accrued interest to the redemption date, and no interest will accrue thereon from and after the redemption date specified in such notice.

Manner of Redemption. Whenever any 2014 Bonds or portions thereof are to be selected for redemption by lot, the Trustee will make the selection, in such manner as the Trustee deems appropriate.

Existing Senior Debt Related to One Project Area; Parity Bonds

Existing Senior Debt Related to One Project Area. Following issuance of the 2014 Bonds and the defeasance of the 2003A Bonds and the 2003B Bonds, the 2011 North Texas Street Bonds will remain outstanding and will be payable from property tax revenues generated in the North Texas Street Project on a senior basis to the 2014 Bonds. See “REFUNDING PLAN.”

It is important to note that this Preliminary Official Statement assumes that the 2003 Housing Loan and the 2003B Bonds will be refinanced from proceeds of the 2014 Bonds. However, if the refinancing of the 2003 Housing Loan will not result in debt service savings under market conditions on the pricing date of the 2014 Bonds, the 2003 Housing Loan will remain outstanding and will be payable from property tax revenues generated in all five Project Areas on a senior basis to the 2014 Bonds.

Parity Debt. The Indenture authorizes the Successor Agency to issue bonds that are payable from Tax Revenues on a parity basis with the 2014 Bonds, subject to the following conditions precedent:

(a) The law must have been amended to allow the issuance of such Parity Bonds, as evidenced by an opinion of Bond Counsel to such effect, delivered to the Trustee and the Successor Agency.

(b) No Event of Default shall have occurred and be continuing, and the Successor Agency shall otherwise be in compliance with all covenants set forth in the Indenture.

(c) The Tax Revenues received or to be received for the then current Fiscal Year shall, as shown in a Report prepared by an Independent Redevelopment Consultant filed with the Successor Agency, be at least equal to 125% of Maximum Annual Debt Service on the 2014 Bonds and any Parity Bonds to be outstanding following issuance of the Parity Bonds.

(d) The related Parity Bonds Instrument must provide that:

(i) Interest on such Parity Bonds that bear interest at a fixed rate of interest must be payable on February 1 and August 1 in each year of the term of such Parity Bonds except the first 12-month period, during which interest may be payable on any February 1 and August 1;

(ii) The principal of such Parity Bonds must be payable on August 1 in any year in which principal is payable; and

(iii) The Trustee must act as trustee for the owners of the Parity Bonds, and identified as such in the Parity Bonds Instrument.

(e) The Successor Agency must deliver to the Trustee a Written Certificate of the Successor Agency certifying that the conditions precedent to the issuance of such Parity Bonds set forth in the preceding paragraphs (a), (b), (c), and (d) above have been satisfied, upon which Written Certificate of the Successor Agency the Trustee may rely conclusively in determining whether such conditions have been satisfied.

THE DISSOLUTION ACT

The Dissolution Act requires the County Auditor-Controller to determine the amount of property taxes that would have been allocated to the Redevelopment Agency (pursuant to subdivision (b) of Section 16 of Article XVI of the State Constitution) had the Redevelopment Agency not been dissolved pursuant to the operation of AB X1 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Successor Agency established and held by the County Auditor-Controller pursuant to the Dissolution Act. The Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the Redevelopment Agency, with the same lien priority and legal effect as if the bonds had been issued prior to effective date of AB X1 26, in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date, and will be included in the Successor Agency’s Recognized Obligation Payment Schedule (see “SECURITY FOR THE 2014 BONDS – Recognized Obligation Payment Schedule”).

The Dissolution Act further provides that bonds authorized by the Dissolution Act to be issued by the Successor Agency will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund, and that property tax revenues pledged to any bonds authorized to be issued by the Successor Agency under the Dissolution Act, including the 2014 Bonds, are taxes allocated to the Successor Agency pursuant to subdivision (b) of Section 33670 of the Redevelopment Law and Section 16 of Article XVI of the State Constitution.

Pursuant to subdivision (b) of Section 33670 of the Redevelopment Law and Section 16 of Article XVI of the State Constitution and as provided in the Redevelopment Plan for each Project Area, taxes levied upon taxable property in the Project Areas each year by or for the benefit of the State, any city, county, city and county, district, or other public corporation (herein sometimes collectively called “**taxing agencies**”) after the effective date of the ordinance approving the applicable Redevelopment Plan, or the respective effective dates of ordinances approving amendments to the applicable Redevelopment Plan that added territory to the Project Areas, as applicable, are to be divided as follows:

(a) To Taxing Agencies: That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of the taxing agencies upon the total sum of the assessed value of the taxable property in the Project Areas as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency last equalized prior to the effective date of the ordinance adopting the applicable Redevelopment Plan, or the respective effective dates of ordinances approving amendments to the applicable Redevelopment Plan that added territory to the Project Areas, as applicable (each, a “**base year valuation**”), will be allocated to, and when collected will be paid into, the funds of the respective taxing agencies as taxes by or for the taxing agencies on all other property are paid; and

(b) To the Redevelopment Agency/Successor Agency: Except for that portion of the taxes in excess of the amount identified in (a) above which are attributable to a tax rate levied by a taxing agency for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of, and the interest on, any bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989 for the acquisition or improvement of real property, which portion shall be allocated to, and when collected shall be paid into, the fund of that taxing agency, that portion of the levied taxes each year in excess of such amount, annually allocated within limitations established by the applicable Redevelopment Plan, following the date of issuance of the 2014 Bonds, when collected will be paid into a special fund of the Successor Agency. Section 34172 of the Dissolution Act provides that, for purposes of Section 16 of Article XVI of the State Constitution, the Redevelopment Property Tax Trust Fund shall be deemed to be a special fund of the Successor Agency to pay the debt service on indebtedness incurred by the Redevelopment Agency or the Successor Agency to finance or refinance the redevelopment projects of the Redevelopment Agency.

That portion of the levied taxes described in paragraph (b) above, less amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the County Auditor-Controller, constitute the amounts required under the Dissolution Act to be deposited by the County Auditor-Controller into the Redevelopment Property Tax Trust Fund. In addition, Section 34183 of the Dissolution Act effectively eliminates the January 1, 1989 date from paragraph (b) above.

SECURITY FOR THE 2014 BONDS

The County Auditor-Controller will deposit property tax revenues into the Redevelopment Property Tax Trust Fund pursuant to the requirements of the Health and Safety Code, including *inter alia* Health and Safety Code section 34183 and 34170.5(b). The 2014 Bonds are payable from and secured by the Tax Revenues to be derived from the Project Areas consisting of the property tax revenues deposited in the Redevelopment Property Tax Trust Fund.

Pledge Under the Indenture

Except as described in “- Redevelopment Obligation Retirement Fund” below and as required to compensate or indemnify the Trustee, the 2014 Bonds and any Parity Bonds are equally secured by a pledge and lien on all of the Tax Revenues in the Redevelopment Obligation Retirement Fund and the Special Funds (if applicable), without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. In addition, the 2014 Bonds and any Parity Bonds are equally secured by all of the moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Reserve Account and the Redemption Account, and the pledge and lien created with respect to the 2014 Bonds by Section 34177.5 of the California Health & Safety Code. Except for the Tax Revenues and such moneys, no funds or properties of the Successor Agency are pledged to, or otherwise liable for, the payment of principal of or interest on the 2014 Bonds or any Parity Bonds.

In consideration of the acceptance of the 2014 Bonds by purchasers of the 2014 Bonds, the Indenture will be deemed to be and will constitute a contract between the Successor Agency

and the Trustee for the benefit of the Owners from time to time of the 2014 Bonds, and the covenants and agreements set forth in the Indenture to be performed on behalf of the Successor Agency are for the equal and proportionate benefit, security and protection of all Owners of the 2014 Bonds without preference, priority or distinction as to security or otherwise of any of the 2014 Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein.

Tax Revenues

Definition. In accordance with the Dissolution Act, the term “**Tax Revenues**” is defined under the Indenture as the monies deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to subdivision (c) of Section 34172 of the Redevelopment Law, as provided in paragraph (2) of subdivision (a) of Section 34183 of the Redevelopment Law; except for amounts deposited therein to pay debt service on the 2011 North Texas Street Bonds. *Tax Revenues* include property tax revenues generated in all five of the Project Areas.

In the event that the applicable property tax revenues provisions of the Dissolution Act are determined by a court in a final judicial decision to be invalid and, in place of the invalid provisions of the Dissolution Act, provisions of the Redevelopment Law or the equivalent shall become applicable to the 2014 Bonds, then the term “Tax Revenues” shall mean the Prior Tax Revenues, which does not include the Regional Center Project or the North Texas Street Project.

See Appendix A for the definition of Prior Tax Revenues.

Flow of Funds Under the Indenture

General. The Successor Agency established the Redevelopment Obligation Retirement Fund pursuant to Section 34170.5(a) of the Redevelopment Law and agrees in the Indenture to hold and maintain the Redevelopment Obligation Retirement Fund as long as any of the 2014 Bonds are Outstanding.

Deposit in Redevelopment Obligation Retirement Fund; Transfer to Debt Service Fund. The Indenture provides that the Successor Agency will deposit all of the Tax Revenues received in any Bond Year in the Redevelopment Obligation Retirement Fund promptly upon receipt thereof by the Successor Agency, and promptly thereafter will transfer amounts received therein to the Debt Service Fund established and held by the Trustee under the Indenture until such time during such Bond Year as the amounts so transferred to the Debt Service Fund equal the aggregate amounts required to be deposited by the Trustee into the Interest Account, the Principal Account, the Reserve Account and the Redemption Account of the Debt Service Fund in such Bond Year and any accounts created under any Parity Bonds Instrument for the payment of debt service on Parity Bonds. All Tax Revenues received by the Successor Agency during any Bond Year in excess of the amount required to be deposited in the Redevelopment Obligation Retirement Fund will be released from the pledge and lien under the Indenture and will be applied by the Successor Agency in accordance with the Redevelopment Law.

In the event that the Redevelopment Property Tax Trust Fund provisions of the Dissolution Act are determined by a court in a final judicial decision to be invalid and, in place of the invalid provisions, provisions of the Redevelopment Law or the equivalent shall become

applicable to the 2014 Bonds, then the Successor Agency shall immediately create three funds (collectively, the “**Special Funds**”), entitled:

- “Successor Agency to the Fairfield Redevelopment Agency, Fairfield Cordelia Area Redevelopment Project 2014 Tax Allocation Refunding Bonds – Special Fund”;
 - “Successor Agency to the Fairfield Redevelopment Agency, Fairfield City Center Redevelopment Project 2014 Tax Allocation Refunding Bonds – Special Fund”;
 - “Successor Agency to the Fairfield Redevelopment Agency, Fairfield Highway 12 Redevelopment Project 2014 Tax Allocation Refunding Bonds – Special Fund”;
- and

The Successor Agency would not establish a Special Fund for the Regional Center Project or the North Texas Street Project because the Prior Tax Revenues did not include tax increment from those Project Areas.

Thereafter, until all the 2014 Bonds have been fully paid or discharged, the Successor Agency:

- will deposit Prior Tax Revenues generated in the Cordelia Area Redevelopment Project in the Cordelia Area Redevelopment Project Special Fund;
- will deposit Prior Tax Revenues generated in the City Center Redevelopment Project in the City Center Redevelopment Project Special Fund; and
- will deposit Prior Tax Revenues generated in the Highway 12 Redevelopment Project in the Highway 12 Redevelopment Project Special Fund;

and will transfer such Prior Tax Revenues to the Trustee pursuant to the Indenture.

Deposit of Amounts by Trustee. The Trustee will create and hold the Interest Account, the Principal Account, the Reserve Account and the Redemption Account within the Debt Service Fund. Moneys in the Debt Service Fund will be transferred by the Trustee in the following amounts at the following times, for deposit by the Trustee in the following respective accounts within the Debt Service Fund, in the following order of priority:

Interest Account. On or before the third Business Day preceding each Interest Payment Date, the Successor Agency will withdraw from the Redevelopment Obligation Retirement Fund and transfer to the Trustee for deposit in the Interest Account an amount which, when added to the amount contained in the Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding 2014 Bonds on such Interest Payment Date. No such transfer and deposit need be made to the Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Outstanding 2014 Bonds. Subject to the Indenture, all moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the 2014 Bonds as it becomes due and payable (including accrued interest on any 2014 Bonds redeemed prior to maturity pursuant to the Indenture).

Principal Account. On or before the Business Day preceding August 1 in each year, beginning August 1, 20__, the Successor Agency will withdraw from the Redevelopment Obligation Retirement Fund and transfer to the Trustee for deposit in the Principal Account an amount which, when added to the amount then contained in the Principal Account, will be equal to the principal becoming due and payable on Outstanding Serial Bonds and maturing Term Bonds on the next August 1. No such transfer and deposit need be made to the Principal Account if the amount contained therein is at least equal to the principal to become due on the next August 1 on all of the Outstanding Serial Bonds and maturing Term Bonds. All moneys in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Serial Bonds and maturing Term Bonds as it shall become due and payable.

Reserve Account. In the event that the amount on deposit in the Reserve Account at any time because of a draw thereon becomes less than the Reserve Requirement, the Trustee will promptly notify the Successor Agency of such fact. Promptly upon receipt of any such notice, the Successor Agency will transfer to the Trustee an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. If there are not sufficient Tax Revenues to maintain the Reserve Requirement on deposit in the Reserve Account, the Successor Agency is obligated to continue making transfers as Tax Revenues become available in the Redevelopment Obligation Retirement Fund until there is an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. No such transfer and deposit need be made to the Reserve Account so long as there is on deposit therein a sum at least equal to the Reserve Requirement.

Redemption Account. On or before the Business Day preceding any date on which 2014 Bonds are to be redeemed, the Trustee will withdraw from the Debt Service Fund and transfer to the Redemption Account an amount required to pay the principal of the 2014 Bonds to be redeemed on such date, taking into account any funds then on deposit in the Redemption Account. All moneys in the Redemption Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the 2014 Bonds to be redeemed on the respective dates set for such redemption.

Debt Service Reserve Account

Initial Deposit into the Reserve Account. On the date of issuance of the 2014 Bonds, the Successor Agency will cause a deposit of \$____ into the Reserve Account, which is equal to the initial “**Reserve Requirement**” for the 2014 Bonds.

Definition of Reserve Requirement. The Indenture defines “**Reserve Requirement**” to mean the lesser of (i) 10% of the original principal amount of the 2014 Bonds; (ii) 125% of average Annual Debt Service; or (iii) Maximum Annual Debt Service.

Use of Moneys in the Reserve Account. Moneys in the Reserve Account are only available to pay debt service on the 2014 Bonds, and not any Parity Bonds.

In the event that the amount on deposit in the Reserve Account at any time because of a draw thereon becomes less than the Reserve Requirement, the Trustee shall promptly notify the Successor Agency of such fact. Promptly upon receipt of any such notice, the Successor

Agency shall transfer to the Trustee an amount of Tax Revenues sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. If there shall then not be sufficient Tax Revenues to transfer an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account, the Successor Agency shall be obligated to continue making transfers as Tax Revenues become available in the Redevelopment Obligation Retirement Fund until there is an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. No such transfer and deposit need be made to the Reserve Account so long as there shall be on deposit therein a sum at least equal to the Reserve Requirement.

If the Successor Agency is ever obligated to replenish the amount in the Reserve Account to the Reserve Requirement, it will need to add that obligation to the next Recognized Obligation Payment Schedule (see “- Recognized Obligation Payment Schedule” below).

Limited Obligation

The 2014 Bonds are not a debt of the City, the County, the State or any of their political subdivisions except the Successor Agency, and none of the City, the County, the State or any of their political subdivisions except the Successor Agency are liable therefor. The 2014 Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. No member of the Successor Agency, the Oversight Board or the Board of Supervisors of the County shall be individually or personal liable for the payment of the principal of or interest on the 2014 Bonds; but nothing contained in the Indenture relieves any such member, officer, agent or employee from the performance of any official duty provided by law.

Recognized Obligation Payment Schedules

Submission of Recognized Obligation Payment Schedule. Not less than 90 days prior to each to each January 2 and June 1, the Dissolution Act requires successor agencies to prepare, and submit to the successor agency’s oversight board and the State Department of Finance for approval, a Recognized Obligation Payment Schedule (the “**Recognized Obligation Payment Schedule**”) pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation.

Payment of Amounts Listed on the Recognized Obligation Payment Schedule. As defined in the Dissolution Act, “**enforceable obligation**” includes bonds, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds of the former redevelopment agency, as well as other obligations such as loans, judgments or settlements against the former redevelopment agency, any legally binding and enforceable agreement that is not otherwise void as violating the debt limit or public policy, contracts necessary for the administration or operation of the successor agency, and, under certain circumstances, amounts borrowed from the successor agency’s low and moderate income housing fund.

A reserve may be included on the Recognized Obligation Payment Schedule and held by the successor agency when required by a bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bonds for the next payment due in the following six-month period.

Order of Priority of Distributions from Redevelopment Property Tax Trust Fund.

Typically, under the Redevelopment Property Tax Trust Fund distribution provisions of the Dissolution Act, a county auditor-controller is to distribute funds for each six-month period in the following order specified in Section 34183 of the Dissolution Act:

(i) first, subject to certain adjustments for subordinations to the extent permitted under the Dissolution Act (if any, as described above under “SECURITY FOR THE 2014 BONDS - Statutory Pass-Through Amounts” and “Pass-Through Agreements”) and no later than each January 2 and June 1, to each local successor agency and school entity, to the extent applicable, amounts required for pass-through payments such entity would have received under provisions of the Redevelopment Law, as those provisions read on January 1, 2011, including negotiated pass-through agreements and statutory pass-through obligations;

(ii) second, on each January 2 and June 1, to the successor agency for payments listed in its Recognized Obligation Payment Schedule, with debt service payments scheduled to be made for tax allocation bonds having the highest priority over payments scheduled for other debts and obligations listed on the Recognized Obligation Payment Schedule;

(iii) third, on each January 2 and June 1, to the successor agency for the administrative cost allowance, as defined in the Dissolution Act; and

(iv) fourth, on each January 2 and June 1, to taxing entities any moneys remaining in the Redevelopment Property Tax Trust Fund after the payments and transfers authorized by clauses (i) through (iii), in an amount proportionate to such taxing entity’s share of property tax revenues in the tax rate area in that fiscal year (without giving effect to any pass-through obligations that were established under the Redevelopment Law).

Sources of Payments for Enforceable Obligations. Under the Dissolution Act, the categories of sources of payments for enforceable obligations listed on a Recognized Obligation Payment Schedule are the following: (i) the low and moderate income housing fund, (ii) bond proceeds, (iii) reserve balances, (iv) administrative cost allowance (successor agencies are entitled to receive not less than \$250,000, unless that amount is reduced by the oversight board), (v) the Redevelopment Property Tax Trust Fund (but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation or otherwise required under the Dissolution Act), or (vi) other revenue sources (including rents, concessions, asset sale proceeds, interest earnings, and any other revenues derived from the redevelopment agency, as approved by the oversight board).

The Dissolution Act provides that only those payments listed in the Recognized Obligation Payment Schedule may be made by a successor agency and only from the funds specified in the Recognized Obligation Payment Schedule.

Failure to Submit a Recognized Obligation Payment Schedule. The Recognized Obligation Payment Schedule must be approved by the oversight board and must be submitted by a successor agency to the county administrative office, the county auditor-controller, the State Department of Finance, and the State Controller by 90 days before the date of the next January 2 or June 1 property tax distribution. If the successor agency does not submit a Recognized Obligation Payment Schedule by the applicable deadline, the city or county that

established the former redevelopment agency will be subject to a civil penalty equal to \$10,000 per day for every day the schedule is not submitted to the State Department of Finance. Additionally, the successor agency's administrative cost allowance is reduced by 25% if the successor agency did not submit a Recognized Obligation Payment Schedule by the 80th day before the date of the next January 2 or June 1 property tax distribution, as applicable, with respect to the Recognized Obligation Payment Schedule for the subsequent six-month period. For additional information regarding procedures under the Dissolution Act relating to late Recognized Obligation Payment Schedules and implications thereof on the 2014 Bonds, see "RISK FACTORS – Recognized Obligation Payment Schedule."

Relevant Covenant by the Successor Agency. In this regard, the Successor Agency covenants in the Indenture that it will take all actions required under the Dissolution Act to:

(i) include in a Recognized Obligation Payment Schedule for the six month period from January 2 to June 1 so as to enable the Solano County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund for deposit in the Redevelopment Obligation Retirement Fund on each June 1 an amount equal to the debt service due on the North Texas Street Project Area Tax Allocation Bonds, Series 2011 for the period from the immediately succeeding September 2 to the following September 1; and

(ii) include in a Recognized Obligation Payment Schedule for each six-month period scheduled debt service on the 2014 Bonds, as well as any amount required to replenish the Reserve Account, so as to enable the Solano County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund for deposit in the Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required to enable the Successor Agency to pay timely principal of, and interest on, the 2014 Bonds coming due in the applicable six-month period. This covenant obligates the Successor Agency to place on the periodic Recognized Obligation Payment Schedule for approval by the Oversight Board and State Department of Finance, to the extent necessary, the amounts to be held by the Successor Agency as a reserve until the next six-month period, as contemplated by Section 34171(d)(1)(A) of the Dissolution Act, that are necessary to provide for the payment of principal and interest on the 2014 Bonds when the next property tax allocation is projected to be insufficient to pay all obligations due on the 2014 Bonds in the following six-month period including the inclusion on the applicable Recognized Obligation Schedule the amounts set forth in the Recognized Obligation Debt Service Schedule attached to the Indenture. The Successor Agency covenants that the Recognized Obligation Debt Service Schedule will not be amended except by Supplemental Indenture that complies with the Indenture.

The Successor Agency has no power to levy and collect taxes, and various factors beyond its control could affect the amount of Tax Revenues available in any six-month period to pay the principal of and interest on the 2014 Bonds (see "RISK FACTORS").

History of Submission of the Recognized Obligation Payment Schedules. The Successor Agency has submitted each of its Recognized Obligation Payment Schedules on a timely basis.

In addition, there are strong incentives for the Successor Agency to submit Recognized Obligation Payment Schedules on time. If the Successor Agency does not submit a Recognized Obligation Payment Schedule to the Oversight Board and the State Department of Finance at least 90 days prior to each January 2 and June 1, then the City of Fairfield will be subject to a \$10,000 per day civil penalty for every day the schedule is late. Additionally, if the

Successor Agency does not submit a Recognized Obligation Payment Schedule to the Oversight Board and the State Department of Finance at least 80-days prior to each January 2 and June 1, then the Successor Agency’s administrative cost allowance may be reduced by up to 25%. For additional information regarding procedures under the Dissolution Act relating to late Recognized Obligation Payment Schedules and implications for the 2014 Bonds, see “RISK FACTORS – Recognized Obligation Payment Schedule.”

Pass-Through Agreements

The Redevelopment Law authorized the Redevelopment Agency to enter into negotiated pass-through agreements with taxing agencies whose territory was located within the Project Areas to alleviate the financial burden or detriment caused by the Redevelopment Project. The Redevelopment Law as amended by ABx1 26 and AB 1484 requires that the County calculate and pay the tax sharing obligations of the former redevelopment agencies as part of the process of allocating revenue from the Redevelopment Property Tax Trust Fund each January 2 and June 1. The legislation requires that the calculations be done in the same manner as prior to January 1, 2011.

The Redevelopment Agency entered into the following pass-through agreements:

Regional Center Project. The Agency did not enter into any pass-through agreements related to the Regional Center Project.

Highway 12 Project. The Agency did not enter into any pass-through agreements related to the Highway 12 Project.

City Center Project. On June 28, 1983, the Redevelopment Agency entered into an agreement with the County (the “**City Center Pass-Through Agreement**”) in which the Redevelopment Agency agreed to pay annually to the County 10% of the first \$8,500,000 in annual Gross Tax Increment Revenues allocated to the Redevelopment Agency with respect to the City Center Project and 60% of annual Gross Tax Increment Revenues allocated in excess of \$8,500,000. To date, the Redevelopment Agency and the Successor Agency have collected approximately \$57.2 million in the City Center Project. The agreement provides that the County may subordinate tax sharing payments to debt service on the 2014 Bonds if the Successor Agency demonstrates that its obligations under the agreement can be fulfilled; however the Successor Agency has not pursued subordination of the City Center Pass-Through Agreement at this time. Consequently, any amounts payable to the County pursuant to the City Center Pass-Through Agreement are not available for and not pledged to the Successor’s Agency’s obligation to pay debt service on the 2014 Bonds.

Cordelia Project. On June 28, 1983, the Redevelopment Agency entered into an agreement with the County (the “**Cordelia Pass-Through Agreement**”) in which the Redevelopment Agency agreed to pay the following percentage of the annual Gross Tax Increment Revenues allocated to the Redevelopment Agency with respect to the Cordelia Project to the following entities: (i) 34.46% to the County; (ii) 1% to the Solano County Community College District; and (iii) 6% to affected special districts until fiscal year 2014-15, and the percentage shall increase to 9.5% from 2014-15 through the end of the Project Area's ability to receive tax increment. The agreement provides that the County may subordinate tax sharing payments to debt service on the 2014 Bonds if the Successor Agency demonstrates that its obligations under the agreement can be fulfilled; however the Successor Agency has not pursued subordination of the City Center Pass-Through Agreement at this time. Consequently,

any amounts payable to the County pursuant to the City Center Pass-Through Agreement are not available for and not pledged to the Successor's Agency's obligation to pay debt service on the 2014 Bonds.

North Texas Project. The North Texas Project Area was adopted after January 1, 1994, and, consequently, is subject to statutory pass-through payments, pursuant to Section 33607.5, as described below.

Statutory Pass-Through Payments

In certain circumstances, Sections 33607.5 and 33607.7 of the Redevelopment Law require redevelopment agencies and successor agencies to make statutory pass-through payments to taxing agencies whose territory is located within the Project Areas, to alleviate the financial burden or detriment caused by the redevelopment project.

Although the Redevelopment Law, as amended by the Dissolution Act, allows statutory pass-through payments to be subordinated to debt service on the Successor Agency's bonds, the Successor Agency did not seek subordination of the statutory pass-through payments to the 2014 Bonds.

Generally speaking, the County Auditor-Controller is required to deduct from the Successor Agency's Redevelopment Property Tax Trust Fund to pay to the affected taxing agencies percentages of tax increment generated in a Project Area as follows:

Tier 1: throughout the period that the Successor Agency is eligible to receive property tax revenues from a Project Area, 25% of revenues in excess of revenues generated in the Project Area as of the initial redevelopment plan amendment that triggered the pass-through requirement computed as though housing set-aside is still in effect; plus,

Tier 2: for the 11th year of the receipt of tax increment and thereafter, 21% of revenues in excess of revenues based on assessed values in the Project Area for the 10th year; plus,

Tier 3: for the 31st year of the receipt of tax increment and thereafter, 14% of revenues in excess of revenues based on assessed values in the Project Area for the 30th year.

The County Auditor-Controller's practice is to calculate the Tier 1 payment amounts based on the Project Area revenues without including revenues from debt service override tax rates or unitary revenue. This is not consistent with the Fiscal Consultant's reading of Section 33607.5 of the Redevelopment Law and the Fiscal Consultant based the Tier 1 payments on all Project Area revenue including unitary revenue.

Regional Center Project. On June 17, 2003, the City Council adopted Ordinance No. 2003-11, which eliminated the last date for the incurrence of indebtedness for the Regional Center Project (see "THE REGIONAL CENTER PROJECT – Redevelopment Plan"), which triggered statutory pass-through payments pursuant to Section 33607.7 of the Redevelopment Law. The time limit for the incurrence of indebtedness had been November 23, 2001.

The following table illustrates the calculation of statutory pass-through payments in the Regional Center Project. The total statutory pass-through payments from the Regional Center Project for fiscal year 2012-13, as reported by the County, is \$307,690. The County includes supplemental revenues in its calculation of statutory pass-through payments. This can result in somewhat larger or smaller pass-through amounts than might otherwise be the case. The Tier 3 payments will not be initiated prior to the expiration of the redevelopment plan.

	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>
<i>Adjusted Base Year</i>	2001-02	2012-13	N/A
<i>Adjusted Base Year Assessed Value</i>	\$486,895,511	\$639,756,390	N/A
<i>2012-13 Assessed Value</i>	639,756,390	639,756,390	N/A
<i>Incremental Value</i>	152,860,879	0	
<i>Incremental Revenue at 1%</i>	1,528,609	0	
<i>Statutory Pass-Through Amounts</i>	305,722	0	
<i>(% of Tax Increment Revenue by tier – net of Housing Set-Aside)</i>			

North Texas Street Project. The North Texas Street Project is subject to the statutory pass-through provisions of the Redevelopment Law because it was adopted after January 1, 1994. The first tier began with the first year that the Project Area received tax increment revenue and continues for the life of the Project Area. This first tier tax-sharing amount is 25% of the gross tax increment revenue net of the Housing Set-Aside.

The second tier began in the 11th year after the Agency first received tax increment revenue (fiscal year 2006-07). This second tier payment amount is 21% of the tax increment revenue, net of the Housing Set-Aside, that is derived from the growth in assessed value that is in excess of the adjusted base year assessed value of the Project Area in year 10 (fiscal year 2005-06). The third tier begins in the 31st year after the Redevelopment Agency first received tax increment revenue (fiscal year 2026-27). This third tier is 14% of the tax increment revenue, net of the Housing Set-Aside, that is derived from the growth in assessed value that is in excess of the assessed value of the Project Area in the 30th year (fiscal year 2025-26). The three tiers of tax sharing are calculated independent of one another and continue from their inception through the life of the Project Area.

The total statutory pass-through payments from the North Texas Street Project for fiscal year 2012-13, as reported by the County, is \$554,141.

See “APPENDIX B – Fiscal Consultant Report” for information about the Redevelopment Agency’s statutory pass-through obligations and the County’s payment practices with regard to statutory pass-through payments.

Housing Set-Aside

Before it was amended by the Dissolution Act, the Redevelopment Law required the Redevelopment Agency to set aside not less than 20% of all tax increment generated in the Project Areas into a low and moderate income housing fund to be used for the purpose of increasing, improving and/or preserving the supply of low and moderate income housing. These tax increment revenues were commonly referred to as “**Housing Set-Aside.**”

The Dissolution Act eliminates the characterization of certain tax increment revenues as Housing Set-Aside. See “THE PROJECT AREAS – Low and Moderate Income Housing Set-Aside.

As a result, the former Housing Set-Aside is available to pay debt service on the 2014 Bonds; the projection of Tax Revenues prepared by the Fiscal Consultant and set forth in the section of this Official Statement entitled “THE PROJECT AREAS – Projected Tax Revenues and Estimated Debt Service Coverage,” assumes the availability of the former Housing Set-Aside for this purpose.

As explained above, this Preliminary Official Statement assumes that the Successor Agency will issue the 2014 Bonds to refinance the 2003 Housing Loan and the 2003B Bonds. However, if the refinancing of the 2003 Housing Loan is not feasible under market conditions on the pricing date of the 2014 Bonds, the 2003 Housing Loan will remain outstanding and will be payable from property tax revenues generated in all five Project Areas on a senior basis to the 2014 Bonds.

PROPERTY TAXATION IN CALIFORNIA

Property Tax Collection Procedures

Classification. In the State, property which is subject to ad valorem taxes is classified as “secured” or “unsecured.” Secured and unsecured property are entered on separate parts of the assessment roll maintained by the County assessor. The secured classification includes property on which any property tax levied by a county becomes a lien on that property. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens on the secured property arising pursuant to State law, regardless of the time of the creation of other liens.

Generally, ad valorem taxes are collected by a county (the “**Taxing Authority**”) for the benefit of the various entities (e.g., cities, schools and special districts) that share in the ad valorem tax (each a taxing entity) and successor agencies eligible to receive distributions from the respective Redevelopment Property Tax Trust Funds.

Collections. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured personal property taxes: (i) initiating a civil action against the taxpayer, (ii) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer, (iii) filing a certificate of delinquency for record in the county recorder’s office to obtain a lien on certain property of the taxpayer, and (iv) seizing and selling personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes to the State for the amount of taxes which are delinquent.

Penalty. A 10% penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, property on the secured roll on which taxes are delinquent is declared in default by operation of law and declaration of the tax collector on or about June 30 of each fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the county tax collector. A 10% penalty also

applies to delinquent taxes with respect to property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning on varying dates related to the tax bill mailing date.

Delinquencies. The valuation of property is determined as of the January 1 lien date as equalized in August of each year and equal installments of taxes levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due January 1 and become delinquent August 31.

Supplemental Assessments. California Revenue and Taxation Code Section 75.70 (Chapter 498 of the Statutes of 1983) provides for the reassessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Such reassessment is referred to as the Supplemental Assessment and is determined by applying the current year's tax rate to the amount of increase in a property's value and prorating the resulting property taxes to reflect the portion of the tax year remaining as determined by the date of the change in ownership or completion of new construction. Supplemental Assessments become a lien against real property. Since fiscal year 1984-85, revenues derived from Supplemental Assessments have been allocated to redevelopment agencies and taxing entities in the same manner as regularly collected property taxes.

Prior to the enactment of this law, the assessment of such changes was permitted only as of the next tax lien date following the change, and this delayed the realization of increased property taxes from the new assessments for up to 14 months. This statute provides increased revenue to the Redevelopment Property Tax Trust Fund to the extent that Supplemental Assessments of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the January 1 lien date. To the extent such Supplemental Assessments occur within the Project Areas, Tax Revenues may increase.

Property Tax Administrative Costs. In 1990, the Legislature enacted SB 2557 (Chapter 466, Statutes of 1990) which allows counties to recover charges for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions in proportion to the tax-derived revenues allocated to each, in an amount equal to the fiscal year 1989-90 property tax administration costs, as adjusted annually.

SB 1559 (Chapter 697, Statutes of 1992) explicitly includes redevelopment agencies among the jurisdictions which are subject to such charges. The portions of the reimbursement amount that are allocated to each taxing entity within the County are based on the percentage of the total assessed value in the County that each taxing entity's assessed value represents. Based on the County SB 2557 charge to the Successor Agency for fiscal year 2012-13 for each of the Project Areas, the Fiscal Consultant estimates that the SB 2557 charge for fiscal year 2013-14 will be the following percentages of Gross Revenues for each Project Area as follows:

Project Area	2012-13 SB 2557 Charge	Estimated 2013-14 SB 2557 Charge (% of Gross Revenues)
Regional Center Project	\$119,225	1.87%
Highway 12 Project	203,482	1.88
City Center Project	52,014	1.88
Cordelia Area Project	212,673	1.88
North Texas Street Project	36,017	1.88

In addition, Sections 34182(e) and 34183(a) of the Dissolution Act allow administrative costs of the County Auditor-Controller for the cost of administering the provisions of the Dissolution Act, as well as the foregoing SB 2557/SB 1559 amounts, to be deducted from property tax revenues before monies are deposited into the Redevelopment Property Tax Trust Fund.

The County's administrative charge relating to the dissolution of the Redevelopment Agency was \$101,181 for the January 2, 2013 and was \$32,492 June 1, 2013 distributions from the Redevelopment Property Tax Trust Fund.

Negotiated Pass-Through Agreements; Statutory Pass-Through Amounts. The Redevelopment Agency entered into negotiated pass-through agreements with the County. See "SECURITY FOR THE 2014 BONDS – Pass-Through Agreements." The Redevelopment Agency triggered obligations to make statutory pass-through payments. See "SECURITY FOR THE 2014 BONDS – Statutory Pass-Through Payments."

Recognized Obligation Payment Schedule. See "SECURITY FOR THE 2014 BONDS – Recognized Obligation Payment Schedule" and "RISK FACTORS – Recognized Obligation Payment Schedule."

Rate of Collections

The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**"). Consequently, property tax revenues in the Project Areas do not reflect actual collections because the County allocates property tax revenues to the Successor Agency as if 100% of the calculated property taxes were collected without adjustment for delinquencies, redemption payments or roll adjustments. The County could elect to terminate this policy and, in such event, the amount of the levy of property tax revenue that could be allocated to the Successor Agency would depend upon the actual collections of the secured taxes within the Project Areas. Substantial delinquencies in the payment of property taxes could impair the timely receipt by the Successor Agency of Tax Revenues.

Unitary Property

Legislation enacted in 1986 and 1987 provided for a modification of the distribution of tax revenues derived from utility property assessed by the State Board of Equalization ("**SBE**"), other than railroads. Prior to fiscal year 1988-89, property assessed by the SBE was assessed statewide and was allocated according to the location of individual components of a utility in a tax rate area.

Assembly Bill ("**AB**") 2890 (Statutes of 1986, Chapter 1457) provides that, commencing with fiscal year 1988-89, assessed value derived from State-assessed unitary property (consisting mostly of operational property owned by utility companies) is to be allocated county-wide as follows: (i) each taxing entity will receive the same amount as in the previous year plus an increase for inflation of up to 2%; (ii) if utility tax revenues are insufficient to provide the same amount as in the previous year, each taxing entity's share would be reduced pro rata county wide; and (iii) any increase in revenue above 2% would be allocated in the same proportion as the taxing entity's local secured taxable values are to the local secured taxable values of the county. Additionally, the lien date on State-assessed property is changed from March 1 to January 1.

AB 454 (Statutes of 1987, Chapter 921) further modified Chapter 1457 regarding the distribution of tax revenues derived from property assessed by the SBE. Chapter 921 provides for the consolidation of all State-assessed property, except for regulated railroad property, into a single tax rate area in each county. Chapter 921 further provides for a new method of establishing tax rates on State-assessed property and distribution of property tax revenue derived from State-assessed property to taxing jurisdictions within each county in accordance with a new formula. Railroads will continue to be assessed and revenues allocated to all tax rate areas where railroad property is sited.

To administer the allocation of unitary tax revenues to redevelopment agencies, the County no longer includes the taxable value of utilities as part of the reported taxable values of a project area; therefore, the base year value of the Project Areas has been reduced by the amount of utility value that existed originally in the base year.

Article XIII A of the State Constitution

Article XIII A limits the amount of ad valorem taxes on real property to 1% of “full cash value” of such property, as determined by the county assessor. Article XIII A defines “full cash value” to mean “the County Assessor’s valuation of real property as shown on the 1975-76 tax bill under ‘full cash value,’ or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” Furthermore, the “full cash value” of all real property may be increased to reflect the rate of inflation, as shown by the consumer price index, not to exceed 2% per year, or may be reduced.

Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by substantial damage, destruction or other factors, and to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster and in other special circumstances.

Article XIII A (i) exempts from the 1% tax limitation taxes to pay debt service on (a) indebtedness approved by the voters prior to July 1, 1978 or (b) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition; (ii) requires a vote of two-thirds of the qualified electorate to impose special taxes, or certain additional ad valorem taxes; and (iii) requires the approval of two-thirds of all members of the State Legislature to change any State tax laws resulting in increased tax revenues.

The validity of Article XIII A has been upheld by both the California Supreme Court and the United States Supreme Court.

In the general election held November 4, 1986, voters of the State approved two measures, Propositions 58 and 60, which further amended Article XIII A. Proposition 58 amended Article XIII A to provide that the terms “purchase” and “change of ownership,” for the purposes of determining full cash value of property under Article XIII A, do not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first \$1,000,000 of other property between parents and children. This amendment to Article XIII A may reduce the rate of growth of local property tax revenues.

Proposition 60 amended Article XIII A to permit the Legislature to allow persons over the age of 55 who sell their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence assessed value to the new residence. As a result of the Legislature’s action, the growth of property tax revenues may decline.

Legislation enacted by the Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement is shown at 100% of assessed value and all general tax rates reflect the \$1 per \$100 of taxable value (except as noted). Tax rates for voter-approved bonded indebtedness and pension liabilities are also applied to 100% of assessed value.

Each year the State Board of Equalization announces the applicable adjustment factor. Since the adoption of Proposition 13, inflation has, in most years, exceeded 2% and the announced factor has reflected the 2% cap. The changes in the California Consumer Price Index from October of one year and October of the next year are used to determine the adjustment factor for the January assessment date. Through fiscal year 2010-11 there were six occasions when the inflation factor was less than 2%. Until fiscal year 2010-11 the annual adjustment never resulted in a reduction to the base year values of individual parcels; however, the factor that was applied to real property assessed values for the January 1, 2010 assessment date was -0.237% and this resulted in a reductions to the adjusted base year value of parcels. The table below reflects the inflation adjustment factors for the current fiscal year, 10 prior fiscal years and the adjustment factor for fiscal year 2014-15.

Historical Inflation Adjustment Factors

<u>Fiscal Year</u>	<u>Inflation Adj. Factor</u>
2003-04	2.000%
2004-05	1.867
2005-06	2.000
2006-07	2.000
2007-08	2.000
2008-09	2.000
2009-10	2.000
2010-11	-0.237
2011-12	0.753
2012-13	2.000
2013-14	2.000
2014-15	0.454

Appropriations Limitation - Article XIII B

Article XIII B limits the annual appropriations of the State and its political subdivisions to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the government entity. The “base year” for establishing such appropriations limit is the 1978/79 fiscal year, and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies.

Section 33678 of the Redevelopment Law provides that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or

indebtedness shall not be deemed the receipt by a redevelopment agency of proceeds of taxes levied by or on behalf of a redevelopment agency within the meaning of Article XIII B, nor shall such portion of taxes be deemed receipt of proceeds of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purpose of the Constitution and laws of the State, including Section 33678 of the Redevelopment Law. The constitutionality of Section 33678 has been upheld in two California appellate court decisions. On the basis of these decisions, the Successor Agency has not adopted an appropriations limit.

Proposition 87

On November 8, 1988, the voters of the State approved Proposition 87, which amended Article XVI, Section 16 of the State Constitution to provide that property tax revenue attributable to the imposition of taxes on property within a redevelopment project area for the purpose of paying debt service on certain bonded indebtedness issued by a taxing entity (not the Redevelopment Agency or the Successor Agency) and approved by the voters of the taxing entity after January 1, 1989 will be allocated solely to the payment of such indebtedness and not to redevelopment agencies.

Appeals of Assessed Values

Pursuant to California law, a property owner may apply for a reduction of the property tax assessment for such owner's property by filing a written application, in a form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board.

In the County, a property owner desiring to reduce the assessed value of such owner's property in any one year must submit an application to the County Assessment Appeals Board (the "**Appeals Board**"). Applications for any tax year must be submitted by September 15 of such tax year. Following a review of each application by the staff of the County Assessor's Office, the staff makes a recommendation to the Appeals Board on each application which has not been rejected for incompleteness or untimeliness or withdrawn. The Appeals Board holds a hearing and either reduces the assessment or confirms the assessment. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level for fiscal years following the year for which the reduction application is filed. However, if the taxpayer establishes through proof of comparable values that the property continues to be overvalued (known as "ongoing hardship"), the Assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year as well. Appeals for reduction in the "base year" value of an assessment, which generally must be made within three years of the date of change in ownership or completion of new construction that determined the base year, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. Moreover, in the case of any reduction in any one year of assessed value granted for "ongoing hardship" in the then current year, and also in any cases involving stipulated appeals for prior years relating to base year and personal property assessments, the property tax revenues from which Tax Revenues are derived attributable to such properties will be reduced in the then current year. In practice, such a reduced assessment may remain in effect beyond the year in which it is granted.

See “THE PROJECT AREAS” and the five following sections which describe the five Project Areas, for information regarding historical and pending appeals of assessed valuations by property owners in the Project Areas.

Proposition 8

Proposition 8, approved in 1978 (California Revenue and Taxation Code Section 51(b)), provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by the inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to damage, destruction, obsolescence or other factors causing a decline in market value. Reductions under this code section may be initiated by the County Assessor or requested by the property owner.

After a roll reduction is granted under this code section, the property is reviewed on an annual basis to determine its full cash value and the valuation is adjusted accordingly. This may result in further reductions or in value increases. Such increases must be in accordance with the full cash value of the property and may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIII A of the State Constitution. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A.

For a summary of the recent history of Proposition 8 reductions in the Project Areas, see “Historical Assessed Values” in the five sections which describe each Project Area.

Propositions 218 and 26

On November 5, 1996, California voters approved Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment. Proposition 218 added Articles XIII C and XIII D to the State Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. On November 2, 2010, California voters approved Proposition 26, the “Supermajority Vote to Pass New Taxes and Fees Act.” Proposition 26 amended Article XIII C of the California Constitution by adding an expansive definition for the term “tax,” which previously was not defined under the California Constitution.

Tax Revenues securing the 2014 Bonds are derived from property taxes that are outside the scope of taxes, assessments and property-related fees and charges which are limited by Proposition 218 and Proposition 26.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D and certain other propositions affecting property tax levies were each adopted as measures which qualified for the ballot pursuant to California’s initiative process. From time to time other initiative measures could be adopted, further affecting Successor Agency revenues or the Successor Agency’s ability to expend revenues.

THE SUCCESSOR AGENCY TO THE FAIRFIELD REDEVELOPMENT AGENCY

As described in “INTRODUCTORY STATEMENT,” the Dissolution Act dissolved the Redevelopment Agency as of February 1, 2012. Thereafter, pursuant to Section 34173 of the Dissolution Act, the City became the Successor Agency to the Redevelopment Agency. Subdivision (g) of Section 34173 of the Dissolution Act, added by AB 1484, expressly affirms that the Successor Agency is a separate public entity from the City, that the two entities shall not merge, and that the liabilities of the Redevelopment Agency will not be transferred to the City nor will the assets of the Redevelopment Agency become assets of the City.

The Successor Agency is governed by the City Council of the City.

Successor Agency Powers

All powers of the Successor Agency are vested in its five members who are elected members of the City Council. Pursuant to the Dissolution Act, the Successor Agency is a separate public body from the City and succeeds to the organizational status of the Redevelopment Agency but without any legal authority to participate in redevelopment activities, except to complete any work related to an approved enforceable obligation. The Successor Agency is tasked with expeditiously winding down the affairs of the Redevelopment Agency, pursuant to the procedures and provisions of the Dissolution Act. Under the Dissolution Act, many Successor Agency actions are subject to approval by the Oversight Board, as well as review by the State Department of Finance.

Status of Compliance with Dissolution Act

The Dissolution Act requires a due diligence review to determine the unobligated balances of each successor agency that are available for transfer to taxing entities. The due diligence review involves separate reviews of each successor agency’s low and moderate income housing fund and of all other funds and accounts. Once a successor agency completes the due diligence review and any transfers to taxing entities, the Department of Finance will issue a finding of completion that expands the authority of each successor agency in carrying out the wind down process. A finding of completion allows a successor agency to, among other things, retain real property assets of the dissolved RDA and utilize proceeds derived from bonds issued prior to January 1, 2011.

The Successor Agency has completed the due diligence process and received its Finding of Completion on April 18, 2013.

After receiving a finding of completion, each successor agency is required to submit a Long Range Property Management Plan detailing what it intends to do with its inventory of properties. Successor agencies are not required to immediately dispose of their properties but are limited in terms of what they can do with the retained properties. Permissible uses include: sale of the property, use of the property to fill an enforceable obligation, retention of the property for future redevelopment, and retention of the property for governmental use. These plans must be filed by successor agencies within six months of receiving a finding of completion, and Finance will review these plans as submitted on a rolling basis.

The Successor Agency has submitted its Long Range Property Management Plan and awaiting review by the Department of Finance.

THE PROJECT AREAS

General. The following table summarizes the Project Areas.

**TABLE 1
SUCCESSOR AGENCY TO THE
FAIRFIELD REDEVELOPMENT AGENCY
Summary of Fairfield Project Areas**

Project Area	Adoption Date	Size of Area (acres)	Estimated Base Year Value (thousands)	2013-14 Assessed Value (thousands)	2013-14 Increment Value (thousands)	2013 Gross Revenues (thousands)
Regional Center	11/23/1976	550	\$11,198	\$692,252	\$681,054	\$6,903
Highway 12	12/27/1979	1,760	189,799	1,301,775	1,111,976	11,377
City Center	07/06/1982	811	100,133	378,025	277,892	2,962
Cordelia	07/19/1983	2,637	44,056	1,220,473	1,176,417	11,923
North Texas Street	10/3/1995	406	121,328	331,010	209,681	2,107

Tax Increment Limitations

Section 33333.4 of the Redevelopment Law required redevelopment plans adopted on or after October 1, 1976 and prior to January 1, 1994 to contain, among other things, a limitation on the number of dollars in taxes that may be divided and allocated to the redevelopment agency pursuant to the plan. Section 33333.6 of the Redevelopment Law required redevelopment plans adopted on or after October 1, 1976 and prior to January 1, 1994 to contain a limitation on the duration of redevelopment plans and the period for receipt of tax increment revenues and the repayment of loans, advances and indebtedness.

AB 1290. In 1993, the California Legislature enacted Assembly Bill 1290 (“**AB 1290**”), which contained several significant changes in the Redevelopment Law. Among the changes made by AB 1290 was a provision that limits the period of time for incurring and repaying loans, advances and indebtedness payable from tax increment revenues.

SB 1045. Pursuant to Senate Bill 104 (“**SB 1045**”) in connection with the adoption of statutes requiring an Educational Revenue Augmentation Fund (“**ERAF**”) shift for fiscal year 2003-04, the State Legislature authorized the Redevelopment Agency to amend the Redevelopment Plans for the Highway 12 Project, the City Center Project, the Cordelia Project and the North Texas Street Project, to extend by one year the time limit of the effectiveness and the time limit to repay indebtedness and receive tax increment of each plan.

SB 1096. Pursuant to Senate Bill 1096 (“**SB 1096**”) in connection with the adoption of statutes requiring an ERAF shift for fiscal years 2004-05 and 2005-06, the State Legislature authorized amendments of redevelopment plans to extend by one year for each ERAF shift the time limit of the effectiveness of the plan and the time limit to repay indebtedness and receive tax increment. The City Council extended the time limits, as permitted by SB 1096, for the Redevelopment Plans for the Highway 12 Project, the City Center Project, the Cordelia Project and the North Texas Street Project.

AB 26. Pursuant to Assembly Bill 26 4x, the State Legislature authorized amendments of redevelopment plans in connection with the payment of Supplemental Educational Revenue Augmentation Fund (“**SERAF**”) shifts for fiscal years 2009-10 and 2010-11.

The Redevelopment Agency made a SERAF payment of \$12,128,606 in May, 2010 and a SERAF payment of \$2,497,066 in May 2011, but did not adopt any related amendments to the Redevelopment Plans in regards to the five Project Areas. To make the SERAF payments, the Former Agency borrowed from its Low and Moderate Income Housing Fund, which the Successor Agency will repay on a subordinate basis to the 2014 Bonds from certain residual revenues as defined in the Dissolution Act.

See the sub-section entitled “Redevelopment Plan” in each of the five following sections which describe the five Project Areas, for a list of the amendments to the redevelopment plan for each Project Area.

The following table summarizes the redevelopment plan limits for the Project Areas.

**TABLE 2
SUCCESSOR AGENCY TO THE
FAIRFIELD REDEVELOPMENT AGENCY
Fairfield Project Areas
Redevelopment Plan Limitations**

Project Area	Maximum Tax Increment	Maximum Bonded Debt	Last Date to Incur Debt	Plan Termination Date	Last Date to Receive Prop. Taxes/Pay Debt
Regional Center	\$145,000,000 ⁽¹⁾	\$50,000,000	Time limit eliminated ⁽²⁾	11/23/2014	11/23/2024
Highway 12	\$275,000,000	\$96,000,000	01/01/2004	12/27/2022	12/27/2032
City Center	\$500,000,000	\$125,00,000	01/01/2004	07/06/2025	07/06/2035
Cordelia	\$2,500,000,000	\$800,000,000	01/01/2004	07/19/2026	07/19/2036
North Texas	None	\$72,500,000	10/3/2015	10/3/2027	10/3/2042

(1) Applies to Original Area only.
 (2) Pursuant to SB 211, the City Council by Ordinance 2003-11 deleted this Plan Limitation. See “THE REGIONAL CENTER PROJECT – SB 211 Amendment of Plan Limitations.”
 Source: *HdL Coren & Cone*.

According to the records of the Solano County Auditor-Controller, through the end of fiscal year 2012-13, the Redevelopment Agency and the Successor Agency have received the following approximate cumulative totals in tax increment revenue in those Project Areas with a tax increment limit. In addition, based on the projections of tax increment revenue shown on the five tables (assuming 0.454% inflation growth and the adjustments for fiscal year 2014-15 as noted in the Fiscal Consultant's report and 2% annual inflation growth thereafter), each entitled “Projected Tax Revenues” for each of the Project Areas, the increment limits will be exceeded in the following fiscal years. The North Texas Project does not have a tax increment limit. The Successor Agency is unable to predict when or if these cumulative limits will actually be exceeded.

<u>Project Area</u>	<u>Cumulative Tax Increment Revenue (as of 6/30/13)</u>	<u>Estimated Date of Exceeding Tax Increment Limit</u>
Regional Center	\$133,132,249	Fiscal year 2014-15
Highway 12	\$177,292,179	Fiscal year 2021-22
City Center	\$57,229,444	Tax increment limit unlikely to be exceeded
Cordelia	\$184,443,916	Tax increment limit unlikely to be exceeded

See APPENDIX H - "FISCAL CONSULTANT'S REPORT" for more detail about the tax increment limits.

The Successor Agency covenants in the Indenture that, if and to the extent that the redevelopment plan limits ("**Plan Limits**" as defined in the Indenture) apply to the Successor Agency under the Redevelopment Law, as amended by the Dissolution Act, that the aggregate amount of annual debt service on the 2014 Bonds and on all other outstanding obligations payable from Tax Revenues shall at no time exceed 95% of the amount of Tax Revenues which the Successor Agency is permitted to receive under the Plan Limits. In the event that the amount of such annual debt service at any time equals or exceeds 95% of Tax Revenues which the Successor Agency is permitted to receive under the Plan Limits, all Tax Revenues thereafter received by the Successor Agency shall immediately be deposited with the Trustee and deposited by the Trustee into a special escrow fund (which shall be held by the Trustee to be applied for the sole purpose of paying the principal of and interest on the Bonds (including upon early redemption)).

Land Use

Shown in the table below are land uses in the Project Areas, according to fiscal year 2013-14 assessed value. The assessed values shown do not include exemptions. Unsecured, possessory interest and SBE non-unitary parcels are shown as "not available (n/a)" because they are, in reality, tax bills that are assigned to secured parcels already accounted for in other categories. It should be noted that the figures below include the value for exempt parcels such as those owned by the City, the Successor Agency, the State or other governmental agencies.

**TABLE 3
SUCCESSOR AGENCY TO THE
FAIRFIELD REDEVELOPMENT AGENCY
Fairfield Project Areas
Land Use by Assessed Value
Fiscal Year 2013-14**

Category	No. of Parcels	Net Taxable Value	% of Total
Residential	5,417	\$1,203,469,541	30.67%
Commercial	644	1,218,108,569	31.05
Industrial	168	889,705,326	22.68
Government Owned	305	0	0.00
Institutional	23	5,593,429	0.14
Irrigated	5	1,665,002	0.04
Miscellaneous	125	0	0.00
Recreational	6	609,147	0.02
Vacant	250	162,566,725	4.14
Subtotal:	6,943	3,481,717,739	88.74
SBE Non-Unitary		25,533,114	0.65
Outer Parcels		15,033	0.00
Unsecured		416,268,721	10.61
Subtotal:		\$441,816,868	11.26
Total Value:		\$3,923,534,607	100.00%

Source: HdL Coren & Cone.

Major Taxable Property Owners

The following table lists the 10 largest payers of property taxes in the Project Areas for fiscal year 2013-14. The aggregate secured and unsecured assessed valuation of the top 10 property taxpayers accounted for approximately 21.08% of the secured assessed valuation and approximately 25.43% of the unsecured assessed valuation, respectively, of the Project Areas for fiscal year 2013-14. For a brief discussion of the largest taxpayers in each Project Area, see the five following sections which describe the Project Areas.

**TABLE 4
SUCCESSOR AGENCY TO THE
FAIRFIELD REDEVELOPMENT AGENCY
Fairfield Project Areas
Largest Fiscal Year 2013-14 Local Secured and Unsecured Property Taxpayers**

Property Owner	No. of Parcels	Total Assessed Valuation	Land Use ⁽¹⁾	% of Total Assessed Valuation	% of Incrmt. Value
Anheuser Busch	11	\$315,662,547	Commercial Brewery (owned by AB InBev)	8.05%	9.13%
Star-West Solano ⁽²⁾	7	172,790,546	Solano Regional Mall	4.40	5.00
Meyer Cookware Industries	5	78,884,405	Cookware Manufacturing	2.01	2.28
N A Rolling Oaks - 88	1	53,154,223	Residential Apartments - 292 Units	1.35	1.54
AMCOR Pet Packaging USA Inc 79	1	51,615,837	Packaging Production for Pet Food	1.32	1.49
SBC Services	1	48,196,474	Telecommunications Facilities	1.23	1.39
USIR III Distribution-Fermi Drive ⁽¹⁾	1	34,853,400	Industrial and Warehousing Property	0.89	1.01
88 12	15	33,254,876	Multiple Ofc/Commercial and Vacant Parcels	0.85	0.96
BMEF Bridgeport	1	28,544,387	Bridgeport Ranch Apartments - 192 Units	0.73	0.83
Guitard Chocolate ⁽¹⁾	2	20,305,228	Premium Chocolate Production	0.72	0.82
Total Project Area Value:		\$3,923,534,607		21.54%	
Project Area Incremental Value:		3,457,020,497		24.45	

(1) Property owners with currently pending appeals. See "Pending Assessment Appeals" in the five Project Area-specific sections below.

(2) The Solano Town Center Mall was sold to Star-West Solano, an affiliate of Starwood Capital Group, in 2012. The updated value is already reflected in the fiscal year 2013-14 tax roll.

Source: HdL Coren & Cone.

New Development

New development continues to occur within the Project Areas but no additional value has been included by the Fiscal Consultant in the projections for new construction.

Tax Rates

A Tax Rate Area consists of a geographic area where the taxes on all property are levied by the same taxing entities at the same rate. The tax rate consists of the general levy rate of \$1.00 per \$100 of taxable values and the override tax rate. The override rate is that portion of the tax rate that exceeds the general levy tax rate and is levied to pay voter approved indebtedness or contractual obligations that existed prior to the enactment of Proposition XIII.

Regional Center contains a total of four tax rate areas, Highway 12 contains 25 tax rate areas, City Center contains two tax rate areas, Cordelia contains 16 Tax Rate Areas and North Texas Street contains 6 Tax Rate Areas. The Fiscal Consultant's projections are based only on the 1% general levy tax rate.

Teeter Plan

The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**"). Consequently, property tax revenues in the Project Areas do not reflect actual collections because the County allocates to the Agency 100% of the calculated tax increment without adjustment for delinquencies, redemption payments or roll adjustments. The County could elect to terminate this policy and, in such event, the amount of the levy of tax increment received by the Agency would depend upon the actual collections of the secured taxes within the Project Areas.

Appeals of Assessed Values

Pursuant to California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board.

After the applicant and the assessor have presented their arguments, the Appeals Board makes a final decision on the proper assessed value. The Appeals Board may rule in the assessor’s favor, in the applicant’s favor, or the Board may set their own opinion of the proper assessed value, which may be more or less than either the assessor’s opinion or the applicant’s opinion.

Any reduction in the assessment ultimately granted applies to the year for which the application is made and may also affect the values in subsequent years. Refunds for taxpayer overpayment of property taxes may include refunds for overpayment of taxes in years after that which was appealed. Current year values may also be adjusted as a result of a successful appeal of prior year values. Any taxpayer payment of property taxes that is based on a value that is subsequently adjusted downward will require a refund for overpayment.

Appeals for reduction in the “base year” value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

Appeals may also be filed under Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property shall be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Significant reductions have taken place in some counties due to declining real estate values. Reductions made under this code section may be initiated by the County Assessor or requested by the property owner. After a roll reduction is granted under this section, the property is reviewed on an annual basis to determine its full cash value and the valuation is adjusted accordingly. This may result in further reductions or in value increases. Such increases must be in accordance with the full cash value of the property and it may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIII A of the State Constitution. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A.

Pending and resolved appeals in the Project Areas are discussed in the five following sections, each of which describes a Project Area.

Projected Tax Revenues and Estimated Debt Service Coverage

The Fiscal Consultant prepared a projection of Tax Revenues. Although the Fiscal Consultant Report includes separate projections for each Project Area (shown in each of the following five sections which describe the Project Areas), the table below shows Tax Revenues from the five Project Areas on a combined basis. See Appendix H. The Fiscal Consultant assumes that the cumulative tax increment limitation will be reached in fiscal year 2014-15 in

the Regional Center Project Area and fiscal year 2021-22 in the Highway 12 Project Area. See “RISK FACTORS - Change in Source of Tax Revenues.”

This table assumes the refunding of the 2003 Housing Loan and the 2003B Bonds and, therefore, Housing Set-Aside is not shown as a separate category of revenues because, following the refunding of the 2003 Housing Loan and the 2003B Bonds the former Housing Set-Aside would be included in Tax Revenues. See “SECURITY FOR THE 2014 BONDS - Housing Set-Aside.”

The debt service on the 2011 North Texas Street Bonds is shown as payable on a senior basis to the 2014 Bonds; the definition of Tax Revenues in the Indenture excludes amounts required to pay debt service on the 2011 North Texas Street Bonds.

TABLE 5
SUCCESSOR AGENCY TO THE FAIRFIELD REDEVELOPMENT AGENCY
ALL PROJECT AREAS
Projection of Incremental Value and Tax Revenue
(Dollars in thousands)

Fiscal Year	Total Taxable Value	Taxable Value over Base	Gross Tax Revenue	SB 2557 Charge	Negotiated Pass Throughs	Statutory Tax Sharing	Net Property Tax Revenues	Debt Service - 2011 North Texas Bonds	Tax Revenues	Debt Service 2014 Bonds*	Debt Service Coverage*
2013-14	\$3,923,535	\$3,457,020	\$35,272	\$(663)	\$(5,240)	\$(1,081)	\$28,288	\$366	\$27,923	\$3,440	812%
2014-15	3,853,124	3,386,610	32,744	(615)	(5,530)	(881)	25,717	673	25,044	4,120	608
2015-16	3,922,880	3,456,366	28,354	(533)	(5,645)	(571)	21,605	669	20,936	4,115	509
2016-17	3,994,032	3,527,517	28,940	(544)	(5,761)	(594)	22,041	670	21,371	4,115	519
2017-18	4,066,606	3,600,092	29,538	(556)	(5,880)	(617)	22,486	670	21,816	4,117	530
2018-19	4,140,632	3,674,118	30,149	(567)	(6,002)	(640)	22,939	670	22,270	4,123	540
2019-20	4,216,139	3,749,625	30,771	(579)	(6,126)	(664)	23,402	673	22,729	4,132	550
2020-21	4,293,155	3,826,641	31,406	(591)	(6,252)	(689)	23,874	671	23,203	4,123	563
2021-22	4,371,712	3,905,198	23,354	(439)	(6,381)	(714)	15,820	673	15,147	3,625	418
2022-23	4,451,840	3,985,326	19,830	(373)	(6,512)	(739)	12,205	669	11,536	3,624	318
2023-24	4,533,571	4,067,057	20,265	(381)	(6,646)	(765)	12,472	669	11,803	294	4015
2024-25	3,801,856	3,346,540	20,709	(390)	(6,783)	(792)	12,745	668	12,077	293	4129
2025-26	3,871,944	3,416,627	21,162	(398)	(6,923)	(819)	13,023	672	12,351	296	4180
2026-27	3,943,433	3,488,117	21,624	(407)	(7,065)	(855)	13,298	673	12,624	298	4240
2027-28	4,016,352	3,561,036	22,095	(416)	(7,210)	(892)	13,578	668	12,910	299	4314

* Preliminary; subject to change.
Source: HdL Coren & Cone.

THE REGIONAL CENTER PROJECT

Regional Center Project Description

General. The Regional Center Project, the Agency's first redevelopment project area consists of approximately 550 acres and is located on both sides of Interstate 80 at Travis Boulevard. Approximately 20 acres were added to the Regional Center Project in 2005 to facilitate new housing development, but the added territory's value is far below its base year value and it is not expected ever to generate Tax Revenue.

When the Redevelopment Agency established the Regional Center Project in 1976, it comprised predominately vacant land. Since 1976, taxable value within the Regional Center Project has increased by more than \$607.9 million. This increase resulted, in part, from the construction of more than 600 residential units and various retail and commercial developments.

Most of the major property owners in the Regional Center Project are located in the 1 Solano Town Center mall, a two-level enclosed shopping center on a 66-acre site in the northern part of the City. The total retail area (including approximately 130 shops, including restaurants) is more than one million square feet. There are four anchor stores in the Solano Town Center mall, including J.C. Penney, Macy's, Best Buy and Sears. Other attractions at Solano Town Center includes Edwards Movie Theater and 24Hour Fitness.

The Redevelopment Agency assisted in the development of a distinctly landscaped, multi-use development, the Fairfield Gateway, at the entrance to Solano Mall. At the present time, the Fairfield Gateway includes a retail center with a Kaiser Permanente Medical Center, Hilton Inn, Barnes and Noble, Trader Joe's, Travis Federal Credit Union, Driven Raceway, Fuddrucker's, Red Lobster, Johnny Carino's and Chevy's Restaurants.

In addition to Solano Mall and the Fairfield Gateway, existing land uses in Regional Center Project include the David Weir Elementary School, Northbay Hospital, Raley's Shopping Center, Fairfield-Suisun Unified District Corporation Yard, and residential areas.

Land Use. Shown in the table below are land uses in the Regional Center Project, according to fiscal year 2013-14 assessed value. As shown, the majority of land (approximately 66% in terms of assessed valuation) is currently used for commercial purposes. The assessed values shown do not include exemptions. Unsecured, possessory interest and SBE non-unitary parcels are shown as "not available (n/a)" because they are, in reality, tax bills that are assigned to secured parcels already accounted for in other categories. It should be noted that the figures below include the value for exempt parcels such as those owned by the City, the Successor Agency, the State or other governmental agencies.

**TABLE 6
SUCCESSOR AGENCY TO THE
FAIRFIELD REDEVELOPMENT AGENCY
Regional Center Project
Land Use by Assessed Value
Fiscal Year 2013-14**

Category	No. of Parcels	Net Taxable Value	% of Total
Residential	670	\$154,421,666	22.31%
Commercial	92	456,647,445	65.97
Industrial	1	1,788,852	0.26
Government Owned	29	0	0.00
Institutional	3	2,407,015	0.35
Irrigated	0	0	0.00
Miscellaneous	10	0	0.00
Recreational	0	0	0.00
Vacant	16	3,839,469	0.55
Subtotal:	817	\$619,104,447	89.43%
SBE Non-Unitary		0	0.00%
Unsecured		73,147,277	10.57
Subtotal:		\$73,147,277	10.57%
Total Value:		\$692,251,724	100.00%

Source: HdL Coren & Cone.

The Redevelopment Plan

Original Redevelopment Plan. The Redevelopment Agency adopted the Fairfield Regional Center Redevelopment Plan on November 23, 1976 pursuant to its Ordinance No. 76-31.

First Amendment. On November 15, 1983 the City Council adopted Ordinance No. 83-80 for the purpose of increasing the cumulative tax increment limit to \$145 million and increasing the limit on outstanding bonded indebtedness to \$50 million.

Second Amendment- AB 1290. On November 1, 1994, the City Council adopted Ordinance No. 94-24 in order to bring the Redevelopment Plan into compliance with AB 1290. Ordinance No. 94-24 established certain time limits on the life of the Redevelopment Plan, the Redevelopment Agency's issuance and repayment of debt and its collection of tax revenues.

Third Amendment- SB 211. On June 17, 2003 the City Council adopted Ordinance No. 2003-11, which eliminated the time limit on incurring new debt, and triggered an obligation to make statutory pass-through payments. See "SECURITY FOR THE 2014 BONDS – Statutory Pass-Through Payments."

Fourth Amendment- Added Area. Pursuant to Ordinance No. 2005-05 adopted on June 7 2005, the City Council added area to the Regional Center Project. The added area is subject to a number of unique plan limitations, but the Successor Agency does not expect to receive property tax revenues from the added area during the life of the 2014 Bonds, and the Fiscal Consultant Report does not incorporate the added area in its analysis.

Fifth Amendment- SB 1045 and SB 1096. Because the Redevelopment Agency was required to make ERAF payments in fiscal years 2003-04, 2004-25 and 2005-06, on September 19, 2006, the City Council adopted Ordinance No. 2006-21, which extended the time limitation for the effectiveness of the redevelopment plan by two years (Original Area only) and the time limit for repayment of debt for the Regional Center Project (Original Area only).

For a summary of the Regional Center Redevelopment Plan limits after the above-described amendments, see “THE PROJECT AREAS – Table 1 - Redevelopment Plan Limitations.”

Pass-Through Obligations

The Redevelopment Agency was not a party to any negotiated pass-through or tax-sharing agreements under which the Successor Agency is obligated to share a portion of the tax increment revenue generated in the Regional Center Project.

However, the Regional Center Project is subject to statutory pass-through obligations. See “SECURITY FOR THE 2014 BONDS - Statutory Pass-Through Payments.”

Summary of Assessed Value History in the Regional Center Project

Between fiscal years 2004-05 and 2013-14, the taxable value within Regional Center Project increased by \$142.8 million (26.0%). The growth in assessed value was steady through fiscal year 2008-09 but there were small declines in value for fiscal years 2009-10 through 2011-12. Assessed values stabilized and reflected a small increase in value for fiscal year 2012-13 and grew by 8.35% for fiscal year 2013-14. This pattern is reflective of the statewide losses of value experienced during the recent recessionary period. The losses were experienced in both secured and unsecured values. During this period, the residential values in Solano County were significantly reduced due to the decline in market value for residential property. Assessed values in Regional Center project were somewhat insulated from these declines.

The Regional Center Project generated \$681 million in incremental value for fiscal year 2013-14. This is an increase of 6,082% since the adoption of the Regional Center redevelopment plan. This large increase in assessed value is mainly the result of new development on previously vacant property.

Property Transfers in the Regional Center Project Since January 1, 2013

Transfers of ownership in the Regional Center Project occurring after the January 1, 2013 lien date for fiscal year 2013-14 are expected to be reflected on the fiscal year 2014-15 tax rolls.

Within the Regional Center Project, the Fiscal Consultant identified 21 transfers of ownership, which are expected to result in an increase of value in the amount of \$660,765 in assessed value to the fiscal year 2014-15 tax roll for the Regional Center Project. The impacts of these transfers are included in the Fiscal Consultant’s projections.

Unitary Property

The amount of unitary revenues to be allocated from fiscal year 2013-14 to the Successor Agency from the Regional Center Project is estimated to be \$92,349.

The Fiscal Consultant assumes these allocations of unitary revenues will remain constant for purposes of projecting Tax Revenues available to pay debt service on the 2014 Bonds.

Major Taxable Property Owners

The following table lists the 10 largest payers of property taxes in the Regional Center Project for fiscal year 2013-14. Within the Regional Center Project, the aggregate total taxable value for the 10 largest taxpayers totaled \$319.5 million. The aggregate secured and unsecured assessed valuation of the top ten property taxpayers accounted for approximately 51.57% of the secured assessed valuation and approximately 0.26% of the unsecured assessed valuation, respectively, of the Regional Center Project for fiscal year 2013-14. Properties owned by the top 10 taxpayers in the Regional Center Project are all commercial or institutional in nature.

The top taxpayer in the Regional Center Project is Star-West Solano, which controls 7 parcels with a secured value of \$172.8 million, which constitute the Solano Town Center (Solano Regional Mall). The value of the Star-West Solano parcels is 25.37% of the Regional Center Project total incremental value and 24.96% of the Regional Center Project total assessed value.

Solano Town Center is a 1,062,525 square-foot regional mall that includes the major retailers Macy's, JCPenney, Sears and Best Buy, plus over 120 specialty shops, a food court, restaurants and entertainment. Solano Town Center is located just off I-80 at Travis Boulevard.

The second largest taxpayer in Regional Center Project is Fairfield Fee Land that controls a total of \$28 million in secured assessed value. Fairfield Fee Land owns 7 parcels that represent 4.05% of the Regional Center Project's total value and 4.11% of the incremental value.

**TABLE 7
SUCCESSOR AGENCY TO THE
FAIRFIELD REDEVELOPMENT AGENCY
Regional Center Project
Largest Fiscal Year 2013-14 Local Secured and Unsecured Property Taxpayers**

<u>Property Owner</u>	<u>No. of Parcels</u>	<u>Total Assessed Valuation</u>	<u>Land Use ⁽¹⁾</u>	<u>% of Total Assessed Valuation</u>	<u>% of Incremt. Value</u>
Star-West Solano	7	\$172,790,546	Solano Regional Mall ⁽²⁾	24.96%	25.37%
Fairfield Fee Land	7	28,022,561	Gateway Plaza Shopping Center	4.05	4.11
Kaiser Foundation Hospitals	1	19,659,945	Hospital	2.84	2.89
Demartini Gateway	4	18,223,174	Gateway Courtyard Shopping Ctr	2.63	2.68
Macy's Primary Real Estate ⁽¹⁾	1	17,880,833	Macy's Department Store	2.58	2.63
Gateway Hotel Group ⁽¹⁾	1	13,924,843	Hilton Garden Inn Hotel	2.01	2.04
Sears Roebuck ⁽¹⁾	2	13,261,440	Sears Department Store	1.92	1.95
Embassy Investments ⁽¹⁾	1	12,605,527	Courtyard Hotel	1.82	1.85
J C Penney Properties	1	11,671,832	J.C. Penney Department Store	1.69	1.71
NV Gateway MOB	1	11,423,980	Medical Office Building	1.65	1.68
	26	\$319,464,681			
Total Project Area Value:		\$692,251,724		46.15%	
Project Area Incremental Value:		681,054,000		46.91%	

(1) Property owners with currently pending appeals. See "Pending Assessment Appeals" below.

(2) The Solano Town Center Mall was sold to Star-West Solano, an affiliate of Starwood Capital Group, in 2012. The updated value is already reflected in the fiscal year 2013-14 tax roll.

Source: HdL Coren & Cone.

Appeals of Assessed Values in the Regional Center Project; Proposition 8

The Fiscal Consultant reviewed assessment appeals data from Solano County for fiscal years 2007-08 through 2012-13 to determine the potential impact that pending appeals may have on the projected Tax Revenues. Within Regional Center Project, there are a total of 18 pending assessment appeals with a total of \$119.9 million in value under appeal. Nine of these appeals are seeking reductions to the assessed property values for fiscal year 2012-13 and 9 of these appeals are seeking reduction to the assessed property values for fiscal year 2013-14. Four of the 12 pending appeals are on properties owned by the 10 largest taxpayers. Based on the appeals data for the past 5 years, 70.37% of the appeals that have been resolved resulted in a reduction of the appealed value. On average, the allowed appeals resulted in a reduction in value of 17.59%.

The Fiscal Consultant estimates that 13 of the 18 pending appeals will be allowed with a reduction in value and this reduction is estimated at \$14.9 million. This estimated reduction in value has been applied to the projected assessed values for fiscal year 2014-15.

As discussed in "PROPERTY TAXATION IN CALIFORNIA – Proposition 8" above, Proposition 8 allows a temporary reduction in assessed value when the current market value of a property is less than the current assessed value as of the lien date. The table following summarizes the reduction in assessed value on the fiscal year 2013-14 tax roll due to identified Proposition 8 reductions.

**TABLE 8
SUCCESSOR AGENCY TO THE
FAIRFIELD REDEVELOPMENT AGENCY
Regional Center Project
Fiscal Year 2013-14 Proposition 8 Reductions**

	No. of Parcels Reduced	Average % Reduction from Peak Value	Total Reduction in Value
Regional Center Project	202	30.1%	\$26,147,112 ⁽¹⁾

(1) This amount represents the assessed value that may be recaptured by the reassessment of the parcels reduced in value under Proposition 8 if none of these parcels is resold.

Source: HdL Coren & Cone.

Historical and Estimated Taxable Valuation and Tax Revenues

The table below shows the historical assessed valuations for fiscal years 2009-10 to 2013-14 based upon the County Auditor/Controller's equalized rolls. See "APPENDIX A – Fiscal Consultant's Report – Regional Center Redevelopment Project" for a breakout of the components of secured and unsecured assessed valuations.

**TABLE 9
SUCCESSOR AGENCY TO THE
FAIRFIELD REDEVELOPMENT AGENCY
Regional Center Project
Historical and Estimated Tax Revenues**

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
Taxable Values					
<u>Secured (1)</u>					
Land	\$135,402,704	\$130,900,691	\$129,905,922	\$129,375,004	\$138,153,132
Improvements	489,279,777	472,930,811	462,089,107	461,136,071	507,686,453
Personal Property	31,921,572	28,583,360	27,507,832	31,728,364	33,060,234
Exemptions	(68,110,491)	(61,567,421)	(53,782,138)	(58,151,158)	(59,795,372)
Total Secured	588,493,562	570,847,441	565,720,723	564,088,281	619,104,447
<u>Unsecured</u>					
Land	0	0	0	0	0
Improvements	36,213,620	35,088,075	33,768,183	39,131,678	38,386,182
Personal Property	37,120,546	38,728,010	36,564,035	38,717,759	38,175,597
Exemptions	(1,964,304)	(2,068,136)	(2,165,746)	(2,181,328)	(3,414,502)
Total Unsecured	71,369,862	71,747,949	68,166,472	75,668,109	73,147,277
Total Assessed Value	\$659,863,424	\$642,595,390	\$633,887,195	\$639,756,390	\$692,251,724
Percent Change	(2.90%)	(2.62%)	(1.36%)	0.93%	8.21%
Base Year Value	(11,197,724)	(11,197,724)	(11,197,724)	(11,197,724)	(11,197,724)
Taxable Value over Base	648,665,700	631,397,666	622,689,471	628,558,666	681,054,000
Percent Change	(2.95%)	(2.66%)	(1.38%)	0.94%	8.35%
Gross Tax Increment Revenue	6,529,529	6,213,593	6,014,211	6,019,099	6,810,540
Unitary Tax Revenue	84,633	89,820	92,102	90,940	92,349
Gross Revenues	6,614,162	6,303,413	6,106,313	6,110,039	6,902,889
LESS:					
County Admin.	120,996	117,768	127,179	119,225	129,040
Statutory Pass-Throughs	416,392	288,112	293,983	307,690	498,904
Tax Revenues	6,076,774	5,897,533	5,685,151	5,683,124	6,274,945

(1) Secured values include state assessed non-unitary utility property.
Source: County of Solano; HdL Coren & Cone.

Projected Regional Center Project Tax Revenues

The tax increment revenue projections for the Regional Center Project, as prepared by HdL Coren & Cone, are summarized below. All of the projections commence with the reported values for fiscal year 2013-14. For purposes of the projections shown below, the Regional Center Project tax increment revenues have been projected based upon assumed real property (land and improvements) and personal property taxable value increases resulting from an annual growth factor of 2%, the maximum inflationary growth rate permitted by law (i.e., 2%) in each of the years after fiscal year 2013-14. See "APPENDIX A – Fiscal Consultant's Report."

This table assumes the refunding of the 2003 Housing Loan and the 2003B Bonds and, therefore, Housing Set-Aside is not shown as a separate category of revenues because the former Housing Set-Aside is now included in Tax Revenues. See "SECURITY FOR THE 2014 BONDS - Housing Set-Aside."

TABLE 10
SUCCESSOR AGENCY TO THE
FAIRFIELD REDEVELOPMENT AGENCY
Regional Center Project
Projected Tax Revenues
(\$'s in thousands)

Fiscal Year	Total Taxable Value	Taxable Value over Base	Gross Tax Revenue	S.B. 2557 Admin. Charges	Statutory Tax Sharing	Net Tax Revenue
2013-14	\$692,252	\$681,054	\$6,903	\$(129)	\$(499)	\$6,275
2014-15 ⁽¹⁾	680,834	669,636	4,965	(93)	(332)	4,540
2015-16	693,094	681,896	0	0	0	0
2016-17	705,600	694,402	0	0	0	0
2017-18	718,355	707,157	0	0	0	0
2018-19	731,366	720,168	0	0	0	0
2019-20	744,637	733,439	0	0	0	0
2020-21	758,173	746,975	0	0	0	0

*(1) The Regional Center Project is projected to reach its tax increment limit of \$145 million during fiscal year 2014-15.
Source: HdL Coren & Cone.*

THE HIGHWAY 12 PROJECT

Highway 12 Project Description

General. The Redevelopment Agency adopted the Fairfield Highway 12 Redevelopment Plan on December 27, 1979 pursuant to its Ordinance Nos. 79-45 and 79-46.

The Highway 12 Project encompasses approximately 1,760 acres in the southwestern area of the City. The Highway 12 Project is located between Interstate 80 and Highway 12 on the north and northwest, Hale Ranch Road on the west, Cordelia Road and the Suisun Marsh on the south and open land to the east. The Highway 12 Project was formed to assist with the revitalization of the City's industrial area and the West Texas Street corridor.

When the Redevelopment Agency established the Highway 12 Project in 1979, the assessed valuation within the Highway 12 Project was \$191.3 million. The assessed valuation of such property has increased by \$1,110.5 million. The Highway 12 Project contains a wide range of land uses including industrial, commercial, retail, agricultural and residential. The Fairfield-Suisun Sewer District sewage treatment facility is also located within the Highway 12 Project.

The Land Use Plan for the Highway 12 Project provides for general industrial, highway, commercial, extensive agricultural, low density residential, community facilities and open space within the Highway 12 Project.

The Anheuser-Busch Brewery and Corporate Center is a significant commercial area in the Project Area that consists of the following: Anheuser-Busch Brewery, Guittard Chocolate Company, Papyrus, Sutter Medical Center, Tricor Braun, and Harbinger. As shown in Table 10 below, Anheuser-Busch Inc., which opened in 1979, accounts for approximately 24% of the assessed valuation in the Highway 12 Project in fiscal year 2013-14. The property owner, Anheuser-Busch, is a wholly owned subsidiary of Anheuser-Busch InBev.

Another commercial area in the Highway 12 Project is the 220-acre Solano Business Park which consists of Jelly Belly Candy Company, Calbee America, Engelhart Fine Foods, Pacific Bell Data Center, Abbott Labs/Ross Division, ABCO Laboratories, Professional Hospital Supply, Amcor PET Packaging, and TenCate. Approximately 390 acres within the Highway 12 Project have been set aside for and are used by the Fairfield-Suisun Sewer District for its sub-regional sewer treatment plant. The Fairfield-Suisun Sewer District, a special district coterminous with the City of Fairfield and Suisun City, was formed in 1951 to provide for the collection, treatment and disposal of sewage and storm water.

Land Use. Shown in the table below are land uses in the Highway 12 Project, according to Fiscal Year 2013-14 assessed valuation. As shown, the majority of land (approximately 52% in terms of assessed valuation) is currently used for industrial purposes. The assessed valuations shown do not include exemptions.

TABLE 11
SUCCESSOR AGENCY TO THE
FAIRFIELD REDEVELOPMENT AGENCY
Highway 12 Project
Land Use by Assessed valuation
Fiscal Year 2013-14

Category	No. of Parcels	Net Taxable Value	% of Total
Residential	614	\$101,051,026	7.76%
Commercial	116	208,607,526	16.02
Industrial	92	674,131,138	51.79
Government Owned	69	0	0.00
Institutional	5	0	0.00
Irrigated	1	17,136	0.00
Miscellaneous	39	0	0.00
Recreational	0	0	0.00
Vacant	70	60,863,878	4.68
Subtotal:	1,006	\$1,044,670,704	80.25%
SBE Non-Unitary		25,533,114	1.96%
Outer Parcels		0	0.00
Unsecured		231,271,302	17.79
Subtotal:		\$257,104,416	19.75%
Total Value:		\$1,301,775,120	100.00%

Source: HdL Coren & Cone.

The Redevelopment Plan

Original Redevelopment Plan. The City Council adopted the Highway 12 Project Redevelopment Plan on December 27, 1979 pursuant to its Ordinance No. 79-45.

First Amendment. On December 27, 1979 the City Council adopted Ordinance No. 79-46 to add certain territory to the Highway 12 Project.

Second Amendment- AB 1290. On November 1, 1994, the City Council adopted Ordinance No. 94-25 in order to bring the Redevelopment Plan into compliance with AB 1290. Ordinance No. 94-25 established certain time limits on the life of the Redevelopment Plan, the Redevelopment Agency's issuance and repayment of debt and its collection of tax revenues.

Third Amendment. On September 20, 2005, the City Council adopted Ordinance No. 2005-12 to make changes to the land use provisions of the Highway 12 Redevelopment Plan in order to conform to the City's General Plan.

Fourth Amendment- SB 1045 and SB 1096. Because the Redevelopment Agency was required to make ERAF payments in fiscal years 2003-04, 2004-25 and 2005-06, on September 19, 2005, the City Council adopted Ordinance No. 2006-19 in order to extend the Highway 12 Redevelopment Plan time limitations by three years and to extend the final date to repay debt and receive tax increment revenue by three years, as allowed by SB 1045 and SB 1096.

For a summary of the Highway 12 Redevelopment Plan limits after the above-described amendments, see “THE PROJECT AREAS – Table 1 - Redevelopment Plan Limitations.”

Summary of Assessed Value History in the Highway 12 Project

Between fiscal years 2004-05 and 2013-14, the taxable value within Highway 12 Project increased by \$266.9 million (25.8%). The growth in assessed value was relatively consistent during the entire period and except for drops of \$54 million in value for fiscal year 2007-08 and \$44.8 million in value for fiscal year 2012-13, values increased each year. The Highway 12 Project was insulated from the volatile residential market over the past 5 years in that residential value is a relatively small percentage of the project area’s total value. The declines in value experienced in fiscal year 2007-08 and fiscal year 2012-13 were primarily due to assessment appeals among industrial property owners. The top taxpayer within the Highway 12 Project is Anheuser Busch which controls 28.39% of the project area’s incremental value. This owner’s property was recently sold and a reappraisal of the facility is underway by the County Assessor.

The Highway 12 Project has generated \$1.1 billion in incremental value for fiscal year 2013-14. This is an increase of 585.9% since the Highway 12 Project's adoption, and is largely due to new development on previously vacant property.

Property Transfers in the Highway 12 Project Since January 1, 2013

Transfers of ownership in the Highway 12 Project occurring after the January 1, 2013 lien date for fiscal year 2013-14 are expected to be reflected on the fiscal year 2014-15 tax rolls.

Within the Highway 12 Project, the Fiscal Consultant identified 15 transfers of ownership, which are expected to result in an increase of value in the amount of \$253,789 to the fiscal year 2014-15 tax roll for the Highway 12 Project. The impacts of these transfers are included in the Fiscal Consultant’s projections.

Unitary Property

The amount of unitary revenues to be allocated for the years 2013-14 to the Successor Agency from the Highway 12 Project is estimated to be \$256,860. The Fiscal Consultant assumes these allocations of unitary revenues will remain constant for purposes of projecting Tax Revenues available to pay debt service on the 2014 Bonds.

Major Taxable Property Owners

The following table lists the 10 largest payers of property taxes in the Highway 12 Project for fiscal year 2013-14. The aggregate secured and unsecured assessed valuation of the top ten property taxpayers accounted for approximately 45.6% of the secured assessed valuation and approximately 67.2% of the unsecured assessed valuation, respectively, of the Highway 12 Project for fiscal year 2013-14.

The top taxpayer in the Highway 12 Project is Anheuser Busch Inc. which controls 11 parcels with a secured value of \$315.7 million. The parcels contain or surround a major brewery owned and operated by Anheuser Busch. In the 10 years since 2004-05, the assessed value for the Anheuser Busch parcels has steadily risen from \$270.6 million to its current level, an increase of \$45.1 million (16.7%). However, see “– Appeals of Assessed Values in the

Highway 12 Project; Proposition 8” below for a summary of recent assessed value reductions stipulated by the Assessment Appeals Board.

The second largest taxpayer in Highway 12 is Meyers Cookware Industries. The third, fourth, sixth and ninth largest taxpayers are owners of only unsecured properties. AMCOR Pet Packaging USA Inc. manufactures packaging products, SBC Services operates telecommunications networks, Jelly Belly Candy Company manufactures the popular fruit flavored jelly beans and Abbott Laboratories is the maker of pharmaceutical products. Properties owned by the top 10 taxpayers in Highway 12 are commercial or industrial in nature and reflect the large amount of assessed value produced by the development of properties in and around the industrial district of the City of Fairfield.

**TABLE 12
SUCCESSOR AGENCY TO THE
FAIRFIELD REDEVELOPMENT AGENCY
Highway 12 Project
Largest Fiscal Year 2013-14 Local Secured and Unsecured Property Taxpayers**

Property Owner	No. of Parcels	Total Assessed Valuation	Land Use ⁽¹⁾	% of Total Assessed Valuation	% of Incrment. Value
Anheuser Busch	11	\$315,662,547	Commercial Brewery ⁽²⁾	24.25%	28.39%
Meyer Cookware Industries	4	78,884,405	Cookware Manufacturing	6.06	7.09
AMCOR Pet Packaging USA Inc 79	0	51,615,837	Packaging Production for Pet Food	3.97	4.64
SBC Services	0	48,196,474	Telecommunications Facilities	3.70	4.33
Guitard Chocolate (1)	2	28,305,228	Premium Chocolate Production	2.17	2.55
Jelly Belly Candy	0	26,807,818	Premium Jelly Bean Production	2.06	2.41
Pacific Bell Telephone	4	25,252,152	Telecommunications Facilities	1.94	2.27
HOMAFAIR (1)	4	24,557,944	Industrial and Warehousing Property	1.89	2.21
Abbott Laboratories	0	22,806,088	Pharmaceutical Manufacturing	1.75	2.05
Rowland Family Properties	3	21,668,706	Industrial and Warehousing Property	1.66	1.95
Total Top Ten	28	\$643,757,199			
Total Project Area Value:		\$1,301,775,120		49.45%	
Project Area Incremental Value:		\$1,111,976,044		57.89%	

(1) Property owners with currently pending appeals. See “Pending Assessment Appeals” below.

(2) Owned by Anheuser-Busch InBev.

Source: HdL Coren & Cone.

Appeals of Assessed Values in the Highway 12 Project; Proposition 8

The Fiscal Consultant reviewed assessment appeals data from Solano County for fiscal years 2007-08 through 2012-13 to determine the potential impact that pending appeals may have on the projected Tax Revenues. Within Highway 12 there are a total of 44 pending assessment appeals with a total of \$217.5 million in value under appeal. Twenty-two of these appeals are seeking reductions to the assessed property values for fiscal year 2012-13, and 20 are seeking reductions to the assessed property values for fiscal year 2013-14. Two of the 44 pending appeals are on properties owned by the 10 largest taxpayers.

Anheuser Busch, the top taxpayer within the Highway 12 Project, has regularly appealed its annual assessed values. On September 4, 2013, the Assessment Appeals Board stipulated a reduction in value with respect to Anheuser Busch’s appeals of its assessed values in fiscal years 2009-10, 2010-11, 2011-12 and 2012-13. This stipulated reduction in value has triggered a significant refund of property taxes to the taxpayer, and this refund was paid in January 2014.

The reduction in value by the Assessment Appeals Board for Anheuser Busch’s fiscal year 2012-13 value was \$39.7 million (15%). The stipulation will also serve to reduce Anheuser Busch property values for fiscal year 2014-15 but the exact amount of this reduction is not yet available. It is likely that the reduced value established by the Assessment Appeals Board will be brought forward to the fiscal year 2014-15 tax rolls with adjustments for inflation and value adjustments based on any other revisions that may have been made to the property.

Based on the appeals data for the past five years, 80% of the appeals that have been resolved resulted in a reduction of the appealed value. On average, the allowed appeals resulted in a reduction in value of 16.52%. The Fiscal Consultant estimates that 35 of the 44 pending appeals will be allowed with a reduction in value and this reduction is estimated at \$28.8 million. This estimated reduction in value has been applied to the projected assessed values for fiscal year 2014-15.

As discussed in “PROPERTY TAXATION IN CALIFORNIA – Proposition 8” above, Proposition 8 allows a temporary reduction in assessed value when the current market value of a property is less than the current assessed value as of the lien date. The table following summarizes the reduction in assessed value on the fiscal year 2013-14 tax roll due to identified Proposition 8 reductions.

TABLE 13
SUCCESSOR AGENCY TO THE
FAIRFIELD REDEVELOPMENT AGENCY
Highway 12 Project Area
Fiscal Year 2013-14 Proposition 8 Reductions

	No. of Parcels Reduced	Average % Reduction from Peak Value	Total Reduction in Value
Highway 12 Project	365	59.4%	\$27,805,821 ⁽¹⁾

(1) This amount represents the assessed value that may be recaptured by the reassessment of the parcels reduced in value under Proposition 8 if none of these parcels is resold.
Source: HdL Coren & Cone.

Historical and Estimated Taxable Valuation and Tax Revenues

The table below shows the historical assessed valuations for fiscal years 2009-10 to 2013-14 based upon the County Auditor/Controller’s equalized rolls. See “APPENDIX A – Fiscal Consultant’s Report – Highway 12 Project” for a breakout of the components of secured and unsecured assessed valuations.

TABLE 14
SUCCESSOR AGENCY TO THE
FAIRFIELD REDEVELOPMENT AGENCY
Highway 12 Project
Historical and Estimated Tax Revenues

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
Taxable Values					
<u>Secured (1)</u>					
Land	\$241,573,159	\$238,364,996	\$255,837,343	\$248,181,723	\$256,372,315
Improvements	746,745,034	761,205,462	791,155,279	771,559,255	819,938,370
Personal Property	79,862,001	60,065,568	69,969,505	62,291,878	58,041,498
Exemptions	(70,201,313)	(71,310,886)	(62,469,517)	(62,772,071)	(64,148,365)
Total Secured	997,978,881	988,325,140	1,054,492,610	1,019,260,785	1,070,203,818
<u>Unsecured</u>					
Land	725,615	648,734	653,620	666,692	680,026
Improvements	31,484,236	24,257,103	24,479,168	25,824,653	28,174,170
Personal Property	223,944,924	252,549,267	212,459,302	202,454,627	204,518,857
Exemptions	(557,520)	(511,674)	(1,077,921)	(2,003,491)	(1,801,751)
Total Unsecured	255,597,255	276,943,430	236,514,169	226,942,481	231,571,302
Total Assessed Value	1,253,576,136	1,265,268,570	1,291,006,779	1,246,203,266	1,301,775,120
Percent Change	4.96%	0.93%	2.03%	(3.47%)	4.46%
Base Year Value	(189,799,076)	(189,799,076)	(189,799,076)	(189,799,076)	(189,799,076)
Taxable Value over Base	1,063,777,060	1,075,469,494	1,101,207,703	1,056,404,190	1,111,976,044
Percent Change	5.90%	1.10%	2.39%	(4.07%)	5.26%
Gross Tax Increment Revenue	11,334,425	14,801,118	10,685,330	10,225,020	11,119,760
Unitary Tax Revenue	240,435	250,639	256,497	253,351	256,860
Gross Revenues	11,574,860	15,051,757	10,941,827	10,478,371	11,376,620
LESS:					
County Admin.	201,063	202,466	228,328	203,482	213,935
Tax Revenues	11,373,797	14,849,291	10,713,799	10,274,889	11,162,685

(1) Secured values include state assessed non-unitary utility property.
Source: County of Solano; HdL Coren & Cone.

Projected Highway 12 Project Tax Revenues

The tax increment revenue projections for the Highway 12 Project, as prepared by HdL Coren & Cone, are summarized below. All of the projections commence with the reported values for fiscal year 2013-14. For purposes of the projections shown below, the Highway 12 Project tax increment revenues have been projected based upon assumed real property (land and improvements) and personal property taxable value increases resulting from an annual growth factor of 2%, the maximum inflationary growth rate permitted by law (i.e., 2%) in each of the years after fiscal year 2013-14. See "APPENDIX A – Fiscal Consultant's Report – Trended Taxable Value Growth." This table assumes the refunding of the 2003 Housing Loan and the 2003B Bonds and, therefore, Housing Set-Aside is not shown as a separate category of revenues because the former Housing Set-Aside is now included in Tax Revenues. See "SECURITY FOR THE 2014 BONDS - Housing Set-Aside."

TABLE 15
SUCCESSOR AGENCY TO THE
FAIRFIELD REDEVELOPMENT AGENCY
HIGHWAY 12 PROJECT
Projected Tax Revenues
(\$'s in thousands)

Fiscal Year	Total Taxable Value	Taxable Value over Base (\$189,799)	Gross Tax Revenue	S.B. 2557 Admin. Charges	Net Tax Revenue
2013-14	\$1,301,775	\$1,111,976	\$11,377	\$(214)	\$11,163
2014-15	1,277,873	1,088,074	11,138	(210)	10,928
2015-16	1,298,215	1,108,416	11,341	(213)	11,128
2016-17	1,318,964	1,129,165	11,549	(217)	11,331
2017-18	1,340,128	1,150,329	11,760	(221)	11,539
2018-19	1,361,716	1,171,917	11,976	(225)	11,751
2019-20	1,383,735	1,193,936	12,196	(229)	11,967
2020-21 (1)	1,406,194	1,216,395	12,421	(234)	12,187
2021-22	1,429,103	1,239,304	3,951	(74)	3,877
2022-23	1,452,470	1,262,671	0	0	0
2023-24	1,476,304	1,286,505	0	0	0

(1) The Project Area is projected to reach its tax increment limit of \$275 million during fiscal year 2021-22.
Source: HdL Coren & Cone.

THE CITY CENTER PROJECT

City Center Project Description

General. The approximately 811-acre City Center Project, located in the central part of the City, is characterized as an area of older, mixed-use (office, retail, single-family and multi-family) developments. The City Center Project contains the City’s central business district, the southerly portion of the North Texas Business District, the Fairfield Civic Center, Post Office, Solano County Government Center, Lee Bell Park, and extensive residential development of varying age and density. Almost 1,500 residential units currently exist in the City Center Project.

Land Use. Shown in the table below are land uses in the City Center Project, according to Fiscal Year 2013-14 assessed valuation. As shown, the majority of land (approximately 57% in terms of assessed valuation) is currently used for residential purposes. The assessed valuations shown do not include exemptions.

**TABLE 16
SUCCESSOR AGENCY TO THE
FAIRFIELD REDEVELOPMENT AGENCY
City Center Project
Land Use by Assessed Valuation
Fiscal Year 2013-14**

Category	No. of Parcels	Net Taxable Value	% of Total
Residential	1,492	\$215,665,475	57.05%
Commercial	207	122,523,436	32.41
Industrial	7	12,497,971	3.31
Government Owned	96	0	0.00
Institutional	11	3,186,414	0.84
Irrigated	0	0	0.00
Miscellaneous	28	0	0.00
Recreational	4	609,147	0.16
Vacant	31	2,660,837	0.70
Subtotal:	1,876	\$357,143,280	94.48%
SBE Non-Unitary		0	0.00%
Outer Parcels		15,033	0.00
Unsecured		20,866,837	5.52
Subtotal:		\$20,881,624	5.52%
Total Value:		\$378,024,904	100.00%

Source: HdL Coren & Cone.

The Redevelopment Plan

Original Redevelopment Plan. On July 6, 1982, the Redevelopment Agency adopted the City Center Redevelopment Plan pursuant to its Ordinance No. 82-13.

First and Second Amendments. On July 6, 1982 the City Council adopted Ordinance Nos. 82-14 and 82-15 to add certain territory to the City Center Project.

Third Amendment- AB 1290. On November 1, 1994, the City Council adopted Ordinance No. 94-26 in order to bring the Redevelopment Plan into compliance with AB 1290. Ordinance No. 94-26 established certain time limits on the life of the Redevelopment Plan, the Redevelopment Agency's issuance and repayment of debt and its collection of tax revenues.

Fourth Amendment. On September 20, 2005, the City Council adopted Ordinance No. 2005-13 to make changes to the land use provisions of the City Center Redevelopment Plan in order to conform to the City's General Plan.

Fifth Amendment- SB 1045 and SB 1096. Because the Redevelopment Agency was required to make ERAF payments in fiscal years 2003-04, 2004-25 and 2005-06, on September 19, 2005, the City Council adopted Ordinance No. 2006-17 in order to extend the City Center Redevelopment Plan time limitations by three years and to extend the final date to pay debt and receive tax increment revenue by three years, as allowed by SB 1045 and SB 1096.

For a summary of the City Center Redevelopment Plan limits after the above-described amendments, see "THE PROJECT AREAS – Table 1 - Redevelopment Plan Limitations."

Summary of Assessed Value History in the City Center Project

The Fiscal Consultant reports the following facts relating to the history of assessed value in City Center Project based on January 1, 2014 tax rolls as provided by the Solano County Assessor:

Between fiscal years 2004-05 and 2013-14, the taxable value within City Center Project increased by \$49.2 million (14.97%). The growth in assessed value was boosted by the increases in residential values through fiscal year 2007-08, but values reflected losses for fiscal years 2008-09 through 2012-13 as a result of the decline in residential market values. Residential values began to recover in fiscal year 2012-13 and this recovery was reflected in assessed value growth of 7.52% for fiscal year 2013-14.

Because the City Center Project is substantially built out and has been from its inception, the City Center Project's growth comes primarily from the sale and improvement of property within the City Center Project. The City Center Project has generated \$277.9 million in incremental value for fiscal year 2013-14. This is an increase of 277.5% since the City Center Project's adoption.

Property Transfers in the City Center Project Since January 1, 2013

Transfers of ownership in the City Center Project occurring after the January 1, 2013 lien date for fiscal year 2013-14 are expected to be reflected on the fiscal year 2014-15 tax rolls.

Within the City Center Project, the Fiscal Consultant identified 60 transfers of ownership, which are expected to result in an increase of value in the amount of \$2,584,235 to the fiscal year 2014-15 tax roll for the City Center Project. The impacts of these transfers are included in the Fiscal Consultant's projections.

Unitary Property

The amount of unitary revenues to be allocated for the years 2013-14 to the Successor Agency from the City Center Project is estimated to be \$182,841. The Fiscal Consultant

assumes these allocations of unitary revenues will remain constant for purposes of projecting Tax Revenues available to pay debt service on the 2014 Bonds.

Major Taxable Property Owners

The following table lists the 10 largest payers of property taxes in the City Center Project for fiscal year 2013-14. The aggregate secured and unsecured assessed valuation of the top ten property taxpayers accounted for approximately 15.4% of the secured assessed valuation and approximately 16.3% of the unsecured assessed valuation, respectively, of the City Center Project for fiscal year 2013-14.

The top taxpayer in the City Center Project is NOI Holdings 10 which controls 16 parcels with a secured value of \$8.1 million. The parcels contain a large multifamily residential development. The value of the NOI Holdings 10 parcels is 2.91% of the City Center Project total incremental value and 2.14% of the City Center Project total assessed value.

The second largest taxpayer in City Center Project is Solano Storage Center which controls a total of \$7.9 million in secured assessed value. Solano Storage Center owns two parcels that represent 2.09% of the City Center Project’s total value and 2.84% of the incremental value. Properties owned by the top 10 taxpayers in City Center Project are a mixture of residential, commercial and unsecured properties and reflect the diversity of the City Center Project.

**TABLE 17
SUCCESSOR AGENCY TO THE
FAIRFIELD REDEVELOPMENT AGENCY
City Center Project
Largest Fiscal Year 2013-14 Local Secured and Unsecured Property Taxpayers**

Property Owner	No. of Parcels	Total Assessed Valuation	Land Use ⁽¹⁾	% of Total Assessed Valuation	% of Incremt. Value
NOI Holdings 10 ⁽¹⁾	16	\$8,100,000	Residential Apartments - 128 Units	2.14%	2.91%
Solano Storage Center	2	7,890,377	Self Storage Facility	2.09	2.84
NV Solano MOB	1	7,180,787	Medical Offices	1.90	2.58
Corporate Plaza	1	6,370,000	Medical Offices	1.69	2.29
Lefever Mattson	5	5,302,570	Residential Apartments - 76 Units	1.40	1.91
OMS Property Investments	1	5,282,871	Residential Apartments - 99 Units	1.40	1.90
Pacific Resources Associates	2	5,221,380	Commercial Shopping Center	1.38	1.88
Daily Republic	5	5,019,322	Multiple Commercial/Office/Vacant	1.33	1.81
Fairfield Medical Arts Center	4	4,793,117	Medical Offices	1.27	1.72
Solano Diagnostics Imaging	0	3,392,550	Medical Imaging Services	0.90	1.22
Total Top Ten	37	\$58,552,974			
Total Project Area Value:		\$378,024,904		15.49%	
Project Area Incremental Value:		\$277,891,842		21.07%	

(1) Property owners with currently pending appeals.
Source: HdL Coren & Cone.

Appeals of Assessed Values in the City Center Project; Proposition 8

The Fiscal Consultant reviewed assessment appeals data from Solano County for fiscal years 2007-08 through 2012-13 to determine the potential impact that pending appeals may

have on the projected Tax Revenues. The data on assessment appeals discussed below relates to appeals information available through January 2, 2014.

Within City Center there are a total of 9 pending assessment appeals with a total of \$15.1 million in value under appeal. Two of these appeals are seeking reductions to the property values for fiscal year 2009-10, one is seeking reduction in fiscal year 2010-11 assessed values, one is seeking value reductions for fiscal year 2011-12 values, 4 are seeking reductions to assessed values for fiscal year 2012-13 and 3 are seeking reduction to assessed values for fiscal year 2013-14. Only one of the 10 pending appeals is for properties owned by the 10 largest taxpayers.

Based on the appeals data for the past five years, 50% of the appeals that have been resolved resulted in a reduction of the appealed value. On average, the allowed appeals resulted in a reduction in value of 19.29%. The Fiscal Consultant estimates that 5 of the 9 pending appeals will be allowed with a reduction in value and this reduction is estimated at \$1.5 million. This estimated reduction in value has been applied to the projected assessed values for fiscal year 2014-15.

As discussed in “PROPERTY TAXATION IN CALIFORNIA – Proposition 8” above, Proposition 8 allows a temporary reduction in assessed value when the current market value of a property is less than the current assessed value as of the lien date. The table following summarizes the reduction in assessed value on the fiscal year 2013-14 tax roll due to identified Proposition 8 reductions.

**TABLE 18
SUCCESSOR AGENCY TO THE
FAIRFIELD REDEVELOPMENT AGENCY
City Center Project
Fiscal Year 2013-14 Proposition 8 Reductions**

	No. of Parcels Reduced	Average % Reduction from Peak Value	Total Reduction in Value
City Center Project	498	33.4%	\$78,519,438 ⁽¹⁾

*(1) This amount represents the assessed value that may be recaptured by the reassessment of the parcels reduced in value under Proposition 8 if none of these parcels is resold.
Source: HdL Coren & Cone.*

Pass-Through Obligations

See “SECURITY FOR THE 2014 BONDS – Pass-Through Agreements.” Amounts payable to the County pursuant to the City Center Pass-Through Agreement are not available to pay debt service on the 2014 Bonds and are not pledged to the 2014 Bonds.

Historical and Estimated Taxable Valuation and Tax Revenues

The table below shows the historical assessed valuations for fiscal years 2009-10 to 2013-14 based upon the County Auditor/Controller’s equalized rolls. See “APPENDIX A – Fiscal Consultant’s Report – City Center Redevelopment Project” for a breakout of the components of secured and unsecured assessed valuations.

TABLE 19
SUCCESSOR AGENCY TO THE
FAIRFIELD REDEVELOPMENT AGENCY
City Center Project
Historical and Estimated Tax Revenues

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
Taxable Values					
<u>Secured (1)</u>					
Land	\$107,335,128	\$102,634,355	\$103,355,555	\$100,715,144	\$106,483,717
Improvements	282,733,533	270,141,688	267,883,496	261,774,060	274,701,243
Personal Property	3,539,350	3,444,187	3,231,560	3,097,390	2,687,634
Exemptions	<u>(21,025,685)</u>	<u>(20,896,520)</u>	<u>(27,694,368)</u>	<u>(27,251,940)</u>	<u>(26,714,281)</u>
Total Secured	372,582,326	355,323,710	346,776,243	338,334,654	357,158,313
<u>Unsecured</u>					
Land	51,688	51,566	51,954	52,993	54,053
Improvements	6,147,724	6,117,376	6,599,024	6,731,885	7,200,729
Personal Property	20,319,042	20,848,747	13,626,849	15,182,816	15,467,635
Exemptions	<u>(1,743,814)</u>	<u>(1,748,454)</u>	<u>(1,919,345)</u>	<u>(1,714,935)</u>	<u>(1,855,826)</u>
Total Unsecured	24,774,640	25,269,235	18,358,482	20,252,759	20,866,591
Total Assessed Value	397,356,966	380,592,945	365,134,725	358,587,413	378,024,904
Percent Change	<u>(14.25%)</u>	<u>(4.22%)</u>	<u>(4.06%)</u>	<u>(1.79%)</u>	<u>5.42%</u>
Base Year Value	(100,133,062)	(100,133,062)	(100,133,062)	(100,133,062)	(100,133,062)
Taxable Value over Base	297,223,904	280,459,883	265,001,663	258,454,351	277,891,842
Percent Change	<u>(18.18%)</u>	<u>(5.64%)</u>	<u>(5.51%)</u>	<u>(2.47%)</u>	<u>7.52%</u>
Gross Tax Increment Revenue	2,890,073	2,681,642	2,501,909	2,596,041	2,778,918
Unitary Tax Revenue	<u>174,389</u>	<u>179,013</u>	<u>182,611</u>	<u>180,470</u>	<u>182,841</u>
Gross Revenues	3,064,432	2,860,655	2,684,520	2,776,511	2,961,759
LESS:					
County Admin.	56,878	54,863	57,397	52,014	55,670
Negotiated Pass-Through	<u>316,436</u>	<u>300,480</u>	<u>285,155</u>	<u>277,743</u>	<u>295,939</u>
Tax Revenues	2,691,118	2,505,312	2,341,968	2,446,754	2,610,150

(1) Secured values include state assessed non-unitary utility property.
Source: County of Solano; HdL Coren & Cone.

Projected City Center Project Tax Revenues

The tax increment revenue projections for the City Center Project, as prepared by HdL Coren & Cone, are summarized below. All of the projections commence with the reported values for fiscal year 2013-14. For purposes of the projections shown below, the City Center Project tax increment revenues have been projected based upon assumed real property (land and improvements) and personal property taxable value increases resulting from an annual growth factor of 2%, the maximum inflationary growth rate permitted by law (i.e., 2%) in each of the years after fiscal year 2013-14. See "APPENDIX A – Fiscal Consultant's Report – Trended Taxable Value Growth." This table assumes the refunding of the 2003 Housing Loan and the 2003B Bonds and, therefore, Housing Set-Aside is not shown as a separate category of revenues because the former Housing Set-Aside is now included in Tax Revenues. See "SECURITY FOR THE 2014 BONDS - Housing Set-Aside."

TABLE 20
SUCCESSOR AGENCY TO THE
FAIRFIELD REDEVELOPMENT AGENCY
City Center Project
Projected Tax Revenues
(\$'s in thousands)

Fiscal Year	Total Taxable Value	Taxable Value over Base (\$100,133)	Gross Tax Revenue	S.B. 2557 Admin. Charges	Pass-Through Payments	Available Tax Revenue
2013-14	\$378,025	\$277,892	\$2,962	\$(56)	\$(296)	\$2,610
2014-15	380,793	280,660	2,989	(56)	(299)	2,634
2015-16	388,083	287,949	3,062	(58)	(306)	2,698
2016-17	395,518	295,385	3,137	(59)	(314)	2,764
2017-18	403,103	302,970	3,213	(60)	(321)	2,831
2018-19	410,839	310,706	3,290	(62)	(329)	2,899
2019-20	418,729	318,596	3,369	(63)	(337)	2,969
2020-21	426,778	326,645	3,449	(65)	(345)	3,039
2021-22	434,988	334,855	3,531	(66)	(353)	3,112
2022-23	443,361	343,228	3,615	(68)	(362)	3,186
2023-24	451,903	351,770	3,701	(70)	(370)	3,261
2024-25	460,615	360,482	3,788	(71)	(379)	3,338
2025-26	469,501	369,368	3,877	(73)	(388)	3,416
2026-27	478,565	378,432	3,967	(75)	(397)	3,496
2027-28	487,810	387,677	4,060	(76)	(406)	3,577
2028-29	497,241	397,107	4,154	(78)	(415)	3,660

Source: HdL Coren & Cone.

THE CORDELIA PROJECT

Cordelia Project Description

General. The Cordelia Project contains approximately 2,637-acres. The Cordelia Project is located in the southwestern portion of the City and is along the west side of Interstate 680, south of Interstate 80. A portion of the Cordelia Project is located on either side of Highway 80 and east of the Highway 80 and Highway 680 interchange. The principal land uses are light industry, commercial, single-family residential and open space. Office and light industrial development in the Cordelia Project includes the Green Valley Corporate Park, Green Valley Technical Plaza, and Fairfield Corporate Commons. Some of the companies that have completed development or located in the area includes NorthBay Healthcare, Partnership Healthplan of California, Kiewit Pacific, and Westamerica Bank corporate headquarters. Public facilities located in the Cordelia Project include the Fairfield Cordelia Library and the Solano County Office of Education. Retail development in the Project consists of a Costco Warehouse and the Green Valley Crossing Shopping Center, which is anchored by a Safeway, Long's, and TJ Maxx.

Land Use. Shown in the table below are land uses in the Cordelia Project, according to fiscal year 2013-14 assessed valuation. As shown, the majority of land (approximately 51% in terms of assessed valuation) is currently used for residential purposes. Commercial and industrial uses account for approximately 20% and 16%, respectively, in terms of assessed valuation. The assessed valuations shown do not include exemptions. Unsecured, possessory interest and SBE non-unitary parcels are shown as "not available (n/a)" because they are, in reality, tax bills that are assigned to secured parcels already accounted for in other categories. It should be noted that the figures below include the value for exempt parcels such as those owned by the City, the Redevelopment Agency, the State or other governmental agencies.

**TABLE 21
SUCCESSOR AGENCY TO THE
FAIRFIELD REDEVELOPMENT AGENCY
Cordelia Project
Land Use by Assessed Valuation
Fiscal Year 2013-14**

Category	No. of Parcels	Net Taxable Value	% of Total
Residential	2,491	\$623,647,131	51.10%
Commercial	104	244,029,092	19.99
Industrial	67	200,898,903	16.46
Government Owned	81	0	0.00
Institutional	3	0	0.00
Irrigated	4	1,647,866	0.14
Miscellaneous	41	0	0.00
Recreational	2	0	0.00
Vacant	117	86,960,820	7.13
Subtotal:	2,910	\$1,157,183,812	94.81%
SBE Non-Unitary		0	0.00%
Outer Parcels		0	0.00
Unsecured		63,289,520	5.19
Subtotal:		\$63,289,520	5.19%
Total Value:		\$1,220,473,332	100.00%

Source: HdL Coren & Cone.

The Redevelopment Plan

Original Redevelopment Plan. On July 9, 1983, the Redevelopment Agency adopted the Cordelia Redevelopment Plan pursuant to its Ordinance No. 83-14.

First Amendment- AB 1290. On November 1, 1994, the City Council adopted Ordinance No. 94-27 in order to bring the Cordelia Redevelopment Plan into compliance with AB 1290. Ordinance No. 94-26 established certain time limits on the life of the Cordelia Redevelopment Plan, the Redevelopment Agency's issuance and repayment of debt and its collection of tax revenues.

Second Amendment. On September 20, 2005, the City Council adopted Ordinance No. 2005-11 to make changes to the land use provisions of the Cordelia Redevelopment Plan in order to conform to the City's General Plan.

Third Amendment- SB 1045 and SB 1096. Because the Redevelopment Agency was required to make ERAF payments in fiscal years 2003-04, 2004-25 and 2005-06, on September 19, 2006, the City Council adopted Ordinance No. 2006-18 in order to extend the Cordelia Redevelopment Plan time limitations by three years and to extend the final date to pay debt and receive tax increment revenue by three years, as allowed by SB 1045 and SB 1096.

For a summary of the Cordelia Redevelopment Plan limits after the above-described amendments, see "THE PROJECT AREAS – Table 1 - Redevelopment Plan Limitations."

Pass-Through Obligations

The Successor Agency is a party to a negotiated pass-through agreement relating to the Cordelia Project. See “SECURITY FOR THE 2014 BONDS – Pass-Through Agreements.” Amounts payable to the County pursuant to the Cordelia Pass-Through Agreement are not available to pay debt service on the 2014 Bonds and are not pledged to the 2014 Bonds.

Summary of Assessed Value History in the Cordelia Project

Between fiscal years 2004-05 and 2013-14, the taxable value within the Cordelia Project increased by \$259.5 million (27.0%). The growth in assessed value was boosted by the increase in home prices through fiscal year 2008-09 but values reflected losses for fiscal years 2009-10 through 2012-13 as a result of the decline in residential market values. Residential values began to recover in fiscal year 2012-13 and this recovery was reflected in assessed value growth of 5.52% for fiscal year 2013-14.

The Cordelia Project has generated \$1.18 billion in incremental value for fiscal year 2013-14. This is an increase of 2,670.28% since its adoption. This is primarily the result of new development on large areas of substantially vacant land.

Property Transfers in the Cordelia Project Since January 1, 2013

Transfers of ownership in the Cordelia Project occurring after the January 1, 2013 lien date for fiscal year 2013-14 are expected to be reflected on the fiscal year 2014-15 tax rolls.

Within the Cordelia Project, the Fiscal Consultant identified 85 transfers of ownership, which are expected to result in an increase of value in the amount of \$4,040,728 to the fiscal year 2014-15 tax roll for the Cordelia Project. The impacts of these transfers are included in the Fiscal Consultant’s projections.

Unitary Property

The amount of unitary revenues to be allocated for fiscal year 2013-14 to the Successor Agency from the Cordelia Project is estimated to be \$159,220. The Fiscal Consultant assumes these allocations of unitary revenues will remain constant for purposes of projecting Tax Revenues available to pay debt service on the 2014 Bonds.

Major Taxable Property Owners

The following table lists the 10 largest payers of property taxes in the Cordelia Project for fiscal year 2013-14. The aggregate secured and unsecured assessed valuation of the top ten property taxpayers accounted for approximately 20.25% of the secured assessed valuation and approximately 0.94% of the unsecured assessed valuation, respectively, of the Cordelia Project for 2013-14. The top taxpayer in the Cordelia Project is the USIR III Distribution-Fermi Drive which controls 1 parcel with a secured value of \$34.9 million. The value of the USIR parcel is 2.96% of the Cordelia Project’s total incremental value and 2.86% of the Cordelia Project’s total assessed value. The second largest taxpayer in Cordelia Project is 88 12 which controls 15 parcels and a total of \$33.3 million in secured assessed value. The value of the parcel owned by 88 12 is 2.72% of the Cordelia Project’s total value and 2.83% of the incremental value. Properties owned by the top 10 taxpayers in the Cordelia Project are a mixture of commercial, industrial, vacant land and unsecured properties.

**TABLE 22
SUCCESSOR AGENCY TO THE
FAIRFIELD REDEVELOPMENT AGENCY
Cordelia Project**

Largest Fiscal Year 2013-14 Local Secured and Unsecured Property Taxpayers

Property Owner	No. of Parcels	Total Assessed Valuation	Land Use ⁽¹⁾	% of Total Assessed Valuation	% of Incremt. Value
USIR III Distribution-Fermi Drive ⁽¹⁾	1	\$34,853,400	Industrial and Warehousing Property	2.86%	2.96%
88 12	15	33,254,876	Multiple Ofc/Commercial and Vacant Parcels	2.72	2.83
BMEF Bridgeport	1	28,544,387	Bridgeport Ranch Apartments 192 Units	2.34	2.43
PANCAL Fermi 229	1	27,695,448	Industrial and Warehousing Property	2.27	2.35
5 Child	3	27,050,400	Vacant Commercial Properties	2.22	2.30
Super Store Industries	1	20,013,737	Sunnyside Farms Dairy Production	1.64	1.70
NV NBHQ	1	18,187,239	Commercial Office Building	1.49	1.55
Fairfield Property Group	1	16,750,000	Commercial Office Building	1.37	1.42
PEM Green Valley	1	14,950,000	Commercial Office Building	1.22	1.27
Sonmar of Fairfield	2	13,611,262	Staybridge Suites Hotel - 82 Rooms	1.12	1.16
	27	\$234,910,749			
Total Project Area Value		\$1,220,473,332		19.25%	
Project Area Incremental Value		1,176,417,424		19.97%	

(1) Property owners with currently pending appeals. See "Pending Assessment Appeals" below.
Source: HdL Coren & Cone.

Appeals of Assessed Values in the Cordelia Project; Proposition 8

Within the Cordelia Project there are a total of 43 pending assessment appeals with a total of \$183 million in value under appeal. Three of these appeals are seeking reductions to the property values for fiscal year 2011-12, 11 are seeking reduction in fiscal year 2012-13 assessed values and 29 are seeking reduction to assessed values for fiscal year 2013-14. Three of the 43 pending appeals is for properties owned by taxpayers within the top ten. Based on the appeals data for the past five years, 80.7% of the appeals that have been resolved resulted in a reduction of the appealed value. On average, the allowed appeals resulted in a reduction in value of 26.62%. The Fiscal Consultant estimates that 35 of the 43 pending appeals will be allowed with a reduction in value and this reduction is estimated at \$39.3 million. This estimated reduction in value has been applied to the projected assessed values for fiscal year 2014-15.

As discussed in "PROPERTY TAXATION IN CALIFORNIA – Proposition 8" above, Proposition 8 allows a temporary reduction in assessed value when the current market value of a property is less than the current assessed value as of the lien date. The table following summarizes the reduction in assessed value on the fiscal year 2013-14 tax roll due to identified Proposition 8 reductions.

**TABLE 23
SUCCESSOR AGENCY TO THE
FAIRFIELD REDEVELOPMENT AGENCY
Cordelia Project
Fiscal Year 2013-14 Proposition 8 Reductions**

	No. of Parcels Reduced	Average % Reduction from Peak Value	Total Reduction in Value
Cordelia Project	1,302	52.3%	\$144,935,506 ⁽¹⁾

(1) This amount represents the assessed value that may be recaptured by the reassessment of the parcels reduced in value under Proposition 8 if none of these parcels is resold.

Source: HdL Coren & Cone.

Historical and Estimated Taxable Valuation and Tax Revenues

The table below shows the historical assessed valuations for fiscal years 2009-10 to 2013-14 based upon the County Auditor/Controller's equalized rolls. See "APPENDIX A – Fiscal Consultant's Report – Cordelia Redevelopment Project" for a breakout of the components of secured and unsecured assessed valuations.

TABLE 24
SUCCESSOR AGENCY TO THE
FAIRFIELD REDEVELOPMENT AGENCY
Cordelia Project
Historical and Estimated Tax Revenues

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12 (1)</u>	<u>2012-13</u>	<u>2013-14</u>
Taxable Values					
<u>Secured</u>					
Land	\$361,660,001	\$349,401,940	\$350,968,157	\$348,378,163	\$358,892,927
Improvements	872,465,682	829,695,364	805,006,518	774,690,923	796,133,568
Personal Property	10,336,042	23,241,164	19,846,327	16,100,534	18,272,792
Exemptions	(11,211,526)	(28,903,508)	(38,407,306)	(40,486,478)	(16,115,475)
Total Secured	1,233,250,199	1,173,434,960	1,137,413,696	1,098,683,142	1,157,183,812
<u>Unsecured</u>					
Land	0	0	0	0	0
Improvements	10,438,056	9,067,111	10,289,131	11,089,823	13,043,670
Personal Property	54,235,315	46,727,813	55,910,234	49,735,127	50,369,163
Exemptions	(162,595)	(223,019)	(254,488)	(530,814)	(123,313)
Total Unsecured	64,510,776	55,571,905	65,944,877	60,294,136	63,289,520
Total Assessed Value	1,297,760,975	1,229,006,865	1,203,358,573	1,158,977,278	1,220,473,332
Percent Change	(7.40%)	(5.30%)	(2.09%)	(3.69%)	5.31%
Base Year Value	(44,061,464)	(44,061,464)	(44,055,908)	(44,055,908)	(44,055,908)
Taxable Value over Base	1,253,699,511	1,184,945,401	1,159,302,665	1,114,921,370	1,176,417,424
Percent Change	(7.64%)	(5.48%)	(2.16%)	(3.83%)	5.52%
Gross Tax Increment Revenue	12,176,888	11,370,454	11,521,955	10,586,130	11,764,174
Unitary Tax Revenue	145,155	154,783	158,812	156,786	159,220
Gross Revenues	12,322,043	11,525,237	11,680,767	10,742,916	11,923,394
LESS:					
County Admin.	231,734	220,689	238,133	212,673	224,241
Negotiated Pass-Through	5,289,482	5,011,138	4,906,722	5,158,982	4,942,429
Tax Revenues	6,800,827	6,293,410	6,535,912	5,371,261	6,756,724

Base year was revised in 2011-12.

(1) Secured values include state assessed non-unitary utility property.

Source: County of Solano; HdL Coren & Cone.

Projected Cordelia Project Tax Revenues

The tax increment revenue projections for the Cordelia Project, as prepared by HdL Coren & Cone, are summarized below. All of the projections commence with the reported values for fiscal year 2013-14. For purposes of the projections shown below, the Cordelia Project tax increment revenues have been projected based upon assumed real property (land and improvements) and personal property taxable value increases resulting from an annual growth factor of 2%, the maximum inflationary growth rate permitted by law (i.e., 2%) in each of the years after 2013-14. See "APPENDIX A – Fiscal Consultant's Report – Trended Taxable Value Growth." This table assumes the refunding of the 2003 Housing Loan and the 2003B Bonds and, therefore, Housing Set-Aside is not shown as a separate category of revenues because the former Housing Set-Aside is now included in Tax Revenues. See "SECURITY FOR THE 2014 BONDS - Housing Set-Aside."

TABLE 25
SUCCESSOR AGENCY TO THE
FAIRFIELD REDEVELOPMENT AGENCY
Cordelia Project
Projected Tax Revenues
(\$'s in thousands)

Fiscal Year	Total Taxable Value	Taxable Value over Base (\$44,056)	Gross Tax Revenue	S.B. 2557 Admin. Charges	County Pass-Through Payment	Net Tax Revenue
2013-14	\$1,220,473	\$1,176,417	\$11,923	\$(224)	\$(4,942)	\$6,756
2014-15	1,191,647	1,147,591	11,635	(219)	(5,230)	6,185
2015-16	1,215,480	1,171,424	11,873	(223)	(5,337)	6,312
2016-17	1,239,789	1,195,733	12,117	(228)	(5,447)	6,441
2017-18	1,264,585	1,220,529	12,365	(233)	(5,558)	6,573
2018-19	1,289,877	1,245,821	12,617	(237)	(5,672)	6,707
2019-20	1,315,674	1,271,618	12,875	(242)	(5,788)	6,844
2020-21	1,341,988	1,297,932	13,139	(247)	(5,906)	6,984
2021-22	1,368,828	1,324,772	13,407	(252)	(6,027)	7,127
2022-23	1,396,204	1,352,148	13,681	(257)	(6,150)	7,273
2023-24	1,424,128	1,380,072	13,960	(263)	(6,275)	7,421
2024-25	1,452,611	1,408,555	14,245	(268)	(6,403)	7,572
2025-26	1,481,663	1,437,607	14,535	(273)	(6,534)	7,727
2026-27	1,511,296	1,467,240	14,832	(279)	(6,667)	7,884
2027-28	1,541,522	1,497,466	15,134	(285)	(6,803)	8,045
2028-29	1,572,353	1,528,297	15,442	(290)	(6,942)	8,209

Source: HdL Coren & Cone.

NORTH TEXAS STREET PROJECT

North Texas Street Project Description

General. The North Texas Street Project consists of approximately 406 acres and is located in the central part of the City. The North Texas Street Project is located on both sides of North Texas Street, which is the central spine of the project area and a key north-south link in the City's transportation network. The North Texas Street Project is generally bounded by East Travis Boulevard on the south and Interstate 80 on the north. At several locations the North Texas Street Project boundaries extend some distance east and west of North Texas Street. The area contains a mixture of small commercial centers, larger shopping centers and retail establishments, several motels, apartment developments and mobile homes, single family residential properties, and multi-family residential buildings. Recent development in the Project has included a Walmart Supercenter, Lowe's Home Improvement, Texas Roadhouse, and Walgreen's. Business types include offices, retail, and automobile repair and sales. Public facilities in the area include Fairfield High School, Dover Middle School, City of Fairfield Fire Station, a major portion of the Linear Park that traverses the City, and two corporation yards.

Land Use. The following table shows the value of existing land uses for fiscal year 2013-14 in the North Texas Street Project.

**TABLE 26
SUCCESSOR AGENCY TO THE
FAIRFIELD REDEVELOPMENT AGENCY
North Texas Street Project
Land Use by Assessed Value
Fiscal Year 2013-14**

Category	No. of Parcels	Net Taxable Value	% of Total
Residential	150	\$108,684,243	32.83%
Commercial	125	186,301,070	56.28
Industrial	1	388,462	0.12
Government Owned	30	0	0.00
Institutional	1	0	0.00
Irrigated	0	0	0.00
Miscellaneous	7	0	0.00
Recreational	0	0	0.00
Vacant	20	8,241,721	2.49
Subtotal:	334	\$303,615,496	91.72%
SBE Non-Unitary		0	0.00%
Outer Parcels		0	0.00
Unsecured		27,394,031	8.28
Subtotal:		\$27,394,031	8.28%
Total Value:		\$331,009,527	100.00%

Source: HdL Coren & Cone.

One of the 20 vacant parcels is owned by the City, but its value is taxable. Two of the vacant parcels are owned by Monument Arms Inc. and are tax-exempt.

The Redevelopment Plan

Original Redevelopment Plan. On October 3, 1995, the Redevelopment Agency adopted the Redevelopment Plan for the North Texas Street Project (the “**North Texas Street Redevelopment Plan**”) pursuant to its Ordinance No. 95-17.

Amendments- SB 1045 and SB 1096. On September 19, 2006, the City Council adopted Ordinance No. 2006-20, for the purpose of (i) pursuant to SB 1045, extending by one year the time limit of the effectiveness of the Redevelopment Plan and the time limit for receipt of tax increment and repayment of indebtedness and (ii) pursuant to SB 1096, extending by two years (the North Texas Street Project was not eligible for an extension as a result of its ERAF payment for fiscal year 2004-05) the time limit on the effectiveness of the Redevelopment Plan and the time limit for receipt of tax increment and repayment of indebtedness.

For a summary of the North Texas Street Redevelopment Plan limits after the above-described amendments, see “THE PROJECT AREAS – Table 2- Redevelopment Plan Limitations.”

Pass-Through Obligations

The Redevelopment Agency was not a party to any negotiated pass-through or tax-sharing agreements under which the Successor Agency is obligated to share a portion of the tax increment revenue generated in the North Texas Street Project.

However, North Texas Street is subject to statutory pass-through obligations. See “SECURITY FOR THE 2014 BONDS - Statutory Pass-Through Payments.”

Summary of Assessed Value History in the North Texas Street Project

Between fiscal years 2004-02 and 2013-14, the taxable value within the North Texas Street Project increased by \$128.1 million (63.13%). The growth in assessed value was very steady during the entire period and except for a drop (-11.7%) in value for fiscal year 2010-11, values increased each year. Secured values grew in all years except for fiscal year 2010-11, adding \$119.2 million over this period. Unsecured values fluctuated from year to year, with a net increase of \$8.9 million during this 10-year period. The North Texas Street Project has generated \$209.7 million in incremental value for fiscal year 2013-14. This is an increase of 172.8% since its adoption.

Property Transfers in the North Texas Street Project Since January 1, 2013

Transfers of ownership in the North Texas Street Project occurring after the January 1, 2013 lien date for fiscal year 2013-14 are expected to be reflected on the fiscal year 2014-15 tax rolls. Within the North Texas Street Project, the Fiscal Consultant identified 5 transfers of ownership, which are expected to result in an decrease of value in the amount of \$414,987 to the fiscal year 2014-15 tax roll for the Regional Center Project. The impacts of these transfers are included in the Fiscal Consultant’s projections.

Unitary Property

The amount of unitary revenues to be allocated to the Successor Agency from the North Texas Street Project for fiscal year 2013-14 is estimated to be \$10,103. The Fiscal Consultant

assumes these allocations of unitary revenues will remain constant for purposes of projecting Tax Revenues available to pay debt service on the 2014 Bonds.

Major Taxable Property Owners

The following table lists the 10 largest payers of property taxes in the North Texas Street Project for fiscal year 2013-14. The aggregate secured and unsecured assessed valuation of the top ten property taxpayers accounted for approximately 54.23% of the secured assessed valuation and none of the unsecured assessed valuation of the North Texas Street Project for 2013-14.

The top taxpayer in the North Texas Street Project is the NA Rolling Oaks - 88 which controls one parcel with a secured value of \$53.1 million. The property is a 292-unit residential rental complex and was last sold in early-2012. The value of the NA Rolling Oaks parcel is 25.35% of the North Texas Project’s total incremental value and 16.06% of the North Texas Project’s total assessed value.

The second largest taxpayer in North Texas is Walmart Real Estate Business Trust which controls 2 parcels and a total of \$26.8 million in secured assessed value. The value of the parcel owned by Walmart Real Estate Business Trust is 8.09% of the North Texas Project’s total value and 12.77% of the incremental value.

Properties owned by the top 10 taxpayers in the North Texas Street Project are a mixture of commercial, vacant land and residential properties

**TABLE 27
SUCCESSOR AGENCY TO THE
FAIRFIELD REDEVELOPMENT AGENCY
North Texas Street Project
Largest Fiscal Year 2013-14 Local Secured and Unsecured Property Taxpayers**

<u>Property Owner</u>	No. of Parcels	Total Assessed Valuation	Land Use ⁽¹⁾	% of Total Assessed Valuation	% of Increment. Value
N A Rolling Oaks - 88	1	\$53,154,223	Residential Apartments - 292 Units	16.06%	25.35%
Walmart Real Estate Business Trust	2	26,786,563	Walmart Department Store	8.09	12.77
Fairfield GARP ⁽¹⁾	5	20,350,000	Commercial Shopping Center	6.15	9.71
Lowes HIW ⁽¹⁾	1	20,032,654	Home Improvement Warehouse	6.05	9.55
B and L Properties II ⁽¹⁾	4	15,011,087	Oakmont Plaza Shopping Center	4.53	7.16
Almanara Investments	3	8,006,035	Residential Apartments - 180 Units	2.42	3.82
Paul C. Norman	2	7,426,626	Residential Apartments - 86 Units	2.24	3.54
Sunrise Investors	7	5,212,191	Commercial Office Buildings	1.57	2.49
Gong Properties ⁽¹⁾	2	4,628,234	Commercial Uses	1.40	2.21
Yick F. and Jean Lee Wong Trust	1	4,050,257	Mission Village Shopping Center	1.22	1.93
	28	\$164,657,870			
Total Project Area Value		\$331,009,527		49.74%	
Project Area Incremental Value		\$209,681,187		78.53%	

(1) Property owners with currently pending appeals. See "Pending Assessment Appeals" below.
Source: HdL Coren & Cone.

Appeals of Assessed Values in the North Texas Street Project; Proposition 8

Within the North Texas Street Project there are a total of 11 pending assessment appeals with a total of \$68.8 million in value under appeal. Five of these appeals are seeking reductions to the property values for fiscal year 2012-13 and the other six appeals are seeking reductions to the property values for fiscal year 2013-14. Four of the 7 pending appeals is for properties owned by the 10 largest taxpayers. Based on the appeals data for the past five years, 87.5% of the appeals that have been resolved resulted in a reduction of the appealed value.

On average, the allowed appeals resulted in a reduction in value of 16.57%. The Fiscal Consultant estimates that 10 of the 11 pending appeals will be allowed with a reduction in value and this reduction is estimated at \$10 million. This estimated reduction in value has been applied to the projected assessed values for fiscal year 2014-15.

As discussed in “PROPERTY TAXATION IN CALIFORNIA – Proposition 8” above, Proposition 8 allows a temporary reduction in assessed value when the current market value of a property is less than the current assessed value as of the lien date. The table following summarizes the reduction in assessed value on the fiscal year 2013-14 tax roll due to identified Proposition 8 reductions.

**TABLE 28
SUCCESSOR AGENCY TO THE
FAIRFIELD REDEVELOPMENT AGENCY
North Texas Street Project
Fiscal Year 2013-14 Proposition 8 Reductions**

	No. of Parcels Reduced	Average % Reduction from Peak Value	Total Reduction in Value
North Texas Street Project	87	58.0%	\$10,070,814 ⁽¹⁾

*(1) This amount represents the assessed value that may be recaptured by the reassessment of the parcels reduced in value under Proposition 8 if none of these parcels is resold.
Source: HdL Coren & Cone.*

Historical and Estimated Taxable Valuation and Tax Revenues

The table below shows the historical assessed valuations for fiscal years 2009-10 to 2013-14 based upon the County Auditor/Controller’s equalized rolls. See “APPENDIX A – Fiscal Consultant’s Report – North Texas Street Project” for a breakout of the components of secured and unsecured assessed valuations.

TABLE 29
SUCCESSOR AGENCY TO THE
FAIRFIELD REDEVELOPMENT AGENCY
North Texas Street Project
Historical and Estimated Tax Revenues

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
Taxable Values					
<u>Secured (1)</u>					
Land	\$88,356,157	\$85,065,011	\$84,865,887	\$99,381,400	\$107,720,848
Improvements	190,262,037	173,914,895	182,281,640	186,154,628	199,969,653
Personal Property	3,038,748	3,194,693	5,053,330	5,286,269	6,208,062
Exemptions	<u>(11,837,124)</u>	<u>(11,997,299)</u>	<u>(8,142,285)</u>	<u>(8,424,571)</u>	<u>(10,283,067)</u>
Total Secured	269,819,818	250,177,300	264,058,572	282,397,726	303,615,496
<u>Unsecured</u>					
Land	0	0	0	0	0
Improvements	9,936,659	9,088,291	9,321,112	13,408,514	13,176,905
Personal Property	16,648,470	16,469,447	16,784,792	16,164,237	14,362,764
Exemptions	<u>(203,848)</u>	<u>0</u>	<u>(161,980)</u>	<u>(160,524)</u>	<u>(145,638)</u>
Total Unsecured	26,381,281	25,557,738	25,943,924	29,412,227	27,394,031
Total Assessed Value	296,201,099	275,735,038	290,002,496	311,809,953	331,009,527
Percent Change	2.60%	(6.91%)	5.17%	7.52%	6.16%
Base Year Value	(121,328,340)	(121,328,340)	(121,328,340)	(121,328,340)	(121,328,340)
Taxable Value over Base	174,872,759	154,406,698	168,674,156	190,481,613	209,681,187
Percent Change	4.49%	(11.70%)	9.24%	12.93%	10.08%
Gross Tax Increment Revenue	1,716,355	1,394,064	1,808,840	1,869,249	2,096,812
Unitary Tax Revenue	8,583	9,710	10,039	9,897	10,103
Gross Revenues	<u>1,724,938</u>	<u>1,403,774</u>	<u>1,818,879</u>	<u>1,879,146</u>	<u>2,106,915</u>
LESS:					
County Admin.	30,790	28,567	34,381	36,017	39,629
Statutory Pass-Through	<u>447,139</u>	<u>348,523</u>	<u>455,513</u>	<u>554,141</u>	<u>581,971</u>
Tax Revenues	1,247,309	1,026,684	1,328,985	1,288,988	1,485,315

(1) Secured values include state assessed non-unitary utility property.
Source: County of Solano; HdL Coren & Cone.

Projected North Texas Street Project Tax Revenues

The tax increment revenue projections for the North Texas Street Project, as prepared by HdL Coren & Cone, are summarized below. All of the projections commence with the reported values for fiscal year 2013-14. For purposes of the projections shown below, the North Texas Street Project tax increment revenues have been projected based upon assumed real property (land and improvements) and personal property taxable value increases resulting from an annual growth factor of 2%, the maximum inflationary growth rate permitted by law (i.e., 2%) in each of the years after 2013-14. See “APPENDIX A – Fiscal Consultant’s Report – Trended Taxable Value Growth.” This table assumes the refunding of the 2003 Housing Loan and the 2003B Bonds and, therefore, Housing Set-Aside is not shown as a separate category of revenues because the former Housing Set-Aside is now included in Tax Revenues. See “SECURITY FOR THE 2014 BONDS - Housing Set-Aside.”

**TABLE 30
SUCCESSOR AGENCY TO THE
FAIRFIELD REDEVELOPMENT AGENCY
North Texas Street Project
Projected Tax Revenues
(\$’s in thousands)**

Fiscal Year	Total Taxable Value	Taxable Value over Base (\$121,328)	Gross Tax Revenue	S.B. 2557 Admin. Charges	Statutory Tax Sharing	Net Tax Revenue
2013-14	\$331,010	\$209,681	\$2,107	\$(40)	\$(582)	\$1,485
2014-15	321,977	200,649	2,017	(38)	(549)	1,430
2015-16	328,008	206,680	2,077	(39)	(571)	1,467
2016-17	334,160	212,832	2,138	(40)	(594)	1,505
2017-18	340,435	219,107	2,201	(41)	(617)	1,543
2018-19	346,835	225,507	2,265	(43)	(640)	1,582
2019-20	353,363	232,035	2,330	(44)	(664)	1,622
2020-21	360,022	238,694	2,397	(45)	(689)	1,663
2021-22	366,814	245,486	2,465	(46)	(714)	1,705
2022-23	373,742	252,413	2,534	(48)	(739)	1,747
2023-24	380,808	259,480	2,605	(49)	(765)	1,791
2024-25	388,016	266,687	2,677	(50)	(792)	1,835
2025-26	395,368	274,039	2,750	(52)	(819)	1,880
2026-27	402,866	281,538	2,825	(53)	(855)	1,917
2027-28	410,515	289,187	2,902	(55)	(892)	1,956
2028-29	418,317	296,989	2,980	(56)	(929)	1,995

Source: HdL Coren & Cone.

RISK FACTORS

The following information should be considered by prospective investors in evaluating the 2014 Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the 2014 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

The various legal opinions to be delivered concurrently with the issuance of the 2014 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by State and federal laws, rulings and decisions affecting remedies, and by bankruptcy, reorganization or other laws of general application affecting the enforcement of creditors' rights, including equitable principles.

Recognized Obligation Payment Schedule

The Dissolution Act provides that only those payments listed in a Recognized Obligation Payment Schedule may be made by a successor agency from the funds specified in the Recognized Obligation Payment Schedule. Before each six-month period, the Dissolution Act requires each successor agency to prepare and approve, and submit to the successor agency's oversight board and the State Department of Finance for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. Consequently, Tax Revenues will not be withdrawn from the Redevelopment Property Tax Trust Fund by the county auditor-controller and remitted to the Successor Agency without a duly approved and effective Recognized Obligation Payment Schedule. See "SECURITY FOR THE 2014 BONDS – Recognized Obligation Payment Schedule." In the event the Successor Agency were to fail to file a Recognized Obligation Payment Schedule with respect to a six-month period, the availability of Tax Revenues to the Successor Agency could be adversely affected for such period.

Under the Redevelopment Property Tax Trust Fund distribution provisions of the Dissolution Act, a county auditor-controller is to distribute funds for each six-month period in the following order specified in Section 34183 of the Dissolution Act:

(i) first, subject to certain adjustments for subordinations to the extent permitted under the Dissolution Act (if any, as described above under "SECURITY FOR THE 2014 BONDS - Statutory Pass-Through Amounts" and "-Pass-Through Agreements") and no later than each January 2 and June 1, to each local agency and school entity, to the extent applicable, amounts required for pass-through payments such entity would have received under provisions of the Redevelopment Law, as those provisions read on January 1, 2011, including negotiated pass-through agreements and statutory pass-through obligations;

(ii) second, on each January 2 and June 1, to the successor agency for payments listed in its Recognized Obligation Payment Schedule, with debt service payments scheduled to be made for tax allocation bonds having the highest priority over payments scheduled for other debts and obligations listed on the Recognized Obligation Payment Schedule;

(iii) third, on each January 2 and June 1, to the successor agency for the administrative cost allowance, as defined in the Dissolution Act; and

(iv) fourth, on each January 2 and June 1, to taxing entities any moneys remaining in the Redevelopment Property Tax Trust Fund after the payments and transfers authorized by clauses (i) through (iii), in an amount proportionate to such taxing entity's share of property tax revenues in the tax rate area in that fiscal year (without giving effect to any pass-through obligations that were established under the Redevelopment Law).

If a successor agency does not submit a Recognized Obligation Payment Schedule within five business days of the date upon which the Recognized Obligation Payment Schedule is to be used to determine the amount of property tax allocations and the State Department of Finance does not provide a notice to the county auditor-controller to withhold funds from distribution to taxing entities, amounts in the Redevelopment Property Tax Trust Fund for such six-month period would be distributed to taxing entities pursuant to clause (iv) above.

With respect to the 2014 Bonds, the Successor Agency has covenanted to take all actions required under the Dissolution Act to include scheduled debt service on the 2014 Bonds as well as any amount required under the Indenture to replenish a debt service reserve fund (if any), in Recognized Obligation Payment Schedules for each six-month period and to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Successor Agency's Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Successor Agency to pay principal of, and interest on, the 2014 Bonds coming due in the respective six-month period, including listing a reserve on the Recognized Obligation Payment Schedule to the extent required by the Indenture or when the next property tax allocation is projected to be insufficient to pay all obligations due under the provisions of the 2014 Bonds for the next payment due in the following six-month period (see "SECURITY FOR THE 2014 BONDS – Recognized Obligation Payment Schedules").

AB 1484 also adds new provisions to the Dissolution Act implementing certain penalties in the event a successor agency does not timely submit a Recognized Obligation Payment Schedule for a six-month period. Specifically, a Recognized Obligation Payment Schedule must be submitted by the successor agency to the oversight board, to the county administrative officer, the county auditor-controller, the State Department of Finance, and the State Controller no later than 90 days before the date of the next January 2 or June 1 property tax distribution with respect to each subsequent six-month period. If a successor agency does not submit a Recognized Obligation Payment Schedule by such deadlines, the city or county that established the redevelopment agency will be subject to a civil penalty equal to \$10,000 per day for every day the schedule is not submitted to the State Department of Finance. Additionally, a successor agency's administrative cost allowance is reduced by 25% if the successor agency does not submit an oversight board-approved Recognized Obligation Payment Schedule by the 80th day before the date of the next January 2 or June 1 property tax distribution, as applicable, with respect to the Recognized Obligation Payment Schedule for subsequent six-month periods.

Challenges to Dissolution Act

Several successor agencies, cities and other entities filed judicial actions challenging the legality of the various provisions of the Dissolution Act. One such action was filed on August 1, 2012, by Syncora Guarantee Inc. and Syncora Capital Assurance Inc. (collectively, "**Syncora**") against the State, the State Controller, the State Director of Finance, and the Auditor-Controller

of San Bernardino County on his own behalf and as the representative of all other County Auditors in the State (Superior Court of the State of California, County of Sacramento, Case No. 34-2012-80001215).

The complaint alleged that the Dissolution Act, and specifically the “Redistribution Provisions” thereof (i.e., California Health and Safety Code Sections 34172(d), 34174, 34177(d), 34183(a)(4), and 34188) violate the “contract clauses” of the United States and California Constitutions (U.S. Const. art. 1, §10, cl.1; Cal. Const. art. 1, §9) because they unconstitutionally impair the contracts among the former redevelopment agencies, bondholders and Syncora. The complaint also alleged that the Redistribution Provisions violate the “Takings Clauses” of the United States and California Constitutions (U.S. Const. amend. V; Cal Const. art. 1 § 19) because they unconstitutionally take and appropriate bondholders’ and Syncora’s contractual right to critical security mechanisms without just compensation.

After a hearing by the Sacramento County Superior Court on May 3, 2013, the Superior Court ruled that Syncora’s constitutional claims based on contractual impairment were premature. The Superior Court also held that Syncora’s takings claims, to the extent based on the same arguments, were also premature. Pursuant to a Judgment stipulated to by the parties, the Superior Court on October 3, 2013, entered its order dismissing the action. The Judgment, however, provides that Syncora preserves its rights to reassert its challenges to the Dissolution Act in the future. The Successor Agency does not guarantee that any reassertion of challenges by Syncora or that the final results of any of the judicial actions brought by others challenging the Dissolution Act will not result in an outcome that may have a material adverse effect on the Successor Agency’s ability to timely pay debt service on the 2014 Bonds.

Change in Source of Tax Revenues

The final maturity date of the 2014 Bonds is August 1, 2028, although approximately 90% of the aggregate principal amount of the 2014 Bonds is scheduled to be paid on or before August 1, 2023. The last date that the Successor Agency is eligible to receive property tax revenue and repay debt from the Regional Center Project is November 23, 2024. In addition, the Fiscal Consultant projects that the Regional Center Project will reach its cumulative tax increment limit in fiscal year 2014-15 and that the Highway 12 Project will reach its cumulative tax increment limit in fiscal year 2021-22.

Consequently, and assuming the projections summarized in the previous paragraph are accurate, there will be a period prior to the final maturity date of the 2014 Bonds during which the Successor Agency will be able to pay debt service on the 2014 Bonds only from property tax revenues allocated to the Successor Agency from the City Center Project Area, the Cordelia Project Area and the North Texas Street Project Area.

Concentration of Property Ownership

General. Based on fiscal year 2013-14 locally assessed taxable valuations, the following property owners represent significant ownership concentrations:

Project Area	Property Owner	Percent of Total Value	Percent of Incremental Value
Highway 12	Anheuser Busch	24.25%	28.39%
Regional Center	Star-West Solano	24.96	25.37
North Texas Street	N A Rolling Oaks - 88	16.06	25.35
Highway 12	Meyer Cookware Industries	6.06	7.09

Some of these property owners have pending assessed value appeals with respect to their property in the Project Areas. The bankruptcy, termination of operations or departure from one of the Project Areas by one of the largest property owners from the Project Areas could adversely impact the availability of Tax Revenues to pay debt service on the 2014 Bonds.

Change in Concentration. As described in “- Change in Source of Tax Revenues” above, there is likely to be a period prior to the final maturity date of the 2014 Bonds during which the Successor Agency will be able to pay debt service on the 2014 Bonds only from property tax revenues allocated to the Successor Agency from the City Center Project Area, the Cordelia Project Area and the North Texas Street Project Area.

Five of the six largest property taxpayers in the Project Areas for fiscal year 2013-14 are located in the Regional Center Project and the Highway 12 Project. Therefore, the concentration of taxable property ownership in the five Project Areas will significantly change prior to the final maturity date of the 2014 Bonds.

Reduction in Taxable Value

Tax Revenues available to pay principal of and interest on the 2014 Bonds are determined by the amount of incremental taxable value in the Project Areas and the current rate or rates at which property in the Project Areas is taxed. The reduction of taxable values of property in the Project Areas caused by economic factors beyond the Successor Agency’s control, such as relocation out of the Project Areas by one or more major property owners, sale of property to a non-profit corporation exempt from property taxation, or the complete or partial destruction of such property caused by, among other eventualities, earthquake or other natural disaster, could cause a reduction in the Tax Revenues that provide for the repayment of and secure the 2014 Bonds. Such reduction of Tax Revenues could have an adverse effect on the Successor Agency’s ability to make timely payments of principal of and interest on the 2014 Bonds; and this risk is particularly acute in light of the significant concentration of property ownership in the Project Areas (see “THE PROJECT AREAS – Major Taxable Property Owners”).

As described in greater detail under the heading “PROPERTY TAXATION IN CALIFORNIA – Article XIII A of the State Constitution,” Article XIII A provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflation rate, not to exceed a two percent increase for any given year, or may be reduced to reflect a reduction in the consumer price index, comparable local data or any reduction in the event of declining property value caused by damage, destruction or other factors (as described above). Such measure is computed on a calendar year basis. Any

resulting reduction in the full cash value base over the term of the 2014 Bonds could reduce Tax Revenues available to pay principal of and interest on the 2014 Bonds.

In addition to the other limitations on, and required application under the Dissolution Act of Tax Revenues on deposit in the Redevelopment Property Tax Trust Fund, the State electorate or Legislature could adopt a constitutional or legislative property tax reduction with the effect of reducing Tax Revenues allocated to the Redevelopment Property Tax Trust Fund and available to the Successor Agency. Although the federal and State Constitutions include clauses generally prohibiting the Legislature's impairment of contracts, there are also recognized exceptions to these prohibitions. There is no assurance that the State electorate or Legislature will not at some future time approve additional limitations that could reduce the Pledge Tax Revenues and adversely affect the source of repayment and security of the 2014 Bonds.

Risks to Real Estate Market

The Successor Agency's ability to make payments on the 2014 Bonds will be dependent upon the economic strength of the Project Areas. The general economy of the Project Areas will be subject to all of the risks generally associated with urban real estate markets. Real estate prices and development may be adversely affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, unexpected increases in development costs and by other similar factors. Further, real estate development within the Project Areas could be adversely affected by limitations of infrastructure or future governmental policies, including governmental policies to restrict or control development. In addition, if there is a decline in the general economy of the Project Areas, the owners of property within the Project Areas may be less able or less willing to make timely payments of property taxes or may petition for reduced assessed valuation causing a delay or interruption in the receipt of Tax Revenues by the Successor Agency from the Project Areas.

Reduction in Inflationary Rate

As described in greater detail below, Article XIII A of the State Constitution provides that the full cash value of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis. Because Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%.

Since Article XIII A was approved, the annual adjustment for inflation has fallen below the 2% limitation several times; in fiscal year 2010-11, the inflationary value adjustment was negative for the first time at -0.237%. In fiscal year 2011-12, the inflationary value adjustment was 0.753%. For fiscal years 2012-13 and 2013-14, the inflationary value adjustment is 2.00%, which is the maximum permissible increase under Article XIII A. The fiscal year 2014-15 inflation rate is 1.00454%.

The Successor Agency is unable to predict if any adjustments to the full cash value of real property within the Project Areas, whether an increase or a reduction, will be realized in the future. The projection of Tax Revenues assumes a constant 2% inflationary increase.

Development Risks

The general economy of a redevelopment project area will be subject to all the risks generally associated with real estate development. Projected development within a redevelopment project area may be subject to unexpected delays, disruptions and changes. Real estate development operations may be adversely affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, unexpected increases in development costs and by other similar factors. Further, real estate development operations within a redevelopment project area could be adversely affected by future governmental policies, including governmental policies to restrict or control development. If projected development in a redevelopment project area is delayed or halted, the economy of the redevelopment project area could be affected. If such events lead to a decline in assessed values they could cause a reduction in incremental property tax revenues. In addition, if there is a decline in the general economy of a redevelopment agency, the owners of property within the redevelopment project area may be less able or less willing to make timely payments of property taxes causing a delay or stoppage of the incremental property tax revenues received by the successor agency from the redevelopment project area. In addition, the insolvency or bankruptcy of one or more large owners of property within a redevelopment project area could delay or impair the receipt of incremental property tax revenues by the successor agency.

Levy and Collection of Taxes

The Successor Agency has no independent power to levy or collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Tax Revenues, and accordingly, could have an adverse impact on the security for and the ability of the Successor Agency to repay the 2014 Bonds.

Likewise, delinquencies in the payment of property taxes by the owners of land in the Project Areas, and the impact of bankruptcy proceedings on the ability of taxing agencies to collect property taxes, could have an adverse effect on the Successor Agency's ability to make timely payments on the 2014 Bonds. Any reduction in Tax Revenues, whether for any of these reasons or any other reasons, could have an adverse effect on the Successor Agency's ability to pay the principal of and interest on the 2014 Bonds.

State Budget Issues

AB X1 26 and AB 1484 were enacted by the State Legislature and Governor as trailer bills necessary to implement provisions of the State's budget acts for its fiscal years 2011-12 and 2012-13, respectively. The 2011-12 State budget included projected State savings estimated to aggregate \$1.7 billion in 2011-12 associated with AB X1 27, which would have allowed redevelopment agencies to continue in operation provided their establishing cities or counties agreed to make an aggregate \$1.7 billion in payments to K-12 schools. However, AB X1 27 was found in December 2011 by the California Supreme Court to violate the State Constitution, which altered this budgetary plan of the State. According to the State's Summary of the 2012-13 State budget, AB 1484 implements a framework to transfer cash assets previously held by redevelopment agencies to cities, counties, and special districts to fund core public services, with assets transferred to schools offsetting State general fund costs (projected savings of \$1.5 billion). There can be no assurance that additional legislation will not be enacted in the future to additionally implement provisions relating to the State budget or otherwise that may affect successor agencies or former tax increment revenue, such as the Tax Revenues. The full text of each State Assembly bill cited above may be obtained from the

“Official California Legislative Information” website maintained by the Legislative Counsel of the State of California pursuant to State law, at the following web link: <http://www.leginfo.ca.gov/bilinfo.html>.

Information about the State budget and State spending is available at various State maintained websites. Text of the 2012-13 Budget Summary, the current State budget, the Governor’s proposed budget for 2013-14 and other documents related to the State budget may be found at the website of the State Department of Finance, www.dof.ca.gov. A nonpartisan analysis of the budget is posted by the Legislative Analyst’s Office at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets may be found at the website of the State Treasurer, www.treasurer.ca.gov.

None of the websites or webpages referenced above is in any way incorporated into this Official Statement. They are cited for informational purposes only. The Successor Agency makes no representation whatsoever as to the accuracy or completeness of any of the information on such websites.

Bankruptcy and Foreclosure

The payment of the property taxes from which Tax Revenues are derived and the ability of the County to foreclose the lien of a delinquent unpaid tax may be limited by bankruptcy, insolvency, or other laws generally affecting creditors’ rights or by the laws of the State relating to judicial foreclosure. The various legal opinions to be delivered concurrently with the delivery of the 2014 Bonds (including Bond Counsel’s approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the liens to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings. Such delay would increase the possibility of delinquent tax installments not being paid in full and thereby increase the likelihood of a delay or default in payment of the principal of and interest on the 2014 Bonds.

Estimated Revenues

In estimating that Tax Revenues will be sufficient to pay debt service on the 2014 Bonds, the Successor Agency has made certain assumptions with regard to present and future assessed valuation in the Project Areas, future tax rates and percentage of taxes collected. The Successor Agency believes these assumptions to be reasonable, but there is no assurance these assumptions will be realized and to the extent that the assessed valuation and the tax rates are less than expected, the Tax Revenues available to pay debt service on the 2014 Bonds will be less than those projected and such reduced Tax Revenues may be insufficient to provide for the payment of principal of, premium (if any) and interest on the 2014 Bonds.

See “THE PROJECT AREAS – Projected Tax Revenues and Estimated Debt Service Coverage” above.

Hazardous Substances

An additional environmental condition that may result in the reduction in the assessed value of property would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within the Project Areas. In general, the owners and operators of property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The owner or operator may be required to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within the Project Areas be affected by a hazardous substance, could be to reduce the marketability and value of the property by the costs of remedying the condition.

Natural Disasters

The value of the property in the Project Areas in the future can be adversely affected by a variety of additional factors, particularly those which may affect infrastructure and other public improvements and private improvements on property and the continued habitability and enjoyment of such private improvements. Such additional factors include, without limitation, geologic conditions such as earthquakes, topographic conditions such as earth movements, landslides and floods and climatic conditions such as droughts. In the event that one or more of such conditions occur, such occurrence could cause damages of varying seriousness to the land and improvements and the value of property in the Project Areas could be diminished in the aftermath of such events. A substantial reduction of the value of such properties and could affect the ability or willingness of the property owners to pay the property taxes.

Seismic. The City is located along the eastern edge of the seismically active Coast Ranges of California. Active faults near the City include the Green Valley and Cordelia faults. Most large earthquakes in the Bay Area have occurred along the major faults including the San Andreas, Hayward, Calaveras faults, which are located 20 to 45 miles west and south of the City.

Flood. The potential for flood damage in the City has increased over time with urbanization, especially in areas near or within the federal designated floodplain. Streams which are subject to overflow conditions in the City are Ledgewood, Pennsylvania Avenue, Union Avenue, Laurel, McCoy, Green Valley, and Dan Wilson creeks. In the lower reaches of this creek system, flood hazards are intensified by high tides that result in restricted drainage. The major cause of flooding in the southern parts of the City is the low lying nature of the land and the associated effects of the high tides. The majority of the City is located outside of the federally-designated "base" floodplain (previously known as the "100-year" floodplain).

Wildfire. Significant portions of the foothill watershed areas surrounding the City are threatened with wildfire risk, and these areas present a dangerous combination of factors. "Extreme Wildfire Risk Areas," are those lands where severe burning conditions prevail (chaparral and heavy woodland, steep slopes, poor access, winds). In the City, this includes the hilly areas to the west and northwest, the Cement Hill area, the hills above Green Valley and the hills above Interstate 80 and 680 just south of Cordelia.

Changes in the Law

There can be no assurance that the California electorate will not at some future time adopt initiatives or that the Legislature will not enact legislation that will amend the Dissolution Act, the Redevelopment Law or other laws or the Constitution of the State resulting in a reduction of Tax Revenues, which could have an adverse effect on the Successor Agency's ability to pay debt service on the 2014 Bonds.

Loss of Tax-Exemption

As discussed under the caption "TAX MATTERS," interest on the 2014 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2014 Bonds were issued, as a result of future acts or omissions of the Successor Agency in violation of its covenants in the Indenture.

In addition, current and future legislative proposals, if enacted into law, may cause interest on the 2014 Bonds to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the aggregate amount of interest on state and local government bonds that may be treated as tax exempt by individuals.

Should such an event of taxability occur, the 2014 Bonds are not subject to special redemption and will remain outstanding until maturity or until redeemed under other provisions set forth in the Indenture.

Secondary Market

There can be no guarantee that there will be a secondary market for the 2014 Bonds, or, if a secondary market exists, that the 2014 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon the then prevailing circumstances.

TAX MATTERS

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2014 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the Successor Agency comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the issuance of the 2014 Bonds. The Successor Agency has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the 2014 Bonds.

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

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the 2014 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2014 Bonds who purchase the 2014 Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the 2014 Bond (said term being the shorter of the 2014 Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the 2014 Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the 2014 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates).

Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

In the further opinion of Bond Counsel, interest on the 2014 Bonds is exempt from California personal income taxes.

Owners of the 2014 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2014 Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the 2014 Bonds other than as expressly described above.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey Demgen Moore, P.C. (the “**Verification Agent**”), will examine the arithmetical accuracy of certain computations included in the schedules provided by the Successor Agency relating to the refunding of the Prior Bonds. See “REFUNDING PLAN” above.

The Verification Agent has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

CONCLUDING INFORMATION

Underwriting

The 2014 Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the “**Underwriter**”). The Underwriter has agreed to purchase the 2014 Bonds at a price of \$_____ (being the principal amount of the 2014 Bonds less a net original issue discount of \$_____ and less an Underwriter’s discount of \$_____). The Underwriter will purchase all of the 2014 Bonds if any are purchased.

The Underwriter may offer and sell Bonds to certain dealers and others at a price lower than the offering price stated on the inside cover page of this Official Statement. The offering price may be changed from time to time by the Underwriter.

Legal Opinion

The final approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, will be furnished to the purchaser at the time of delivery of the 2014 Bonds.

A copy of the proposed form of Bond Counsel’s final approving opinion with respect to the 2014 Bonds is attached hereto as Appendix B.

In addition, certain legal matters will be passed on by Jones Hall as Disclosure Counsel and Schiff Hardin LLP, as Underwriter's Counsel.

Certain legal matters will be passed on for the Successor Agency by the City Attorney, as General Counsel for the Successor Agency.

Compensation paid to Bond Counsel, Disclosure Counsel and Underwriter's Counsel is contingent upon the sale and delivery of the 2014 Bonds.

Litigation

There is no action, suit or proceeding known to the Successor Agency to be pending and notice of which has been served upon and received by the Successor Agency, or threatened, restraining or enjoining the execution or delivery of the 2014 Bonds or the Indenture or in any way contesting or affecting the validity of the foregoing or any proceedings of the Successor Agency taken with respect to any of the foregoing.

Rating

Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. ("**S&P**"), has assigned its rating of "AA-" to the 2014 Bonds. The rating reflects only the view of S&P as to the credit quality of the 2014 Bonds, and explanation of the significance of the ratings may be obtained from S&P.

There is no assurance that the rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the 2014 Bonds.

Continuing Disclosure

The Successor Agency will covenant for the benefit of owners of the Refunding Bonds to provide certain financial information and operating data relating to the Successor Agency by not later than March 31 after the end of each fiscal year of the Successor Agency (currently June 30), commencing not later than March 31, 2015 with the report for the 2013-14 fiscal year (the "**Annual Report**"), and to provide notices of the occurrence of certain listed events. The specific nature of the information to be contained in the Annual Report or the notices of listed events is summarized in "APPENDIX D - FORM OF SUCCESSOR AGENCY CONTINUING DISCLOSURE CERTIFICATE," attached to this Official Statement. These covenants have been made in order to assist the Underwriter (as defined below) in complying with Securities Exchange Commission Rule 15c2 12(b)(5) (the "**Rule**").

The City and its related entities, including the Redevelopment Agency, previously entered into numerous disclosure undertakings under the Rule in connection with the issuance of long-term obligations (See "APPENDIX B – Comprehensive Annual Financial Report of the City for the Year Ended June 30, 2012. Notes to Financial Statements, Note 6"). In the past five years, the City failed to provide notice of certain insurer-related rating downgrades and failed to file its audited financial statements for two series of special tax bonds for four fiscal years. The City has remedied all of its historical non-compliance.

Audited Financial Statements

The City of Fairfield’s Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013 (the “**City CAFR**”) is attached as Appendix E. The City CAFR includes the Successor Agency’s audited financial statements for the fiscal year ended June 30, 2013. The Successor Agency’s audited financial statements were audited by Vavrinek, Trine, Day & Co., LLP (the “**Auditor**”). The Auditor has not been asked to consent to the inclusion of the Successor Agency’s audited financial statements in this Official Statement and has not reviewed this Official Statement.

As described in “SECURITY FOR THE 2014 BONDS - Limited Obligation,” the 2014 Bonds are payable from and secured by a pledge of Tax Revenues and the 2014 Bonds are not a debt of the City. The City CAFR is attached as Appendix E to this Official Statement only because it includes the Successor Agency’s audited financial statements.

Miscellaneous

All of the preceding summaries of the Indenture, the Redevelopment Law, the Dissolution Act, other applicable legislation, the Redevelopment Plan for the Project Areas, agreements and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Successor Agency for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the 2014 Bonds. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement by its Executive Director has been duly authorized by the Successor Agency.

SUCCESSOR AGENCY TO THE
FAIRFIELD REDEVELOPMENT AGENCY

By: _____

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture of Trust (the "Indenture") authorizing the Bonds that are not otherwise described in the text of this Official Statement. Such summary is not intended to be definitive, and reference is made to the actual Indenture (copies of which may be obtained from the Trustee) for the complete terms thereof.

Definitions

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

"Annual Debt Service" means, for each Bond Year, the sum of (a) the interest payable on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled, and (b) the principal amount of the Outstanding Serial Bonds payable by their terms in such Bond Year,

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

"Bond" or "Bonds" means the Successor Agency to the Fairfield Redevelopment Agency (Fairfield Redevelopment Projects) 2014 Tax Allocation Refunding Bonds.

"Bond Year" means, any twelve-month period beginning on August 2 in any year and ending on the next succeeding August 1, both dates inclusive, except that the first Bond Year shall begin on the Closing Date, and end on August 1, 2015.

"Business Day" means a day of the year (other than a Saturday or Sunday) on which banks in Los Angeles, California, are not required or permitted to be closed, and on which the New York Stock Exchange is open.

"City" means the City of Fairfield, California, a municipal corporation and general law city duly organized and existing under the laws of the State.

"City Center Project Area" means the territory within the City Center Redevelopment Project, as described in the City Center Redevelopment Plan.

"City Center Redevelopment Plan" means the Redevelopment Plan for the City Center Project, approved by Ordinance No. 82-13, enacted by the City Council of the City on July 6, 1982.

"City Center Project Special Fund" means the fund of that name created by the Successor Agency pursuant to the Indenture in the event that Tax Revenues consist of Prior

Tax Revenues, which shall be maintained as a special fund under the Law for the deposit of Tax Revenues from the City Center Redevelopment Project.

"Closing Date" means the date on which the Bonds are delivered by the Successor Agency to the Original Purchaser.

"Code" means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

"Continuing Disclosure Certificate" means the Continuing Disclosure Certificate executed by the Successor Agency dated as of the Closing Date, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Cordelia Area Project Area" means the territory within the Cordelia Area Redevelopment Project, as described in the Cordelia Area Redevelopment Plan.

"Cordelia Area Redevelopment Plan" means Redevelopment Plan for the Cordelia Area Project, approved by Ordinance No. 83-14, enacted by the City Council of the City of Fairfield on July 19, 1983.

"Cordelia Area Project Special Fund" means the fund of that name created by the Successor Agency pursuant to the Indenture in the event that Tax Revenues consist of Prior Tax Revenues, which shall be maintained as a special fund under the Law for the deposit of Tax Revenues from the Cordelia Area Redevelopment Project.

"County" means the County of Solano, a county duly organized and existing under the laws of the State.

"Debt Service Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Defeasance Obligations" means (i) cash, (ii) Federal Securities and (iii) Permitted Investments listed under subsection (b) of the definition thereof excluding Permitted Investments listed under (b) (iv) and (b) (vi).

"Dissolution Act" means: (1) Assembly Bill X1 26, signed by the Governor on June 28, 2011, and filed with the Secretary of State June 29, 2011, including as a part thereof, Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) of the California Health and Safety Code; and (2) Assembly Bill 1484, signed by the Governor on June 27, 2012 and filed with the Secretary of State on June 27, 2012.

"Fiscal Year" means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve-month period selected and designated by the Successor Agency as its official fiscal year period in writing to the Trustee.

"Former Agency" means the Fairfield Redevelopment Agency, a public body corporate and politic duly organized and existing under the Redevelopment Law and dissolved in accordance with the Dissolution Act.

"Highway 12 Project Area" means the territory within the Highway 12 Redevelopment Project, as described in the Highway 12 Redevelopment Plan.

"Highway 12 Redevelopment Plan" means the Redevelopment Plan for the Highway 12 Redevelopment Project, approved by Ordinances No. 79-45 and 79-46 enacted by the City Council of the City on December 27, 1979.

"Highway 12 Project Special Fund" means the fund of that name created by the Successor Agency pursuant to the Indenture in the event that Tax Revenues consist of Prior Tax Revenues, which shall be maintained as a special fund under the Law for the deposit of Tax Revenues from the Highway 12 Redevelopment Project.

"Independent Accountant" means any accountant or firm of such accountants duly licensed or registered or entitled to practice as such under the laws of the State, appointed by the Successor Agency, and who, or each of whom:

- (a) is in fact independent and not under domination of the Successor Agency;
- (b) does not have any substantial interest, direct or indirect, with the Successor Agency; and
- (c) is not connected with the Successor Agency as an officer or employee of the Successor Agency, but who may be regularly retained to make reports to the Successor Agency.

"Independent Redevelopment Consultant" means any consultant or firm of such consultants appointed by the Successor Agency, and who, or each of whom:

- (a) is judged by the Successor Agency to have experience in matters relating to the collection of Tax Revenues or otherwise with respect to the financing of redevelopment projects;
- (b) is in fact independent and not under domination of the Successor Agency;
- (c) does not have any substantial interest, direct or indirect, with the Successor Agency; and
- (d) is not connected with the Successor Agency as an officer or employee of the Successor Agency, but who may be regularly retained to make reports to the Successor Agency.

"Maximum Annual Debt Service" means, as of the date of calculation, the largest Annual Debt Service for the current or any future Bond Year as certified in writing by the Successor Agency to the Trustee.

"Moody's" means Moody's Investors Service Inc., of New York, New York, and its successors.

"North Texas Street Project Area Tax Allocation Bonds, Series 2011" means the Former Agency's \$6,725,000 North Texas Street Project Area Tax Allocation Bonds, Series 2011 (Federally Taxable), issued by the Former Agency on February 10, 2011.

"Outstanding", when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds paid or deemed to have been paid within the meaning of the Indenture; and (c) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the Successor Agency pursuant to the Indenture.

"Oversight Board" means the Oversight Board for the Successor Agency duly constituted from time to time pursuant to Section 34179 of the California Health and Safety Code.

"Owner" means, with respect to any Bond, the person in whose name the ownership of such Bond shall be registered on the Registration Books.

"Parity Bonds" means any loans, bonds, notes, advances or indebtedness payable from Tax Revenues on a parity with the Bonds, and issued or incurred pursuant to and in accordance with the provisions of the Indenture.

"Parity Bonds Instrument" means any resolution, indenture of trust, trust agreement or other instrument authorizing the issuance of any Parity Bonds.

"Pass-Through Agreements" means (i) with respect to the Cordelia Area Redevelopment Project, that certain agreement between the Former Agency and the County, dated as of June 28, 1983, **such** agreement having been entered into by the Former Agency pursuant to Section 33401 of the Law; and (ii) with respect to the City Center Redevelopment Project, that certain agreement between the Former Agency and the County, dated as of June 28, 1983, such agreement having been entered into by the Former Agency pursuant to Section 33401 of the Law.

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein, but only to the extent that the same are acquired at Fair Market Value:

(a) United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest;

(b) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the Successor Agency itself): (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) obligations of the Federal Financing Bank; (iv) debentures of the Federal Housing Administration; (v) participation certificates of the General Services Administration; (vi) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Government National Mortgage Association; (vii) guaranteed Title XI financings of the

U.S. Maritime Administration; (viii) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development;

(c) Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises;

(d) money market funds (including funds of the Trustee or its affiliates) registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of "AAAm-G" or "AAAm" and, if rated by Moody's, rated Aaa, including funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services;

(e) certificates of deposit secured at all times by collateral described in (a), (b) or (c) above, which have a maturity of one year or less, which are issued by commercial banks, including affiliates of the Trustee, savings and loan associations or mutual savings banks, and such collateral must be held by a third party, and the Trustee on behalf of the Bond Owners must have a perfected first security interest in such collateral;

(f) certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by the Federal Deposit Insurance Corporation;

(g) commercial paper with the highest ranking or of the highest letter and number rating as provided for by Moody's and S&P at the time of purchase;

(h) bonds or notes issued by any state or municipality which are rated in one of the two highest rating categories by Moody's and S&P;

(i) federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of the highest ranking or of the highest letter and number rating as provided for by Moody's and S&P;

(j) repurchase agreements for thirty (30) days or less (more than thirty (30) days which provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee and the transfer of cash from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date, which satisfy the following criteria:

(k) repurchase agreements must be between the Trustee and (A) a primary dealer on the Federal Reserve reporting dealer list which falls under the jurisdiction of the Securities Investors Protection Corporation and which are rated "A" or better by Moody's and S&P, or (B) a bank rated "A" or better by Moody's and S&P;

(i) the written repurchase agreement contract must include the following: (A) securities acceptable for transfer, which may be direct U.S. government obligations, or federal Successor Agency obligations backed by the full faith and credit of the U.S. government; (B) the term of the repurchase agreement may be up to 30 days; (C) the collateral must be delivered to the Trustee or a third party acting as agent for the Trustee simultaneous with payment (perfection by possession of certificated securities); (D) the Trustee must have a perfected first priority security interest in the collateral; (E) the collateral must be free and clear of third-party liens and, in the case of a broker which falls under the jurisdiction of the Securities Investors Protection Corporation, are not subject to a repurchase agreement or a reverse repurchase agreement; (F) failure to maintain the requisite collateral percentage, after a two day restoration period, will require the Trustee to liquidate the collateral; (G) the securities must be valued weekly, marked-to-market at current market price plus accrued interest and the value of collateral must be equal to 104% of the amount of cash transferred by the Trustee to the dealer bank or securities firm under the repurchase agreement plus accrued interest (unless the securities used as collateral are obligations of the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, in which case the collateral must be equal to 105% of the amount of cash transferred by the Trustee to the dealer bank or securities firm under the repurchase agreement plus accrued interest). If the value of securities held as collateral falls below 104% of the value of the cash transferred by the Trustee, then additional cash and/or acceptable securities must be transferred; and

(ii) a legal opinion must be delivered to the Trustee to the effect that the repurchase agreement meets guidelines under state law for legal investment of public funds;

(l) pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P; provided, however, pre-refunded municipal bonds rated by S&P only (i.e., no Moody's rating) are acceptable if such pre-refunded municipal bonds were pre-refunded with cash, direct U.S. or U.S. guaranteed obligations or AAA rated pre-refunded municipal bonds;

(m) the Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to deposit and withdraw from such investment directly in its own name; and

(n) shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California which invests exclusively in investments permitted by Section 53601 of Title 5, Division 2, Chapter 4 of the Government Code of California, as it may be amended.

"Plan Limits" means the limitations contained in the Redevelopment Plans on the number of dollars of taxes which may be divided and allocated to the Successor Agency pursuant to the Redevelopment Plans, as such limitation is prescribed by Section 33333.4 of the Law.

“Prior Tax Revenues” means all taxes pledged and annually allocated within the Plan Limits, following the Closing Date, and paid to the Successor Agency with respect to the Project Areas pursuant to Article 6 of Chapter 6 (commencing with section 33670) of the Law and section 16 of Article XVI of the Constitution of the State, or pursuant to other applicable State laws, and as provided in the Redevelopment Plans, and all payments, subventions and reimbursements, if any, to the Successor Agency specifically attributable to *ad valorem* taxes lost by reason of tax exemptions and tax rate limitations; but excluding all other amounts of such taxes (if any) (i) required to be deposited into the Low and Moderate Income Housing Fund of the Successor Agency pursuant to section 33334.3 of the Law for increasing and improving the supply of low and moderate income housing, (ii) amounts payable by the State to the Successor Agency under and pursuant to Chapter 1.5 of Part 1 of Division 4 of Title 2 (commencing with section 16110) of the California Government Code, and (iii) payable by the Successor Agency under Section 33607.5 of the Law or under either or both of the Pass-Through Agreements except, and to the extent that any amounts so payable are payable on a basis subordinate to the payment of the Bonds.

“Project Areas” means the Cordelia Area Project Area, the City Center Project Area and the Highway 12 Project Area.

“Redevelopment Law” means the Community Redevelopment Law of the State, constituting Part 1 of Division 24 of the Health and Safety Code of the State of California, and the acts amendatory thereof and supplemental thereto, including the Dissolution Act.

“Redevelopment Obligation Retirement Fund” means the fund established and held by the Successor Agency pursuant to Section 34170.5(a) of the California Health and Safety Code. In the event that the Redevelopment Property Tax Trust Fund provisions of the Dissolution Act are determined by a court in a final judicial decision to be invalid and, in place of the invalid provisions, provisions of the Law or the equivalent shall become applicable to the Bonds or Parity Bonds, then the term “Redevelopment Property Tax Trust Fund” shall mean the Special Funds required to be created by the Successor Agency under the Indenture.

“Redevelopment Plans” means the Cordelia Area Redevelopment Plan, the City Center Redevelopment Plan and the Highway 12 Redevelopment Plan..

“Redevelopment Property Tax Trust Fund” means the fund established pursuant to Section 34170.5(b) of the California Health and Safety Code and administered by the Solano County Auditor –Controller.

“Reserve Account” means the account by that name established and held by the Trustee pursuant to the Indenture

“Reserve Requirement” means the lesser of (i) 10 percent of the original principal amount of the Bonds; (ii) 125% of average Annual Debt Service; or (iii) Maximum Annual Debt Service.

“S&P” means Standard & Poor's Ratings Services and its successors.

“Special Funds” means the Cordelia Area Project Special Fund, the City Center Project Special Fund, and the Highway 12 Project Special Fund.

“Successor Agency” means the Successor Agency to the Fairfield Redevelopment Agency, a public entity duly organized and existing under the Law. In the event that Tax Revenues shall consist of Prior Tax Revenues, the term “Successor Agency” shall mean the Former Agency or other successor to the Successor Agency.

“Supplemental Indenture” means any resolution, agreement or other instrument which has been duly adopted or entered into by the Successor Agency, but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“Tax Revenues” means the monies deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to subdivision (c) of Section 34172 of the Law, as provided in paragraph (2) of subdivision (a) of Section 34183 of the Law; except for amounts deposited therein to pay debt service on the North Texas Street Project Area Tax Allocation Bonds, Series 2011. In the event that the applicable property tax revenues provisions of the Dissolution Act are determined by a court in a final judicial decision to be invalid and, in place of the invalid provisions of the Dissolution Act, provisions of the Law or the equivalent shall become applicable to the Bonds, then the term “Tax Revenues” shall mean the Prior Tax Revenues.

“2003 Authority Bonds” means **the** \$79,455,000 Fairfield Public Financing Authority 2003 Refunding Revenue Bonds, Series A (Fairfield Redevelopment Projects) issued under an Indenture of Trust, dated as of July 1, 2003, between the Authority and the Trustee.

“2003 Loans” means (i) the loan made to the Former Agency under a Loan Agreement, dated as of July 1, 2003, by and between the Former Agency, the Fairfield Public Financing Authority (the “Authority”) and BNY Western Trust Company, as trustee (the “2003 Trustee”), under which the Authority made a loan to the Former Agency in the amount of \$13,320,000 (the “2003 Cordelia Area Loan”); (ii) the loan made to the Former Agency under a Loan Agreement, dated as of July 1, 2003 (the “2003 City Center Loan Agreement”), by and between the Former Agency, the Authority and the 2003 Trustee, under which the Authority made a loan to the Former Agency in the amount of \$10,110,000 (the “2003 City Center Loan”); (iii) the loan made to the Former Agency under a Loan Agreement, dated as of July 1, 2003 (the “2003 Highway 12 Loan Agreement”), by and between the Former Agency, the Authority and the 2003 Trustee, under which the Authority made a loan to the Former Agency in the amount of \$33,030,000 (the “2003 Highway 12 Loan”); and (iv) the loan made to the Former Agency under a Loan Agreement, dated as of July 1, 2003 (the “2003 Regional Center Loan Agreement”), by and between the Former Agency, the Authority and the 2003 Trustee, under which the Authority made a loan to the Former Agency in the amount of \$22,995,000 (the “2003 Regional Center Loan”).

“2003 Series B Housing Set-Aside Bonds” means the Fairfield Public Financing Authority 2003 Refunding Revenue Bonds, Series B (Housing Tax Revenues), issued in the initial principal amount of \$4,810,000, together with the Loan Agreement, dated as of July 1, 2003, among the Former Agency, the Authority and the 2003 Trustee, relating to \$4,810,000 (Housing Tax Revenues; Casa Nova Mobile Home Park).

Establishment of Funds and Accounts; Flow of Funds

Costs of Issuance Account. The moneys in the Costs of Issuance Account will be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance upon submission of a Request of the Successor Agency stating (a) the person to whom payment is to be made,

(b) the amount to be paid, (c) the purpose for which the obligation was incurred, (d) that such payment is a proper charge against the Costs of Issuance Fund, and (e) that such amounts have not been the subject of a prior Request of the Successor Agency. On the earlier of (i) six (6) months from the Closing Date, or (ii) the date of receipt by the Trustee of a Request of the Successor Agency therefor, all amounts (if any) remaining in the Costs of Issuance Fund shall be withdrawn therefrom by the Trustee and transferred to the Interest Account of the Debt Service Fund. Amounts in the Costs of Issuance Fund are not pledged as security for the Bonds.

Escrow Fund

Under the Indenture, there is established with the Trustee a separate fund, to be maintained distinct from all other funds of the Trustee, the Escrow Fund, to the credit of which a deposit shall be made as required by the Indenture resulting in a deposit to the Escrow Fund of funds sufficient to redeem the Authority Bonds and the 2003 Series B Housing Set-Aside Bonds (the "Refunded Bonds") in full on May 5, 2014. Money in the Escrow Fund shall be held by the Trustee and disbursed exclusively for the payment of the redemption price of the Refunded Bonds.

Pending disbursement to pay the redemption price of the Refunded Bonds, the Trustee shall hold the moneys in the Escrow Fund uninvested. Any funds remaining in the Escrow Fund after the payment in full of the Refunded Bonds shall be transferred to the Debt Service Fund, and in any event not later than June 1, 2014.

Redevelopment Obligation Retirement Fund; Deposit of Tax Revenues. The Successor Agency has established the Redevelopment Obligation Retirement Fund pursuant to Section 34170.5(a) of the Redevelopment Law which Fund the Successor Agency shall continue to hold and maintain so long as any of the Bonds and any Parity Bonds are Outstanding. The Successor Agency shall deposit all of the Tax Revenues received in any Bond Year into the Redevelopment Obligation Retirement Fund promptly upon receipt thereof by the Successor Agency, until such time during such Bond Year as the amounts on deposit in the Redevelopment Obligation Retirement Fund equal the aggregate amounts required to be transferred to the Trustee for deposit into the Interest Account, the Principal Account, the Reserve Account and the Redemption Account in such Bond Year pursuant to the Indenture and any accounts created under any Parity Bonds Instrument for the payment of debt service on Parity Bonds issued thereunder.

In addition, the Successor Agency shall, as provided in the Indenture of Trust under which the North Texas Street Project Area Tax Allocation Bonds, Series 2011 were issued, dated as of February 1, 2011, between the Former Agency and the Trustee (the "North Texas Street Indenture"), deposit into the Special Fund created under the North Texas Street Indenture, from the first available monies deposited at the beginning of each Fiscal Year in the Redevelopment Property Tax Trust Fund established pursuant to subdivision (c) of Section 34172 of the Law, as provided in paragraph (2) of subdivision (a) of Section 34183 of the Law, monies sufficient to pay the full amount of debt service due on the North Texas Street Project Area Tax Allocation Bonds, Series 2011 in such Fiscal Year.

All Tax Revenues received by the Successor Agency during any Bond Year in excess of the amount required to be transferred to deposited in the Redevelopment Obligation Retirement Fund during such Bond Year pursuant to the preceding paragraph shall be released from the pledge and lien under the Indenture for the security of the Bonds and shall be applied by the

Successor Agency in accordance with the Redevelopment Law. Prior to the payment in full of the principal of and interest on the Bonds and any Parity Bonds and the payment in full of all other amounts payable hereunder and under any Parity Bonds Instrument, the Successor Agency shall not have any beneficial right or interest in the moneys on deposit in the Redevelopment Obligation Retirement Fund, except as may be provided in the Indenture.

In the event that the Redevelopment Property Tax Trust Fund provisions of the Dissolution Act are determined by a court in a final judicial decision to be invalid and, in place of the invalid provisions, provisions of the Redevelopment Law or the equivalent shall become applicable to the Bonds, then the Successor Agency shall immediately create three funds, entitled: (1) "Successor Agency to the Fairfield Redevelopment Agency, Fairfield Cordelia Area Redevelopment Project 2014 Tax Allocation Refunding Bonds – Special Fund"; 2) "Successor Agency to the Fairfield Redevelopment Agency, Fairfield City Center Redevelopment Project 2014 Tax Allocation Refunding Bonds – Special Fund", and (3) "Successor Agency to the Fairfield Redevelopment Agency, Fairfield Highway 12 Redevelopment Project 2014 Tax Allocation Refunding Bonds – Special Fund".

Thereafter, until all the Bonds have been fully paid or discharged, the Successor Agency:

- (a) shall deposit Prior Tax Revenues generated in the Cordelia Area Redevelopment Project in the Cordelia Area Redevelopment Project Special Fund;
- (b) shall deposit Prior Tax Revenues generated in the City Center Redevelopment Project in the City Center Redevelopment Project Special Fund;
- (c) shall deposit Prior Tax Revenues generated in the Highway 12 Redevelopment Project in the Highway 12 Redevelopment Project Special Fund; and
- (d) shall transfer such Prior Tax Revenues to the Trustee pursuant to the Indenture.

Debt Service Fund; Transfer of Amounts to Trustee. The Trustee will establish a Debt Service Fund, which is pledged as security of the Bonds. The Successor Agency will transfer moneys in the Redevelopment Obligation Retirement Fund to the Trustee in the following amounts at the following times, for deposit by the Trustee in the following respective special accounts established or continued within the Debt Service Fund, in the following order of priority:

Interest Account. On or before the third (3rd) Business Day preceding each date on which interest on the Bonds is due and payable, the Successor Agency will withdraw from the Redevelopment Obligation Retirement Fund and transfer to the Trustee for deposit in the Interest Account an amount which, when added to the amount then on deposit in the Interest Account, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on such date. All moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it comes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Indenture).

Principal Account. On or before the third (3rd) Business Day preceding August 1 in each year the Successor Agency shall withdraw from the Redevelopment Obligation Retirement Fund

and transfer to the Trustee for deposit in the Principal Account an amount which, when added to the amount then contained in the Principal Account, will be equal to the principal becoming due and payable on the Outstanding Bonds on the next August 1. No such transfer and deposit need be made to the Principal Account if the amount contained therein is at least equal to the principal to become due on the next August 1 on all of the Outstanding Bonds. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds as it shall become due and payable.

Reserve Account. In the event that the amount on deposit in the Reserve Account at any time because of a draw thereon becomes less than the Reserve Requirement, the Trustee shall promptly notify the Successor Agency of such fact. Promptly upon receipt of any such notice, the Successor Agency shall transfer to the Trustee an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. If there shall then not be sufficient Tax Revenues to transfer an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account, the Successor Agency shall be obligated to continue making transfers as Tax Revenues become available until there is an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. No such transfer and deposit need be made to the Reserve Account so long as there shall be on deposit therein a sum at least equal to the Reserve Requirement. All money in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and the Principal Account in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of all the Bonds then Outstanding, except that so long as the Successor Agency is not in default hereunder, any amount in the Reserve Account in excess of the Reserve Requirement shall be withdrawn from the Reserve Account semiannually on or before two (2) Business Days preceding each August 1 and February 1 by the Trustee and deposited in the Interest Account. All amounts in the Reserve Account on the Business Day preceding the final Interest Payment Date shall be withdrawn from the Reserve Account and shall be transferred to the Interest Account and the Principal Account, in such order, to the extent required to make the deposits then required to be made pursuant to the Indenture.

Redemption Account. On or before the Business Day preceding any date on which Bonds are to be redeemed pursuant to the Indenture, the Trustee shall withdraw from the Debt Service Fund any amount transferred by the Successor Agency pursuant to the Indenture for deposit in the Redemption Account, such amount being the amount required to pay the principal of the Bonds to be redeemed on such date pursuant to the Indenture. All moneys in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds to be redeemed pursuant to the Indenture on the date set for such redemption. Interest due on Bonds to be redeemed on the date set for redemption shall, if applicable, be paid from funds available therefor in the Interest Account

Investment of Funds

Moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Reserve Account and the Costs of Issuance Account shall be invested by the Trustee in Permitted Investments as directed by the Successor Agency in the Written Request of the Successor Agency filed with the Trustee at least two (2) Business Days in advance of the making of such investments. In the absence of any such Written Request of the Successor Agency, the Trustee shall invest any such moneys in Permitted Investments described in clause (d) of the definition thereof, which by their terms mature prior to the date on which such moneys are required to be paid out hereunder. The Trustee shall be entitled to rely conclusively upon the written instructions of the Successor Agency directing investments in Permitted Investments

as to the fact that each such investment is permitted by the laws of the State, and shall not be required to make further investigation with respect thereto. Moneys in the Redevelopment Obligation Retirement Fund may be invested by the Successor Agency in any obligations in which the Successor Agency is legally authorized to invest its funds. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. All interest or gain derived from the investment of amounts in any of the funds or accounts held by the Trustee hereunder shall be deposited in the Interest Account. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made at the direction of the Successor Agency or otherwise made pursuant to the Indenture.

Other Covenants of the Successor Agency

Limitation on Additional Indebtedness. The Successor Agency covenants that, so long as the Bonds are Outstanding, the Successor Agency shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case payable from all or any part of the Tax Revenues, excepting only the Bonds and any Parity Bonds. The Successor Agency will not otherwise encumber, pledge or place any charge or lien upon any of the Tax Revenues or other amounts pledged to the Bonds superior to the pledge and lien herein created for the benefit of the Bonds. Nothing in the Indenture shall prevent the Successor Agency from issuing and selling obligations which have a lien on Tax Revenues junior to the Bonds.

Plan Limits. If and to the extent that the Plan Limits apply to the Successor Agency under the Redevelopment Law, the Successor Agency agrees that the aggregate amount of annual debt service to be paid on the Bonds and all other outstanding obligations payable from Tax Revenues shall at no time exceed 95% of the amount of Tax Revenues which the Successor Agency is permitted to receive under the Plan Limits. In the event that the amount of such annual debt service at any time equals or exceeds 95% of Tax Revenues which the Successor Agency is permitted to receive under the Plan Limits, all Tax Revenues thereafter received by the Successor Agency shall immediately be deposited with the Trustee and deposited by the Trustee into a special escrow fund (which shall be held by the Trustee to be applied for the sole purpose of paying the principal of and interest on the Bonds.

Extension of Payment of Bonds. The Successor Agency will not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest is extended, such Bonds or claims for interest will not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Outstanding Bonds and of all claims for interest thereon which shall not have been so extended. Nothing in the Indenture will limit the right of the Successor Agency to issue bonds for the purpose of refunding any Outstanding Bonds, and such issuance will not constitute an extension of maturity of the Bonds.

Payment of Claims. The Successor Agency will pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the Tax Revenues or any part thereof, or upon any funds held by the Trustee pursuant to the Indenture, or which might impair the security of the Bonds. Nothing

in the Indenture will require the Successor Agency to make any such payment so long as the Successor Agency in good faith contests the validity of said claims.

Books and Accounts; Financial Statements. The Successor Agency will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Successor Agency and the City, in which complete and correct entries are made of all transactions relating to the Tax Revenues, the Redevelopment Property Tax Trust Fund and the Redevelopment Obligation Retirement Fund. Such books of record and accounts will at all times during business hours be subject to the inspection of the Owners of not less than ten percent 10% in aggregate principal amount of the Bonds then outstanding, or their representatives authorized in writing.

Payments of Taxes and Other Charges. The Successor Agency will pay and discharge, or cause to be paid and discharged, all taxes, service charges, assessments and other governmental charges which may be lawfully imposed upon the Successor Agency or the properties then owned by the Successor Agency in the Improvement Project, when the same become due. Nothing contained in the Indenture requires the Successor Agency to make any such payment so long as the Successor Agency in good faith shall contest the validity of said taxes, assessments or charges. The Successor Agency will duly observe and conform with all valid requirements of any governmental authority relative to the Improvement Project or any part thereof.

Compliance With Redevelopment Law; Recognized Obligation Payment Schedules. The Successor Agency shall comply with all of the requirements of the Law. The Successor Agency shall take all actions required under the Law to:

(a) include in a Recognized Obligation Payment Schedule for the six month period from January 2 to June 1 so as to enable the Solano County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund for deposit in the Redevelopment Obligation Retirement Fund on each June 1 an amount equal to the debt service due on the North Texas Street Project Area Tax Allocation Bonds, Series 2011 for the period from the immediately succeeding September 2 to the following September 1; and

(b) include in a Recognized Obligation Payment Schedule for each six-month period scheduled debt service on the Bonds, as well as any amount required hereunder to replenish the Reserve Account, so as to enable the Solano County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund for deposit in the Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required to enable the Successor Agency to pay timely principal of, and interest on the Bonds coming due in the applicable six-month period. The foregoing covenant obligates the Successor Agency to place on the periodic Recognized Obligation Payment Schedule for approval by the Oversight Board and State Department of Finance, to the extent necessary, the amounts to be held by the Successor Agency as a reserve until the next six-month period, as contemplated by Section 34171(d)(1)(A) of the California Health and Safety Code, that are necessary to provide for the payment of principal and interest hereunder when the next property tax allocation is projected to be insufficient to pay all obligations due hereunder in the following six-month period, including the inclusion on the applicable Recognized Obligation Schedule the amounts set forth in the Recognized Obligation Debt Service Schedule attached to the Indenture.

The Recognized Obligation Debt Service Schedule shall not be amended except by Supplemental Indenture entered into pursuant to the Indenture.

Dissolution Act Invalid; Maintenance of Tax Revenues. In the event that the applicable property tax revenues provisions of the Dissolution Act are determined by a court in a final judicial decision to be invalid and, in place of the invalid provisions, provisions of the Redevelopment Law or the equivalent become applicable to the Bonds, the Successor Agency shall comply with all requirements of the Redevelopment Law to insure the allocation and payment to it of the Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County and, in the case of amounts payable by the State, appropriate officials of the State.

Tax Covenants Relating to the Bonds. The Successor Agency will assure that the proceeds of the Bonds are so used as to cause the Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of Section 141(c) of the Code. The Successor Agency will not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code. The Successor Agency will not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the Bond proceeds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code. The Successor Agency shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds.

Continuing Disclosure. The Successor Agency covenants in the Indenture to comply with and carry out all of the provisions of the applicable Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the Successor Agency to comply with a Continuing Disclosure Certificate will not be an event of default thereunder. However, any Participating Underwriter or any holder or beneficial owner of the bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Successor Agency to comply with its obligations under this covenant.

Amendment of Indenture

The Indenture and the rights and obligations of the Successor Agency and of the Owners may be modified or amended at any time by a supplemental indenture with the written consent of the Owners of a majority in aggregate principal amount of the Bonds then outstanding delivered to the Trustee. No such modification or amendment may (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Successor Agency to pay the principal, interest or redemption premiums (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond or, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification.

The Indenture and the rights and obligation of the Successor Agency and of the Owners may also be modified or amended at any time by a supplemental indenture which shall become binding upon adoption, but without the consent of any Owners, to the extent permitted by law, but only for any one or more of the following purposes:

(a) to add additional covenants and agreements of the Successor Agency or to limit or surrender any rights or power reserved to or conferred upon the Successor Agency; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in any other respect whatsoever as the Successor Agency may deem necessary or desirable, provided under any circumstances that such modifications or amendments do not materially adversely affect the interests of the Owners in the opinion of Bond Counsel;

(c) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Bonds; or

(d) to comply with the requirements of the provider of a Qualified Reserve Account Credit Instrument

Events of Default and Remedies

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

(a) if default shall be made by the Successor Agency in the due and punctual payment of the principal of or interest or redemption premium (if any) on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) if default shall be made by the Successor Agency in the observance of any of the covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, other than a default described in the preceding clause (a), and such default shall have continued for a period of sixty (60) days following receipt by the Successor Agency of written notice from the Trustee or any Owner of the occurrence of such default provided that if in the reasonable opinion of the Successor Agency the failure stated in the notice can be corrected, but not within such 60 day period, such failure will not constitute an event of default if corrective action is instituted by the Successor Agency within such 60 day period and the Successor Agency thereafter diligently and in good faith cures such failure in a reasonable period of time; or

(c) If the Successor Agency files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction will approve a petition seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or, if under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will approve a petition, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or, if under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will assume custody or control of the Successor Agency or of the whole or any substantial part of its property.

Remedies. Upon the occurrence and during the continuance of any Event of Default, the Trustee may, and, if requested by the Owners of a majority in aggregate principal amount of

the Bonds at the time outstanding, the Trustee shall, (a) declare the principal of all of the Bonds, and the interest accrued thereon, to be due and payable immediately, will become immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding, and (b) exercise any other remedies available to the Trustee and the Owners in law or at equity.

Immediately upon becoming aware of the occurrence of an Event of Default, the Trustee is required to give notice of such Event of Default to the Successor Agency by telephone promptly confirmed in writing. Such notice is also required to state whether the principal of the Bonds has been declared to be or have immediately become due and payable. With respect to any Event of Default described in clauses (a) or (b) above the Trustee shall, and with respect to any Event of Default described in clause (c) above the Trustee in its sole discretion may, also give such notice to the Owners of the Bonds, which is required to include the statement that interest on the Bonds will cease to accrue from and after the date, if any, on which the Trustee declared the Bonds to become due and payable pursuant to the preceding paragraph (but only to the extent that principal and any accrued, but unpaid, interest on the Bonds is actually paid on such date).

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

Application of Funds Upon Acceleration. If an Event of Default has occurred and is continuing, all Tax Revenues and all sums in the funds and accounts established and held by the Trustee under the Indenture upon the date of the declaration of acceleration and all sums thereafter received by the Trustee under any of the provisions of the Indenture will be applied by the Trustee as follows and in the following order:

(a) To the payment of any fees, costs and expenses incurred by the Trustee to protect the interests of the Owners of the Bonds; payment of the fees, costs and expenses of the Trustee (including fees and expenses of its counsel) incurred in and about the performance of its powers and duties under the Indenture and the payment of all fees, costs and expenses owing to the Trustee; and

(b) To the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal with interest on such overdue amounts at the respective rates of interest borne by the Outstanding Bonds, and in case such moneys are insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to

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

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

Defeasance of Bonds

The Successor Agency may pay and discharge the indebtedness on any Bonds in any one or more of the following ways:

(a) by paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable; or

(b) by irrevocably depositing with the Trustee or another fiduciary, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established pursuant to the Indenture, in the opinion or report of an Independent Accountant or Bond Counsel is fully sufficient to pay such Bonds, including all principal and interest; or

(c) by irrevocably depositing with the Trustee or another fiduciary, in trust, Federal Securities in such amount as an Independent Accountant or Bond Counsel determines will, together with the interest to accrue thereon and available moneys then on deposit in any of the funds and accounts established pursuant to the Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal and interest) at or before maturity; or

(d) by purchasing such Bonds prior to maturity and tendering such Bonds to the Trustee for cancellation;

and, if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption have been duly given or provision satisfactory to the Trustee have been made for the giving of such notice, then, at the election of the Successor Agency and notwithstanding that any Bonds have not been surrendered for payment, the pledge of the Tax Revenues and other funds provided for in the Indenture and all other obligations of the Trustee and the Successor Agency under the Indenture with respect to such Bonds, will cease and terminate, except only the obligation of the Successor Agency under the Indenture, the obligation of the Trustee to transfer and exchange Bonds under the Indenture, the obligation of the Successor Agency to pay or cause to be paid to the Owners of such Bonds, from the amounts so deposited with the Trustee, all sums due thereon, and the obligation of the Successor Agency to compensate and indemnify the Trustee pursuant to the Indenture. Notice of such election shall be filed with the Trustee. In the event the Successor Agency shall, pursuant to the foregoing provision, pay and discharge any portion

or all of the Bonds then outstanding, the Trustee shall be authorized to take such actions and execute and deliver to the Successor Agency all such instruments as may be necessary or desirable to evidence such discharge, including, without limitation, selection by lot of Bonds of any maturity of the Bonds that the Successor Agency has determined to pay and discharge in part.

In the case of a defeasance or payment of all of the Bonds outstanding, any funds thereafter held by the Trustee which are not required for said purpose or for payment of amounts due the Trustee shall be paid over to the Successor Agency for deposit in the Redevelopment Obligation Retirement Fund.

APPENDIX B
FORM OF BOND COUNSEL OPINION

April 30, 2014

Successor Agency to the
Fairfield Redevelopment Agency
1000 Webster Street
Fairfield, California 94533

OPINION: \$ _____ Successor Agency to the Fairfield Redevelopment Agency,
(Fairfield Redevelopment Projects) 2014 Tax Allocation Refunding Bonds

Members of the Successor Agency:

We have acted as bond counsel in connection with the issuance by the Successor Agency to the Fairfield Redevelopment Agency (the "Successor Agency"), of \$ _____ Successor Agency to the Fairfield Redevelopment Agency (Fairfield Redevelopment Projects) 2014 Tax Allocation Refunding Bonds (the "Bonds"), pursuant to the Community Redevelopment Law, constituting Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety Code of the State of California (the "Law"), Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Refunding Law") and an Indenture of Trust, dated as of April 1, 2014, by and between the Successor Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Indenture"). We have examined the Law, the Refunding Law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Successor Agency contained in the Indenture, and in certified proceedings and other certifications of public officials furnished to us, without undertaking to verify such facts by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Successor Agency is duly created and validly existing as a public entity, with the power to enter into the Indenture, perform the agreements on its part contained therein, and issue the Bonds.

2. The Indenture has been duly approved by the Successor Agency, and constitutes a valid and binding obligation of the Successor Agency, enforceable upon the Successor Agency.

3. Pursuant to the Law, the Indenture creates a valid lien on the funds pledged by the Indenture for the security of the Bonds, subject to no prior lien granted under the Law.

4. The Bonds have been duly authorized, executed and delivered by the Successor Agency, and are valid and binding special obligations of the Successor Agency, payable solely from the sources provided therefor in the Indenture.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; although for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the Successor Agency comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Successor Agency has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds, and the enforceability of the Bonds and the Indenture, may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted, and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

A Professional Law Corporation

APPENDIX C

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix C concerning The Depository Trust Company (“DTC”), New York, New York, and DTC’s book-entry system has been obtained from DTC and the Successor Agency takes no responsibility for the completeness or accuracy thereof. The Successor Agency cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2014 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2014 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2014 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 2014 Bonds. The 2014 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the 2014 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing Successor Agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information set forth on such website is not incorporated herein by reference.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2014 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on

the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2014 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the 2014 Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2014 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2014 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2014 Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the 2014 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2014 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

Principal, premium (if any), and interest payments on the 2014 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Successor Agency or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the

Successor Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal, premium (if any), and interest payments with respect to the 2014 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Successor Agency or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2014 Bonds at any time by giving reasonable notice to the Successor Agency or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the 2014 Bonds are required to be printed and delivered.

The Successor Agency may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, representing the 2014 Bonds will be printed and delivered to DTC in accordance with the provisions of the Indenture.

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

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APPENDIX D

FORM OF SUCCESSOR AGENCY CONTINUING DISCLOSURE CERTIFICATE

§ _____
**SUCCESSOR AGENCY TO THE FAIRFIELD REDEVELOPMENT AGENCY
(FAIRFIELD REDEVELOPMENT PROJECTS)
2014 TAX ALLOCATION REFUNDING BONDS**

This CONTINUING DISCLOSURE CERTIFICATE (this “**Disclosure Certificate**”) is executed and delivered by the SUCCESSOR AGENCY TO THE FAIRFIELD REDEVELOPMENT AGENCY (the “**Successor Agency**”) in connection with the execution and delivery of the bonds captioned above (the “**Bonds**”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of January 1, 2014 (the “**Indenture**”), by and between the Successor Agency and The Bank of New York Mellon Trust Company, N.A., as trustee.

The Successor Agency covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Successor Agency for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

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

“*Annual Report*” means any Annual Report provided by the Successor Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means the date that is nine months after the end of the Successor Agency’s fiscal year (currently March 31 based on the Successor Agency’s fiscal year end of June 30).

“*Dissemination Agent*” means, initially, Willdan Financial Services, or any successor Dissemination Agent designated in writing by the Successor Agency and which has filed with the Successor Agency a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement executed by the Successor Agency in connection with the issuance of the Bonds.

“*Participating Underwriter*” means Stifel, Nicolaus & Company, Incorporated, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The Successor Agency shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2015, with the report for the 2013-14 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the Successor Agency shall provide the Annual Report to the Dissemination Agent (if other than the Successor Agency). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the Successor Agency) has not received a copy of the Annual Report, the Dissemination Agent shall contact the Successor Agency to determine if the Successor Agency is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Successor Agency may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the Successor Agency’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Successor Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the Successor Agency hereunder.

(b) If the Successor Agency does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the Successor Agency shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the Successor Agency, file a report with the Successor Agency certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The Successor Agency’s Annual Report shall contain or incorporate by reference the following:

(a) The Successor Agency’s audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Successor Agency’s audited financial statements are not available by the Annual Report Date, the Annual Report

shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the Successor Agency for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

- (i) Principal amount of Bonds outstanding as of June 30 of the most recently-completed fiscal year.
- (ii) Balance in the Reserve Account and a statement of the Reserve Requirement as of June 30 of the most recently-completed fiscal year.
- (iii) Information for the most recently-completed fiscal year of the type included in Table 3 of the Official Statement.
- (iv) A list of each Project Area (if any) in which, during the most recently-completed fiscal year, the cumulative tax increment limit was reached.
- (v) For each Project Area from which property tax revenue is available to pay debt service on the Bonds, information for the most recently-completed fiscal year of the type included in the tables in the Official Statement entitled "Historical Assessed Values, Tax Increment and Tax Revenues" and "Largest Fiscal Year 2013-14 Local Secured and Unsecured Property Taxpayers,"
- (vi) A calculation of debt service coverage for the most recently completed fiscal year provided by Tax Revenues with respect to debt service on the Bonds and any outstanding Parity Debt.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the Successor Agency shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Successor Agency or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The Successor Agency shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The Successor Agency shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.

- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the Successor Agency or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the Successor Agency or an obligated person, or the sale of all or substantially all of the assets of the Successor Agency or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the Successor Agency obtains knowledge of the occurrence of a Listed Event, the Successor Agency shall, or shall cause the Dissemination Agent (if not the Successor Agency) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The Successor Agency acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the

qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The Successor Agency shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the Successor Agency obtains knowledge of the occurrence of any of these Listed Events, the Successor Agency will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the Successor Agency will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Successor Agency in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Successor Agency, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Successor Agency.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Successor Agency's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Successor Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The Successor Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Willdan Financial Services. Any Dissemination Agent may resign by providing 30 days' written notice to the Successor Agency.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Successor Agency may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Successor Agency to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Successor Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Successor Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Successor Agency shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the Successor Agency fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Successor Agency to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Successor Agency to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Successor Agency agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information

provided to it by the Successor Agency hereunder, and shall not be deemed to be acting in any fiduciary capacity for the Successor Agency, the Bond holders or any other party. The obligations of the Successor Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the Successor Agency for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Successor Agency, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: _____, 2014

SUCCESSOR AGENCY TO THE
FAIRFIELD REDEVELOPMENT AGENCY

By: _____

Name: _____

Title: _____

AGREED AND ACCEPTED:
WILLDAN FINANCIAL SERVICES,
AS DISSEMINATION AGENT

By: _____

Name: _____

Title: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Successor Agency to the Fairfield Redevelopment Agency of the
City of
Fairfield

Name of Issue: Successor Agency to the Fairfield Redevelopment Agency
(Fairfield Redevelopment Projects) 2014 Tax Allocation Refunding
Bonds

Date of Issuance: _____, 2014

NOTICE IS HEREBY GIVEN that the Successor Agency has not provided an Annual Report with respect to the above-named Bonds as required by the Indenture of Trust, dated as of January 1, 2014, by and between the Successor Agency and The Bank of New York Mellon Trust Company, N.A., as trustee. The Successor Agency anticipates that the Annual Report will be filed by _____.

Dated: _____

DISSEMINATION AGENT:

By: _____

Its: _____

APPENDIX E
SUCCESSOR AGENCY FINANCIAL STATEMENTS
THROUGH JUNE 30, 2013

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HEART OF SOLANO COUNTY



C A L I F O R N I A

City of Fairfield, California

**Comprehensive Annual
Financial Report**

**For the Fiscal Year Ended
June 30, 2013**

CITY OF FAIRFIELD, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

City Council

Harry T. Price, Mayor
Rick Vaccaro, Vice-Mayor
Pam Bertani
John Mraz
Catherine Moy

City Clerk

Jeanette Bellinder

City Treasurer

Oscar G. Reyes, Jr.

Executive Staff

Sean Quinn, City Manager
Erin Beavers, Director of Community Development and
Community Resources
George Hicks, Director of Public Works
Greg Stepanicich, City Attorney
Walter Tibbet, Police Chief
Anthony Velasquez, Fire Chief
David White, Assistant City Manager/Director of Finance

Prepared by City of Fairfield Finance Department
Telephone: (707) 428-7569 * Fax: (707) 428-7597

City of Fairfield

Comprehensive Annual Financial Report

For the Year Ended June 30, 2013

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City of Fairfield

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City of Fairfield

**Comprehensive Annual Financial Report
For the Year Ended June 30, 2013
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HEART OF SOLANO COUNTY



C A L I F O R N I A



CITY OF FAIRFIELD

Founded 1856

Incorporated December 12, 1903

COUNCIL

Mayor
Harry T. Price
707.428.7395

Vice-Mayor
Rick Vaccaro
707.429.6296

Councilmembers
707.429.6296
Pam Bertani
Catherine Moy
John Mraz

City Manager
Sean P. Quinn
707.428.7400

City Attorney
Gregory W. Stepanich
707.428.7419

City Clerk
Jeanette Bellinder
707.428.7384

City Treasurer
Oscar G. Reyes Jr.
707.428.7400

DEPARTMENTS

Administrative Services
707.428.7394

Community Development
707.428.7394

Community Resources
707.428.7465

Finance
707.428.7496

Fire
707.428.7375

Police
707.428.7362

December 12, 2013

Honorable Mayor and City Council City of Fairfield, California

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Fairfield (the City) for the fiscal year ended June 30, 2013. State law requires that all general-purpose local governments publish a complete set of financial statements presented in conformity with general accepted accounting principles (GAAP) and audited in accordance with generally accepted accounting standards by a firm of licensed certified public accountants.

Management assumes full responsibility for the completeness, accuracy and reliability of the information provided in this report. The City has established internal controls to insure the government's assets are protected from loss, theft, or misuse and to demonstrate stewardship of public resources. Because the cost of internal controls should not outweigh their benefits, the City's framework on internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly represent the financial position and the results of operations of the various funds within the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Vavrinek, Trine, Day & Co., LLP, an independent public accounting firm, has examined the financial statements of the City and its affiliated agencies and issued an unqualified opinion on the City's financial statements for the year ended June 30, 2013. Their report is located at the beginning of the financial section of this report.

Reporting Model

The CAFR is presented in four sections: introductory, financial statistical, and single audit. The introductory section includes this transmittal letter, the City's organizational chart and a list of municipal officers. The financial section includes management's discussion and analysis (MD&A), government-wide financial statements, fund financial statements, notes to the financial statements, and required supplementary information, as well as the auditor's report on the financial statements and schedules. The MD&A will provide additional information regarding management of the City's finances and should be read in conjunction with the transmittal letter. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The Reporting Entity and Services

Fairfield is a general law city and operates under a Council-Manager form of government. The City provides a full range of municipal services, including police, fire, water, public transportation, streets and infrastructure, housing assistance, cultural and recreation facilities, social services, golf course, public works and parks, planning, redevelopment, economic development, and general administration. Sewer service is provided by agreement with the Fairfield-Suisun Sewer District, which operates and maintains interceptors and the treatment plant, while the City maintains local collector sewers. This report includes all activities considered to be a part of, controlled by, and dependent on the City. Accordingly, this report includes the financial activities of the Fairfield Water Facilities Improvement District No. 1 (the Water Improvement District), the Fairfield Sewer Facilities Improvement District No. 1 (the Sewer Improvement District), the Fairfield Municipal Park Improvement District No. 1 (the Park Improvement District), the Housing Authority of the City of Fairfield (the Housing Authority), the Fairfield Public Improvement Corporation (the Corporation), the Fairfield Public Financing Authority (the Financing Authority), the Fairfield Storm Drain Facilities Improvement District No. 1 (the Storm Drain Improvement District), and the Fairfield Community Facilities Districts (the Community Facilities Districts).

Updated Forecast Assumptions

The impact on the City of the “Great Recession” continues to be profound and ongoing since 67% of General Fund revenues are affected by property values, retail sales, new development, and interest rates.

Property tax losses will persist well after the recession has ended due to the years it will take market values to recover, the low sales prices of foreclosed properties that are then limited to 2% annual value growth for tax purposes, and the one-year lag time for value changes to be reflected in revenues.

After four years of decline, sales tax revenue began to grow in 2010/11 as a result of new auto sales and higher gasoline prices. This trend continued throughout 2011/12 and 2012/13.

Budgeting for Future Years

The 12/13 budget that was adopted by the City Council indicated that the City was at a crossroads. While 12/13 was balanced due to one-time income, significant deficits were being generated every year thereafter. These deficits were largely attributable to the loss of redevelopment, but also to the rising cost of pensions and health care. Given all that the City had cut from its budget, without new revenue, the City would have had to implement additional budget cuts that would have resulted in the loss of additional police officers, the closure of a fire station and the Allan Witt Aquatics Complex, as well as reduction in service levels or closure of the youth center and/or senior center. With the passage of Measure P in November 2012, these cuts were averted and the City stabilized its finances.

Measure P is a 1% transaction and use tax that has a five-year term. The tax went into effect on April 1, 2013 and is set to expire March 31, 2018. At the City Council workshop in January 2013 and a subsequent City Council meeting in March 2013, a funding plan was discussed. The funding plan is rooted in community feedback, with the new revenue being used to maintain existing service levels, build reserves, stimulate the local economy, and invest in street maintenance.

Despite the adoption of Measure P, during 12/13, the City continued to implement measures to reduce both short-term and long-term costs such as:

- Approving an amendment to the City Attorney’s contract that reduced the monthly retainer;

- Eliminating the retiree medical benefit for members of the City's Executive Management team (i.e. City Manager and Department Heads) hired after July 2012;
- Reducing the amount of the retiree medical benefit for those currently receiving it; and
- Eliminating the severance payment from the City Manager's employment agreement.

Finally, throughout 12/13, public sector pensions were in the spotlight. In August 2012, the California Legislature passed pension reform legislation (AB 340). Among other things, AB 340 reduced the pension benefit for employees hired after January 1, 2013 and requires employees hired after January 1, 2013 to pay more towards their pensions¹. In the long-run, this legislation is anticipated to reduce the City's pension contributions. However, over the next seven to 10 years, this legislation is not anticipated to generate any tangible savings to the City. This is due to the fact that in early 2013 the CalPERS Board of Directors approved changes in its actuarial policies that will result in significant increases in employer pension contribution rates. These increases are expected to be implemented over a five year time period starting in 15/16. In addition to the increases that will result from the changes in actuarial policies, CalPERS has indicated that changes in mortality and discount rate assumptions will be discussed in early 2014 that would likely result in additional increases in employer pension contribution rates if they are adopted.

Other Funds Experiencing Financial Pressures

However, the General Fund is not the only fund dealing with financial challenges. The following is a brief summary of the risks facing the City's loan, enterprise and capital funds:

Water Utility Fund - Due largely to the Great Recession, as well as conservation, since 08/09, water consumption decreased by approximately 14% to 7,148,260 hcf in 11/12. During this same timeframe, largely due to the furlough, expenses decreased by approximately \$700,000. With water consumption hovering at historically low levels and operating costs on the rise, the Water Utility secured water rate increases of 2.5% for four years in order to fund operations, maintain adequate reserves, and support its capital program.

Golf Fund – After many years of decline, in 11/12, the total number of taxable rounds increased at both Paradise Valley and Rancho Solano. In 12/13, this trend continued. Through the first nine months of 12/13, as compared to the first nine months of 11/12, the number of taxable rounds has increased at both Paradise Valley and Rancho Solano. Despite this rebound, as well as the cost saving measures implemented by City staff in previous years, both Paradise Valley and Rancho Solano require financial support from the City. From 12/13 through 20/21, the Loan Fund is estimated to transfer \$2.8M to the City's two golf courses. At the same time, all of the Admission Tax revenue generated by play at the two golf courses is transferred from the General Fund to the two Golf Funds. However, this transfer of funds is not enough. The clubhouses and other ancillary buildings are showing their age and are in need of substantial rehabilitation.

Transit – In 2012, the Transit system built on the success it enjoyed in 2011, as ridership grew approximately 5%, increasing from 953,018 to 999,396 riders. In an effort to boost ridership and farebox recovery for its intracity routes, in 2012, a new route structure was implemented. While it is too early to tell the impact of these new routes, early signs are that they are having a positive effect. In the long-term, the forecast indicates that there is the potential for Transit to start generating deficits. The size of the deficits, if any, are contingent on a number of factors including the availability of grants, bus replacement requirements, and other capital needs. Transit relies heavily on grants to satisfy its equipment replacement and capital needs and there is no guarantee that these grants will

¹ Employees that are currently enrolled in CalPERS are exempted from this requirement unless they have experienced a break in service of more than six months.

be available in the future. In the event grant funds are not available, Transit will have to explore alternatives to reduce operating expenses and/or grow revenues. In 13/14, the Transit Division will prepare and issue a Request for Proposal to solicit proposals from transit operators, which could result in savings depending on the number of interested parties.

Capital Funds – Due to the lack of development over the last three fiscal years, a number of capital funds are fully committed and their ability to fund future capital projects will depend on development activity picking up. To maintain its existing facilities and build new facilities, the City relies on Construction License Tax and AB 1600 (Government Facilities, Police, and Fire). In 2013/14, the ending cash balance in these funds is projected to be \$5.4M. To build parks, the City utilizes AB 1600, Quimby, and Bedroom Tax. In 2013/14, these funds are projected to consist of an ending cash balance of approximately \$3.9M. This is enough for the City to complete the Dunnell Neighborhood Center and Laurel Creek Park improvements. Without new development, future parks may be delayed or eliminated.

Financial Reporting Award and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fairfield for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2012, marking the 25th time Fairfield has received this award in the past 26 years.

This report could not be accomplished without the efficient and dedicated services of all the employees of the Fairfield Finance Department. We would like to express our special appreciation to the team that worked hundreds of hours between them to prepare this document, headed by Accounting Officer Arvinda Krishnan, with Principal Accountant Michael Less, Senior Accountants Norman Veloso and Myles Dixon, and Accountant Bryan Chua. Special assistance was also provided by Assistant City Manager/Finance Director David White, Chief Information Officer Steve Garrison, Budget Officer Martin Koran, Financial Services Manager Wade Brown, Assistant Finance Director Marcelo Penha, and City Treasurer Oscar G. Reyes, Jr. We would also like to thank the Mayor and members of the City Council for their support in planning and conducting the financial operations of the City in a prudent and responsible manner.

Respectfully submitted,


Sean P. Quinn
City Manager


David White
Assistant City Manager/Finance Director



Government Finance Officers Association

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

Presented to

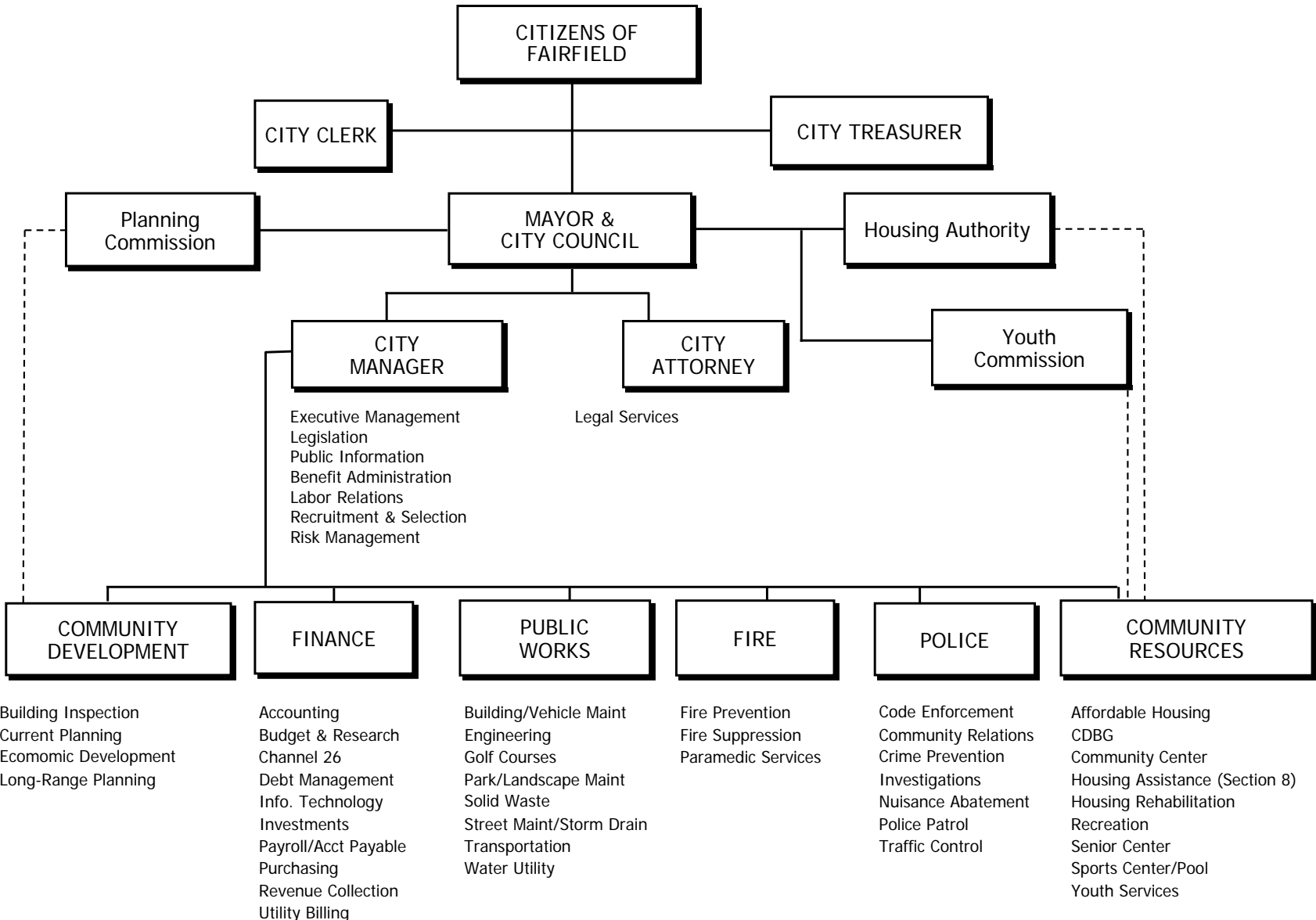
**City of Fairfield
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

CITY OF FAIRFIELD ORGANIZATION CHART



X

MISSION STATEMENT

We are committed to responding to the changing needs of our community, to providing superior quality public service, and to creating a distinctive place to live through innovation, professionalism and efficient use of resources.

CITY VALUES

WE VALUE TRUST

- We are committed to uncompromised honesty and integrity in all our actions.
- We believe our actions should be reliable, dependable, and consistent.
- We want teamwork and a spirit of cooperative effort.
- We strive for a record of honesty, fairness and approachability.

WE VALUE QUALITY

- We strive for excellence, professionalism and pride in everything we do.
- We believe in providing the best quality of service and facilities.
- We expect quality from employees, vendors and contractors.

WE VALUE INNOVATION

- We have a bias for action and support reasonable risk-taking
- We strive to recognize and take advantage of any opportunity that arises.
- We encourage fiscal innovation that creates new revenue sources.
- We accept that innovators have their share of failures.

WE VALUE THE WORTH OF THE INDIVIDUAL

- We respect individuals and are sensitive to their needs.
- We are committed to fair treatment of people.
- We seek ideas and participation from all levels.
- We encourage individual initiative and acceptance of responsibility.

WE VALUE EFFECTIVE SERVICE

- We believe in timely, efficient and effective public service.
- We set trends and provide leadership in municipal services.
- We conduct sound and prudent financial operations.
- We take pride in conserving public resources.
- We place a high value on cooperation with other public and private entities but will not sacrifice the best interest of the citizens of Fairfield.

WE VALUE FUTURE ORIENTATION

- We want to make decisions that will endure the test of time.
- We want to control our own destiny.
- We will foster economic success in the private sector and develop new resources in the public sector.
- We will promote the City's financial security and independence.
- We strive for economic development, employment, housing diversification, cultural and leisure opportunities
- We want to build a place you would like to live in.

MUNICIPAL OFFICERS

<u>CITY COUNCIL (Elected)</u>	Term Expires	<u>HOUSING AUTHORITY</u>	Term Expires
Meets 1st and 3rd Tuesday, 6:00 p.m.		Meets as needed	
Harry T. Price - Mayor	Nov 3 2014	Amy Montandon	Jun 30 2017
Rick Vaccaro-Vice Mayor	Nov 3 2016	Vacant	
John Mraz	Nov 3 2014	(Council plus 2 public members)	
Catherine Moy	Nov 3 2014		
Pam Bertani	Nov 3 2016		
<u>SUCCESSOR AGENCY (Council Members)</u>		<u>PLANNING COMMISSION (Appointed)</u>	
		Scott Tonnesen - Chair	Jun 30 2016
		Don McDonald - Vice Chair	Jun 30 2014
		Lamont Thompson	Jun 30 2017
<u>CITY CLERK (Elected)</u>		Randy Blankenchip	Jun 30 2017
Jeanette Bellinder	Nov 3 2016	Camilla Jones	Jun 30 2016
		James Dunbar	Jun 30 2015
<u>CITY TREASURER (Elected)</u>		Perry Pattiz	Jun 30 2015
Oscar G. Reyes, Jr.	Nov 3 2016		
		<u>COMMUNITY SERVICES COMMISSION (Appointed)</u>	
<u>APPOINTED OFFICIALS</u>		Decommissioned October 2012	
City Manager	Sean P. Quinn		
City Attorney	Greg Stepanicich	<u>YOUTH COMMISSION (Appointed)</u>	
		Meets 1st Sunday & 3rd Monday, 7:00 p.m.	
<u>DEPARTMENT HEADS</u>		Council Chamber - Civic Center	
Director of Community Development and Resources	Erin Beavers	Olivia Moore	Dec 31 2013
Director of Public Works	George Hicks	Derek Wadsworth	Dec 31 2013
Chief of Police	Walter Tibbet	Cody Gonzales	Dec 31 2014
Chief of Fire	Anthony Velasquez	Alexandra Maletsky	Dec 31 2013
		Daraja Carroll	Dec 31 2014
<u>OTHER EXECUTIVE STAFF</u>		Christina Sanchez	Dec 31 2013
Assistant City Manager/Director of Finance	David White	David Rodriguez	Dec 31 2013
		Jillian Lea	Dec 31 2014
		Makenzie Alspaw	Dec 31 2014
		Kristina Lapira	Dec 31 2013
		N'dea Johnson	Dec 31 2014
		Brad Davis	Dec 31 2014
		Cristian Cobos	Dec 31 2014
		Vacant	
		Vacant	



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
of the City of Fairfield
City of Fairfield, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fairfield, California, (the City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and the Housing Authority for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Implementation of New Accounting Standards

As described in Note 1 to the financial statements, the City adopted new accounting guidance, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* as of July 1, 2012. Our opinion is not modified with respect to this matter.

Housing Asset Transfers

As described in Note 18 to the financial statements, under the provisions of AB 1X26 and AB 1484, the Fairfield Housing Authority (a component unit of the City) accepted transfers of the low and moderate income housing assets from the Successor Agency. This transfer of housing assets from the private-purpose trust fund to the City's Special Revenue Housing Authority Fund resulted in the recognition of an extraordinary gain in the Housing Authority and governmental activities and an extraordinary loss in the private-purpose trust fund. Our opinion is not modified with respect to this matter.

Loans from the City to the Successor Agency

As described in Note 18 to the financial statements, in accordance with AB 1484, the Successor Agency recorded a significant write-down of accrued interest on loans payable to the City. In addition, the Successor Agency established a reserve for the remaining principal balance of the loans payable to the City. These loan adjustments resulted in the recognition of an extraordinary loss in the internal service funds and governmental activities and an extraordinary gain in the private-purpose trust fund. Our opinion is not modified with respect to this matter.

Prior Period Adjustments

As described in Note 20 to the financial statements, the City restated the July 1, 2012 beginning net position and fund balances, as applicable, of the governmental activities, business-type activities, the North Bay Treatment Plant enterprise fund, and the aggregate remaining fund information for the correction of errors to properly state non-commitment assessment and improvement district debt and the minority interest in the North Bay Treatment Plant. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Vavrinik, Trine, Day & Co. LLP

Sacramento, California
December 12, 2013

HEART OF SOLANO COUNTY



C A L I F O R N I A

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2013

This discussion and analysis of the City of Fairfield's (City's) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2013. Please read it in conjunction with the transmittal letter, the basic financial statements and the accompanying notes to those financial statements.

A. FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$581.7 million. Of this amount, \$45.8 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors of the City.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance \$154.7 million. Of this amount, \$0.3 million is non-spendable, \$113.2 million is restricted by outside parties and obligations, land held for development, and outstanding loans which will be collected over time, \$9.4 million is committed by the City, and \$3.1 million has been assigned to future debt payments. Approximately \$14.8 million, or 9.6%, of the combined fund balance from above is considered unassigned and available for spending at the City's discretion in the General Fund.
- The City has determined debt related to the Special Assessment Districts, which had been previously recorded as a City liability, is non-commitment debt of the City. The debt, in the amount of \$33.6, and its corresponding receivable from property owners have been removed from the City's governmental activities and placed into an agency account for the City to continue to service the debt. Please refer to note 19 and 20 for further information regarding this change. The City's total debt decreased by \$8.2 million which is attributed to the scheduled payment of the debt.
- The Fairfield Redevelopment Agency was dissolved on February 1, 2012; as a result the City accepted the responsibility to become the Successor Agency. A private purpose trust was established to account for the assets and liabilities conveyed to the new agency. During the current fiscal year the City recognized an extraordinary loss in the amount of \$45.9 million from the Successor Agency. The loss consists of the net of the write down of loans owed by the Successor Agency and the acceptance of assets to the Housing Authority transferred from the Successor Agency. Please refer to note 18 for further information regarding this transaction.

B. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which consists of three parts: (1) Government-Wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to the Basic Financial Statements. This report also contains other supplementary information in addition to the basic financial statements. The financial statements presented herein include all of the activities of the City and its component units.

Government-Wide Financial Statements

The Government-Wide Financial Statements provide readers with a broad view of the City's finances, using the economic resources measurement focus and accrual basis of accounting. These accounting methods are similar to those used by private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Additionally, certain interfund receivables, payables and other interfund activity have been eliminated as prescribed by GASB Statement No. 34.

The Statement of Net Position reflects information about all assets (including infrastructure) as well as all liabilities (including long-term debt) of the City. Net position is the difference between assets and liabilities, which is one way to measure the City's financial health. The Statement of Activities reflects the changes in net position of the underlying events giving rise to the change occurs, regardless of timing of related cash flows. Over time, increases or decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating.

In these statements, City activities are separated into two categories:

- **Governmental activities**—Most of the City's basic services are reported in this category, including administration, finance, police, fire, public works, community development, and community resources. Property and sales taxes, user fees, interest income, franchise fees, along with state and federal grants are among the revenues that finance these activities.
- **Business-type activities**—The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's water distribution system, water treatment plants, golf courses, transit services, and police training center are reported as business-type activities.

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law or bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to demonstrate it is meeting legal responsibilities for using certain taxes, grants or other money that is restricted in its use. Fund Financial Statements provide detailed information about the most significant funds, not the City as a whole.

The City has three types of funds:

- **Governmental funds**—Most of the City's basic services are reported in governmental funds, using the current financial resources measurement focus and modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds are used to account for essentially the same functions reported as "governmental activities" in the Government-Wide Financial Statements. However, unlike the Government-Wide Statements, Governmental Funds Financial Statements focus on *current* financial resources. The focus is on how spendable money flows into and out of those funds, and the balances left at year-end, which are available for spending. The information derived from the governmental funds help determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

To better understand the City's long-term and short-term requirements, it is useful to compare the City's Governmental Funds Financial Statements with the governmental activities in the Government-Wide Financial Statements. Reconciliation of these statements is provided for both the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances to facilitate this comparison.

- **Proprietary funds**—When the City charges customers for the services it provides—whether to outside customers or to other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way in which all activities are reported under the Government-Wide Financial Statements, using the accrual basis of accounting. The City's enterprise funds are actually the same as "business-type activities" reported in the government-wide statements but provide more detail and additional information, such as cash flow statements. The City uses internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities—such as the City's central stores, automotive services, communication services as well as its self-insurance, public buildings, and loan funds. The internal service funds are reported with "governmental activities" in the Government-Wide Financial Statements.
- **Fiduciary funds**—The City is the trustee, or *fiduciary*, for certain funds held on behalf of a variety of third parties. The fiduciary activities are made of two types of funds: agency funds, which only report a balance

sheet and do not have a measurement focus, and the private purpose trust fund, which accounts for the former redevelopment agency transactions. See note 18 for additional information. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Position and are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. However, the City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

The notes provide additional information essential to a full understanding of the data provided in both the Government-Wide Financial Statements and Fund Financial Statements. The notes to the financial statements can be found on pages 47-85 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain Required Supplementary Information concerning the City's progress in funding its obligation to provide pension and retiree health benefits to its employees and is presented on page 87. The budgetary comparison schedules for the general fund and the Housing Authority Major Special Revenue Fund can be found on pages 31-32 in the fund financial section of the report. The budgetary comparison schedules for the City Capital Projects Major Fund can be found on page 91. Additional information regarding the combining statements for all non-major and internal service funds can be found on pages 96-117.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined Net Position (in millions) for the fiscal year ended June 30, 2013, totaled \$581.7 million. (The detail may not add due to rounding.)

Summary of Net Position (in millions)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 241.6	\$ 318.5	\$ 63.3	\$ 62.4	\$ 304.9	\$ 380.9
Capital Assets	288.0	294.5	211.5	214.5	499.5	509.0
Total Assets	529.6	613.0	274.8	276.9	804.4	889.9
Long-term liabilities outstanding	73.9	114.8	117.4	121.6	191.3	236.4
Other liabilities	8.1	40.1	23.3	40.1	31.4	80.2
Total liabilities	82.0	154.9	140.7	161.7	222.7	316.6
Net Position:						
Net investment in capital assets	285.5	249.5	103.0	80.4	388.5	329.9
Restricted	132.0	100.2	15.3	7.9	147.3	108.1
Unrestricted	30.1	108.4	15.8	26.9	45.9	135.3
Total Net Position	\$ 447.6	\$ 458.1	\$ 134.1	\$ 115.2	\$ 581.7	\$ 573.3

With the City's determination of non-commitment debt from the Special Assessment Districts and the change in presentation of the North Bay Treatment Plant, a prior period adjustment was made to increase the City's total net position by \$46.7 million. With the restated net position at July 1, 2012 at \$620.0, the Statement of Activities reflects the City's net position decreased by \$38.3 million in the current fiscal year. The decrease to net position is attributable to the extraordinary loss of \$45.9 which is mainly due to the write down of the Successor Agency loan payable to the City (see note 18). The net investment in capital assets increased by \$58.6 million because of the determination that

the special assessment district bonds and community facilities district bonds are non-commitment debt of the City in the governmental activities and the change in presentation of minority interest payable to restricted net position in the business-type activities (see note 20). The restricted net position increased \$39.2 million can be attributed to the transfer of land and receivables from the Successor Agency to the Housing Authority of the City (see note 18). The balance of unrestricted net position decreased \$89.4 million due to the write down of the Successor Agency loans payable to the City of Fairfield of \$83.0 million and a \$12.0 million decrease of market value on the land held for resale in the Housing Authority fund. All unrestricted funds may be used to meet the government's ongoing obligations to the citizens and creditors. A Statement of Activities, as of June 30, 2013, is presented below.

Statement of Activities
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for services	\$ 3.4	\$ 3.9	\$ 50.8	\$ 42.7	\$ 54.2	\$ 46.6
Operating grants and contributions	19.4	17.8	7.1	8.3	26.5	26.1
Capital grants and contributions	21.1	19.3	5.2	0.3	26.3	19.6
General revenues:						
Taxes:						
Property taxes	27.3	31.0			27.3	31.0
Sales taxes	19.0	16.0			19.0	16.0
Other taxes	11.7	11.3			11.7	11.3
Grants and contributions not restricted to specific programs	0.2	7.4			0.2	7.4
Investment earnings	1.5	2.3	0.2	1.2	1.7	3.5
Miscellaneous	3.9	5.2	0.1		4.0	5.2
Gain on sale of property	4.5				4.5	-
Extraordinary gain		37.1			-	37.1
Total revenues	112.0	151.3	63.4	52.5	175.4	203.8
Expenses:						
Administration	3.2	3.1			3.2	3.1
Finance	1.0	1.4			1.0	1.4
Police	31.5	33.5			31.5	33.5
Fire	13.9	14.5			13.9	14.5
Public works	33.0	24.5			33.0	24.5
Community development	2.5	2.1			2.5	2.1
Community resources	16.1	20.9			16.1	20.9
Redevelopment		6.6			-	6.6
Interest on long term debt	1.5	6.0			1.5	6.0
Water utility			38.6	29.4	38.6	29.4
North bay treatment plant			7.2	8.5	7.2	8.5
Transportation			12.4	12.9	12.4	12.9
Golf courses			6.2	6.2	6.2	6.2
Housing programs				0.5	-	0.5
Police training center			0.7	0.7	0.7	0.7
Extraordinary loss	45.9				45.9	-
Total expenses	148.6	112.6	65.1	58.2	213.7	170.8
Increase (decrease) in net position before transfers	(36.6)	38.7	(1.7)	(5.7)	(38.3)	33.0
Transfers	(0.2)	8.4	0.2	(8.4)	-	-
Increase (decrease) in net position	(36.8)	47.1	(1.5)	(14.1)	(38.3)	33.0
Net position July 1**	484.4	411.0	135.6	129.3	620.0	540.3
Net position June 30	\$ 447.6	\$ 458.1	\$ 134.1	\$ 115.2	\$ 581.7	\$ 573.3

** Reflects the restated net position as of July 1, 2012 (see note 20)

Governmental Activities

The total cost of services for all governmental activities this year was \$102.6 million. However, as shown in the Statement of Activities, the amount that the taxpayers ultimately financed for these activities was only \$58.7 million because some of the cost was paid by those who directly benefited from the programs (\$3.4 million), or by other governments and organizations that subsidized certain programs with operating grants and contributions (\$19.4 million), and capital grants and contributions (\$21.1 million). Overall, these governmental program revenues totaled \$43.9 million. The City paid for the remaining “public benefit” portion of governmental activities with \$58.0 million in taxes (some of which could only be used for certain programs) and \$10.1 million with other revenues, such as interest, general entitlements, and the sale of property. The City’s net cost decreased this year to \$58.7 million when compared to last year’s net cost of \$71.6 million. The cost decrease of \$12.9 million can be mainly attributed to the \$6.6 cost of the dissolution of the former redevelopment agency as well as a reduction in the Community Resources departmental costs of \$6.2 million. Most City departments reflected a decrease in their overall cost with the exception of Public Works, which had more projects completed during the year than in the previous year.

Total resources available during the year to finance governmental activities were \$596.4 million consisting of the Net Position at July 1, 2012, as restated, of \$484.4 million, program revenues of \$43.9 million and General Revenues of \$68.1 million. The total Governmental Activities expenses, including transfers of \$0.2 million, during the year were \$148.8 million which caused a decrease to the Net Position from \$484.4 million to \$447.6 million. The following table shows the Net Cost of Governmental Activities, which totaled a net cost of \$58.7 million.

Net Program Revenue/(Cost) of Governmental Activities
(in millions)

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Administration	\$ 3.2	\$ 3.1	\$ (1.8)	\$ (1.9)
Finance	1.0	1.4	(0.7)	(1.3)
Police	31.5	33.5	(27.9)	(30.1)
Fire	13.8	14.5	(12.7)	(13.7)
Public works	33.0	24.5	(12.0)	(4.1)
Community development	2.5	2.1	(2.5)	(2.1)
Community resources	16.1	20.9	0.4	(5.8)
Redevelopment	-	6.6	-	(6.6)
Interest on long term debt	1.5	6.0	(1.5)	(6.0)
Total	\$ 102.6	\$ 112.6	\$ (58.7)	\$ (71.6)

Business-Type Activities

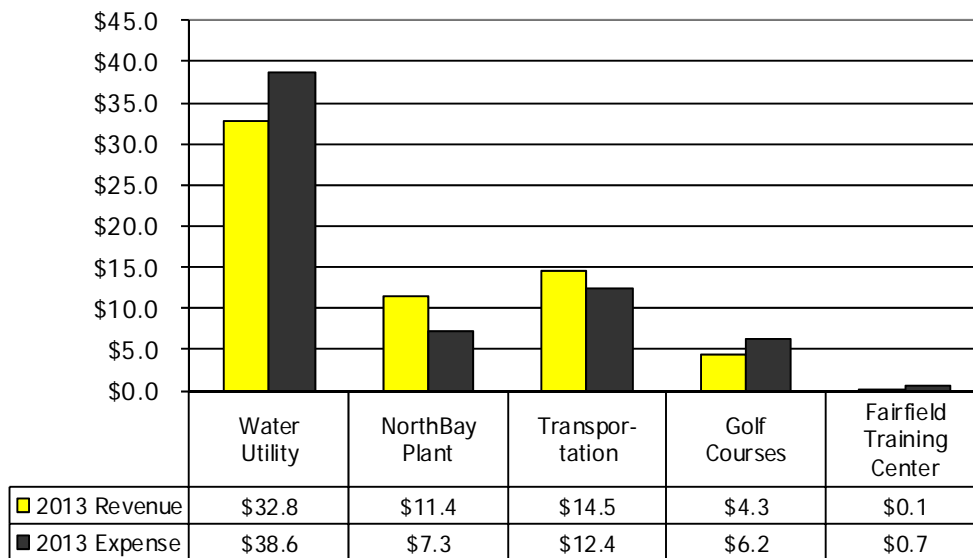
The total cost of all Business-Type activities this year was \$65.2 million. As shown in the Statement of Activities, the amounts paid by users of the systems was \$50.8 million, operating grants and contributions were \$7.1 million and capital grants and contributions were \$5.2 million, for a total of \$63.1 program revenues to offset the cost of these activities. The remaining costs were funded by general revenues and transfers, totaling of \$0.5 million, and net position.

Total resources available during the year to finance the Business-Type Activities were \$199.2 million consisting of a restated Net Position at July 1, 2012 of \$135.6 million, program revenues of \$63.1 million, along with interest, miscellaneous income and transfers totaling \$0.5 million. Total expenses of Business-Type Activities during the year were \$65.2 million which generated a \$1.5 million decrease to the net position from \$135.6 million to \$134.1 million.

The below revenues do not include the investment income, which is reflected as general revenue to the business-type activities.

Net Program Revenue/(Cost) of Business-Type Activities
(in millions)

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Water utility	\$ 38.6	\$ 29.4	\$ (5.8)	\$ (1.4)
North bay treatment plant	7.3	8.5	4.1	(0.5)
Transportation	12.4	12.9	2.1	(2.1)
Golf courses	6.2	6.2	(1.9)	(1.8)
Housing programs	-	0.5	-	(0.5)
Fairfield training center	0.7	0.7	(0.6)	(0.6)
Total	\$ 65.2	\$ 58.2	\$ (2.1)	\$ (6.9)



The Water Utility fund net expense of \$5.8 million was caused by a one-time recognition of capital projects being expensed in the current year. The \$1.9 million net cost reflected in the Golf Courses was mostly caused by lower revenue collected. The revenue collected continues to be a challenge to cover for the operation and maintenance expenditures of the golf courses. The Fairfield Training Center net cost of \$0.6 million was due to lower than expected usage of the facility from other public safety agencies. Currently, the City continues to take steps to market the training facility and bring in new public safety agencies to increase revenue and sustain the operation and maintenance cost of the facility.

D. FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Fund Financial Statements focus on individual parts of the City government, reporting operations in more detail than the Government-Wide Statements.

Governmental Funds

The City's governmental funds provide information on near-term inflows, outflows and balances of spendable resources. The City's governmental funds reported a combined fund balance at June 30, 2013, of \$140.9 million, an increase of \$40.6 million over the end of the previous fiscal year.

The General Fund is the chief operating fund of the City and reflects an increase of \$4.3 million in fund balance. This increase can be attributed to a one time increase in property taxes due to the dissolution of redevelopment. Expenditures incurred by the general fund remained flat at \$58.2 million when compared to the prior year.

The Housing Authority fund balance increased by \$35.8 million is due to the transfer of certain assets, including receivables and land, from the Successor Agency. With the dissolution of the redevelopment agency, the Housing Authority will account for the housing assets previously accounted for in the Successor Agency Low Moderate Income Housing fund which includes the rehabilitation of certain low moderate income housing units and all revolving loan programs in accordance with Health and Safety Code.

The City Capital Projects fund balance increased by \$3.5 million is due to revenue increase in development fees and miscellaneous income from the proceeds from sale of land.

Other Governmental Funds reflect a decrease in fund balance of \$2.9 million. The net decrease was primarily due to an increase in capital project expenditures above the current year's revenue.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the Government-Wide Financial Statements, but in more detail. Factors concerning these funds have already been addressed in the discussion of business-type activities under the Government-Wide Statements.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City Council may revise the City budget on more than one occasion. The Approved Budget is adopted by the City Council prior to the July 1 start of the fiscal year ("Original Budget"). The City Council may make appropriation or revenue estimate changes during the course of the fiscal year, primarily at the midyear budget review. Finally, the revenue and expenditure estimates for the *current* fiscal year are revised as part of the Approved Budget for the *following* fiscal year ("Final Budget"). The original budgeted revenues for taxable sales improved slightly and estimates were changed from \$24.3 million to \$25.6 million, including \$0.7 million of new revenue generated by a one percent transactions and use tax approved by voters in November 2012, called Measure P. This new temporary tax is effective from April 1, 2013 to March 31, 2018. The original budget also reflected slightly higher expenditures than the final budget. The change to the expenditures was due to efficiencies achieved in service delivery as well as continuation of compensation cuts negotiated with employee groups in 2009/10, and the elimination of cost of living adjustments and vacancies. The 2012/13 budgeted revenue estimate of \$59.7 million compares to \$65.5 million of actual revenues (9.7% variance), with the majority of the difference from a one-time payment of property taxes due to the dissolution of redevelopment and an increase in sales tax due to the passage of Measure P. The 2012/13 budgeted expenditure estimate of \$58.8 million compares to \$58.2 million of actual expenditures (1.0% variance), with all of the decrease coming as a result of reduced departmental expenditures. The City's prudent fiscal management minimized further cost increases to the General Fund as a result of the elimination of redevelopment. General Fund departments began the fiscal year with a total adjusted carryover (cumulative unspent appropriations from prior years) of \$2.3 million, which conforms to the City Council's direction to reduce all department carryover to 4% of their current year's expenditures. The carryover is designated for subsequent years' expenditures and is part of the General Fund balance.

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets

The capital assets of the City are those assets which are used in the performance of the City's functions including infrastructure assets. The City has elected to use the "Basic Approach" as defined by GASB Statement No. 34 for infrastructure reporting. Under GASB Statement No. 34, eligible infrastructure capital assets are depreciated using the straight-line method. At June 30, 2013, net capital assets of the governmental activities totaled \$288.0 million and the net capital assets of the business-type activities totaled \$211.5 million. Depreciation on capital assets is recognized in the Government-Wide Financial Statements. Refer to note 7 on pages 63-64 for a more detailed listing of all capital assets.

Summary of Capital Assets (in millions)

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Carrying Amount</u>
Governmental Activities:			
Land	\$ 31.9		\$ 31.9
Buildings and Improvements	169.0	\$ (47.6)	121.4
Equipment, Vehicles, Machinery	36.1	(23.9)	12.2
Infrastructure	279.7	(170.6)	109.1
Construction in Progress	13.4		13.4
Total Governmental Activities	<u>\$ 530.1</u>	<u>\$ (242.1)</u>	<u>\$ 288.0</u>
Business-Type Activities:			
Land	\$ 14.8		\$ 14.8
Intangibles	5.1		5.1
Buildings and Improvements	91.3	\$ (39.7)	51.6
Equipment, Vehicles, Machinery	33.6	(24.2)	9.4
Infrastructure	179.3	(58.3)	121.0
Construction in Progress	9.6		9.6
Total Business-Type Activities	<u>\$ 333.7</u>	<u>\$ (122.2)</u>	<u>\$ 211.5</u>

This year's major capital asset additions and deletions were:

- Additions include the purchase of six transit buses along with additional infrastructure accepted from an approved subdivision
- Additional assets currently under construction are: the Fairfield/Vacaville Train Station, Jepson Parkway, and Manuel Campos Parkway as well as a City parks lighting project and the East-West water transmission line.
- Deletions include the sale of land, old buses, and other equipment no longer owned by the City

Long-Term Obligations

Obligations, considered a liability of governmental activities, decreased during 2012/13 by a net of \$4.0 million to an outstanding balance of \$73.9 million as of June 30, 2013. The net decrease is mainly a direct result of normal amortization debt payments. A prior period adjustment was applied to the Special Assessment Districts bonds, Open Space bonds, and Community Facilities District bonds which have been determined to be non-commitment debt of the City and consequently are no longer reported as governmental activities debt and are not reflected in the below table for the prior year. The General Obligation bonded debt at June 30, 2013, is equivalent to \$87 per capita, down 7.4%

from the previous fiscal year. The City's bonded debt per capita is a useful indicator to citizens and investors of the City's debt position.

Debt for business-type activities decreased in 2012/13 by a net of \$4.2 million, to \$117.4 million, as a result of normal amortization of the debt. Refer to Note 9 on page 66 of the notes to the financial statements for a more detailed listing.

Summary of Long-Term Indebtedness
(in millions)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
General Obligation Bonds	\$ 9.9	\$ 10.3			\$ 9.9	\$ 10.3
Pension Obligation Bonds	36.1	36.4			36.1	36.4
Utility-Water Revenue Bonds			\$ 108.4	\$ 112.8	108.4	112.8
Recreational Revenue Bonds			7.8	8.8	7.8	8.8
Long-Term Notes Payable	2.5	2.2			2.5	2.2
Compensated Absences	14.1	14.3	1.2		15.3	14.3
Claims and Judgments	10.6	10.3			10.6	10.3
Net OPEB Obligation	0.7	4.4			0.7	4.4
Total Indebtedness	<u>\$ 73.9</u>	<u>\$ 77.9</u>	<u>\$ 117.4</u>	<u>\$ 121.6</u>	<u>\$ 191.3</u>	<u>\$ 199.5</u>

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City annually prepares a ten-year financial plan, which focuses on long-term financial viability and allows decision-makers to better understand the on-going impact of current policy decisions. Multi-year planning also provides both an "early warning" of adverse financial trends, and more time to implement changes to ensure better outcomes. Budget development is guided by a series of budget and financial policies adopted by the City Council, including long-term planning, minimum reserve levels, employee compensation, cash and debt management, information technology and utility rates. The budget, approved on June 25, 2013 was based on the following key assumptions:

- New Housing Units – In FY 12/13 the total number of new units was 227 and is projected to be 183 in 2013/14 and 388 units in 2014/15. The housing development will continue to be far below the annual average of 620 units over the past 30 years.
- New Commercial/Industrial Square Footage – The 2013/14 levels will also be well below the historical average of 700,000 square feet per year. The office space vacancy rate in the City was at 28.7% in December 2012 and the vacancy rate for industrial space was 9.2% in December 2012. Vacancy levels for office space are not expected to change much in 2013 due to limited job growth in the region, more efficient use of workspace, and the demand for more productivity per worker. In contrast, the industrial market is strong and Fairfield enjoys the lowest vacancy rate in the region. The industrial market will continue to show signs of improvement due to Fairfield's proximity to Sacramento and San Francisco and the quality of its transportation network and infrastructure.
- Inflation Growth - The average has been just over 3% for 20 years. However, due to economic uncertainties, inflation has fluctuated since December 2008, when inflation was actually -0.46%, then returned to 3.06% by December 2009, fell to 1.63% in December 2010, returned to 3.04% in December 2011, and declined to 1.87% in December 2012. The long-term forecast remains at 3%.

- Property Tax - The average has been a strong 11% growth during the 10 years of 1998/99 – 2007/08. However, in 2008/09 the collapse of the housing market resulted in a decline in property tax revenues by 6.6%, another decline of 13.6% in 2009/10, an additional decline of 5.1% in 2010/11, a modest increase of 2.2% in 2011/12, dramatic increase of 40% in 2012/13 as a result of one-time adjustments related to the elimination of redevelopment. The budget forecast for 2013/14 adjusts for one-time revenues in the previous year and assumes an increase in property tax collections of 5.0% including the City's portion of assessed value from dissolved redevelopment project areas now subject to county-wide revenue sharing.
- Sales Tax – The average was moderately strong at 6.2% growth from 1998/99 – 2006/07. However, after declines of 7% in 2007/08, 14% in 2008/09, 10.3% in 2009/10; the City realized a gain of 3% in 2010/11, 21% in 2011/12, and additional growth of 15% in 2012/13. The budget projection for 2013/14 is growth near 63% due to voter approval of Measure P (a 1% 5-year transactions and use tax). The budget assumes sales and use tax will continue to grow, but at a much slower pace than it has over the previous two fiscal years due to limited retail development within the City as well as competition from nearby communities.
- Personnel Costs – Personnel costs are approximately 78% of total expenses. The 2013/14 budget assumes that employees remain on furlough and that there are no compensation increases. However, personnel costs are expected to rise due to increases in pension contributions and health care costs. From 2012/13 to 2013/14, total employer pension contributions as a percent of salary are expected to increase from 28.4% to 29.4% for miscellaneous non-management employees, from 28.8% to 29.8% for miscellaneous management employees, and from 40.8% to 42.7% for safety employees. In 2013, the monthly premium for a family to receive health care from the City rose almost 10%, with the City sharing half of the increase with employees.

2013 City Goals

Due to the passage of Measure P, the City is able to maintain services, replenish reserves, and invest resources in the community's infrastructure and economy. However, Measure P is limited in duration. To this end, the goals adopted by City Council not only direct current activities, but focus the organization on achieving fiscal sustainability. The following summarizes the goals adopted by City Council:

Fiscal and Organizational Stability – Over the past five years, the City has not only implemented numerous rounds of budget cuts, but has relied heavily on its reserves and employee concessions in order to balance its budget. Replenishing reserves is critical to ensure that there are resources in place for emergencies and unforeseen events. For this reason, the City Council established a goal of achieving a 20% General Fund Reserve by 17/18. Also, the City Council acknowledged the importance of responsibly investing in employees to ensure that they are well-trained, safe, and productive.

Economic Development – Due to the loss of redevelopment, the City has had to significantly scale back its economic development activities. This is problematic given that there are still areas of the local economy that have yet to recover, the City's unemployment rate, as of March 2013, is at 9.7%, and development activity remains well-below historic averages. Therefore, the City Council set economic development as a top priority to ensure that resources are devoted to stimulating the economy, creating jobs, and growing revenues.

Strengthen Neighborhoods – There are neighborhoods in Fairfield in which crime is concentrated and infrastructure, especially streets, is in poor condition. To address these issues, the City Council supported efforts to partner with the community, faith-based organizations and non-profit agencies to develop and implement programs that are working to address crime issues. In addition, City Council directed staff to increase the level of street maintenance.

Reduce Youth Violence – Of all the crime in Fairfield in 2012, 31% of the offenders were between the ages of 14 and 19. Further, in 2011, Solano County had the 6th highest youth homicide rate in the state. Youth violence is a multi-dimensional issue that will require partnerships with the School District, Solano County, as well as community and faith-

based organizations to resolve. To this end, the City Council directed City staff to develop strategies and partnerships necessary to reduce youth violence.

Support Travis Air Force Base – Travis Air Force Base has a significant impact on the local economy. According to the latest economic impact report, Travis Air Force Base contributes \$1.6B to the local economy. While growing federal deficits increase the likelihood that there will be cuts in defense spending, in recognition of the importance of Travis Air Force Base to the local economy, the City Council adopted a goal to ensure that City staff is focused on doing what it can to ensure Travis Air Force Base remains viable.

H. CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report, separate reports of the City's component units or need any additional financial information, contact the Finance Department at 1000 Webster Street, Fairfield CA 94533, phone 707-428-7569, or e-mail akrishnan@fairfield.ca.gov.

HEART OF SOLANO COUNTY



C A L I F O R N I A

Government-Wide Financial Statements

HEART OF SOLANO COUNTY



C A L I F O R N I A

CITY OF FAIRFIELD

Statement of Net Position June 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and investments	\$ 113,578,982	\$ 49,949,680	\$ 163,528,662
Receivables, net	64,568,508	12,782,121	77,350,629
Inventory	488,970	173,097	662,067
Prepaid items	28,891		28,891
Restricted cash and investments	366,195	20,260,717	20,626,912
Land held for development	8,005,816		8,005,816
Internal balances	23,796,212	(23,796,212)	-
Investment in joint agencies		832,712	832,712
Deferred charges, net	962,659	3,021,300	3,983,959
Net pension asset	29,843,001		29,843,001
Capital assets:			
Nondepreciable	45,353,080	29,545,766	74,898,846
Depreciable, net	242,650,935	181,996,959	424,647,894
Total capital assets	<u>288,004,015</u>	<u>211,542,725</u>	<u>499,546,740</u>
Total assets	<u>529,643,249</u>	<u>274,766,140</u>	<u>804,409,389</u>
LIABILITIES AND NET POSITION			
LIABILITIES:			
Accounts payable and other current liabilities	7,092,680	9,024,909	16,117,589
Interest payable	200,653	13,636,643	13,837,296
Unearned revenue	768,099	607,272	1,375,371
Long-term obligations:			
Long-term debt - due within one year	3,747,736	5,617,117	9,364,853
Long-term debt - due in more than one year	<u>70,187,459</u>	<u>111,828,579</u>	<u>182,016,038</u>
Total liabilities	<u>81,996,627</u>	<u>140,714,520</u>	<u>222,711,147</u>
NET POSITION:			
Net investment in capital assets	<u>285,517,949</u>	<u>103,049,867</u>	<u>388,567,816</u>
Restricted for:			
Capital projects	25,315,266		25,315,266
Debt service	4,228,836		4,228,836
Community development	67,023,191		67,023,191
Special projects	35,136,957		35,136,957
Major maintenance		12,479,053	12,479,053
Minority Interest		2,779,755	2,779,755
Outreach Independence:			
Expendable	8,597		8,597
Nonexpendable	<u>335,375</u>		<u>335,375</u>
Total restricted	132,048,222	15,258,808	147,307,030
Unrestricted	<u>30,080,451</u>	<u>15,742,945</u>	<u>45,823,396</u>
Total net position	<u>\$ 447,646,622</u>	<u>\$ 134,051,620</u>	<u>\$ 581,698,242</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF FAIRFIELD

Statement of Activities For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental Activities					
Administration	\$ 3,207,264	\$ 1,500	\$ -	\$ 1,409,395	\$ 1,410,895
Finance	957,241	6,207		217,226	223,433
Police	31,468,951	762,670	2,778,099		3,540,769
Fire	13,859,734	225,482	989,552		1,215,034
Public Works	32,999,762	394,776	4,135,741	16,436,224	20,966,741
Community Development	2,561,302	3,480	75,212		78,692
Community Resources	16,067,853	2,048,988	11,408,182	3,053,150	16,510,320
Interest on long-term debt	1,489,123				
Total governmental activities	102,611,230	3,443,103	19,386,786	21,115,995	43,945,884
Business-type activities:					
Water utility	38,597,177	32,767,325			32,767,325
North bay treatment plant	7,254,180	11,359,519			11,359,519
Transportation	12,417,380	2,252,078	7,075,949	5,177,512	14,505,539
Golf courses	6,200,252	4,322,380			4,322,380
Police training center	708,255	119,379			119,379
Total business-type activities	65,177,244	50,820,681	7,075,949	5,177,512	63,074,142
Total primary government	\$ 167,788,474	\$ 54,263,784	\$ 26,462,735	\$ 26,293,507	\$ 107,020,026

General Revenues, Transfers, and Extraordinary Item:

Taxes:

- Property taxes
- Sales taxes
- Franchise taxes
- Utility user taxes
- Transient occupancy taxes
- Business license taxes
- Other taxes

Total taxes

Unrestricted intergovernmental revenues

Investment earnings

Miscellaneous

Gain on sale of property

Extraordinary loss--dissolution of Fairfield Redevelopment Agency (See Note 18)

Transfers

Total general revenues, transfers, and extraordinary item

Change in net position

Net position - beginning of year, as restated (See Note 20)

Net position - end of year

The notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (1,796,369)		\$ (1,796,369)
(733,808)		(733,808)
(27,928,182)		(27,928,182)
(12,644,700)		(12,644,700)
(12,033,021)		(12,033,021)
(2,482,610)		(2,482,610)
442,467		442,467
(1,489,123)		(1,489,123)
<u>(58,665,346)</u>		<u>(58,665,346)</u>
	\$ (5,829,852)	(5,829,852)
	4,105,339	4,105,339
	2,088,159	2,088,159
	(1,877,872)	(1,877,872)
	<u>(588,876)</u>	<u>(588,876)</u>
	<u>(2,103,102)</u>	<u>(2,103,102)</u>
<u>(58,665,346)</u>	<u>(2,103,102)</u>	<u>(60,768,448)</u>
27,299,372		27,299,372
19,001,983		19,001,983
3,957,734		3,957,734
3,609,941		3,609,941
1,905,238		1,905,238
1,065,690		1,065,690
1,133,210		1,133,210
57,973,168		57,973,168
193,149		193,149
1,496,472	226,298	1,722,770
3,925,092	59,643	3,984,735
4,482,870		4,482,870
(45,913,578)		(45,913,578)
(242,995)	242,995	
<u>21,914,178</u>	<u>528,936</u>	<u>22,443,114</u>
(36,751,168)	(1,574,166)	(38,325,334)
484,397,790	135,625,786	620,023,576
<u>\$ 447,646,622</u>	<u>\$ 134,051,620</u>	<u>\$ 581,698,242</u>

The notes to the basic financial statements are an integral part of this statement.

HEART OF SOLANO COUNTY



C A L I F O R N I A

Governmental Fund Financial Statements

CITY OF FAIRFIELD

Balance Sheet Governmental Funds June 30, 2013

	Major Funds		
	General Fund	Housing Authority	City Capital Projects
ASSETS			
Assets:			
Cash and investments	\$ 13,845,469	\$ 949,216	\$ 16,985,459
Receivables, net	2,094,185	35,654,835	3,915,070
Restricted cash and investments			
Land held for development		8,005,816	
Advances to other funds			
Total assets	<u><u>\$ 15,939,654</u></u>	<u><u>\$ 44,609,867</u></u>	<u><u>\$ 20,900,529</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and other current liabilities	\$ 1,120,923	\$ 5,318	\$ 4,934,050
Due to other funds			
Deferred revenues		303,643	
Total liabilities	<u><u>1,120,923</u></u>	<u><u>308,961</u></u>	<u><u>4,934,050</u></u>
Fund Balances:			
Nonspendable			
Restricted		44,300,906	15,966,479
Committed			
Assigned			
Unassigned	14,818,731		
Total fund balances	<u><u>14,818,731</u></u>	<u><u>44,300,906</u></u>	<u><u>15,966,479</u></u>
Total liabilities and fund balances	<u><u>\$ 15,939,654</u></u>	<u><u>\$ 44,609,867</u></u>	<u><u>\$ 20,900,529</u></u>

The notes to the basic financial statements are an integral part of this statement.

Total Non-Major Governmental Funds	Total Governmental Funds
\$ 42,756,392	\$ 74,536,536
22,770,173	64,434,263
366,195	366,195
	8,005,816
<u>7,348,068</u>	<u>7,348,068</u>
<u>\$ 73,240,828</u>	<u>\$ 154,690,878</u>
\$ 608,164	\$ 6,668,455
191,772	191,772
<u>6,597,607</u>	<u>6,901,250</u>
<u>7,397,543</u>	<u>13,761,477</u>
335,375	335,375
52,967,161	113,234,546
9,395,169	9,395,169
3,145,580	3,145,580
	<u>14,818,731</u>
<u>65,843,285</u>	<u>140,929,401</u>
<u>\$ 73,240,828</u>	<u>\$ 154,690,878</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF FAIRFIELD

Reconciliation of the Governmental Funds Balance Sheet To the Government-Wide Statement of Net Position June 30, 2013

Total Fund Balances - Total Governmental Funds \$ 140,929,401

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. Except for the Internal Service Funds amount of \$7,914,382, the capital assets were adjusted as follows:

Nondepreciable Assets	44,209,080
Depreciable buildings, property, equipment, and infrastructure, net	<u>235,880,553</u>
Total Capital Assets	<u>280,089,633</u>

Bond Issuance costs are recorded as an expenditure in the fund financial statements but are capitalized as deferred charges (and subsequently amortized over the life of the bond issue) in the government-wide financial statements. 962,659

The net pension asset resulting from the contributions in excess of the annual required contribution (from the issuance of the Pension Obligation Bonds and the subsequent payment to PERS for pension costs) are not financial resources and therefore are not reported in the funds. 29,843,001

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in Governmental Funds Balance Sheet. (195,599)

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Government-Wide Statement of Net Position. 49,995,885

Deferred revenues recorded in governmental fund financial statements resulting from activities in which revenues were earned but funds were not available, were recognized as revenues in the Government-Wide Financial Statements. 6,133,151

Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet. Except for the Internal Service Funds amount of \$13,823,686, the long-term liabilities were adjusted as follows:

Long-term liabilities - due within one year	(2,218,294)
Long-term liabilities - due in more than one year	<u>(57,893,215)</u>
Total long-term liabilities	<u>(60,111,509)</u>

Net Position of Governmental Activities \$ 447,646,622

The notes to the basic financial statements are an integral part of this statement.

HEART OF SOLANO COUNTY



C A L I F O R N I A

CITY OF FAIRFIELD

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2013

	Major Funds		
	General Fund	Housing Authority	City Capital Projects
REVENUES:			
Property taxes	\$ 26,667,261		
Sales taxes	19,001,983		
Other Taxes	11,671,812		
Development fees			\$ 6,281,986
Special assessments levied			
Licenses, permits and fines	2,604,002		
Developers' contribution			600,869
Intergovernmental	408,014		5,827,946
Charges for services	3,304,095		
Investment income	70,073	\$ 206,013	57,498
Miscellaneous	1,756,428	7,969	854,377
Total revenues	65,483,668	213,982	13,622,676
EXPENDITURES:			
Current:			
Administration	1,265,650		
Finance	1,037,978		
Police	29,122,744		
Fire	13,699,836		
Public Works	6,060,981		
Community Resources	4,108,261	672,298	
Community Development	1,807,860		
Non-departmental	1,124,126		
Capital outlay			16,283,256
Debt service:			
Principal retirement			
Interest			
Fiscal agent fees			
Total expenditures	58,227,436	672,298	16,283,256
Revenues over (under) expenditures	7,256,232	(458,316)	(2,660,580)
OTHER FINANCING SOURCES (USES):			
Transfers in	1,980,827		6,185,973
Transfers out	(4,921,577)	(18,078)	(67,996)
Total other financing sources (uses)	(2,940,750)	(18,078)	6,117,977
Net change in fund balances before extraordinary items	4,315,482	(476,394)	3,457,397
EXTRAORDINARY ITEMS:			
Extraordinary gain --dissolution of Fairfield Redevelopment Agency (Note 18)		36,245,366	
Net change in fund balances	4,315,482	35,768,972	3,457,397
FUND BALANCES:			
Beginning of year, as restated (see Note 20)	10,503,249	8,531,934	12,509,082
End of year	\$ 14,818,731	\$ 44,300,906	\$ 15,966,479

The notes to the basic financial statements are an integral part of this statement.

Total Non-Major Governmental Funds	Total Governmental Funds
\$ 632,111	\$ 27,299,372
2,057,160	19,001,983
4,523,640	13,728,972
212,706	6,281,986
17,392,477	4,523,640
115,938	2,604,002
799,779	813,575
<u>25,733,811</u>	<u>23,628,437</u>
	3,304,095
	449,522
	<u>3,418,553</u>
	105,054,137
	1,265,650
217,226	1,255,204
2,400,059	31,522,803
224,148	13,923,984
3,676,277	9,737,258
10,408,462	15,189,021
73,964	1,881,824
3,114,474	1,124,126
736,890	19,397,730
2,360,629	736,890
29,488	2,360,629
<u>23,241,617</u>	<u>29,488</u>
<u>2,492,194</u>	<u>98,424,607</u>
	6,629,530
2,738,844	10,905,644
<u>(8,162,300)</u>	<u>(13,169,951)</u>
<u>(5,423,456)</u>	<u>(2,264,307)</u>
<u>(2,931,262)</u>	<u>4,365,223</u>
	36,245,366
(2,931,262)	40,610,589
<u>68,774,547</u>	<u>100,318,812</u>
<u>\$ 65,843,285</u>	<u>\$ 140,929,401</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF FAIRFIELD

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities For the Year Ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds	\$ 40,610,589
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlay as expenditures in the amount of \$19,397,730. In the Government-Wide Statement of Activities, a portion of these expenditures, \$5,179,774 are reported as capital assets. Additional departmental assets were recorded at \$1,905,264.	7,085,038
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.	(12,534,448)
Long-term compensated absences are reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, the changes in long-term compensated absences are not reported as expenditures in Governmental Funds.	212,460
Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net	736,890
Amortization of Net Pension Asset does not take place at the fund financial statement level as this item was recorded as expenditures in the year of the related bond issuance. For the Government Wide Statements, these charges are capitalized and amortized over time. This amount is the current year amortization of the Net Pension Asset.	(1,356,499)
Amortization of Deferred Charges does not take place at the fund financial statement level as these items are recorded as expenditures. For the Government Wide Statements, these charges are capitalized and amortized over time.	(9,689)
Accrued interest expense on long-term debt is reported in the Government-Wide Statement of Activities, but it does not require the use of current financial resources. Therefore, accrued interest expense is not reported as expenditures in Governmental Funds. This amount represents the change in accrued interest from prior year.	783,672
In the Governmental Funds, current year interest income accruals on outstanding loans receivable are recorded as deferred revenue due to income not being available. In the Government-Wide Statements, these amounts are recognized as income on the full accrual basis of accounting.	774,483
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The increase in net position, before extraordinary items of the Internal Service Funds is reported with Governmental Activities.	11,799,083
Internal Service Funds recognized a gain on sale of property of \$6,351,608 as proceeds were recognized in this fund for a City capital asset. In the Statement of Net Position, this gain has been reduced by the carrying value of the asset.	(1,868,738)
In the internal service fund financial statements, associated with the dissolution of the Fairfield Redevelopment Agency in FY 2012, the internal service fund financial statements recognized an extraordinary loss on write-down of loans receivables in FY 2013. These loans were owed by the former Fairfield Redevelopment Agency and under state law had to be recalculated and written down, accordingly. See note 18 for more details.	<u>(82,984,009)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (36,751,168)</u></u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF FAIRFIELD

Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual General Fund For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget- Positive (Negative)</u>
Revenues:				
Property taxes	\$ 22,966,000	\$ 22,966,000	\$ 26,667,261	\$ 3,701,261
Sales taxes	17,228,000	17,228,000	19,001,983	1,773,983
Taxes	10,900,000	10,900,000	11,671,812	771,812
Licenses, permits and fines	2,502,000	2,502,000	2,604,002	102,002
Intergovernmental	186,000	186,000	408,014	222,014
Charges for services	3,858,000	3,858,000	3,304,095	(553,905)
Investment income	181,000	181,000	70,073	(110,927)
Miscellaneous	1,893,000	1,893,000	1,756,428	(136,572)
Total Revenues	59,714,000	59,714,000	65,483,668	5,769,668
Expenditures:				
Current:				
Administration	1,525,000	1,525,000	1,265,650	259,350
Finance	1,039,000	1,039,000	1,037,978	1,022
Police	29,226,000	29,226,000	29,122,744	103,256
Fire	13,123,000	13,123,000	13,699,836	(576,836)
Public Works	6,310,000	6,310,000	6,060,981	249,019
Community Resources	3,822,000	3,822,000	4,108,261	(286,261)
Community Development	1,810,000	1,810,000	1,807,860	2,140
Non-departmental	1,930,000	1,930,000	1,124,126	805,874
Total Expenditures	58,785,000	58,785,000	58,227,436	557,564
Excess Revenues Over (Under) Expenditures	929,000	929,000	7,256,232	6,327,232
Other Financing Sources (Uses):				
Transfers in	2,021,000	2,021,000	1,980,827	(40,173)
Transfers out	(5,151,000)	(5,151,000)	(4,921,577)	229,423
Total Other Financing Sources (Uses)	(3,130,000)	(3,130,000)	(2,940,750)	189,250
Net change in fund balance	(2,201,000)	(2,201,000)	4,315,482	6,516,482
Fund Balance - Beginning of Year	10,503,249	10,503,249	10,503,249	-
Fund Balance - End of Year	\$ 8,302,249	\$ 8,302,249	\$ 14,818,731	\$ 6,516,482

The notes to the basic financial statements are an integral part of this statement.

CITY OF FAIRFIELD

Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual Housing Authority Major Special Revenue Fund For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget- Positive (Negative)</u>
Revenues:				
Investment income	\$ 218,000	\$ 210,000	\$ 206,013	\$ (3,987)
Miscellaneous	<u>67,000</u>	<u>8,000</u>	<u>7,969</u>	<u>(31)</u>
Total Revenues	<u>285,000</u>	<u>218,000</u>	<u>213,982</u>	<u>(4,018)</u>
Expenditures:				
Current:				
Community Resources	<u>477,000</u>	<u>439,000</u>	<u>672,298</u>	<u>(233,298)</u>
Total Expenditures	<u>477,000</u>	<u>439,000</u>	<u>672,298</u>	<u>(233,298)</u>
Excess Revenues Over (Under) Expenditures	<u>(192,000)</u>	<u>(221,000)</u>	<u>(458,316)</u>	<u>(237,316)</u>
Other Financing Uses:				
Transfers out			<u>(18,078)</u>	<u>18,078</u>
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>(18,078)</u>	<u>18,078</u>
Net change in fund balances before extraordinary item	<u>(192,000)</u>	<u>(221,000)</u>	<u>(476,394)</u>	<u>255,394</u>
Extraordinary item:				
Extraordinary gain--dissolution of Fairfield Redevelopment Agency (see note 18)			<u>36,245,366</u>	<u>36,245,366</u>
Net change in fund balance	<u>(192,000)</u>	<u>(221,000)</u>	<u>35,768,972</u>	<u>35,989,972</u>
Fund Balance - Beginning of Year	<u>8,531,934</u>	<u>8,531,934</u>	<u>8,531,934</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 8,339,934</u>	<u>\$ 8,310,934</u>	<u>\$ 44,300,906</u>	<u>\$ 35,989,972</u>

The notes to the basic financial statements are an integral part of this statement.

Proprietary Fund Financial Statements

CITY OF FAIRFIELD

Statement of Net Position Proprietary Funds June 30, 2013

	Business-type Activities			
	Water Utility	North Bay Treatment Plant	Transportation	Golf Courses
ASSETS:				
Current Assets				
Cash and investments	\$ 44,195,115	\$ 3,324,605	\$ 1,258,378	\$ 1,171,162
Receivables, net	5,971,643	1,635,491	5,005,106	47,002
Inventory				173,097
Prepaid items				
Due from other funds				
Total current assets	<u>50,166,758</u>	<u>4,960,096</u>	<u>6,263,484</u>	<u>1,391,261</u>
Noncurrent Assets				
Restricted cash and investments	5,613,070	12,479,053		2,168,594
Advances to other funds		2,469,715		
Investment in joint agencies	832,712			
Notes Receivable	115,480			
Deferred charges	1,235,159			1,786,141
Capital assets:				
Nondepreciable	17,296,850	775,851		10,616,939
Depreciable, net	<u>118,279,014</u>	<u>37,288,476</u>	<u>12,859,836</u>	<u>4,018,197</u>
Total capital assets	<u>135,575,864</u>	<u>38,064,327</u>	<u>12,859,836</u>	<u>14,635,136</u>
Total noncurrent assets	<u>143,372,285</u>	<u>53,013,095</u>	<u>12,859,836</u>	<u>18,589,871</u>
Total assets	<u>193,539,043</u>	<u>57,973,191</u>	<u>19,123,320</u>	<u>19,981,132</u>
LIABILITIES:				
Current Liabilities				
Accounts payable and other current liabilities	2,603,176	287,198	5,680,571	445,945
Accrued interest payable	827,377			146,425
Unearned revenue			344,272	263,000
Compensated absences	37,389	55,864	23,864	
Claims and judgments payable				
Long-term debt - due within one year	<u>4,655,000</u>			<u>845,000</u>
Total current liabilities	<u>8,122,942</u>	<u>343,062</u>	<u>6,048,707</u>	<u>1,700,370</u>
Noncurrent Liabilities				
Advances from other funds	2,469,715			23,796,212
Accrued interest payable	12,662,841			
Compensated absences	336,503	502,777	214,777	
Claims and judgments payable				
Net OPEB obligation				
Long-term debt - due in more than one year	<u>103,544,985</u>			<u>7,229,537</u>
Total noncurrent liabilities	<u>119,014,044</u>	<u>502,777</u>	<u>214,777.00</u>	<u>31,025,749</u>
Total liabilities	<u>127,136,986</u>	<u>845,839</u>	<u>6,263,484</u>	<u>32,726,119</u>
NET POSITION:				
Net investment in capital assets	32,988,949	38,064,327	12,859,836	8,729,193
Restricted for major maintenance		12,479,053		
Restricted for minority interest		2,779,755		
Unrestricted	<u>33,413,108</u>	<u>3,804,217</u>	<u>-</u>	<u>(21,474,180)</u>
Total net position (deficit)	<u>\$ 66,402,057</u>	<u>\$ 57,127,352</u>	<u>\$ 12,859,836</u>	<u>\$ (12,744,987)</u>

The notes to the basic financial statements are an integral part of this statement.

Police Training Center	Total Enterprise Funds	Governmental Activities Internal Service Funds
\$ 420	\$ 49,949,680	\$ 39,042,446
7,399	12,666,641	134,245
	173,097	488,970
	-	28,891
	-	191,772
<u>7,819</u>	<u>62,789,418</u>	<u>39,886,324</u>
	20,260,717	
	2,469,715	16,448,144
	832,712	
	115,480	
	3,021,300	
856,126	29,545,766	1,144,000
9,551,436	181,996,959	6,770,382
<u>10,407,562</u>	<u>211,542,725</u>	<u>7,914,382</u>
10,407,562	238,242,649	24,362,526
<u>10,415,381</u>	<u>301,032,067</u>	<u>64,248,850</u>
8,019	9,024,909	424,225
	973,802	5,054
	607,272	
	117,117	
		1,277,386
	5,500,000	252,056
<u>8,019</u>	<u>16,223,100</u>	<u>1,958,721</u>
	26,265,927	
	12,662,841	
	1,054,057	
		9,370,614
		689,620
	<u>110,774,522</u>	<u>2,234,010</u>
-	150,757,347	12,294,244
<u>8,019</u>	<u>166,980,447</u>	<u>14,252,965</u>
10,407,562	103,049,867	7,914,382
	12,479,053	
	2,779,755	
(200)	15,742,945	42,081,503
<u>\$ 10,407,362</u>	<u>\$ 134,051,620</u>	<u>\$ 49,995,885</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF FAIRFIELD

Statement of Revenues, Expenses and Changes in Net Position Proprietary Funds For the Year Ended June 30, 2013

	Business-type Activities			
	Water Utility	North Bay Treatment Plant	Transportation	Golf Courses
OPERATING REVENUES:				
Charges for services	\$ 32,117,017	\$ 11,359,519	\$ 2,189,776	\$ 4,318,980
Miscellaneous	650,308		62,302	3,400
Total operating revenues	32,767,325	11,359,519	2,252,078	4,322,380
OPERATING EXPENSES:				
Material and supplies				
Operating and maintenance	21,109,013	5,278,063	9,223,399	3,699,159
General and administrative	4,670,076	818,203	1,227,913	
Premiums/provision for insurance claims				
Depreciation	6,127,178	1,157,914	1,966,068	798,738
Total operating expenses	31,906,267	7,254,180	12,417,380	4,497,897
Operating income (loss)	861,058	4,105,339	(10,165,302)	(175,517)
NONOPERATING REVENUES (EXPENSES):				
Investment income	168,829	52,081	4,050	1,338
Interest expense	(6,331,242)			(1,702,355)
Intergovernmental revenue			7,075,949	
Other revenue (expense)	(359,668)		24,500	35,143
Total nonoperating revenues (expenses)	(6,522,081)	52,081	7,104,499	(1,665,874)
Income (loss) before contributions and transfers	(5,661,023)	4,157,420	(3,060,803)	(1,841,391)
Capital contributions			5,177,512	
Transfers:				
Transfers in				504,077
Transfers out	(181,487)	(91,245)	(28,350)	
Total transfers	(181,487)	(91,245)	(28,350)	504,077
Change in net position before extraordinary items	(5,842,510)	4,066,175	2,088,359	(1,337,314)
Extraordinary items:				
Extraordinary loss--dissolution of Fairfield Redevelopment Agency				
Change in net position	(5,842,510)	4,066,175	2,088,359	(1,337,314)
NET POSITION (DEFICIT):				
Beginning of year, as restated (See Note 20)	72,244,567	53,061,177	10,771,477	(11,407,673)
End of year	<u>\$ 66,402,057</u>	<u>\$ 57,127,352</u>	<u>\$ 12,859,836</u>	<u>\$ (12,744,987)</u>

The notes to the basic financial statements are an integral part of this statement.

Police Training Center	Total Enterprise Funds	Governmental Activities Internal Service Funds
\$ 116,781	\$ 50,102,073	\$ 13,354,580
2,598	718,608	
119,379	50,820,681	13,354,580
4,593	4,593	3,511,144
154,742	39,464,376	3,693,794
10,761	6,726,953	1,916,208
	-	16,031
538,159	10,588,057	1,049,289
708,255	56,783,979	10,186,466
(588,876)	(5,963,298)	3,168,114
	226,298	210,914
	(8,033,597)	(49,195)
	7,075,949	
	(300,025)	6,447,938
-	(1,031,375)	6,609,657
(588,876)	(6,994,673)	9,777,771
	5,177,512	
40,000	544,077	2,208,000
	(301,082)	(186,688)
40,000	242,995	2,021,312
(548,876)	(1,574,166)	11,799,083
	-	(82,984,009)
(548,876)	(1,574,166)	(71,184,926)
10,956,238	135,625,786	121,180,811
\$ 10,407,362	\$ 134,051,620	\$ 49,995,885

The notes to the basic financial statements are an integral part of this statement.

CITY OF FAIRFIELD

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013**

	Business-type Activities			
	Water Utility	North Bay Treatment Plant	Transportation	Golf Courses
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 29,887,851	\$ 8,491,566	\$ 2,238,452	\$ 4,331,518
Payments to suppliers	(13,290,244)	(3,637,983)	(7,474,709)	(3,675,227)
Payments to employees	(3,986,989)	(1,659,552)	(374,415)	
Payments for interfund services used	(4,073,703)	(293,269)	(2,353,380)	
Net cash provided by (used for) operating activities	<u>8,536,915</u>	<u>2,900,762</u>	<u>(7,964,052)</u>	<u>656,291</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Grants			8,932,848	
Transfers in				504,077
Transfers out	(181,487)	(91,245)	(28,350)	
Net cash provided by (used for) noncapital financing activities	<u>(181,487)</u>	<u>(91,245)</u>	<u>8,904,498</u>	<u>504,077</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from capital debt				
Proceeds from refunding debt	5,398,288			
Payment to refunded bond escrow	(5,814,000)			
Bond issuance costs paid	134,925			
Principal payments-bonds	(4,520,000)			(980,000)
Principal payments-notes payable				
Interest paid	(3,493,898)			(304,385)
Fiscal agent fees paid	(12,802)			(8,393)
Capital contributions			3,913,658	
Proceeds from sales of capital assets	72,037		24,500	
Purchases of capital assets	(426,633)	(644,222)	(4,916,402)	(66,950)
Construction of capital assets	(3,873,108)			
Net cash used by capital and related financing activities	<u>(12,535,191)</u>	<u>(644,222)</u>	<u>(978,244)</u>	<u>(1,359,728)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income received	228,458	49,473	4,711	1,338
Net cash provided by investing activities	<u>228,458</u>	<u>49,473</u>	<u>4,711</u>	<u>1,338</u>
Net increase (decrease) in cash and cash equivalents	(3,951,305)	2,214,768	(33,087)	(198,022)
CASH AND CASH EQUIVALENTS:				
Beginning of year	53,759,490	13,588,890	1,291,465	3,537,778
End of year	<u>\$ 49,808,185</u>	<u>\$ 15,803,658</u>	<u>\$ 1,258,378</u>	<u>\$ 3,339,756</u>

The notes to the basic financial statements are an integral part of this statement.

Police Training Center	Total Enterprise Funds	Governmental Activities Internal Service Funds
\$ 126,870	\$ 45,076,257	\$ 18,839,217
(136,074)	(28,214,237)	(9,188,220)
	(6,020,956)	(2,650,141)
<u>(30,376)</u>	<u>(6,750,728)</u>	<u>(540,518)</u>
<u>(39,580)</u>	<u>4,090,336</u>	<u>6,460,338</u>
	8,932,848	
40,000	544,077	2,208,000
	<u>(301,082)</u>	<u>(186,688)</u>
<u>40,000</u>	<u>9,175,843</u>	<u>2,021,312</u>
	-	763,782
	5,398,288	
	(5,814,000)	
	134,925	
	(5,500,000)	
	-	(473,029)
	(3,798,283)	(44,141)
	(21,195)	
	3,913,658	
	96,537.00	96,330
	(6,054,207)	(1,756,813)
	<u>(3,873,108)</u>	
<u>-</u>	<u>(15,517,385)</u>	<u>(1,413,871)</u>
	283,980	191,350
<u>-</u>	<u>283,980</u>	<u>191,350</u>
420	(1,967,226)	7,259,129
	72,177,623	31,783,317
<u>420</u>	<u>\$ 70,210,397</u>	<u>\$ 39,042,446</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF FAIRFIELD

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

	Business-type Activities			
	Water Utility	North Bay Treatment Plant	Transportation	Golf Courses
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities:				
Operating income (loss)	\$ 861,058	\$ 4,105,339	\$ (10,165,302)	\$ (175,517)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	6,127,178	1,157,914	1,966,068	798,738
(Increase) decrease in receivable	(2,994,954)	(398,238)	(17,671)	9,139
(Increase) decrease in inventory				(6,585)
(Increase) decrease in prepaid items				
(Increase) in advances to other funds		(2,469,715)		
Increase (decrease) in accounts payable	(736,643)	(53,179)	66,352	29,084
Increase (decrease) in compensated absences	373,892	558,641	238,641	
Increase (decrease) in claims and judgments payable				
Increase (decrease) in net OPEB obligation				
Increase (decrease) deferred revenue			(52,140)	1,432
Increase in advances from other funds	2,469,715			
Non-cash expense	2,436,669			
Receipt of other revenue				
Total adjustment	<u>7,675,857</u>	<u>(1,204,577)</u>	<u>2,201,250</u>	<u>831,808</u>
Net cash provided by (used for) operating activities	<u>\$ 8,536,915</u>	<u>\$ 2,900,762</u>	<u>\$ (7,964,052)</u>	<u>\$ 656,291</u>

The notes to the basic financial statements are an integral part of this statement.

Police Training Center	Total Enterprise Funds	Governmental Activities Internal Service Funds
\$ (588,876)	\$ (5,963,298)	\$ 3,168,114
538,159	10,588,057	1,049,289
7,491	(3,394,233)	(14,945)
	(6,585)	(52,874)
	-	145,419
	(2,469,715)	(827,745)
3,646	(690,740)	(29,266)
	1,171,174.0	
	-	370,000
	-	(3,673,379)
	(50,708)	
	2,469,715	(25,883)
	2,436,669	
	-	6,351,608
549,296	10,053,634	3,292,224
\$ (39,580)	\$ 4,090,336	\$ 6,460,338

The notes to the basic financial statements are an integral part of this statement.

HEART OF SOLANO COUNTY



FAIRFIELD

C A L I F O R N I A

Fiduciary Fund Financial Statements

CITY OF FAIRFIELD

**Statement of Net Position
Fiduciary Funds
June 30, 2013**

	Agency Funds	Successor Agency to the Fairfield Redevelopment Agency Private-Purpose Trust Fund
	<u> </u>	<u> </u>
ASSETS		
Cash and investments	\$ 12,830,211	\$ 4,506,001
Receivables, net	855,734	6,502,248
Restricted cash and investments	4,312,151	5,339,589
Land held for resale		11,449,717
Total Assets	<u><u>\$ 17,998,096</u></u>	<u><u>27,797,555</u></u>
LIABILITIES		
Accounts payable and other current liabilities	\$ 17,998,096	17,368
Interest payable		882,108
Loans payable to City of Fairfield		4,550,490
Notes payable		2,141,499
Long-term debt - due within one year		2,955,000
Long-term debt - due in more than one year		43,205,000
Total Liabilities	<u><u>\$ 17,998,096</u></u>	<u><u>53,751,465</u></u>
NET POSITION		
Held in trust		<u>(25,953,910)</u>
Total Net Position		<u><u>\$ (25,953,910)</u></u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF FAIRFIELD

Statement of Changes in Net Position Fiduciary Funds June 30, 2013

	Successor Agency to the Fairfield Redevelopment Agency Private-purpose Trust Fund
ADDITIONS:	
Property Taxes	\$ 4,235,713
Miscellaneous income	436,516
Total additions	<u>4,672,229</u>
DEDUCTIONS:	
Dissolution payments to Solano County	15,525,372
Enforceable Obligations	2,699,238
Program expenditures	2,872,790
Total deductions	<u>21,097,400</u>
Extraordinary Gain--dissolution of Redevelopment (See note 18)	33,942,678
Change in net position	<u>17,517,507</u>
NET POSITION:	
Beginning of Period	(43,471,417)
End of Period	<u>\$ (25,953,910)</u>

The notes to the basic financial statements are an integral part of this statement.

HEART OF SOLANO COUNTY



FAIRFIELD

C A L I F O R N I A

Notes to the Basic Financial Statements (continued)

1) Summary of Significant Accounting Policies**A. Organization and Reporting Entity**

The City of Fairfield (the City) was incorporated on December 12, 1903, under the laws of the State of California. The City is a general law city administered by a Council-Manager form of government. As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable.

Component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the City. Based on the above criteria, the accompanying financial statements include the financial activities of these component units:

- Fairfield Public Financing Authority
- Fairfield Municipal Park Improvement District No. 1
- Fairfield Storm Drain Facilities Improvement District No. 1
- Fairfield Water Facilities Improvement District No. 1
- Fairfield Community Facilities Districts
- Housing Authority of the City of Fairfield

These entities are legally separate from each other; however, the City Council serves in separate session as the governing body of these related agencies. The financial activities of these entities are integrally related to those of the City and blended with those of the City. Blending involves aggregating/merging component unit data and data from the City at both the Government-Wide and Fund Financial Statement level.

The City also has an ownership interest in the Solano Water Authority and the California Joint Powers Risk Management Authority. These entities do not meet the criteria for being a component unit of the City, and their financial information is not combined with that of the City. The City's equity investment in the Solano Water Authority is reported in the Water Utility Enterprise Fund as an Investment in Joint Venture.

Each of the component units or activities included in the Government-Wide and Fund Financial Statements is described as follows:

Fairfield Public Financing Authority

The Fairfield Public Financing Authority (the Financing Authority) is a public agency created under a joint exercise of powers agreement between the City and the former Redevelopment Agency (now Successor Agency). The Financing Authority was created for the purpose of providing financing of public capital improvements for the City and the former Agency. The City Council is the governing board of the Financing Authority.

Fairfield Water Facilities Improvement District No. 1

The Fairfield Water Facilities Improvement District No. 1 (the Water Improvement District) is a voter-approved improvement district formed in 1972 to finance and build water treatment and storage facilities. The City Council is the governing board of the Water Improvement District. This entity is a blended component because the governing body of the City is the same as that of the Authority and management of the City has operational responsibility for the District.

Fairfield Municipal Park Improvement District No. 1

The Fairfield Municipal Park Improvement District No. 1 (the Park Improvement District) is a voter-approved improvement district formed in 1972 to finance acquisition and construction of parks and recreational facilities.

Notes to the Basic Financial Statements (continued)

The City Council is the governing board of the Park Improvement District. This entity is a blended component because the governing body of the City is the same as that of the Authority and management of the City has operational responsibility for the District.

Fairfield Storm Drain Facilities Improvement District No. 1

The Fairfield Storm Drain Facilities Improvement District No. 1 (the Storm Drain Facilities Improvement District) is a voter-approved improvement district formed in 1972 to finance construction of storm drainage facilities. The City Council is the governing board of the Storm Drain Facilities Improvement District. This entity is a blended component because the governing body of the City is the same as that of the Authority and management of the City has operational responsibility for the District.

Fairfield Community Facilities Districts

The City of Fairfield Community Facilities Districts were created in accordance with the State of California Mello-Roos Community Facilities Act of 1972. The Districts were formed to levy special taxes, issue bonds, and obtain loans supported by special taxes for open space and general traffic and street improvements. The City Council is the governing board of the Fairfield Community Facilities District. This entity is a blended component because the governing body of the City is the same as that of the Authority and management of the City has operational responsibility for these Districts.

Housing Authority of the City of Fairfield

The Housing Authority of the City of Fairfield (the Housing Authority) is organized under the California Health and Safety Code. The objectives of the Housing Authority are to aid low-income families in obtaining decent, safe and sanitary housing through Federal assistance programs and low/moderate income housing programs.

The Housing Authority is governed by a Board of Commissioners composed of five City Council members and two members of the public. (See municipal officers for Housing Authority on page xii.) This entity is a blended component because the governing body of it and the City are substantively the same and management of the City has operational responsibility for the Authority.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. These statements implement all the applicable GASB statements.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounts of the City and its component units are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Government - Wide Financial Statements

The City Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These statements are presented on an *"economic resources"* measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement

Notes to the Basic Financial Statements (continued)

of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying reconciliation schedule is presented to explain the differences in governmental fund balances as presented in these statements to the net position presented in the Government-Wide financial statements.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period (the City considers all revenues available if they are collected within 60 days after year end). Property taxes, sales tax, franchise taxes, licenses, interest, and special assessments are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the government and recognized as revenue at that time. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The City has presented all major funds that met the applicable criteria. The City of Fairfield reports the following major governmental funds:

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those which are restricted as to use.

The Housing Authority Special Revenue fund is used to account for housing assets, functions, and all responsibility previously performed by the now defunct Redevelopment Agency, including financial development and rehabilitation of low and moderate income housing units including all revolving loan fund programs. The fund is restricted to account for the use of the resources that will increase, improve and preserve the supply of housing available for the low and moderate-income households.

The City Capital Projects Fund is used to account for construction projects. The primary sources of funding have been City-levied development taxes, State Gas Tax, Local Transportation Tax, Traffic Safety funds and temporary loans to projects.

Notes to the Basic Financial Statements (continued)

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund.

A column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide financial statements. Internal Service Funds account for the following activities: Central Stores, Automotive Services, Communication Services, Intra-governmental Loans, Insurance and Public Buildings. These funds provide a variety of services to all City departments such as printing and mailing, automotive, communication, cogeneration and Civic Center maintenance, insurance requirements, as well as loans and advances.

Proprietary funds are accounted for using the *"economic resources"* measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The City has presented all proprietary funds as major funds because the City believes the financial position and activities of these funds are significant to the City as a whole. The City of Fairfield reports the following major proprietary fund types:

The Water Utility Fund accounts for the operations of the water system. This is a self-supporting activity which provides water services on a user charge basis to residences and businesses located in the City.

The North Bay Treatment Plant is used to account for the operations of a joint water treatment plant built by the cities of Fairfield and Vacaville. This plant supplies treated water to both the cities. City of Fairfield is the designated administrator and operator of the plant.

The Transportation Fund accounts for the operations of the City's transportation system for a fixed route and demand response service which, along with fare box revenues, receives grants from the Transportation Development Act (TDA) and the Federal Transit Administration (FTA).

The Golf Course Fund accounts for the operations of the two City-owned public golf courses (Rancho Solano and Paradise Valley). The revenue generated from the courses is used to pay the debt service payments on the bond issues with which the courses were constructed.

The Police Training Facility fund accounts for the operations of the training facility built by the City of Fairfield. The facility includes twenty 25-yard pistol lanes, six 100-yard rifle range, three driving simulators, force option simulator, conference room, and classroom along with other miscellaneous training rooms. The facility is one of the only training centers which offers such a wide range of on-site training in Northern California and will be used by surrounding public safety agencies to support the operational costs.

The City reports the following internal service funds:

The Central Stores fund accounts for the printing, copying, and mail services provided to the various City departments; as well as accounting for public work maintenance supplies for the various City departments.

Notes to the Basic Financial Statements (continued)

The Automotive Services fund accounts for automotive services performed for the various City departments as well as accounting for the City's Vehicle Replacement Fund.

The Communication Services fund accounts for the charges to the various departments for the use and maintenance of the main power supplies for various communication devices such as hand radios, phones, and computers.

The Intragovernmental loan fund accounts for loans made to City funds or affiliated agencies.

The Insurance fund accounts for all insurance activities of the City.

The Public Buildings fund accounts for the operation of the cogeneration facilities, and major maintenance of the Civic Center complex.

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Position and Statement of Changes in Net Position. The City's Fiduciary funds represent Agency Funds and Private Purpose Trust Funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting. Agency activities include Other Deposits, Payroll Trust, Solid Waste, Fairfield-Suisun Sewer District, Downtown Improvement District, North Texas Business Improvement District, Solano Animal Control, Green Valley Maintenance District, Tri-City County Regional Parks and Open Space Group, Tourism Business Improvement District, and Assessment and Improvement Districts (for servicing the debt service of the non-commitment debt—see note 19).

The Private Purpose Trust Fund is a Fiduciary Fund type used by the City to report trust arrangements under which principal and income benefit other governmental entities. This trust fund uses the economic resources measurement focus and the accrual basis of accounting. This fund reports the assets, liabilities and activities of the Successor Agency to the former Fairfield Redevelopment Agency (Successor Agency).

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City's policy is to use the restricted net position first.

Use of Estimates

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

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash equivalents are defined as investments with original maturities of 90 days or less, which are readily convertible to known amounts of cash and not subject to significant changes in value from interest rate fluctuations. All cash and investments of the proprietary fund types are pooled with the City's pooled cash and investments, and is considered cash and cash equivalents.

Investments

Investments are recorded at fair value; changes in fair value are included with investment income in the operating statements.

Notes to the Basic Financial Statements (continued)

Restricted Cash and Investments

In the Proprietary, Special Revenue, Debt Service, and Capital Projects funds, certain proceeds of debt issues, as well as certain resources, are set aside for their repayment and classified as restricted cash and investments on the balance sheet because their use is limited by applicable bond covenants and/or other agreements.

Unbilled Services Receivable

Utility Revenue is recorded when earned. Customers are billed bi-monthly. The estimated value of services provided but unbilled at year-end has been included in the accompanying financial statements.

Inventory and Prepaid Items

Inventory is valued at cost using the first in, first out method. Inventory in the Proprietary Funds consists of expendable supplies held for future consumption or capitalization. The cost is recorded as an expense as inventory items are consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting general capital assets at \$5,000 and infrastructure at \$100,000. Donations or contributions of capital assets are recorded at fair market value when received.

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

Buildings	30-60 years
Improvements.....	30-60 years
Equipment.....	5-60 years
Infrastructure.....	25-60 years

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include the street system, water purification and distribution system, sewer and water pipes system, park and recreation lands and improvement, storm water conveyance system, and buildings combined with the site amenities such as parking and landscaped areas used by the City in the conduct of its business. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land. These subsystems were not delineated in the Basic Financial Statements. The appropriate operating department maintains information regarding the subsystems.

Capitalized Interest

For the City's business-type activities, interest costs relating to the acquisition or construction of capital assets are capitalized as a component of the cost of the capital assets. In situations where the construction of capital assets is financed with proceeds from tax-exempt debt, the amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on investment proceeds over the same period. In situations where the construction of capital assets is financed with proceeds from taxable debt, the amount of interest to be capitalized is calculated by applying the specific or otherwise determined borrowing rate to the average accumulated expenditures pertaining to the project, including previously any capitalized interest on incomplete projects. Under both methods, interest is only capitalized up to the amount of interest incurred during the fiscal year.

Notes to the Basic Financial Statements (continued)

Compensated Absences

The liability for compensated absences includes the unused vacation leave and compensatory time off and personal leave, which are accrued as earned. No compensation is payable for sick leave but at retirement certain percentage, based upon years served may be deposited into the retirees medical vantage care account.

Government-Wide Financial Statements

For governmental and business-type activities, compensated absences are recorded as incurred and related expenses and liabilities are reported.

Fund Financial Statements

In governmental funds, expenditures and liabilities related to compensated absences are recognized only if they have matured. Thus, the liability that is reported includes the amount of unused reimbursable leave payable to employees who had terminated their employment at the end of the fiscal year. In proprietary funds, compensated absences are expensed and funded by the various funds in the period they are earned.

Fund Balances

The Government Fund Balances consist of Nonspendable, Restricted, Committed, Assigned and Unassigned amounts as described below: (See Note 12 for tabular presentation)

Nonspendable: Items that cannot be spent because they are not in spendable form, long term portions of receivables, inventories, prepaid items, and also items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan fund.

Restricted: Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed: Committed fund balances encompass the portion of net fund resources which use is constraint by limitations that the government imposes upon itself by formal action through City Council Resolution or Ordinance. The City Council is also the highest level of decision making for all of its component units. Commitments may be changed or removed only by the same formal action (City Resolution or City Ordinance) taken by the City Council to impose the constraint.

Assigned: Assigned fund balances encompass the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The City Council has retained authority to assign funds for the City of Fairfield.

Unassigned: This category is for all balances that have no restrictions placed upon them.

Spending Policy

The City believes that sound financial management principles require that sufficient funds be retained by the City to provide a stable financial base at all times. To retain this stable financial base, the City needs to maintain unrestricted fund balance in its General Fund sufficient to fund cash flows of the City and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. The City has adopted a policy to achieve and maintain unrestricted fund balance in the General Fund of 20% by fiscal year 17/18.

Notes to the Basic Financial Statements (continued)

The City's policy is to spend restricted fund balances first, before spending unrestricted fund balances, for expenditures incurred for purposes for which both restricted and unrestricted fund balances are available, except for instances wherein a City ordinance or resolutions specifies the fund balance.

The City's policy is that committed and assigned fund balances are considered to have been spent first before unassigned fund balances have been spent, when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used, except for instances wherein a City ordinance specifies the fund balance.

Implementation of New GASB Pronouncements

In fiscal year 2012-2013, the City implemented new accounting standards in order to conform to the following Governmental Accounting Standards Board (GASB) Statements:

Statement No. 60	<i>Accounting and Financial Reporting for Service Concession Arrangements</i>	Provides guidance for the financial reporting and accounting of service concession arrangements. This statement did not have a material effect on the financial statements.
Statement No. 61	<i>The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34</i>	Modifies existing requirements in the determination of component units for inclusion in the financial reporting entity.
Statement No. 62	<i>Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements</i>	Codifies all sources of generally accepted accounting principles for local and state governments so that they come from one source.
Statement No. 63	<i>Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position</i>	Establishes standards and provides guidance for the reporting of deferred inflows of resources, deferred outflows of resources, and net position.

C. Stewardship, Compliance, and Accountability**Budgetary Information**

The City adopts annual budgets for the General and Special Revenue Funds. The City adopts project (versus annual) budgets for the Capital Project Funds. The City also adopts annual budgets for the Enterprise Funds, although it is not legally required to do so. The Debt Service Funds' budgets are adopted when the debt issuances are authorized. The City uses the following procedures in establishing the annual budgets and financial plans: After January 1, the departments prepare estimates for required appropriations for the fiscal year commencing the following July 1. The proposed budget includes estimated expenditures and forecast revenues for the fiscal year. A ten-year financial plan for all funds is included in the proposed budget. The initial budget is presented to the City Manager and the City staff for review. Prior to July 1, the proposed budget is submitted to the City Council and public hearings are conducted at the City Council meetings. After the public hearings are concluded and the public comments are considered, the City Council adopts the budget resolutions. The approved budgets may be amended by the City Council during the year, and were so

Notes to the Basic Financial Statements (continued)

amended in fiscal year 2013, in accordance with legally adopted budget practices. The effect of the amendments was not material in relation to the original appropriations.

City Council approval is required to transfer General Fund operating budget appropriations between departments; however, departments may exceed the departmental appropriations provided the total General Fund expenditure control budget and the unspent carryover budget are not exceeded. The City's department heads may make transfers of appropriations within a department. The legal level of budgetary control is at the department level. A deflator procedure is established for reducing the unspent prior year appropriations that are carried over into the next fiscal year in the event of a deficiency of General Fund balance and resources.

For Special Revenue Funds, budgets are appropriated and approved by the City Council at the fund level. Original appropriations for all General and Special Revenue Funds are carried forward and held until spent, with the exception of the Housing Assistance Fund, whose appropriations lapse at year end. The budgets for the General and Special Revenue Funds are adopted on the modified accrual basis (GAAP) consistent with the basis used for fund financial reporting.

2) Property Taxes

Property taxes are levied and become a lien on real property at January 1, based on the assessed values determined by the Solano County Assessor (the County). Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. Property tax revenues are recognized when levied.

Article XIII of the California Constitution (more commonly known as "Proposition 13") limits ad valorem taxes on real property to 1 percent of value plus taxes necessary to pay indebtedness approved by voters prior to July 1, 1978. The Article also established the 1975/76 assessed valuation as the basis and limits annual increases to the cost of living, not to exceed 2 percent, for each year thereafter. Property may also be reassessed to full market value after a sale, transfer of ownership, or completion of new construction. The State is prohibited under the Article from imposing new ad valorem, sales or transactions taxes on real property. Local government may impose special taxes (except on real property) with the approval of 2/3 of the qualified electors.

In addition to the City's property tax levies for voter-approved debt, Solano County levies property taxes limited to \$1 per \$100 of assessed valuation for county, cities, schools and special districts' operating expenditures. This additional property tax levy is distributed to the different governmental agencies under the State mandated alternate method of apportioning taxes (commonly referred to as the "Teeter Plan") whereby all local agencies with historical tax delinquency rates less than three percent, including cities, receive from the county 100% of their respective shares of the amount of ad valorem taxes levied, without regard to the actual collection of taxes levied. This method was placed in effect by Solano County in the 1965/66 tax year and remains in effect unless the County Board of Supervisors orders its discontinuance.

Notes to the Basic Financial Statements (continued)

3) Interfund Transactions

The City had numerous transactions between funds to finance operations, provide services, construct assets, and service debt all within the course of normal business operations. As discussed above, these transactions are classified as transfers in/out, due to/from other funds or advances to/from other funds. The following tables summarize interfund transfers (as presented in the City's Fund Financial Statements) for the fiscal year ended June 30, 2013:

	Transfers In (fund receiving transfer):						Totals
	Governmental Funds			Enterprise			
	General Fund	City Capital Projects	Non-Major Governmental Funds	Golf Courses	Police Training Center	Internal Service	
Transfers Out: (fund making transfer)							
Governmental Funds:							
General Fund			\$ 2,169,500	\$ 504,077	\$ 40,000	\$ 2,208,000	\$ 4,921,577
Housing Authority Special Revenue Fund			18,078				18,078
City Capital Projects Fund			67,996				67,996
Non-Major Governmental Funds	\$ 1,905,827	\$ 6,185,973	70,500				8,162,300
Enterprise Funds:							
Water Utility			181,487				181,487
North Bay Treatment Plant			91,245				91,245
Transportation			28,350				28,350
Golf Courses							
Total Enterprise Funds	-	-	301,082	-	-	-	301,082
Internal Service Funds	75,000		111,688				186,688
Totals	\$ 1,980,827	\$ 6,185,973	\$ 2,738,844	\$ 504,077	\$ 40,000	\$ 2,208,000	\$ 13,657,721

The major transfer activity consists of the following:

General Fund - Transfer in of \$1,500,000 from Non-Major Governmental Funds (State Gas Tax Special Revenue Fund) is primarily to fund the costs incurred for traffic operations in the General Fund (i.e. the operations and maintenance traffic signals, street lights, traffic signs and miles of street striping). Also, \$314,000 was transferred in from Non-Major Governmental Funds (Public Safety Special Revenue Fund) for subsidizing Police Operations.

City Capital Projects – Transfer in from Non-Major Governmental Funds (Gas Tax Special Revenue Fund, Development Tax Special Revenue Fund, and Special Programs Special Revenue Fund) with a combined amount of \$4,343,344 to fund street maintenance, traffic improvements, pavement rehabilitation and various street capital projects. The construction of these capital projects are needed to meet standards contained in the City's General Plan. Also, there was a transfer in from Non-Major Governmental Funds (Assessment and Improvement Districts Capital Projects Fund) for \$1,842,629 which was for pavement rehabilitation of various street projects in the City.

Non-Major Governmental Funds – The majority of the \$2,738,844 transfer in is from various funds, including the General Fund which transferred \$2,012,500 into the Non-Major Governmental Fund (Pension Obligation Debt Service Fund) for the servicing of the Pension Obligation Bond debt.

Notes to the Basic Financial Statements (continued)

The composition of interfund receivable/payable balances at June 30, 2013 are as follows:

<u>Due From Other Funds: (fund making loan)</u>	<u>Due to Other Funds (fund receiving loan)</u>
	<u>Non-Major Governmental Funds</u>
Internal Service Funds	\$ 191,772
Totals	<u>\$ 191,772</u>

Due to Other Funds consist of short term advances for year-end cash flow purposes.

Advances From/To Other Funds consist of the following at June 30, 2013:

<u>Advances to Other Funds (fund making loan)</u>	<u>Advances From Other Funds (fund receiving loan)</u>		<u>Totals</u>
	<u>Water Utility</u>	<u>Golf Courses</u>	
Non-Major Governmental Fund		\$ 7,348,068	\$ 7,348,068
Internal Service Funds		16,448,144	16,448,144
Enterprise Funds			
North Bay Treatment Plant	\$ 2,469,715		2,469,715
Totals	<u>\$ 2,469,715</u>	<u>\$ 23,796,212</u>	<u>\$ 26,265,927</u>

Enterprise - Golf Courses - \$23,796,212 in advances represent principal and interest on loans received primarily to facilitate the construction of the two golf courses: \$16,448,144 from the Internal Service IGS Loan Fund and \$7,348,068 from the Non-Major Special Revenue Fund—Development Tax Fund. The advances made to the Golf Course Fund are not expected to be repaid within one year and are long term in nature. The Enterprise Fund—North Bay Treatment Plant advanced funds to the Enterprise Fund—Water Utility Funds to finance water plant improvements. The North Bay Treatment Plant Loan will be repaid over a five year period.

4) Cash and Investments

The City manages the cash of the City and component units on a pooled basis. Funds are invested in accordance with Section 53601 of the State government code and the City's established investment policy. All monies not required for immediate expenditure are invested or deposited to earn the maximum yield consistent with safety and liquidity. All investments have the City as registered owner or are kept in the custody of the City or a qualified safekeeping institution. A monthly report is submitted to the City Manager and City Council showing a description of the investments, purchase price, purchase date, current market value for all securities with a maturity of more than 12 months, maturity date, par value, discount or premium if any, cost, yield, safekeeping institution for each deposit or investment, average weighted maturity and effective yield of the portfolio. A portion of the portfolio is managed by third party investment managers.

Notes to the Basic Financial Statements (continued)

A. Deposits

The carrying amount of the City's cash deposits at June 30, 2013 was \$13,061,064 and the bank balance was \$12,558,393. The entire bank balance was covered by federal depository insurance up to \$250,000 or by collateral held by the City's agent in the City's name as discussed below.

The California Government code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

B. Investments

The City's investment policy restricts investments to the following:

Certificates of Deposit must be FDIC insured or fully collateralized. They must also be purchased from banks or financial institutions located in California.

Negotiable Certificates of Deposit may not exceed 30% of the City's invested funds.

Bankers' Acceptances must be issued by domestic branches or subsidiaries of foreign banks, the short term paper of which is rated in the highest category by Moody's Investor Services, Inc. ("Moody's") or by Standard and Poor's Corporation ("Standard and Poor's"). The issuing bank must be domiciled in a country rated AAA by Moody's, or by Fitch.

Treasury Bills and Notes with a maximum maturity of five years.

Federally-Sponsored Credit Agency Securities with a maximum maturity of five years.

Repurchase Agreements may only be purchased from the 15 largest banks in the U.S. and are used solely as a short-term investment, not to exceed 90 days. Repurchase agreements are supported by eligible investments, of which physical delivery to or safekeeping documentation from a qualified safekeeping institution is required.

Local Agency Investment Fund (LAIF) deposits may be made in this fund up to the State of California limit of \$50,000,000 for each government entity. The City and its component units have four accounts with LAIF, therefore the maximum deposit that may be made is \$200,000,000.

Savings Accounts, Money Market Accounts and General Checking Accounts may be used to deposit idle cash. No account may be opened without written authorization from the Finance Director.

Commercial Paper must be rated prime quality (A1 by Moody's or P1 by Standard and Poor's). Eligible paper is further limited to notes issued by corporations organized and operating within the U.S. and having total assets in excess of \$500,000,000 and having an "A" or higher rating in other long term debt.

Corporate Medium-Term Notes must be rated at least A by an NRSO (Nationally Recognized Statistical Rating Organization). The maximum maturity of medium-term notes may not exceed five years. No more than 25% of the City's portfolio may be invested in this category. "Asset Backed Securities" (i.e., credit card securities) purchases are only allowed with approval of the Finance Director; must be rated AAA; and no more than 20% of the portfolio may be invested in this category.

Notes to the Basic Financial Statements (continued)

Reverse Repurchase Agreements, Financial Futures and Options, U.S. Zero Coupons and Bonds and Small Business Administration Guaranteed Notes may not be invested in without specific instruction from the Finance Director.

The Cash with Fiscal Agents represents primarily restricted bond proceeds (for bond required reserves) and is governed by the provisions of the relevant bond documents and indentures.

C. Risk Disclosures

Interest Rate Risk is defined as the risk that changes in interest rates demanded by the market will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, State law and the City's investment policy limits the City's investment portfolio to maturities not to exceed five years from the time of purchase. Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations (including \$17,236,675 of debt proceeds held by bond trustees) is provided by the following table that shows the fair values of investments held by the City grouped by maturity at June 30, 2013:

	<u>Remaining Maturity (in years)</u>			
	<u>One year or less</u>	<u>Two to One year</u>	<u>Five to Two years</u>	<u>Total</u>
Local Agency Investment Fund	\$ 35,009,562			\$ 35,009,562
U.S. Government Agencies	20,562,707	\$ 39,257,322	\$ 61,897,273	121,717,302
Certificates of Deposit	2,200,126	4,097,435		6,297,561
Medium Term Notes	6,500,854	4,145,805	17,914,242	28,560,901
Mutual Funds	4,783,495			4,783,495
Commercial Paper	1,713,641			1,713,641
	<u>\$ 70,770,385</u>	<u>\$ 47,500,562</u>	<u>\$ 79,811,515</u>	<u>\$ 198,082,462</u>

Credit Risk This is a risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. Generally, this is measured by the assignment of a rating by a Nationally Recognized Statistical Rating Organization (NRSRO) (see credit quality ratings in section D). The City's credit quality risk policy is discussed in section B above, within the individual security types.

Custodial Credit Risk This is a risk that in the event of the failure of the counterparty (e.g. broker-dealer), the City will not be able to recover the value of its investment or collateral securities that are held by the counterparty. All of the City's investments in securities are held in the name of the City and are held via book entry at the location of the City's third party custodian. Therefore, the City has no custodial credit risk.

Notes to the Basic Financial Statements (continued)

Concentration Risk This risk can also arise in the wake of a failure to adequately diversify investments. The City's investment policy attempts to limit the City's investments in any one bank or corporation to no more than 20% of the total portfolio (at the time of purchase). Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the total City's investment portfolio are as follows:

<u>U.S. Agencies</u>	<u>Amount Invested</u>	<u>Percentage of Investments</u>
Federal Home Loan Bank (FHLB)	\$ 11,383,125	5.71%
Federal National Mortgage Association (FNMA)	23,018,485	11.54%
Federal Farm Credit Bank (FFCB)	10,021,665	5.02%
Federal Home Loan Mortgage Corporation (FHLMC)	28,004,048	14.04%
	<u>\$ 72,427,323</u>	<u>36.31%</u>

Investments in Local Agency Investment Funds

The City's investments with the Local Agency Investment Fund (LAIF), a State of California investment pool, at June 30, 2013, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities.

Structured Notes are debt securities (other than asset- backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flow from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2013, the City has \$35,009,562 invested in LAIF which had invested 1.96% of the pool investment funds in Structured Notes and Asset-Backed Securities. The City valued its investments in LAIF as of June 30, 2013, by multiplying its account balance with LAIF of \$35,000,000 by a fair value factor determined by LAIF. The fair value factor was determined by dividing all LAIF participants' total aggregate fair value by total aggregate amortized cost resulting in a factor of 1.000273207.

The LAIF is part of the Pooled Money Investment Account (PMIA) with the state. The PMIA began in 1955 and oversight is provided by the Pooled Money Investment Board (PMIB) and an in-house investment committee. The Local Investment Advisory Board (LIAB) provides oversight for LAIF. The Board consists of five members, as designated by statute. Additionally, the State Treasurer's Office is audited by the Bureau of State Audits on an annual basis, as well as a continuing audit process throughout the year.

Notes to the Basic Financial Statements (continued)

D. Summary of Cash and Investments

The following is a summary of cash and investments at June 30, 2013:

	Government-Wide Statement of Net Position			Fiduciary Funds	Total
	Governmental Activities	Business-Type Activities	Total	Statement of Net Position	
Cash and Investments	\$ 113,578,982	\$ 49,949,680	\$ 163,528,662	\$ 17,336,212	\$ 180,864,874
Restricted Cash and Investments	366,195	20,260,717	20,626,912	9,651,740	30,278,652
Total Cash and Investments	\$ 113,945,177	\$ 70,210,397	\$ 184,155,574	\$ 26,987,952	\$ 211,143,526

At June 30, 2013, the City had the following deposits and investments (with corresponding credit quality ratings):

	Standard & Poor's Credit Quality Ratings	Fair Value
City Treasury:		
Deposits		\$ 11,621,081
Investments		
Securities of US Gov't Agencies		
FHLB	AA	9,381,987
FNMA	AA	20,500,163
FHLMC	AA	19,047,430
TVA	AA	1,756,330
FFCB	AA	10,021,665
US Treasury Notes	AA	47,533,650
Total Securities of US Gov't Agencies		108,241,225
Medium Term Notes	AAA	3,073,243
Medium Term Notes	AA	16,953,721
Medium Term Notes	A	8,533,936
Negotiable CD	A-1	5,302,392
Negotiable CD	AA	995,169
Mutual Funds	AAA	1,022,898
Commercial Paper	A-1	1,713,641
Local Agency Investment Funds	Not rated	35,009,562
Total Investments		180,845,787
Total City Treasury		192,466,868
Fiscal Agents:		
Deposits		1,439,983
Investments		
Securities of US Gov't Agencies		
FHLB	AA	2,001,138
FNMA	AA	2,518,322
FHLMC	AA	8,956,617
Mutual Funds	AAA	3,760,598
Total Investments		17,236,675
Total Cash and Investments with Fiscal Agents		18,676,658
Total Cash and Investments		\$ 211,143,526

Notes to the Basic Financial Statements (continued)

5) Receivables

Receivables as of June 30, 2013, net of applicable allowances for uncollectible accounts (where applicable), are as follows:

Governmental Activities	Major Funds				Total Governmental Activities
	General Fund	Housing Authority	City Capital Projects	Other Non-Major Governmental Funds	
Taxes	\$ 1,419,254			\$ 54,043	\$ 1,473,297
Interest and other	81,790	\$ 2,740	\$ 49,618	120,899	255,047
Accounts	573,578			262,751	836,329
Intergovernmental	19,563		3,865,452	969,347	4,854,362
Notes		35,652,095		21,363,133	57,015,228
Total Receivables	<u>\$ 2,094,185</u>	<u>\$ 35,654,835</u>	<u>\$ 3,915,070</u>	<u>\$ 22,770,173</u>	<u>64,434,263</u>
Add Internal Service Fund Receivables					134,245
Total Receivables					<u>\$ 64,568,508</u>

Business-Type Activities	Major Funds				Total Business-Type Activities	
	Water Utility	North Bay Treatment Plant	Transportation	Golf Courses		Police Training Center
Interest and other	\$ 148,803	\$ 46,422	\$ 3,054	\$ 1,870	\$ 200,149	
Accounts	6,002,927		16,194	45,132	\$ 7,399	6,071,652
Intergovernmental		1,589,069	4,985,858			6,574,927
Notes	115,480					115,480
Less Allowance for Uncollectible Accounts	(180,087)					(180,087)
Total Receivables, Net	<u>\$ 6,087,123</u>	<u>\$ 1,635,491</u>	<u>\$ 5,005,106</u>	<u>\$ 47,002</u>	<u>\$ 7,399</u>	<u>12,782,121</u>

6) Net Pension Asset

The City is a member of the California Public Employees' Retirement System (PERS), a public employees defined benefit retirement program. In fiscal year 2004/2005, the City issued \$41,745,000 in Pension Obligation Bonds in order to refund the City's unamortized, unfunded actuarial accrued liability with PERS. This payment to PERS resulted in the City recording a Net Pension Asset in the Government Wide Financial Statements in the original amount of \$40,695,000. This amount is being amortized over the thirty year life of the bonds. The balance of the Net Pension Asset at June 30, 2013 is \$29,843,001.

Notes to the Basic Financial Statements (continued)

7) Capital Assets

The following table presents summary information on infrastructure assets as of June 30, 2013:

<u>Asset Description</u>	<u>Cost to Build June 30, 2013</u>	<u>Accumulated Depreciation</u>	<u>Balance June 30, 2013</u>
Governmental activities:			
Bridges and box culverts	\$ 22,255,417	\$ (11,818,913)	\$ 10,436,504
Retention and catch basins	6,730,121	(3,098,348)	3,631,773
Manholes	19,040,267	(8,392,898)	10,647,369
Pavement	116,043,892	(77,567,859)	38,476,033
Pump stations - sewer	1,016,805	(382,102)	634,703
Sewer pipes	12,378,612	(6,109,688)	6,268,924
Sidewalks, curbs and gutters	36,959,151	(22,698,929)	14,260,222
Storm drains and open channels	41,983,813	(27,371,293)	14,612,520
Street lights	13,163,746	(8,106,675)	5,057,071
Traffic signals	10,071,731	(5,030,215)	5,041,516
Total governmental activities	<u>279,643,555</u>	<u>(170,576,920)</u>	<u>109,066,635</u>
Business - type activities:			
Water utility	<u>179,322,280</u>	<u>(58,271,270)</u>	<u>121,051,010</u>
Total business - type activities	<u>179,322,280</u>	<u>(58,271,270)</u>	<u>121,051,010</u>
Total infrastructure assets	<u>\$ 458,965,835</u>	<u>\$ (228,848,190)</u>	<u>\$ 230,117,645</u>

For the year ended June 30, 2013, depreciation expense on capital assets was charged to the governmental functions of the City as follows:

Administration	\$ 500,019
Finance	7,914
Police	766,258
Fire	402,834
Public works	9,662,209
Community development	32,588
Community resources	<u>1,162,626</u>
Governmental Funds Depreciation Expense	12,534,448
Internal Service Depreciation Expense	<u>1,049,289</u>
Total Governmental Activities Depreciation Expense	<u>\$ 13,583,737</u>

For the year ended June 30, 2013, depreciation expense on capital assets was charged to the business-type activities of the City as follows:

Water utility	\$ 6,127,178
North bay treatment plant	1,157,914
Transportation	1,966,068
Golf courses	798,738
Police training center	538,159
Business-type Activities - Depreciation Expense	<u>\$ 10,588,057</u>

CITY OF FAIRFIELD

Notes to the Basic Financial Statements (continued)

Capital Assets of the City for the year ended June 30, 2013, consisted of the following:

Asset Description	Balance July 1, 2012	Additions	Retirements	Transfers	Balance June 30, 2013
Governmental activities:					
Non-depreciable assets:					
Land	\$ 33,397,822	\$ 410,858	\$ (1,868,738)		\$ 31,939,942
Construction in progress	8,286,603	5,126,535			13,413,138
Total Non-depreciable assets	41,684,425	5,537,393	(1,868,738)	\$ -	45,353,080
Depreciable assets:					
Land improvements	90,354,159	372,803			90,726,962
Buildings and improvements	78,120,863	113,074			78,233,937
Machinery and equipment	35,438,064	1,447,489	(775,538)		36,110,015
Infrastructure	278,196,459	1,447,096			279,643,555
Total depreciable assets	482,109,545	3,380,462	(775,538)	-	484,714,469
Accumulated depreciation:					
Land improvements	(4,962,749)	(2,185,348)			(7,148,097)
Buildings and improvements	(38,062,595)	(2,364,854)			(40,427,449)
Machinery and equipment	(22,466,536)	(2,220,070)	775,538		(23,911,068)
Infrastructure	(163,763,455)	(6,813,465)			(170,576,920)
Total accumulated depreciation	(229,255,335)	(13,583,737)	775,538	-	(242,063,534)
Total depreciable assets, net	252,854,210	(10,203,275)	-	-	242,650,935
Total governmental activities	294,538,635	(4,665,882)	(1,868,738)	-	288,004,015
Business - type activities:					
Non-depreciable assets:					
Land	14,775,357				14,775,357
Intangibles	5,126,663				5,126,663
Construction in progress	19,891,656	3,873,108	(274,715)	(13,846,302)	9,643,747
Total Non-depreciable assets	39,793,676	3,873,108	(274,715.00)	(13,846,302)	29,545,767
Depreciable assets:					
Land improvements	11,753,976				11,753,976
Buildings and improvements	79,535,032	86,055	(119,016)		79,502,071
Machinery and equipment	31,785,680	6,235,875	(4,395,817)		33,625,738
Infrastructure	167,808,326	205,849	(2,538,197)	13,846,302	179,322,280
Total depreciable assets	290,883,014	6,527,779	(7,053,030)	13,846,302	304,204,065
Accumulated depreciation:					
Land improvements	(8,444,998)	(420,905)			(8,865,903)
Buildings and improvements	(29,021,772)	(2,004,950)	119,016		(30,907,706)
Machinery and equipment	(26,350,324)	(2,204,260)	4,392,356		(24,162,228)
Infrastructure	(52,414,856)	(5,957,942)	101,528		(58,271,270)
Total accumulated depreciation	(116,231,950)	(10,588,057)	4,612,900	-	(122,207,107)
Total depreciable assets, net	174,651,064	(4,060,278)	(2,440,130)	13,846,302	181,996,958
Total business - type activities	214,444,740	(187,170)	(2,714,845)	-	211,542,725
Total net capital assets	\$ 508,983,375	\$ (4,853,052)	\$ (4,583,583)	\$ -	\$ 499,546,740

Notes to the Basic Financial Statements (continued)

8) Accounts Payable and Other Current Liabilities

Accounts payable and other current liabilities as of June 30, 2013 are as follows:

Governmental Activities	Major Funds				Other Non-Major Governmental Funds	Total Governmental Activities
	General Fund	City	Housing Authority	Police Training Center		
		Capital Projects				
Accounts Payable	\$ 1,040,931	\$ 3,171,503	\$ 5,318	\$ 489,867	\$ 4,707,619	
Deposit Payable	79,992	1,762,547		118,297	1,960,836	
Total Accounts Payable & Other Current Liabilities	<u>\$ 1,120,923</u>	<u>\$ 4,934,050</u>	<u>\$ 5,318</u>	<u>\$ 608,164</u>	<u>6,668,455</u>	
Add: Internal Service Accounts Payable and Other Current Liabilities					424,225	
Total Accounts Payable & Other Current Liabilities					<u>\$ 7,092,680</u>	

Business-Type Activities	Major Funds					Total Business-Type Activities
	Water Utility	North Bay	Transportation	Golf Courses	Police Training Center	
		Treatment Plant				
Accounts Payable	\$ 2,559,316	\$ 287,198	\$ 5,677,127	\$ 233,183	\$ 8,019	\$ 8,764,843
Deposit Payable	43,860		3,444	212,762		260,066
Total Accounts Payable & Other Current Liabilities	<u>\$ 2,603,176</u>	<u>\$ 287,198</u>	<u>\$ 5,680,571</u>	<u>\$ 445,945</u>	<u>\$ 8,019</u>	<u>\$ 9,024,909</u>

Notes to the Basic Financial Statements (continued)

9) Long-Term Obligations

The following is a summary of long-term obligation transactions of the City for the year ended June 30, 2013:

	Restated Balance July 1, 2012	Incurred or Issued	Satisfied or Matured	Transfers	Balance June 30, 2013	Due within One Year	More than One Year
Governmental Activities:							
General Obligation bonds	\$ 10,284,358		\$ 421,890		\$ 9,862,468	\$ 421,890	\$ 9,440,578
Pension Obligation bonds	36,450,000		315,000		36,135,000	385,000	35,750,000
Long-term notes payable	2,195,313	\$ 763,782	473,029		2,486,066	252,056	2,234,010
Compensated absences	14,326,500	3,771,824	3,984,283		14,114,041	1,411,404	12,702,637
Claims and judgments payable	10,278,002	1,362,286	992,288		10,648,000	1,277,386	9,370,614
Net OPEB obligation	4,363,000	214,152	3,887,532		689,620	-	689,620
Total Governmental Activities *	<u>\$ 77,897,173</u>	<u>\$ 6,112,044</u>	<u>\$ 10,074,022</u>	<u>\$ -</u>	<u>\$ 73,935,195</u>	<u>\$ 3,747,736</u>	<u>\$ 70,187,459</u>
Business-Type Activities:							
Utility-Water revenue bonds	\$ 112,856,697	\$ 4,810,000	\$ 10,055,000		\$ 107,611,697	\$ 4,655,000	\$ 102,956,697
Recreational revenue bonds	8,775,000		980,000		7,795,000	845,000	6,950,000
Compensated absences	-	1,171,174			1,171,174	117,117	1,054,057
	<u>121,631,697</u>	<u>5,981,174</u>	<u>11,035,000</u>	<u>\$ -</u>	<u>116,577,871</u>	<u>5,617,117</u>	<u>110,960,754</u>
Bond Premiums	-	902,968	35,143		867,825	-	867,825
Total Business-Type Activities	<u>\$ 121,631,697</u>	<u>\$ 6,884,142</u>	<u>\$ 22,105,143</u>	<u>\$ -</u>	<u>\$ 117,445,696</u>	<u>\$ 5,617,117</u>	<u>\$ 111,828,579</u>

* At July 1, 2012, the City made the following restatements to governmental activities long-term obligations as non-commitment debts:

Governmental activities long-term obligations as reported in the prior year:	\$ 114,767,173
Special assessment bonds	(3,105,000)
Open Space revenue bonds (Lynch Canyon)	(285,000)
Communities Facilities District Bonds	(33,480,000)
Governmental activities long-term obligations as restated-July 1, 2012	<u>\$ 77,897,173</u>

General Obligation Bonds

The general obligation bonds are repaid from property tax revenues, and the City is obligated under the law to levy a property tax sufficient to service the debt.

The City has pledged future zone of benefit property tax revenues to pay the Solano County Water Agency for the North Bay Aqueduct project costs. The City is obligated under the agreement to levy a zone of benefit property tax sufficient to service the contractual payments. The debt does not bear interest. The debt is serviced through the Non-major General Obligation Bonds Debt Service Fund. Debt service in fiscal year 2013 amounted to \$421,890 and the property tax revenues received to service this debt was \$632,110.

Notes to the Basic Financial Statements (continued)

The annual debt service requirements for the General Obligation Bonds are as follows:

Fiscal Year Ending	General Obligation Bonds--Governmental Activities		
	Principal	Interest	Total
2014	\$ 421,890		\$ 421,890
2015	421,890		421,890
2016	421,890		421,890
2017	421,890		421,890
2018	421,890		421,890
2019 - 2023	2,109,450		2,109,450
2024 - 2028	2,109,450		2,109,450
2029 - 2033	3,534,118		3,534,118
Total	\$ 9,862,468	-	\$ 9,862,468

Pension Obligation Bonds

The City is a member of the California Public Employees' Retirement System (PERS), a public employees defined benefit retirement program. In fiscal year 04/05, the City issued \$41,745,000 in order to refinance the City's unamortized, unfunded actuarial accrued liability with PERS (see Note 12 for more information on PERS pension plan). Series 2004 A was a variable rate debt in the face amount of \$8,920,000; series 2004 B is fixed rate debt and was issued in the face amount of \$20,995,000; and series 2005 A2 was variable rate debt and was issued in the face amount of \$11,830,000. The Series 2004 B fixed rate debt bears interest at rates ranging from 4.82% to 5.42% and matures in 2034. In FY 2011, the City issued the 2011 series of pension obligation bonds in the amount of \$15,870,000 to fully refund and retire both variable rate series bonds: Series 2004 A in the amount of \$8,920,000 and series 2005 A2 in the amount of \$6,430,000. The 2011 series bonds bear interest at rates ranging from 2.78% to 8.50%, and mature in 2034. The 2004 series B currently have an amount outstanding of \$20,995,000 while the 2011 series bonds have an outstanding balance of \$15,140,000. These Pension Obligation Bonds (POB's) are backed by the full faith and credit of the City. Payment of the fixed rate series 2004 B bonds are insured by a financial guaranty insurance policy. All pension obligation bonds are federally taxable.

Notes to the Basic Financial Statements (continued)

At June 30, 2013, the outstanding balance is \$36,135,000. The debt is serviced through the debt service fund and the annual debt service requirements for the POB's are as follows:

<u>Fiscal Year</u> <u>Ending</u>	<u>Pension Obligation Bonds--Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 385,000	\$ 2,347,188	\$ 2,732,188
2015	470,000	2,328,147	2,798,147
2016	550,000	2,303,191	2,853,191
2017	650,000	2,271,504	2,921,504
2018	750,000	2,232,850	2,982,850
2019 - 2023	5,530,000	10,315,209	15,845,209
2024 - 2028	9,380,000	8,029,676	17,409,676
2029 - 2033	14,685,000	4,294,762	18,979,762
2032 - 2036	3,735,000	246,173	3,981,173
Total	\$ 36,135,000	\$ 34,368,700	\$ 70,503,700

Utility-Water Revenue Bonds

In March 2005, the City issued \$47,085,000 in revenue bonds with interest rates ranging from 3% to 5% to fully defease and refund the outstanding amount of \$51,680,562 of the 1996 revenue bonds with an interest rate ranging from 4.25% to 5.37%. Although the defeasance resulted in a loss on refinancing of \$429,364, the City reduced its aggregate debt service payments by \$10,327,093 over the next 12 years and also obtained an economic gain (difference between the present values of the old and new debt service payments) of \$3,590,228. The issuance costs on refinancing is reported as "deferred charges" on the balance sheet and will be amortized over the life of the bond issue. At June 30, 2013, the balance of the deferred charges was \$297,568. The original bond issue in 1996 was to finance the modernization of the water treatment plant. The City has pledged future water customer revenues, net of specified operating expenses to repay the \$47.1 million in water revenue bonds. Principle and interest paid in the current year and the net customer revenues were \$5,105,363 and \$12,527,377, respectively—amounting to 41% of the net revenues. The total principal and interest remaining to be paid on the bonds is \$18,335,000 and \$2,347,750, respectively.

In November 2007, the City issued \$84,466,697 in revenue bonds with interest rates ranging from 4.66% to 5.01% to finance the modernization of the current treatment plant and the construction of water distribution systems. The cost of issuance is reported as "deferred charges" on the balance sheet and will be amortized over the life of the debt. As of June 30, 2013, the remaining balance of the deferred charges is \$795,303. The City has pledged future water customer revenues, net of specified operating expenses to repay the \$84.5 million in water revenue bonds. Annual principal and interest payments on the bonds are expected to require less than 17% of net revenues up to 2021 and increasing to 65% thereafter. Principle and interest paid in the current year and the net customer revenues were \$2,147,325 and \$12,527,377, respectively. The total principal and interest remaining to be paid on the bonds is \$84,466,697 and \$115,953,277.

In February, 2013, the City issued \$4,810,000 in revenue bonds with interest rates ranging from 2.0% to 5.0% to defease and refund on a current basis the Water Enterprise 2003 Refunding Bonds. This refunding reduced the City's debt service payments by \$947,999 over the next ten years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$571,540. The issuance costs of \$142,288 are reported as deferred charges and will be amortized over the next ten years (the remaining life of the bonds). The City has pledged future water customer revenues, net of specified operating expenses to repay the \$4.8 million in water revenue bonds. Annual principal and interest payments on the

Notes to the Basic Financial Statements (continued)

bonds are expected to require less than 5% of net revenues in future years. There was no required debt service in the current year since it was a new borrowing. The total principal and interest remaining to be paid on the bonds is \$4,810,000 and \$1,204,960, respectively.

At June 30, 2013, the water revenue bonds consist of the following:

2005 Water Refunding Revenue Bonds	\$	18,335,000
2007 Water Revenue Bonds		84,466,697
2013 Water Refunding Revenue Bonds		4,810,000
Total	\$	<u>107,611,697</u>

The debt service requirements on the utility water revenue bonds are as follows:

Fiscal Year Ending	Utility-Water Revenue Bonds--Business-type Activities		
	Principal	Interest	Total
2014	\$ 4,655,000	\$ 3,264,085	\$ 7,919,085
2015	4,890,000	3,026,075	7,916,075
2016	5,125,000	2,794,325	7,919,325
2017	5,375,000	2,546,775	7,921,775
2018	5,465,000	2,282,525	7,747,525
2019 - 2023	22,306,464	16,434,211	38,740,675
2024 - 2028	13,532,119	25,664,506	39,196,625
2029 - 2033	10,392,754	28,803,871	39,196,625
2032 - 2036	8,020,362	31,176,264	39,196,626
2037 - 2041	27,849,998	3,513,350	31,363,348
Total	\$ 107,611,697	\$ 119,505,987	\$ 227,117,684

Recreational Revenue Bonds

In December 2011, the City, on behalf of the Municipal Improvement District No. 1 of the City of Fairfield, issued \$8,775,000 to refund the outstanding Municipal Park Improvement District No. 1 of the City of Fairfield 1998 Revenue Bonds, Series A.

The Bonds were issued to obtain debt service savings and to restructure the debt service requirements of the City's golf courses in Rancho Solano and Paradise Valley. The refunding of the Bonds resulted in a net present value savings of \$729,893. The debt bears interest at the rates ranging from 2% to 4%. These bonds will mature in 2023.

The pledged revenue to pay debt service includes all charges received and all other income and revenues derived by the City from the ownership and operation of the golf courses. In FY 2013, the debt service amounted to \$1,137,850; the Golf Course Fund had net revenues (after depreciation) of \$634,000 and received a transfer of \$504,077 from the General Fund, for a total collected of \$1,138,077. The amount transferred is equivalent to the admissions tax collected by City for the golf courses. To the extent funds are insufficient to pay the operating and maintenance costs and pay the debt service on the bonds, the Council is authorized to levy a tax on taxable property within the Municipal Park Improvement District No. 1 in order to pay such debt service. If revenues are insufficient, a tax will be levied annually until the Park District Bonds are paid or until there is sufficient tax to pay debt service. To date, no levy has been necessary nor made.

Notes to the Basic Financial Statements (continued)

The debt service requirements on the bonds are as follows:

Fiscal Year Ending	Recreational Revenue Bonds--Business-type Activities		
	Principal	Interest	Total
2014	\$ 845,000	\$ 292,850	\$ 1,137,850
2015	880,000	267,500	1,147,500
2016	910,000	232,300	1,142,300
2017	945,000	195,900	1,140,900
2018	985,000	158,100	1,143,100
2019 - 2023	2,765,000	338,525	3,103,525
2024 - 2028	465,000	17,438	482,438
Total	\$ 7,795,000	\$ 1,502,613	\$ 9,297,613

Long-term Notes Payable—Governmental Activities

At June 30, 2013, long-term notes payable consist of the following:

California Energy Resources Conservation	\$ 320,738
California Energy Resources Conservation	2,165,328
Total	\$ 2,486,066

In March, 2011, the City obtained a long term loan from the California Energy Resources Conservation and Development Commission in the amount of \$382,624 to upgrade lighting efficiencies at multiple city buildings. The loan has a fixed rate of 3% with principal and interest due semi-annually through December, 2023. The outstanding balance on this first loan as of June 30, 2013 is \$320,738.

Again in January, 2012 the City obtained a second long term loan from the California Energy Resources Conservation and Development Commission in the amount of \$2,376,232. This loan was to retrofit the City's street and pedestrian crossing lights. This loan has a fixed rate of 1% with payments due semi-annually through December, 2020. The outstanding balance on this second loan as of June 30, 2013 is \$2,165,328.

As of June 30, 2013, the outstanding balance for the combined loans from the California Energy Resources Conservation and Development Commission is \$2,486,066; the debt is serviced by the Internal Service Funds – Public Buildings Fund.

The debt service requirements on the long-term notes payable are as follows:

Fiscal Year Ending	Long Term Notes Payable--Governmental Activities		
	Principal	Interest	Total
2014	\$ 252,336	\$ 30,482	\$ 282,818
2015	255,263	27,276	282,539
2016	258,459	24,080	282,539
2017	261,836	20,704	282,540
2018	265,203	17,335	282,538
2019 - 2023	1,192,969	34,599	1,227,568
Total	\$ 2,486,066	\$ 154,476	\$ 2,640,542

Notes to the Basic Financial Statements (continued)

Compensated Absences

For governmental type activities, the City's liability for vested and unpaid compensated absences has been accrued and amounts to \$14,114,041 at June 30, 2013. Compensated absences have been liquidated primarily by the general fund. For the business-type activities, the City's liability for vested and unpaid compensated absences has been accrued and amounts to \$1,171,174.

10) Self-Insurance Program

The City is partially self-insured for workers' compensation insurance with a \$750,000 retention per occurrence and general liability coverage with a \$500,000 retention per occurrence and is a member of joint power authorities for the coverage above and beyond the retention levels (see below). The City is completely self-insured for unemployment insurance, short-term disability insurance, and dental insurance coverage programs.

The expenses of the self-insurance programs are recorded in the Insurance Internal Service Fund. In 2012, an independent actuary performed an analysis of the City's self-insured workers' compensation reserves (i.e. payable claims). For fiscal years 2012 and 2013, estimates for incurred but not reported claims (IBNR) are included in the reserve estimates recommended by the actuary. Based on the actuarial analysis, which used a rate of 4.0% to discount future investment earnings at a 50% confidence level, the City's worker's compensation actuarial liability at June 30, 2013 is \$8,772,000; the City has funded cash reserves of \$9,331,848.

In 2012, an independent actuary performed an analysis of the City's self-insured general liability reserves (i.e. payable claims). For fiscal years 2012 and 2013, estimates for incurred but not reported claims (IBNR) are included in the reserve estimates recommended by the actuary. Based on the actuarial analysis, which used a rate of 4.0% to discount future investment earnings at a 50% confidence level, the City's general liability actuarial liability at June 30, 2013 is \$1,876,000; the City has funded cash reserves of \$2,333,577. There have been no settlements exceeding the insurance coverage for each of the past three fiscal years.

The changes in balances of claims liabilities during the past years (including General Liability and Workers' Compensation) are as follows:

	FY 12/13	FY 11/12
Claims Liability (Beginning of Fiscal Year)	\$ 10,278,001	\$ 10,568,000
Incurred Claims including IBNR's	1,362,286	867,355
Claims Payments	(992,287)	(1,157,354)
Claims Liability (End of Fiscal Year)	<u>\$ 10,648,000</u>	<u>\$ 10,278,001</u>

For worker's compensation, the City purchases excess insurance coverage (above and beyond the retention limit of \$750,000) from a governmental joint powers authority up to statutory limits per occurrence. This joint powers authority is the California State Association of Counties Excess Insurance Authority (CSAC-EIA).

This joint powers authority for workers' compensation is the CSAC-EIA (California State Association of Counties-Excess Insurance Authority), a risk sharing pool of California public agencies, dedicated to controlling losses and providing effective risk management. In 1979, 29 California counties came together to form this joint powers authority in order to pool their risk and provide a viable and cost effective solution for the counties' insurance and risk management needs. Since then, the EIA's membership has expanded to include 93% of the counties in California and nearly 61% of the cities, as well as numerous school districts, special districts, housing authorities, fire districts, and other Joint Powers Authorities. The CSAC-EIA is a separate

Notes to the Basic Financial Statements (continued)

legal entity and is governed by a 61 member Board of Directors. Members are assessed a contribution for each program in which they participate (for the City of Fairfield, this is the Excess Workers' compensation program). Members may be subject to additional supplemental assessments if it is determined that contributions are insufficient. If it is determined that excess contributions are available, a dividend may be declared. Separate financial statements may be obtained from CSAC-EIA by contacting them at the following address: 75 Iron Point Circle, Suite 200, Folsom, CA 95630.

For general liability, the City is a member of the California Joint Powers Risk Management Authority (CJPRMA), a joint exercise of powers agency which provides the City with additional \$39,500,000 liability coverage over and above the self-insured retention of \$500,000. A property insurance policy is purchased by the member entities of CJPRMA. The deductible amount is \$25,000. The CJPRMA is a legal entity separate and distinct from its member entities, as permitted by the California Government Code. The CJPRMA is governed by a 21-member Board of Directors appointed by the member agencies. Member agencies include approximately 124 California cities. The purpose of the CJPRMA is to spread the adverse effects of losses among the member agencies and to provide excess coverage as a group, thereby reducing its expense. The City contributes its pro rata share of anticipated losses to a pool administered by CJPRMA. Should actual losses among participants are greater than the anticipated losses, the City will be assessed its pro rata share of that deficiency. Conversely, if actual losses are less than anticipated, the City will be refunded its pro rata share of the excess. Separate financial statements may be obtained from CSAC-EIA by contacting them at the following address: 3201 Doolan Road, Suite 285, Livermore, CA 94551.

11) Classification of Net Position

In the Government-Wide Financial Statements, net position are classified in the following categories:

Net Investment in Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category as follows:

	Governmental Activities	Business-Type Activities	Totals
Capital Assets	\$ 288,004,015	\$ 211,542,725	\$ 499,546,740
Less Long Term Debt and Liabilities:			
Long Term Debt Due within one year	(3,747,736)	(5,617,117)	(9,364,854)
Long Term Debt Due in more than one year	(70,187,459)	(111,828,579)	(182,016,038)
Total Long Term Debt	<u>(73,935,195)</u>	<u>(117,445,696)</u>	<u>(191,380,891)</u>
Less Long Term Debt not applicable to Capital Assets:			
Compensated absences	14,114,041	1,171,174	15,285,215
Claims and judgments payable	10,648,000		10,648,000
General Obligation Bonds	9,862,468		9,862,468
Pension Obligation Bonds	36,135,000		36,135,000
Net OPEB Obligation	689,620		689,620
Total long term debt not applicable to capital assets	<u>71,449,129</u>	<u>1,171,174</u>	<u>72,620,303</u>
Total long term debt applicable to capital assets	<u>(2,486,066)</u>	<u>(116,274,522)</u>	<u>(118,760,588)</u>
Add unspent bond proceeds related to capital debt	-	7,781,664	7,781,664
Net investment in capital assets	<u>\$ 285,517,949</u>	<u>\$ 103,049,867</u>	<u>\$ 388,567,816</u>

In the Governmental Activities, out of the \$366,195 restricted cash and investments, there are no unspent bond proceeds.

Notes to the Basic Financial Statements (continued)

In the Business-Type Activities, out of the \$20,260,717 restricted cash and investments, \$7,781,664 represents remaining (unspent) bond proceeds for debt service reserves, and \$12,079,453 represents restricted cash for major maintenance reserves.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments (3rd parties) and restrictions imposed by law through constitutional provisions or enabling legislation. Additionally, this category presents restrictions placed on the categories of Capital Projects, Debt Service, Community Development Programs, and Specific Projects as established by the City Council.

Unrestricted Net Position – This category represents the net position of the City, which are not restricted for any project or other purpose.

12) Fund Balances

The City's Fund Balances for Governmental funds are presented as follows:

	Major Funds			Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Housing Authority	City Capital Projects		
Fund Balances:					
Nonspendable					
Outreach Independence				\$ 335,375	\$ 335,375
Total	\$ -	\$ -	\$ -	335,375	335,375
Restricted					
Special revenue:					
Housing assistance				827,930	827,930
Streets and parks				21,350,983	21,350,983
Housing and special projects		44,300,906		20,926,492	65,227,398
Debt service				504,372	504,372
Capital projects			15,966,479	9,348,787	25,315,266
Outreach Independence				8,597	8,597
Total	-	44,300,906	15,966,479	52,967,161	113,234,546
Committed					
Capital projects				9,395,169	9,395,169
Total	-	-	-	9,395,169	9,395,169
Assigned					
Pension obligation bonds				3,145,580	3,145,580
Unassigned					
	14,818,731				14,818,731
Total Fund Balances	\$ 14,818,731	\$ 44,300,906	\$ 15,966,479	\$ 65,843,285	\$ 140,929,401

13) Pension Plan

Plan Description - The City contributes to the Public Employees Retirement System (PERS), an agent multiple-employer system that 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 PERS' annual financial report may be obtained from the website at www.calpers.ca.gov.

Notes to the Basic Financial Statements (continued)

All full-time City employees are eligible to participate in PERS. Benefits are fully vested after five years of service. Employees who have met the above criteria are eligible to retire at or after age 50 are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to a percent of their highest annual salary for each year of service credit. PERS also provides death and disability benefits. These benefit provisions and all other requirements have been established by State statute and by specific agreements with City labor groups.

Funding Policy - Active plan members are required to contribute 10.5 percent for miscellaneous and 11.25 percent for safety employees of their annual covered salary. The City is required to contribute at an actuarially determined rate; the contribution rate for the fiscal year 2012/13 for miscellaneous and safety employees are 15.019% and 22.531% of covered payroll respectively.

In 2012, the City's bargaining groups representing its Miscellaneous and Fire employees adopted a two tier retirement system. Subsequent to this, the California Legislature adopted the Public Employees Pension Reform Act (PEPRA). PEPRA requires the City to implement new pension formulae, which applies to all employees hired after January 1, 2013. PEPRA has also created limits on pensionable compensation tied to the Social Security taxable wage base and requires member contributions of 50% of normal cost.

Annual Pension Cost and Net Pension Asset- The City's annual pension cost and net pension asset for the year ended June 30, 2013 were as follows:

	Miscellaneous Plan	Safety Plan	Total
Annual required contribution	\$ 3,111,338	\$ 4,326,822	\$ 7,438,160
Adjustment to the annual required contribution	567,415	789,084	1,356,499
Annual Pension Cost (APC)	3,678,753	5,115,906	8,794,659
Annual Contributions made	3,111,338	4,326,822	7,438,160
Decrease in Net Pension Asset	(567,415)	(789,084)	(1,356,499)
Net Pension Asset, Beginning of Year	13,050,565	18,148,935	31,199,500
Net Pension Asset, End of Year	\$ 12,483,149	\$ 17,359,852	\$ 29,843,001

Three Year Trend Information

	Fiscal Year	Annual Pension Cost (APC)	Contribution	Percentage of APC Contributed	Net Pension Asset
Miscellaneous Plan	6/30/2011	\$ 2,823,036	\$ 2,291,534	81%	\$ 13,617,173
	6/30/2012	3,771,609	3,205,001	85%	13,050,565
	6/30/2013	3,678,753	3,111,338	85%	12,483,149
Safety Plan	6/30/2011	\$ 4,381,915	\$ 3,556,917	81%	\$ 18,938,827
	6/30/2012	5,257,888	4,467,996	85%	18,148,935
	6/30/2013	5,115,906	4,326,822	85%	17,359,852
Total	6/30/2011	\$ 7,204,951	\$ 5,848,451	81%	\$ 32,556,000
	6/30/2012	9,029,497	7,672,997	85%	31,199,500
	6/30/2013	8,794,659	7,438,160	85%	29,843,001

Notes to the Basic Financial Statements (continued)

Funding Status and Funding Progress - As of June 30, 2012, the most recent actuarial valuation date, the percentage of funding was 84.5% for miscellaneous plan and 85.2% for safety plan. The actuarial accrued liability for benefits was \$238.1 million for miscellaneous plan and \$209.4 million for safety plan. The actuarial value of assets was \$201.2 million for miscellaneous plan and \$178.4 million for safety plan. The covered payroll (annual payroll of active employees covered by the plan) was \$25.0 million for miscellaneous plan and \$20.0 million for safety plan. The ratio of the unfunded actuarial accrued liability to the covered payroll was 150.3% for miscellaneous plan and 157.5% for safety plan. The Unfunded Accrued Actuarial Liability (UAAL) was \$36.9 million and the Unfunded Actuarial Accrued Liability (UAAL) for safety was \$31.0 million.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions - The required contribution was determined as part of the June 30, 2012 actuarial valuation using the entry age normal cost method. The actuarial assumptions at June 30, 2012 included:

- a) 7.50% investment rate of return (net of administrative expenses),
- b) projected salary increases ranging from 3.30% to 14.20% for miscellaneous and safety employees depending on age, service, and type of employment,
- c) an inflation component of 2.75%,
- d) a merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period. PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period is 30 years as of the valuation date for both miscellaneous and safety plans.

14) Other Post-Employment Benefits (OPEB)

Plan Description - The City's Retiree Health Plan is a single-employer defined benefit healthcare plan for certain executive management.

Executive Management - The City provides post-retirement health care benefits to certain retired executive management employees and retired City officials as approved by City resolution. Eligibility requirements include: (1) age 53 with 10 or more years of service with the City *and*; (2) provide a minimum of 4 years of service as an executive management employee; and receipt of Public Employees Retirement System (PERS) benefits. The eligible official/employee must elect to be included in this program immediately upon retirement. Currently, twenty-six individuals are covered under this program. The plan is currently closed and the number of covered employees cannot grow beyond the 26 employees currently covered.

<u>Participants as of June 30, 2013</u>	<u>Executive Management</u>
Retirees	22
Active Employees	4
Total	<u>26</u>

Changes from the prior year - In the previous actuarial reports done on the City's Retiree Health Plan, (and in the fiscal year ended June 30, 2012), the City reported a net OPEB obligation of \$4,363,000. Since then, however, the City has changed the basis for determining retiree medical premiums. Retirees are now rated separately from active employees. As a result, the implicit subsidy (implied subsidy) of retiree premiums which

Notes to the Basic Financial Statements (continued)

was previously included in the premiums paid for active employees no longer exits. Because the implicit subsidy liability was such a large portion of the total OPEB liability (in the prior years), and therefore contributed heavily to the net OPEB obligation in the past, the City has made a one-time adjustment to the net OPEB obligation to make it more commensurate with the explicit OPEB liabilities that remain. The amount of the net OPEB obligation related to June 30, 2012, which had been presented in the prior year as an amount equal to \$4,363,000 has now been re-determined (without the implied subsidy) to be \$878,000. Also, the non-executive management employees that were presented as being included in the plan in the past (because of the implied subsidy) has now been removed. Therefore, the number of employees covered by the plan last year was 573 (which included the implied subsidy) has now been adjusted in the current year to only reflect those executive management employees with an explicit subsidy—currently numbered at 26 employees.

Funding Policy - For the executive management group discussed above, the City pays a subsidy towards the medical and dental premiums for retirees and their dependents. This subsidy is limited to the premium amount that is for the lowest cost medical and dental plans available. For the executive management group, the City contributed \$402,532 to the plan in fiscal 2013.

Annual OPEB Cost and Net OPEB Obligation - An actuarial study was performed on these OPEB items as of June 30, 2013. The City's annual OPEB cost (expense) is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined. 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 following table shows the components of the City's annual OPEB costs for the year, the amount actually contributed to the plan and changes in the City's net OPEB liability:

	Executive Management
Annual Required Contribution (ARC)	\$ 218,817
Interest on Net OPEB Obligation	35,120
Adjustment to annual required contribution	(39,785)
Annual OPEB cost	214,152
Adjustment to remove implied subsidy	(3,485,000)
Less Contributions made in FY 2013	(402,532)
Decrease in Net OPEB Obligation	(3,673,380)
Net OPEB Obligation, Beginning of Year	4,363,000
Net OPEB Obligation, End of Year	\$ 689,620

The City Retiree Health annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB liability for 2013 and the two preceding years were as follows:

Year Ended	Annual OPEB Cost	Annual Percentage of OPEB Cost contributed	Net OPEB Obligation
6/30/2011	\$ 810,000	50%	\$ 4,047,000
6/30/2012	926,000	66%	4,363,000
6/30/2013	214,152	188%	689,620

The net OPEB obligation has been liquidated primarily by the Insurance Internal Service Fund.

Funding Status and Funding Progress - As of June 30, 2013, the most recent actuarial valuation date, the Actuarial Accrued Liability (AAL) for benefits was \$4,004,863. As of June 30, 2013, the Plan Assets were \$0, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$4,004,863. The covered payroll was \$692,448, and the ratio of the UAAL to the covered payroll was 578%.

Notes to the Basic Financial Statements (continued)

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 multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - The actuarial amounts were determined using the entry age normal cost method. The actuarial assumptions at June 30, 2013 were: a) an assumed 4.0% discount rate; b) amortization period of 25 years; c) amortization method is level percent of pay basis (amortization period is closed); d) annual healthcare cost trend rate of 7% to 9.5%; and a dental cost trend rate of 4.5%; e) a general inflation rate of 3%; and f) projected annual payroll increases of 3.25%.

15) Commitments and Contingent Liabilities

Various claims and lawsuits are pending against the City. Although the outcome of these claims and lawsuits is not presently determinable, in the opinion of the City's management, on advice of legal counsel, it is unlikely that they will have a material adverse effect on the accompanying financial statements.

The City and the Housing Authority have received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursement for expenditures disallowed under the terms of the grant. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

16) Excess of Expenditures over Appropriations and Negative Fund Balances/Net Position

In the governmental activities, the negative budget variances exist due to the following reasons:

- a) In the General Fund, Fire department's expenditures exceeded appropriations because of overtime pay for strike team calls for fighting state wide fires. These expenses would be reimbursed by the State. The Community Resources departments expenditures exceeded its appropriations due to increased costs of maintaining its community pool and the revenues falling short of expectation.
- b) In the Housing Authority major special revenue fund expenditures exceeded appropriations due to unexpected administrative cost absorbed by the fund with the dissolution of the redevelopment agency, as well as certain loan write-offs associated with the loan receivables.
- c) In the Public Safety non-major special revenue fund, expenditures exceeded the budget because the expenditures are based on the revenue received. In this case, the revenue received ended up being higher than budgeted, so the expenditures ended up being higher as well.

In the business-type activities, the net position deficit is due to the following reasons:

The Golf Course Fund reflects a change in net position of (\$1,337,314) resulting to a total net deficit of (\$12,744,987) at the end of the fiscal year. This deficit is caused by lower revenue collected and also due to interest expense on the outstanding debt. As more revenues are collected and as the bond matures in 2023, the Golf Course Fund is expected to improve its net position.

Notes to the Basic Financial Statements (continued)

17) North Bay Treatment Plant

The North Bay Treatment Plant was constructed through a joint exercise of powers agreement between the City and the City of Vacaville to operate and maintain facilities for supplying potable water to their respective service areas. A Joint Powers Policy Committee (JPPC) handles the organization and administration of the North Bay Treatment Plant. The JPPC is composed of the Director of Public Works from the City and the Director of Public Works from Vacaville or their designated alternates. The City presents the North Bay Treatment Plant as a proprietary major fund in the accompanying financial statements.

The City of Vacaville's share of net position is presented as a restriction of net position in the amount of \$2,779,755 at June 30, 2013. This restriction of net position (representing Vacaville's share in the net position of the plant) is net of Vacaville's portion of Net investment in Capital Assets and net of Vacaville's share of the Restriction for Major Maintenance as well. In the prior year, Vacaville's entire share of the net position of \$20,461,896 at June 30, 2012, was shown as a liability called "joint operations payable". A prior period adjustment for this amount has taken place to restate net position at July 1, 2012 by an increased amount of \$20,461,896, to reflect the fact that this amount has been removed as a liability and more properly classified as a restriction of net position (for minority interest). See Note 20 for further discussion on the prior period adjustment.

At June 30, 2013, the net position broken down between Fairfield and Vacaville is as follows:

	Fairfield	Vacaville	Total
Net Position:			
Net Investment in Capital Assets	\$ 24,595,692	\$ 13,468,635	\$ 38,064,327
Restricted for major maintenance	7,417,358	5,061,696	12,479,053
Restricted for minority interest		2,779,755	2,779,755
Unrestricted	3,804,217		3,804,217
Total	\$ 35,817,267	\$ 21,310,086	\$ 57,127,352

18) Successor Agency Trust for Assets of Former Redevelopment Agency

This purpose of this footnote is to explain the impacts of the dissolution of the Fairfield Redevelopment Agency on the City's financial statements.

On June 28, 2011, the California State Legislature adopted two pieces of legislation - AB 1X 26 and AB 1X 27 - that eliminated redevelopment agencies and provided cities with the opportunity to preserve their redevelopment agency if they agreed to make certain payments to the County Auditor Controller. On behalf of cities and redevelopment agencies throughout the State, the League of California Cities and California Redevelopment Association requested a stay on the implementation of both pieces of legislation and filed a lawsuit with the California Supreme Court challenging both pieces of legislation. The stay was rejected and on December 29, 2011, the Supreme Court validated AB 1X 26 and overturned AB 1X 27. Further, the Supreme Court indicated that all redevelopment agencies in the State of California were to be dissolved and cease operations as a legal entity as of February 1, 2012.

Amongst numerous requirements, AB 1X 26 requires the following:

- (i) subject to the control of a newly established oversight board, assets of the former redevelopment agency must be disposed expeditiously and property tax revenue generated by a former redevelopment agency can only be used to pay enforceable obligations (i.e. debt obligations and other third-party contractual obligations);

Notes to the Basic Financial Statements (continued)

- (ii) either the city or another unit of local government may agree to serve as the "Successor Agency" to hold the net position until they are distributed to units of state and local government;
- (iii) successor agencies may transfer housing functions of the former redevelopment agency to the appropriate entity; and
- (iv) any property tax revenue in excess of enforceable obligations is to be distributed by county auditor controllers to taxing entities, which includes the City, as surplus property tax.

As a result of the restrictions placed on the assets and liabilities of the former redevelopment agency, they were transferred to a private-purpose trust fund on February 1, 2012. Prior to the transfer, the Fairfield Redevelopment Agency was treated as a blended component unit in fiscal year 2011-2012. On February 7th, 2012, the City Council elected to become the Successor Agency to the former Fairfield Redevelopment Agency in accordance with AB 1X 26 as part of City resolution number SA2012-01. On May 14, 2012, the Oversight Board to the Successor Agency of the Fairfield Redevelopment Agency agreed to transfer the housing responsibilities and all rights, powers, duties, and obligations associated with the housing activities of the agency to the Fairfield Housing Authority. The transfer of these assets occurred during the current fiscal year after the approval by the State of California Department of Finance.

Subsequent to the adoption of AB 1X 26 and AB 1X 27, the California State Legislature adopted AB 1484 in June 2012. Amongst other things, AB 1484 required the following:

- (i) A process to transfer housing assets of the former redevelopment agency to the entity designated to receive these assets. In the case of the City, capital assets and other assets with a total value of \$49,041,331 were transferred to the Fairfield Housing Authority from the former Redevelopment Agency.
- (ii) Requirements that the Successor Agency must complete reviews (Due Diligence Reviews) of the assets of the former Low and Moderate Income Housing Fund and all other funds of the former redevelopment agency. Both of these reviews have been completed and approved by the State Department of Finance. As a result of these reviews, the City transferred \$15,222,864 (\$9,909,859 in Low and Moderate Income Housing Funds and \$5,313,005 in other funds) of unobligated funds of the former redevelopment agency to the Solano County Auditor Controller. These funds were distributed to taxing entities as property taxes.
- (iii) Upon successful completion of the Due Diligence Reviews and the distribution of unobligated funds, the Successor Agency can apply for a Finding of Completion. The City received its Finding of Completion from the State Department of Finance in April 2013. The Finding of Completion enables the Successor Agency to transfer and sell land and buildings of the former Redevelopment Agency, subject to the review and approval of a Property Management Plan by the State Department of Finance. In addition, by receiving the Finding of Completion, the City may establish loans between the City and former redevelopment agency as enforceable obligations.

The Successor Agency submitted its Property Management Plan to the State Department of Finance in August 2013 and has yet to reestablish loans between the City and the former Redevelopment Agency. Additional information on the amounts owed by the former Redevelopment Agency to the City can be found under Section 5 in this footnote.

A) Impact of the Transfer of Assets and Write Down of Liabilities of the Successor Agency

In the current 2012/2013 fiscal year, under the provisions of AB 1X 26 and AB 1484, the Fairfield Housing Authority (a component unit of the City) accepted transfers of the low and moderate income assets from the Successor Agency. This transfer of assets from the private-purpose trust fund to the City's Special Revenue

Notes to the Basic Financial Statements (continued)

Housing Authority Fund resulted in an extraordinary gain to the City at the fund financial level of \$48,216,266. (At June 30, 2013, a write-down of these assets based on a lower of cost or market analysis took place of \$11,970,900--ultimately resulting in the City's extraordinary gain at the fund financial level being \$36,245,366).

Because of the different measurement focus of the governmental funds (current financial resources measurement focus) and the measurement focus of the trust funds (economic resources measurement focus), the extraordinary gain recognized in the governmental funds was not the same amount as the extraordinary gain that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary gain recognized in the fund financial statements and the extraordinary loss at the government-wide financial statement level is explained as follows:

Transfer of low and moderate income assets from Successor Agency to City's Special Revenue Fund—Housing Authority. (equals initial extraordinary gain to City's fund financial statements and extraordinary loss to successor agency trust fund)	(\$48,216,266)
Write-down of successor agency loan payable to City of Fairfield (owed from private purpose trust fund to City Internal Service—Intragovernmental Loan Fund; equates to extraordinary gain to successor agency and extraordinary loss to City's government-wide financial statements)	82,984,009
Transfer of low and moderate income capital assets (not reflected in City's fund financial statements) from successor agency to City. These are long-term assets which are carried at the City government-wide level, rather than the fund financial statement level. (equates to extraordinary loss to successor agency and extraordinary gain to City's government-wide financial statements)	<u>(\$825,065)</u>
Extraordinary Gain in the Successor Agency Trust Fund	<u>\$33,942,678</u>
At June 30, 2013, in the City Housing Authority Major Fund, a lower of cost or market analysis was done and it was determined a write-down adjustment to market value was necessary. This amount reduced the City's extraordinary gain at the fund level and increased the City's extraordinary loss at the government-wide financial statements)	<u>\$11,970,900</u>
City Extraordinary Loss at the Government-wide financial statements	<u>\$45,913,578</u>

B) Successor Agency Assets and Liabilities

The following is a discussion of various Successor Agency assets and liabilities. It is important to note that the assets and liabilities of the Successor Agency includes some items that are still to be transferred to the Fairfield Housing Authority in fiscal year 2013-2014 under the provisions of AB 1X 26 and AB 1484. (See note 21 for subsequent event.)

1. Cash and Investments

The total cash balance of \$4,506,001 is presented in a format consistent with GASB 31 and is presented at fair value. Under AB 1X 26 and AB 1484, all unencumbered cash balances have been previously distributed to the County Auditor Controller for distribution to taxing entities. See note 4 for further information and disclosures regarding the City's pooled cash and investments. This amount of \$4,506,001 represents cash on hand at June 30, 2013 received from Solano County through the ROPS (Recognized Obligations Payment Schedule) process to pay the Successor Agency's July 2013 through December 2013 enforceable obligations.

Notes to the Basic Financial Statements (continued)

2. Restricted Cash and Investments

\$5,339,589 represents restricted cash and investments at June 30, 2013 for required debt service reserves held by third-party trustees as determined by bond covenants.

3. Receivables

At June 30, 2013 receivables consisted of the following:

	Total Receivables
Interest and other	\$ 95,709
Loans	6,406,539
Total Receivables, Net	\$ 6,502,248

Of the total amount of receivables, \$6,406,539 are loans, of which \$3,174,391 are various affordable housing loan agreements with individuals and agencies to facilitate the former Redevelopment Agency's housing programs and projects. Under AB 1484, the majority of these affordable housing loans have been transferred to the Fairfield Housing Authority, during the current year. \$3,174,391 will be transferred to the City in the following fiscal year 2013-2014. (See note 21 for subsequent event)

4. Land Held for Resale

The total value of Land Held for Resale is \$11,449,717 and consists of properties that were acquired by the former Redevelopment Agency for future development. The property is carried at the lower of cost or market value. Of this amount, \$1,114,576 represents governmental purpose right-of-way properties that will be transferred in fiscal year 2013-2014. (see note 21 for subsequent event)

5. Long Term Obligations

The following is a summary of long-term bonds outstanding of the Successor Agency for the year ended June 30, 2013:

	Balance 7/1/2012	Incurred or Issued	Satisfied or Matured	Balance 6/30/2013	Amount Due Within One Year	Amount Due More Than One Year
Tax Allocation Bonds						
2011 TABS, North Texas Project Area	\$ 6,725,000		\$ (55,000)	\$ 6,670,000	\$ 55,000	\$ 6,615,000
	<u>6,725,000</u>	<u>\$ -</u>	<u>(55,000)</u>	<u>6,670,000</u>	<u>55,000</u>	<u>6,615,000</u>
Redevelopment Revenue Bonds						
FPFA 2003 Ser A Highway 12	22,515,000		(1,550,000)	20,965,000	1,615,000	19,350,000
FPFA 2003 Ser A City Center	6,920,000		(470,000)	6,450,000	485,000	5,965,000
FPFA 2003 Ser A Cordelia	9,150,000		(615,000)	8,535,000	640,000	7,895,000
FPFA 2003 Reg Ctr SerB CasaNova	3,695,000		(155,000)	3,540,000	160,000	3,380,000
	<u>42,280,000</u>	<u>-</u>	<u>(2,790,000)</u>	<u>39,490,000</u>	<u>2,900,000</u>	<u>36,590,000</u>
TOTAL	<u>\$ 49,005,000</u>	<u>\$ -</u>	<u>\$ (2,845,000)</u>	<u>\$ 46,160,000</u>	<u>\$ 2,955,000</u>	<u>\$ 43,205,000</u>

Notes to the Basic Financial Statements (continued)

Tax Allocation Bonds

The North Texas Redevelopment Project Area Tax Allocation Bonds, Series 2011, were issued in February 2011 by the former Redevelopment Agency in the amount of \$6,725,000 to purchase additional land for development. The bonds bear interest at rates ranging from 3.52% to 8.25%.

The debt service requirements on the tax allocation bonds are as follows:

Fiscal Year Ending	Tax Allocation Bonds		
	Principal	Interest	Total
2014	\$ 55,000	\$ 612,233	\$ 667,233
2015	60,000	609,470	669,470
2016	65,000	606,017	671,017
2017	65,000	602,026	667,026
2018	70,000	597,544	667,544
2019 - 2023	445,000	2,894,645	3,339,645
2024 - 2028	665,000	2,655,850	3,320,850
2029 - 2033	1,035,000	2,263,137	3,298,137
2032 - 2036	1,635,000	1,639,937	3,274,937
2037 - 2041	2,575,000	656,688	3,231,688
Total	\$ 6,670,000	\$ 13,137,547	\$ 19,807,547

Redevelopment Revenue Bonds

On August, 1, 2003, the Fairfield Public Financing Authority issued \$84,265,000 in Revenue Bonds to refund (retire) the following debt issues: 1996 Redevelopment Tax Allocation Bond (original issue amount of \$4,565,000 related to the Casa Nova Mobile Home Park); the 1993 Redevelopment Revenue Bonds (original issue amount \$83,535,000); the 1994 Refunding Public Facility Lease Revenue Bonds (original issue amount \$5,364,000; the 1995 FPFA Revenue Bonds (original issue amount of \$2,500,000); and the 1989 FPFA Revenue Bonds (undefeased portion at original issue amount of \$5,360,000. As of June 30, 2013, the outstanding balance of the refunding issue is \$39,490,000. This debt issue has interest rates ranging from 2.00% - 4.35% and has a final maturity date in 2028. The revenue bonds are secured by a pledge of revenues, consisting primarily of the loan installment payments which the former Redevelopment Agency (now Successor Agency) is required to make to the Authority.

The remaining debt service requirements on the redevelopment revenue bonds are as follows:

Fiscal Year Ending	Redevelopment Revenue Bonds		
	Principal	Interest	Total
2014	\$ 2,900,000	\$ 1,568,693	\$ 4,468,693
2015	3,025,000	1,451,018	4,476,018
2016	3,145,000	1,328,043	4,473,043
2017	3,265,000	1,202,928	4,467,928
2018	3,390,000	1,072,913	4,462,913
2019 - 2023	18,635,000	3,117,469	21,752,469
2024 - 2028	4,830,000	299,056	5,129,056
2029 - 2033	300,000	6,825	306,825
Total	\$ 39,490,000	\$ 10,046,946	\$ 49,536,946

Notes to the Basic Financial Statements (continued)

Loans Payable to the City of Fairfield

The City has made loans to the former Redevelopment Agency for redevelopment project costs. The loans payable consist of principal and interest due to the City of Fairfield. As summarized below, the total amount of principal and interest owed to the City has been reduced by \$82,984,009. The total amount of principal and interest owed to the City has been reduced from \$83,301,499 at July 1, 2012 to \$4,550,490 at June 30, 2013. These loans are summarized as follows:

	Balance 7/1/2012	Transfer of low/mod asset to City	Incurred or Issued	Satisfied or Matured	Adjustments	Balance 6/30/2013	Amount Due Within One Year	Amount Due More Than One Year
Loans Payable								
Regional Center - Loan from HOME Fund	\$ 317,490					\$ 317,490		\$ 317,490
Cordelia - Loan from IGS Fund	82,273,855				\$ (82,273,855)	-		-
City Center - Loan from IGS Fund	710,154				(710,154)	-		-
City Center - Loan from Housing Authority		\$ 4,233,000				4,233,000		4,233,000
	<u>\$ 83,301,499</u>	<u>\$ 4,233,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (82,984,009)</u>	<u>\$ 4,550,490</u>	<u>\$ -</u>	<u>\$ 4,550,490</u>

As indicated in the table above, the write-down in amounts owed to the City is solely attributable to the reduction in amounts owed to City's Intergovernmental Service (IGS) Fund. Amounts owed to the HOME Fund and Fairfield Housing Authority remain unchanged.

The City has chosen to write-down the loans owed to the City's IGS Fund at this point in time to reflect the fact that they have yet to be approved as enforceable obligations under AB 1484. Under AB 1484, once the City has received a Finding of Completion from the Department of Finance, the loans between the City and the former Redevelopment Agency that were entered into for economic development purposes may be established as enforceable obligations, subject to approval of the Oversight Board and State Department of Finance. Although the City has received its Notice of Completion, it has yet to obtain approval of the Oversight Board to the Successor Agency. The City will likely seek approval of loans owed to the IGS Fund in Spring 2014.

Of the total amount owed to the Fairfield Housing Authority, in the current year, \$4,233,000 in an affordable housing loan receivable was approved and transferred to the Housing Authority (the City). This loan (representing a past ERAF loan) had been presented in previous years as a receivable in the successor agency low and moderate income fund and a payable by the other successor agency funds (ie non low-mod funds); thus, resulting in the transaction being eliminated in past years (because both sides of the loan were recorded within the successor agency funds). But in the current year, this loan receivable was transferred to the Housing Authority and therefore is now shown by the successor agency as a loan payable to the City of Fairfield. The remaining loans owed to the Fairfield Housing Authority, after being rejected by the State Department of Finance, were subsequently approved. The transfer of these loans will be completed during fiscal year 2013/14. (see note 21 for subsequent event)

Long Term Notes Payable

The former Redevelopment Agency has two long-term notes in the Highway 12 Project Area totaling \$2,141,499 (which includes accrued interest). These notes are subordinate to other debts of the Successor Agency. In September 1981, the Agency issued a long-term note for \$931,081 to reimburse a developer for the cost of oversizing storm drainage facilities in the Highway 12 Project Area. Interest accrued at 10% compounded annually through September 1, 1989 after which the note became non-interest bearing. Total unpaid interest is \$1,032,040, which has been added to the note. In February 1982, the Agency issued a non-interest bearing long-term note to reimburse a developer for the cost of oversizing storm drainage facilities in the Highway 12 Project Area for \$178,378.

Notes to the Basic Financial Statements (continued)

	Balance 7/1/2012	Incurred or Issued	Satisfied or Matured	Balance 6/30/2013	Due Within One Year	Amount More Than One Year
Long Term Notes Payable						
Solano business park H12-3A	\$ 1,963,121			\$ 1,963,121		\$ 1,963,121
Kaufman & Broad H12-3A	178,378			178,378		178,378
	<u>\$ 2,141,499</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,141,499</u>	<u>\$ -</u>	<u>\$ 2,141,499</u>

19) Debt With No City Commitment

Special assessment districts in various parts of the City have issued debt under the 1915 Act and Mello-Roos Special Tax Act of 1982 to finance infrastructure improvements and facilities within their boundaries. Neither the faith and credit nor the taxing power of the City, the State of California, or any political subdivision thereof is pledged to the payment of any debt service for these districts. Payment of the debt is secured by valid assessment liens placed upon certain lands within each district. The City is the collecting and paying agent for the debt issued by these Districts, but has no direct or contingent liability or moral obligation for the payment of this debt. Therefore, this debt is not included in the general long-term debt of the City. This type of debt is accounted for in the agency funds. The outstanding balance of each of these issues as of June 30, 2013 is as follows:

Description	Issue Date	Maturity Date	Balances June 30, 2013
1915 Act Assessment District--Green Valley/Mangels Boulevard, Series 1993	8/25/93	9/2/18	\$ 2,705,000
Communities Facilities District No. 1--Lynch Canyon	5/7/98	7/1/14	195,000
Communities Facilities District No. 3--Series 2008	4/3/08	9/1/37	15,305,000
Communities Facilities District No. 2007-1, Fairfield Commons, Series 2008	4/3/08	9/1/38	18,095,000
			<u>\$ 36,300,000</u>

20) Prior Period Adjustment

The Assessment and Improvement Districts Debt Service Fund Major fund (in the prior year) had been used to report the collections of special assessments not yet remitted to bondholders for the repayment of debt. In recognition of the fact that this special assessment debt is non-commitment debt, at the fund level, a prior period adjustment was made to the Non-Major (in the current year) Debt Service—Assessment and Improvement Districts to fund balance of \$6,707,754 to move these balances out of the debt service fund and into an agency fund. (see note 19 for further discussion on non-commitment debt).

In addition, related to this non-commitment special assessment debt, at the government-wide statement of activities, there was a net prior period adjustment of \$26,265,896. This entry represented a combination of the (\$6,707,754) fund level entry plus \$36,870,000 in the removal of the non-commitment special assessment debt balances as of July 1, 2012; less \$3,105,000 in reduction of net position due to prior recognition of deferred revenue at the fund level; less \$791,350 in removal of bond issuance costs.

In the proprietary funds, the North Bay Treatment plant had a restatement of net position at July 1, 2012 that resulted in an increase of \$20,461,896. This adjustment was made to reflect the change in presentation of the minority interest in the water treatment plant from a liability (in the prior year) to a restriction of net position in the current year.

Notes to the Basic Financial Statements (continued)

The July 1, 2012 restatements of fund balances and net positions, at both the fund level and the government-wide level are presented as follows:

	Non-Major Government Funds	Proprietary Funds - North Bay Treatment Plant
Fund balance/Net Position at July 1, 2012, as previously stated	\$ 6,707,754	\$ 32,599,281
Prior period adjustment	(6,707,754)	20,461,896
Fund balance/Net Position at July 1, 2012, as restated	<u>\$ -</u>	<u>\$ 53,061,177</u>

	Government-Wide Level	
	Governmental Activities	Business-type Activities
Net position at July 1, 2012, as previously stated	\$ 458,131,894	\$ 115,163,890
Prior period adjustment	26,265,896	20,461,896
Net position at July 1, 2012, as restated	<u>\$ 484,397,790</u>	<u>\$ 135,625,786</u>

21) Subsequent Event

The purpose of this note is to discuss events that occurred subsequent to June 30, 2013 that have a bearing on the City's financial condition.

On September 27, 2013, the City received notification from the State Department of Finance that items previously rejected by the state (for the proposed transfer of certain low and moderate income assets from the Successor Agency to the City), has now been subsequently approved. These items represent three loans receivables for various affordable housing purposes. The value of these loans receivable to be transferred equals \$3,174,391. In addition, the State Department of Finance approved the transfer of thirteen properties as governmental purpose right-of-way properties with a value of \$1,114,576. The loans will be transferred to the Fairfield Housing Authority and the right-of-way properties will be transferred to the City in fiscal year 2013-2014. The value of these loans receivable to be transferred equals \$3,174,391 and the value of these land parcels to be transferred is \$1,114,576.

Pursuant to AB 1X 26 and AB 1484 (Health and Safety Code Section 34167.5), the State Controller is required to review the activities of redevelopment agencies in the state to determine whether an asset transfer has occurred from January 1, 2011 to January 31, 2012, between the city or county, or city and county that created a redevelopment agency or any other public agency, and the redevelopment agency. If such an asset transfer did occur and the government agency that received the asset is not contractually committed to a third party, then the State Controller shall order that the assets be returned to the successor agency. The State Controller commenced its review of the City of Fairfield in September 2013 and completed its review in October 2013. The City has yet to receive a report summarizing its complete set of conclusions and recommendations.

HEART OF SOLANO COUNTY



FAIRFIELD

C A L I F O R N I A

REQUIRED SUPPLEMENTARY INFORMATION

PUBLIC EMPLOYEES RETIREMENT SYSTEM SCHEDULE OF FUNDING PROGRESS

	Actuarial Valuation date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (AVA) (b)	Unfunded AAL (b)-(a)	Funded Ratio of AVA (b)/(a)	Annual Covered Payroll	Unfunded AAL as a % of Payroll
Miscellaneous Plan	6/30/2010	\$ 213,086,691	\$ 185,019,279	\$ (28,067,412)	86.8%	\$ 26,437,435	106.2%
	6/30/2011	227,177,572	194,719,817	(32,457,755)	85.7%	25,959,911	125.0%
	6/30/2012	238,097,284	201,202,018	(36,895,266)	84.5%	24,548,373	150.3%
Safety Plan	6/30/2010	184,426,158	159,838,936	(24,587,222)	86.7%	20,550,649	119.6%
	6/30/2011	198,870,891	169,795,430	(29,075,461)	85.4%	20,048,750	145.0%
	6/30/2012	209,386,090	178,359,259	(31,026,831)	85.2%	19,704,044	157.5%
Total	6/30/2010	397,512,849	344,858,215	(52,654,634)	86.8%	46,988,084	112.1%
	6/30/2011	426,048,463	364,515,247	(61,533,216)	85.6%	46,008,661	133.7%
	6/30/2012	447,483,374	379,561,277	(67,922,097)	84.8%	44,252,417	153.5%

RETIREE HEALTH PLAN SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)(a)	Value of assets (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (b)/(a)	Annual Covered Payroll	UAAL as a % of covered Payroll
6/30/2009	\$ 29,776,000	\$ -	\$ (29,776,000)	0.0%	\$ 49,159,059	60.6%
6/30/2011	15,066,000	-	(15,066,000)	0.0%	46,008,661	32.7%
6/30/2013	4,004,863	-	(4,004,863)	0.0%	692,448	578.4%

HEART OF SOLANO COUNTY



FAIRFIELD

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SUPPLEMENTARY INFORMATION

HEART OF SOLANO COUNTY



C A L I F O R N I A

CITY OF FAIRFIELD

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual City Capital Projects – Major Fund For the Year Ended June 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Revenues:			
Development Fees	\$ 6,575,000	\$ 6,281,986	\$ (293,014)
Developer contributions	121,000	600,869	479,869
Intergovernmental	6,484,000	5,827,946	(656,054)
Investment income	118,000	57,498	(60,502)
Miscellaneous	111,000	854,377	743,377
Total Revenues	<u>13,409,000</u>	<u>13,622,676</u>	<u>213,676</u>
Expenditures:			
Current:			
Capital outlay	16,302,000	16,283,256	18,744
Total Expenditures	<u>16,302,000</u>	<u>16,283,256</u>	<u>18,744</u>
Excess Revenues Over (Under) Expenditures	<u>(2,893,000)</u>	<u>(2,660,580)</u>	<u>232,420</u>
Other Financing Uses:			
Transfers in	11,258,000	6,185,973	(5,072,027)
Transfers out	(3,566,000)	(67,996)	3,498,004
Total Other Financing Uses	<u>7,692,000</u>	<u>6,117,977</u>	<u>(1,574,023)</u>
Net change in fund balance	4,799,000	3,457,397	(1,341,603)
Fund Balance - Beginning of Year	<u>12,509,082</u>	<u>12,509,082</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 17,308,082</u>	<u>\$ 15,966,479</u>	<u>\$ (1,341,603)</u>

HEART OF SOLANO COUNTY



C A L I F O R N I A

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

- STATE GAS TAX - To account for monies received and expended from State Gas Tax allocation to cities.
- PUBLIC SAFETY - To account for monies: received and expended from fines paid to the City under the State Motor Vehicle Code; and monies received and expended under Proposition 172, which is a half-cent increase on the State sales tax rate earmarked for public safety services.
- HOME PROGRAM - To account for monies received and expended under the Home Investment Partnerships Program (HOME). Funds are provided by the Federal Government and passed through the State of California.
- NEIGHBORHOOD STABILIZATION PROGRAM – To account for monies received and expended under the Neighborhood Stabilization Program (NSP) issued under the American Reinvestment and Recovery Act (ARRA) of 2008. Funds are provided by the Federal Government and passed through the State of California.
- DEVELOPMENT TAX - To account for monies received from taxes levied by the City on new residential construction based on the number of bedrooms in each unit, square footage of all new commercial construction and units of residential construction. City ordinance restricts these monies to funding construction, major maintenance and debt service for park, street, drainage and public safety facilities.
- SPECIAL PROGRAMS - To account for monies received from Federal, State and City grants and for monies received and expended from the Redevelopment Agency for revitalizing the central business district. State grants include a housing revolving loan program.
- MAINTENANCE DISTRICTS - To account for maintenance districts monies received from taxes levied on property owners located within the districts.
- COMMUNITY DEVELOPMENT BLOCK GRANT - Accounted for monies received and expended by the City as a participant in the Federal Community Development Block Grant program, including accounting for activity related to the revolving loan fund program.
- SECTION 8 HOUSING ASSISTANCE - To account for monies received and expended in housing assistance to low and moderate income families. Funds are provided by receipts from the Federal Section 8 Housing and Urban Development (HUD) program.

NON-MAJOR GOVERNMENTAL FUNDS (continued)

Debt Service Funds

- GENERAL OBLIGATION - To account for property tax monies and zone of benefit taxes levied for the payment of voter approved debt principal and interest and payment of contractual obligations.
- PENSION OBLIGATION BONDS - To account for the proceeds of the bonds issued to refund the City's unfunded liability to the CalPERS retirement system; and to account for the ongoing accumulation of resources used in making payments on this debt.

Capital Project Fund

- ASSESSMENT AND IMPROVEMENT DISTRICTS - To account for the construction of public improvements deemed to benefit the properties against which special assessments are levied. Activities financed through assessments include street lighting and paving, utility and other general infrastructure improvements. In addition, to account for the activities in the Community Facilities Districts and the Rancho Solano and North Texas Benefit Districts.

Permanent Fund

- OUTREACH INDEPENDENCE – to account for monies donated to the City and the Friends of the Senior Center for disbursements relating to senior citizen outreach programs.

HEART OF SOLANO COUNTY



FAIRFIELD

C A L I F O R N I A

CITY OF FAIRFIELD

**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2013**

	Special Revenue				
	State Gas Tax	Public Safety	Home Program	Neighborhood Stabilization Program	Development Tax
ASSETS					
Assets:					
Cash and investments	\$ 3,654,857	\$ 56,668	\$ 340,126	\$ 2,696	\$ 5,591,637
Receivables, net	220,913	54,341	15,645,682	1,883,779	
Restricted cash and investments					
Advances to other funds					7,348,068
Total assets	<u>\$ 3,875,770</u>	<u>\$ 111,009</u>	<u>\$ 15,985,808</u>	<u>\$ 1,886,475</u>	<u>\$ 12,939,705</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and other current liabilities			\$ 3,247	\$ 1,787	
Due to other funds				29,075	
Deferred revenue			2,066,494		\$ 3,544,536
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>2,069,741</u>	<u>30,862</u>	<u>3,544,536</u>
Fund balances:					
Nonspendable					
Restricted	3,875,770	111,009	13,916,067	1,855,613	
Committed					9,395,169
Assigned					
Total fund balances	<u>3,875,770</u>	<u>111,009</u>	<u>13,916,067</u>	<u>1,855,613</u>	<u>9,395,169</u>
Total liabilities and fund balances	<u>\$ 3,875,770</u>	<u>\$ 111,009</u>	<u>\$ 15,985,808</u>	<u>\$ 1,886,475</u>	<u>\$ 12,939,705</u>

Special Revenue				Debt Service	
Special Programs	Maintenance Districts	Community Development Block Grant	Section 8 Housing Assistance	General Obligation	Pension Obligation Bonds
\$ 1,275,974 634,320	\$ 17,591,137 54,976	\$ 4,215,273 256,721	\$ 822,691 20,559 109,474	\$ 594,367	\$ 3,136,031 9,549
<u>\$ 1,910,294</u>	<u>\$ 17,646,113</u>	<u>\$ 4,471,994</u>	<u>\$ 952,724</u>	<u>\$ 594,367</u>	<u>\$ 3,145,580</u>
\$ 83,885 748,831 832,716	\$ 170,900 170,900	\$ 105,326 162,697 237,746 505,769	\$ 124,794 124,794	\$ 89,995 89,995	\$ -
1,077,578	17,475,213	3,966,225	827,930	504,372	
<u>1,077,578</u>	<u>17,475,213</u>	<u>3,966,225</u>	<u>827,930</u>	<u>504,372</u>	<u>3,145,580</u>
<u>\$ 1,910,294</u>	<u>\$ 17,646,113</u>	<u>\$ 4,471,994</u>	<u>\$ 952,724</u>	<u>\$ 594,367</u>	<u>\$ 3,145,580</u>

CITY OF FAIRFIELD

**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2013**

	<u>Capital Projects</u>	<u>Permanent Fund</u>	<u>Total Non-Major Governmental Funds</u>
	<u>Assessment & Improvement Districts</u>	<u>Outreach Independence</u>	
ASSETS			
Assets:			
Cash and investments	\$ 9,347,280	\$ 342,928	\$ 42,756,392
Receivables, net	29,737	1,044	22,770,173
Restricted cash and investments	-		366,195
Advances to other funds			7,348,068
Total assets	<u>\$ 9,377,017</u>	<u>\$ 343,972</u>	<u>\$ 73,240,828</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and other current liabilities	\$ 28,230		\$ 608,164
Due to other funds			191,772
Deferred revenue			6,597,607
Total liabilities	<u>28,230</u>	<u>\$ -</u>	<u>7,397,543</u>
Fund balances:			
Nonspendable		335,375	335,375
Restricted	9,348,787	8,597	52,967,161
Committed			9,395,169
Assigned			3,145,580
Total fund balances	<u>9,348,787</u>	<u>343,972</u>	<u>65,843,285</u>
Total liabilities and fund balances	<u>\$ 9,377,017</u>	<u>\$ 343,972</u>	<u>\$ 73,240,828</u>

HEART OF SOLANO COUNTY



C A L I F O R N I A

CITY OF FAIRFIELD

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Non-Major Governmental Funds
 For the Year Ended June 30, 2013**

	Special Revenue				
	State Gas Tax	Public Safety	Home Program	Neighborhood Stabilization Program	Development Tax
REVENUES:					
Taxes		\$ 316,729			\$ 1,740,431
Property taxes					
Special assessments levied					
Developers' contribution					
Intergovernmental	\$ 2,428,542	419,091	\$ 1,786,464	\$ 559,716	
Investment income	678		8,412	562	
Miscellaneous			25		55,665
Total revenues	<u>2,429,220</u>	<u>735,820</u>	<u>1,794,901</u>	<u>560,278</u>	<u>1,796,096</u>
EXPENDITURES:					
Current:					
Finance					
Police		441,006			
Fire					
Public works	71,268				74,448
Community resources			309,462	288,986	64,788
Community development					
Capital outlay					
Debt service:					
Principal retirement					
Interest					
Fiscal agent fees					
Total expenditures	<u>71,268</u>	<u>441,006</u>	<u>309,462</u>	<u>288,986</u>	<u>139,236</u>
Revenues over (under) expenditures	2,357,952	294,814	1,485,439	271,292	1,656,860
OTHER FINANCING SOURCES (USES):					
Transfers in					
Transfers out	(4,230,269)	(314,000)			(675,780)
Total other financing sources (uses)	<u>(4,230,269)</u>	<u>(314,000)</u>	<u>-</u>	<u>-</u>	<u>(675,780)</u>
Net change in fund balances	(1,872,317)	(19,186)	1,485,439	271,292	981,080
FUND BALANCES:					
Beginning of year, as restated (see Note 20)	<u>5,748,087</u>	<u>130,195</u>	<u>12,430,628</u>	<u>1,584,321</u>	<u>8,414,089</u>
End of year	<u>\$ 3,875,770</u>	<u>\$ 111,009</u>	<u>\$ 13,916,067</u>	<u>\$ 1,855,613</u>	<u>\$ 9,395,169</u>

Special Revenue			
Special Programs	Maintenance Districts	Community Development Block Grant	Section 8 Housing Assistance
	\$ 3,062,348		
\$ 2,598,100	776,500	\$ 834,457	\$ 7,989,607
8,826	46,628	18,248	
629,854	41,478	400	6,968
<u>3,236,780</u>	<u>3,926,954</u>	<u>853,105</u>	<u>7,996,575</u>
217,226			
1,824,334		134,719	
224,148			
88,580	3,274,524	167,457	
679,049		444,467	8,621,710
		73,964	
<u>3,033,337</u>	<u>3,274,524</u>	<u>820,607</u>	<u>8,621,710</u>
203,443	652,430	32,498	(625,135)
	157,000		
(941,834)	(29,773)	(3,324)	(22,977)
<u>(941,834)</u>	<u>127,227</u>	<u>(3,324)</u>	<u>(22,977)</u>
(738,391)	779,657	29,174	(648,112)
<u>1,815,969</u>	<u>16,695,556</u>	<u>3,937,051</u>	<u>1,476,042</u>
<u>\$ 1,077,578</u>	<u>\$ 17,475,213</u>	<u>\$ 3,966,225</u>	<u>\$ 827,930</u>

CITY OF FAIRFIELD

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Non-Major Governmental Funds For the Year Ended June 30, 2013

	Debt Service		Capital Projects	Permanent	Total Non-Major Governmental Funds
	General Obligation	Pension Obligation Bonds	Assessment & Improvement Districts	Outreach Independence	
REVENUES:					
Taxes					\$ 2,057,160
Property taxes	\$ 632,111				632,111
Special assessments levied			\$ 1,461,292		4,523,640
Developers' contribution			212,706		212,706
Intergovernmental					17,392,477
Investment income		\$ 16,509	15,097	\$ 978	115,938
Miscellaneous			65,389		799,779
Total revenues	632,111	16,509	1,754,484	978	25,733,811
EXPENDITURES:					
Current:					
Finance					217,226
Police					2,400,059
Fire					224,148
Public works					3,676,277
Community resources					10,408,462
Community development					73,964
Capital outlay			3,114,474		3,114,474
Debt service:					
Principal retirement	421,890	315,000			736,890
Interest		2,360,629			2,360,629
Fiscal agent fees	23,874	5,614			29,488
Total expenditures	445,764	2,681,243	3,114,474	-	23,241,617
Revenues over (under) expenditures	186,347	(2,664,734)	(1,359,990)	978	2,492,194
OTHER FINANCING SOURCES (USES):					
Transfers in		2,581,844	-		2,738,844
Transfers out			(1,944,343)		(8,162,300)
Total other financing sources (uses)	-	2,581,844	(1,944,343)	-	(5,423,456)
Net change in fund balances	186,347	(82,890)	(3,304,333)	978	(2,931,262)
FUND BALANCES:					
Beginning of year, as restated (see Note 20)	318,025	3,228,470	12,653,120	342,994	68,774,547
End of year	\$ 504,372	\$ 3,145,580	\$ 9,348,787	\$ 343,972	\$ 65,843,285

HEART OF SOLANO COUNTY



C A L I F O R N I A

CITY OF FAIRFIELD

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual Nonmajor Governmental Funds For the Year Ended June 30, 2013

	Special Revenue Funds					
	State Gas Tax			Public Safety		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
Revenues:						
Taxes				\$ 402,000	\$ 316,729	\$ (85,271)
Property taxes						
Special assessments levied						
Developer contributions						
Intergovernmental	\$ 2,776,000	\$ 2,428,542	\$ (347,458)	376,000	419,091	43,091
Investment income	50,000	678	(49,322)			
Miscellaneous						
Total Revenues	2,826,000	2,429,220	(396,780)	778,000	735,820	(42,180)
Expenditures:						
Current:						
Police				390,000	441,006	(51,006)
Fire						
Public Works	72,000	71,268	732			
Finance						
Community Resources						
Community development						
Capital Outlay						
Debt Service:						
Principle retirement						
Interest						
Fiscal Fees						
Total Expenditures	72,000	71,268	732	390,000	441,006	(51,006)
Excess of Revenues Over (Under) Expenditures	2,754,000	2,357,952	(396,048)	388,000	294,814	(93,186)
Other Financing Sources (Uses):						
Transfer in						
Transfer out	(4,240,000)	(4,230,269)	9,731	(357,763)	(314,000)	43,763
Total Other Financing Sources (Uses)	(4,240,000)	(4,230,269)	9,731	(357,763)	(314,000)	43,763
Net change in fund balances before extraordinary item	(1,486,000)	(1,872,317)	(386,317)	30,237	(19,186)	(49,423)
Extraordinary Item:						
Extraordinary gain--dissolution of Redevelopment						
Net change in fund balances	(1,486,000)	(1,872,317)	(386,317)	30,237	(19,186)	(49,423)
Fund Balances-Beginning of Year	5,748,087	5,748,087	-	130,195	130,195	-
Fund Balances-End of Year	\$ 4,262,087	\$ 3,875,770	\$ (386,317)	\$ 160,432	\$ 111,009	\$ (49,423)

CITY OF FAIRFIELD

**Combining Schedule of Revenues, Expenditures and
 Changes in Fund Balances-Budget and Actual
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2013**

Special Revenue Funds								
Home Program			Neighborhood Stabilization Program			Development Tax		
Final Budget	Actual	Variance	Final Budget	Actual	Variance	Final Budget	Actual	Variance
						\$ 2,237,000	\$ 1,740,431	\$ (496,569)
\$ 1,786,464	\$ 1,786,464		\$ 559,716	\$ 559,716				
8,412	8,412		562	562				
25	25					19,000	55,665	36,665
1,794,901	1,794,901	-	560,278	560,278	-	2,256,000	1,796,096	(459,904)
						292,000	74,448	217,552
309,462	309,462		288,986	288,986		65,000	64,788	212
309,462	309,462	-	288,986	288,986	-	357,000	139,236	217,764
1,485,439	1,485,439	-	271,292	271,292	-	1,899,000	1,656,860	(242,140)
						(2,705,000)	(675,780)	2,029,220
-	-	-			-	(2,705,000)	(675,780)	2,029,220
1,485,439	1,485,439	-	271,292	271,292	-	(806,000)	981,080	1,787,080
1,485,439	1,485,439	-	271,292	271,292	-	(806,000)	981,080	1,787,080
12,430,628	12,430,628	-	1,584,321	1,584,321	-	8,414,089	8,414,089	-
<u>\$13,916,067</u>	<u>\$ 13,916,067</u>	<u>\$ -</u>	<u>\$ 1,855,613</u>	<u>\$ 1,855,613</u>	<u>\$ -</u>	<u>\$ 7,608,089</u>	<u>\$ 9,395,169</u>	<u>\$ 1,787,080</u>

CITY OF FAIRFIELD

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual Nonmajor Governmental Funds For the Year Ended June 30, 2013

	Special Revenue Funds					
	Special Programs			Maintenance Districts		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
Revenues:						
Taxes						
Property taxes						
Special assessments levied				\$ 2,999,000	\$ 3,062,348	\$ 63,348
Developer contributions						
Intergovernmental	\$ 2,979,000	\$ 2,598,100	\$ (380,900)	793,000	776,500	(16,500)
Investment income	34,000	8,826	(25,174)	235,000	46,628	(188,372)
Miscellaneous	41,000	629,854	588,854		41,478	41,478
Total Revenues	3,054,000	3,236,780	182,780	4,027,000	3,926,954	(100,046)
Expenditures:						
Current:						
Police	1,825,000	1,824,334	666			
Fire	300,000	224,148	75,852			
Public Works	101,000	88,580	12,420	3,978,000	3,274,524	703,476
Finance	220,000	217,226	2,774			
Community Resources	764,000	679,049	84,951			
Community development						
Capital Outlay						
Debt Service:						
Principle retirement						
Interest						
Fiscal Fees						
Total Expenditures	3,210,000	3,033,337	176,663	3,978,000	3,274,524	703,476
Excess of Revenues Over (Under) Expenditures	(156,000)	203,443	359,443	49,000	652,430	603,430
Other Financing Sources (Uses):						
Transfer in				158,000	157,000	1,000
Transfer out	(2,360,000)	(941,834)	1,418,166		(29,773)	(29,773)
Total Other Financing Sources (Uses)	(2,360,000)	(941,834)	1,418,166	158,000	127,227	(30,773)
Net change in fund balances before extraordinary item	(2,516,000)	(738,391)	1,777,609	207,000	779,657	572,657
Extraordinary Item:						
Extraordinary gain--dissolution of Redevelopment						
Net change in fund balances	(2,516,000)	(738,391)	1,777,609	207,000	779,657	572,657
Fund Balances--Beginning of Year	1,815,969	1,815,969	-	16,695,556	16,695,556	-
Fund Balances--End of Year	\$ (700,031)	\$ 1,077,578	\$ 1,777,609	\$ 16,902,556	\$ 17,475,213	\$ 572,657

CITY OF FAIRFIELD

**Combining Schedule of Revenues, Expenditures and
 Changes in Fund Balances-Budget and Actual
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2013**

Special Revenue Funds					
Community Development Block Grant			Section 8 Housing		
Final Budget	Actual	Variance	Final Budget	Actual	Variance
\$ 1,040,000	\$ 834,457	\$ (205,543)	\$ 8,867,000	\$ 7,989,607	\$ (877,393)
	18,248	18,248			
	400	400	41,000	6,968	(34,032)
<u>1,040,000</u>	<u>853,105</u>	<u>(186,895)</u>	<u>8,908,000</u>	<u>7,996,575</u>	<u>(911,425)</u>
191,000	134,719	56,281			
176,000	167,457	8,543			
446,000	444,467	1,533	9,047,000	8,621,710	425,290
223,000	73,964	149,036			
<u>1,036,000</u>	<u>820,607</u>	<u>215,393</u>	<u>9,047,000</u>	<u>8,621,710</u>	<u>425,290</u>
4,000	32,498	28,498	(139,000)	(625,135)	(486,135)
(4,000)	(3,324)	676		(22,977)	(22,977)
(4,000)	(3,324)	676		(22,977)	(22,977)
-	29,174	29,174	(139,000)	(648,112)	(509,112)
-	29,174	29,174	(139,000)	(648,112)	(509,112)
3,937,051	3,937,051	-	1,476,042	1,476,042	-
<u>\$ 3,937,051</u>	<u>\$ 3,966,225</u>	<u>\$ 29,174</u>	<u>\$ 1,337,042</u>	<u>\$ 827,930</u>	<u>\$ (509,112)</u>

CITY OF FAIRFIELD

**Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances-Budget and Actual
Nonmajor Governmental Funds
For the Year Ended June 30, 2013**

	Debt Service Funds					
	General Obligation Bonds			Pension Obligation Bonds		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
Revenues:						
Taxes						
Property taxes	\$ 455,000	632,111	177,111			
Special assessments levied						
Developer contributions						
Intergovernmental						
Investment income				\$ 33,000	\$ 16,509	\$(16,491)
Miscellaneous						-
Total Revenues	455,000	632,111	177,111	33,000	16,509	(16,491)
Expenditures:						
Current:						
Police						
Fire						
Public Works						
Finance						
Community Resources						
Community development						
Capital Outlay						
Debt Service:						
Principle retirement	422,000	421,890	110	315,000	315,000	
Interest				2,360,629	2,360,629	
Fiscal Fees	33,000	23,874	9,126	7,371	5,614	1,757
Total Expenditures	455,000	445,764	9,236	2,683,000	2,681,243	1,757
Excess of Revenues Over (Under) Expenditures	-	186,347	186,347	(2,650,000)	(2,664,734)	(14,734)
Other Financing Sources (Uses):						
Transfer in				2,591,000	2,581,844	(9,156)
Transfer out						
Total Other Financing Sources (Uses)	-	-	-	2,591,000	2,581,844	(9,156)
Net change in fund balances before extraordinary item	-	186,347	186,347	(59,000)	(82,890)	(23,890)
Extraordinary Item:						
Extraordinary gain--dissolution of Redevelopment						
Net change in fund balances	-	186,347	186,347	(59,000)	(82,890)	(23,890)
Fund Balances--Beginning of Year	318,025	318,025	-	3,228,470	3,228,470	-
Fund Balances--End of Year	\$ 318,025	\$ 504,372	\$186,347	\$ 3,169,470	\$ 3,145,580	\$(23,890)

CITY OF FAIRFIELD

**Combining Schedule of Revenues, Expenditures and
 Changes in Fund Balances-Budget and Actual
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2013**

Capital Project Fund Assessment & Improvement Districts			Total Non-major Governmental Funds		
Final Budget	Actual	Variance	Final Budget	Actual	Variance
			\$ 2,639,000	\$ 2,057,160	\$ (581,840)
			455,000	632,111	177,111
\$ 2,283,000	1,461,292	(821,708)	5,282,000	4,523,640	(758,360)
216,000	212,706	(3,294)	216,000	212,706	(3,294)
			19,177,180	17,392,477	(1,784,703)
123,000	15,097	(107,903)	483,974	114,960	(369,014)
45,000	65,389	20,389	146,025	799,779	653,754
<u>2,667,000</u>	<u>1,754,484</u>	<u>(912,516)</u>	<u>28,399,179</u>	<u>25,732,833</u>	<u>(2,666,346)</u>
			2,406,000	2,400,059	5,941
			300,000	224,148	75,852
			4,619,000	3,676,277	942,723
			220,000	217,226	2,774
			10,920,448	10,408,462	511,986
			223,000	73,964	149,036
3,320,000	3,114,474	205,526	3,320,000	3,114,474	205,526
			737,000	736,890	110
			2,360,629	2,360,629	
			40,371	29,488	10,883
<u>3,320,000</u>	<u>3,114,474</u>	<u>205,526</u>	<u>25,146,448</u>	<u>23,241,617</u>	<u>1,904,831</u>
<u>(653,000)</u>	<u>(1,359,990)</u>	<u>(706,990)</u>	<u>3,252,731</u>	<u>2,491,216</u>	<u>(761,515)</u>
			2,749,000	2,738,844	(10,156)
<u>(1,951,000)</u>	<u>(1,944,343)</u>	<u>6,657</u>	<u>(11,617,763)</u>	<u>(8,162,300)</u>	<u>3,455,463</u>
<u>(1,951,000)</u>	<u>(1,944,343)</u>	<u>6,657</u>	<u>(8,868,763)</u>	<u>(5,423,456)</u>	<u>3,445,307</u>
<u>(2,604,000)</u>	<u>(3,304,333)</u>	<u>(700,333)</u>	<u>(5,616,032)</u>	<u>(2,932,240)</u>	<u>2,683,792</u>
			-	-	-
<u>(2,604,000)</u>	<u>(3,304,333)</u>	<u>(700,333)</u>	<u>(5,616,032)</u>	<u>(2,932,240)</u>	<u>2,683,792</u>
<u>12,653,120</u>	<u>12,653,120</u>	<u>-</u>	<u>68,431,553</u>	<u>68,431,553</u>	<u>-</u>
<u>\$10,049,120</u>	<u>\$ 9,348,787</u>	<u>\$ (700,333)</u>	<u>\$ 62,815,521</u>	<u>\$ 65,499,313</u>	<u>\$ 2,683,792</u>

HEART OF SOLANO COUNTY



C A L I F O R N I A

INTERNAL SERVICE FUNDS

CENTRAL STORES - To account for the printing, copying, and mail services provided to the various City departments; as well as accounting for public work maintenance supplies for the various City departments.

AUTOMOTIVE SERVICES - To account for automotive services performed for the various City departments as well as accounting for the City's Vehicle Replacement Fund.

COMMUNICATION SERVICES - To account for the charges to the various departments for the use and maintenance of the main power supplies for various communication devices such as hand radios, phones, and computers.

INTRAGOVERNMENTAL LOAN - To account for loans made to City funds or affiliated agencies.

INSURANCE - To account for all insurance activities of the City.

PUBLIC BUILDINGS - To account for the operation of the cogeneration facilities, and major maintenance of the Civic Center complex.

CITY OF FAIRFIELD

Combining Statement of Net Position Internal Service Funds June 30, 2013

	Stores	Automotive Services	Communication Services
ASSETS:			
Current Assets			
Cash and investments	\$ 142,621	\$ 5,053,692	\$ 2,688,193
Receivables, net	434	15,617	23,130
Due from other funds			
Inventory	32,179	456,791	
Prepaid items			28,891
Total current assets	<u>175,234</u>	<u>5,526,100</u>	<u>2,740,214</u>
Noncurrent Assets			
Advances to other funds			
Capital Assets:			
Non-depreciable		1,144,000	
Depreciable buildings, property, equipment and infrastructure, net		3,338,329	1,428,624
Total Capital Assets	<u>-</u>	<u>4,482,329</u>	<u>1,428,624</u>
Total noncurrent assets	<u>-</u>	<u>4,482,329</u>	<u>1,428,624</u>
Total assets	<u>175,234</u>	<u>10,008,429</u>	<u>4,168,838</u>
LIABILITIES:			
Current Liabilities			
Accounts payable and other current liabilities	8,947	239,721	109,800
Accrued interest payable			
Claims and judgments payable - due within one year			
Long-term debt - due within one year			
Total current liabilities	<u>8,947</u>	<u>239,721</u>	<u>109,800</u>
Noncurrent Liabilities			
Net OPEB obligation			
Claims and judgments payable - due in more than one year			
Long-term debt - due in more than one year			
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>8,947</u>	<u>239,721</u>	<u>109,800</u>
NET POSITION:			
Net investment in capital assets		4,482,329	1,428,624
Unrestricted	166,287	5,286,379	2,630,414
Total net position	<u>\$ 166,287</u>	<u>\$ 9,768,708</u>	<u>\$ 4,059,038</u>

Intra- Governmental Loan	Insurance	Public Buildings	Total Internal Service Funds
\$ 15,342,688	\$ 14,311,284	\$ 1,503,968	\$ 39,042,446
47,303	42,773	4,988	134,245
191,772			191,772
			488,970
			28,891
<u>15,581,763</u>	<u>14,354,057</u>	<u>1,508,956</u>	<u>39,886,324</u>
16,448,144			16,448,144
			1,144,000
		2,003,429	6,770,382
-	-	2,003,429	7,914,382
<u>16,448,144</u>	<u>-</u>	<u>2,003,429</u>	<u>24,362,526</u>
<u>32,029,907</u>	<u>14,354,057</u>	<u>3,512,385</u>	<u>64,248,850</u>
1,603	13,583	50,571	424,225
		5,054	5,054
	1,277,386		1,277,386
		252,056	252,056
<u>1,603</u>	<u>1,290,969</u>	<u>307,681</u>	<u>1,958,721</u>
	689,620		689,620
	9,370,614		9,370,614
		2,234,010	2,234,010
<u>-</u>	<u>10,060,234</u>	<u>2,234,010</u>	<u>12,294,244</u>
<u>1,603</u>	<u>11,351,203</u>	<u>2,541,691</u>	<u>14,252,965</u>
32,028,304	3,002,854	2,003,429	7,914,382
		(1,032,735)	42,081,503
<u>\$ 32,028,304</u>	<u>\$ 3,002,854</u>	<u>\$ 970,694</u>	<u>\$ 49,995,885</u>

CITY OF FAIRFIELD

**Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2013**

	<u>Stores</u>	<u>Automotive Services</u>	<u>Communication Services</u>
OPERATING REVENUES:			
Charges for services	\$ 310,143	\$ 5,690,604	\$ 2,870,754
Total operating revenues	<u>310,143</u>	<u>5,690,604</u>	<u>2,870,754</u>
OPERATING EXPENSES:			
Material and supplies	124,027	2,633,527	621,530
Operating and maintenance	110,790	1,732,265	1,091,337
General and administrative	104,010	254,739	728,355
Premiums/provision for insurance claims			
Depreciation		<u>563,318</u>	<u>321,477</u>
Total operating expenses	<u>338,827</u>	<u>5,183,849</u>	<u>2,762,699</u>
Operating Income (loss)	<u>(28,684)</u>	<u>506,755</u>	<u>108,055</u>
NONOPERATING REVENUES (EXPENSES):			
Investment income	416	20,261	7,354
Interest expense			
Other revenue (expense)		<u>96,330</u>	
Total nonoperating revenues (expenses)	<u>416</u>	<u>116,591</u>	<u>7,354</u>
Income (loss) before contributions and transfers	(28,268)	623,346	115,409
Transfers:			
Transfers in			
Transfers out	<u>(3,890)</u>	<u>(133,025)</u>	<u>(24,581)</u>
Total transfers	<u>(3,890)</u>	<u>(133,025)</u>	<u>(24,581)</u>
Change in net position before extraordinary items	(32,158)	490,321	90,828
Extraordinary items:			
Extraordinary loss--dissolution of Fairfield Redevelopment Agency (see note 18)			
Change in net position	(32,158)	490,321	90,828
NET POSITION:			
Beginning of year	<u>198,445</u>	<u>9,278,387</u>	<u>3,968,210</u>
End of year	<u>\$ 166,287</u>	<u>\$ 9,768,708</u>	<u>\$ 4,059,038</u>

Intra- Governmental Loan	Insurance	Public Buildings	Total Internal Service Funds
\$ 827,745	\$ 2,524,418	\$ 1,130,916	\$ 13,354,580
<u>827,745</u>	<u>2,524,418</u>	<u>1,130,916</u>	<u>13,354,580</u>
		132,060	3,511,144
500,000		259,402	3,693,794
239,911	589,193		1,916,208
		16,031	16,031
		<u>164,494</u>	<u>1,049,289</u>
<u>739,911</u>	<u>589,193</u>	<u>571,987</u>	<u>10,186,466</u>
<u>87,834</u>	<u>1,935,225</u>	<u>558,929</u>	<u>3,168,114</u>
116,351	54,524	12,008	210,914
		(49,195)	(49,195)
<u>6,351,608</u>			<u>6,447,938</u>
<u>6,467,959</u>	<u>54,524</u>	<u>(37,187)</u>	<u>6,609,657</u>
6,555,793	1,989,749	521,742	9,777,771
	2,208,000		2,208,000
	(21,376)	(3,816)	(186,688)
<u>-</u>	<u>2,186,624</u>	<u>(3,816)</u>	<u>2,021,312</u>
6,555,793	4,176,373	517,926	11,799,083
<u>(82,984,009)</u>			<u>(82,984,009)</u>
(76,428,216)	4,176,373	517,926	(71,184,926)
<u>108,456,520</u>	<u>(1,173,519)</u>	<u>452,768</u>	<u>121,180,811</u>
<u>\$ 32,028,304</u>	<u>\$ 3,002,854</u>	<u>\$ 970,694</u>	<u>\$ 49,995,885</u>

CITY OF FAIRFIELD

Combining Statement of Cash Flows Internal Service Funds For the Year Ended June 30, 2013

	Stores	Automotive Services	Communication Services
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 310,142	\$ 5,690,604	\$ 2,855,809
Payments to suppliers	(215,228)	(3,093,571)	(1,575,062)
Payments to employees	(87,186)	(1,362,762)	(644,640)
Payments for Interfund Services Used	(35,225)	(242,309)	(91,366)
Net cash provided by (used for) operating activities	<u>(27,497)</u>	<u>991,962</u>	<u>544,741</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in			
Transfers out	(3,890)	(133,025)	(24,581)
Net cash provided by (used for) noncapital financing activities	<u>(3,890)</u>	<u>(133,025)</u>	<u>(24,581)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal payments-notes payable			
Interest paid			
Proceeds from sales of capital assets		96,330	
Proceeds from capital debt			
Purchases of capital assets		(1,488,746)	(268,067)
Net cash provided by (used for) capital and related financing activities	<u>-</u>	<u>(1,392,416)</u>	<u>(268,067)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income received	483	21,643	7,768
Net cash provided by investing activities	<u>483</u>	<u>21,643</u>	<u>7,768</u>
Net increase (decrease) in cash and cash equivalents	(30,904)	(511,836)	259,861
CASH AND CASH EQUIVALENTS:			
Beginning of year	173,525	5,565,528	2,428,332
End of year	<u>\$ 142,621</u>	<u>\$ 5,053,692</u>	<u>\$ 2,688,193</u>
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities:			
Operating income (loss)	\$ (28,684)	\$ 506,755	\$ 108,055
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense		563,318	321,477
(Increase) decrease in inventory	1,887	(54,761)	
(Increase) decrease in prepaid items			145,419
(Increase) decrease in advances to other funds			
(Increase) decrease in receivables			(14,945)
Increase (decrease) in accounts payable	(700)	(23,350)	(15,265)
Increase (decrease) in claims and judgments payable			
Increase (decrease) in net OPEB obligation			
(Increase) in due from other funds			
Receipt of other revenue			
Total adjustment	<u>1,187</u>	<u>485,207</u>	<u>436,686</u>
Net cash provided by (used for) operating activities	<u>\$ (27,497)</u>	<u>\$ 991,962</u>	<u>\$ 544,741</u>

Intra-Governmental Loan	Insurance	Public Buildings	Total Internal Service Funds
\$ 6,327,328	\$ 2,524,418	\$ 1,130,916	\$ 18,839,217
(655,263)	(3,358,814)	(290,282)	(9,188,220)
	(467,518)	(88,035)	(2,650,141)
(84,648)	(74,802)	(12,168)	(540,518)
<u>5,587,417</u>	<u>(1,376,716)</u>	<u>740,431</u>	<u>6,460,338</u>
	2,208,000		2,208,000
	(21,376)	(3,816)	(186,688)
-	2,186,624	(3,816)	2,021,312
		(473,029)	(473,029)
		(44,141)	(44,141)
			96,330
		763,782	763,782
			(1,756,813)
-	-	246,612	(1,413,871)
96,400	54,682	10,374	191,350
<u>96,400</u>	<u>54,682</u>	<u>10,374</u>	<u>191,350</u>
5,683,817	864,590	993,601	7,259,129
9,658,871	13,446,694	510,367	31,783,317
<u>\$ 15,342,688</u>	<u>\$ 14,311,284</u>	<u>\$ 1,503,968</u>	<u>\$ 39,042,446</u>
\$ 87,834	\$ 1,935,225	\$ 558,929	\$ 3,168,114
87,834		558,929	1,049,289
		164,494	(52,874)
			145,419
(827,745)			(827,745)
			(14,945)
1,603	(8,562)	17,008	(29,266)
	370,000		370,000
	(3,673,379)		(3,673,379)
(25,883)			(25,883)
<u>6,351,608</u>			<u>6,351,608</u>
<u>5,499,583</u>	<u>(3,311,941)</u>	<u>181,502</u>	<u>3,292,224</u>
<u>\$ 5,587,417</u>	<u>\$ (1,376,716)</u>	<u>\$ 740,431</u>	<u>\$ 6,460,338</u>

HEART OF SOLANO COUNTY



C A L I F O R N I A

Agency Funds

- OTHER DEPOSITS - To account for deposits received from outside parties that are held in a custodial capacity. Some of the large items include deposits for: encroachment permit bonds and deposits, restitution for crimes committed, and asset seizures.
- PAYROLL TRUST - To account for cash transferred from the various funds (expense/expenditures) from which actual cash is remitted to the employees and various agencies.
- SOLID WASTE - To account for the collection and disbursement of the residential garbage service franchise in the City.
- FAIRFIELD-SUISUN SEWER DISTRICT - To account for the collection and disbursement of sewer service fees to the Fairfield-Suisun Sewer District.
- DOWNTOWN IMPROVEMENT DISTRICT - To account for collections and disbursements of the downtown district established to promote downtown business.
- NORTH TEXAS BUSINESS IMPROVEMENT DISTRICT - To account for collections and disbursements for the North Texas District established to promote the North Texas Business.
- SOLANO ANIMAL CONTROL AUTHORITY - To account for monies for the operation of the Solano Animal Control Authority.
- GREEN VALLEY OPEN SPACE MAINTENANCE DISTRICT - To account for maintenance district monies received from taxes levied on properties located in Solano County for acquisition of open space and maintenance in Green Valley.
- TRI-CITY-COUNTY REGIONAL PARKS AND OPEN SPACE GROUP - To account for monies contributed from Solano County and the cities of Benicia, Fairfield and Vallejo for the study and development of a coordinated system of recreation and open space between the three cities.
- TOURISM BUSINESS IMPROVEMENT DISTRICT - To account for the collection and disbursement of local hotel assessments that is used to promote tourism.
- ASSESSMENT AND IMPROVEMENT DISTRICTS - To account for the financing of public improvements or services deemed to benefit the properties against which special assessments are levied. Effective fiscal year 2012/2013, this debt type has been determined to be debt with no City commitment (non-commitment debt). The accumulation of resources to pay this debt has now been moved to an agency fund. See note 19 on non-commitment debt and note 20 regarding prior period adjustment.

CITY OF FAIRFIELD

Combining Balance Sheet Agency Funds June 30, 2013

	<u>Other Deposits</u>	<u>Payroll Trust</u>	<u>Solid Waste</u>	<u>Fairfield- Suisun Sewer District</u>	<u>Downtown Improvement District</u>
ASSETS					
Cash and cash equivalents	\$ 3,662,920	\$ 4,015,194	\$ 176,287	\$ 1,562,218	\$ 28,542
Receivables, net	20,453		1,457	816,163	87
Restricted cash and investments					
Total assets	<u><u>\$ 3,683,373</u></u>	<u><u>\$ 4,015,194</u></u>	<u><u>\$ 177,744</u></u>	<u><u>\$ 2,378,381</u></u>	<u><u>\$ 28,629</u></u>
LIABILITIES					
Accounts payable	\$ 1,320,654	\$ 528,148		\$ 1,428,156	\$ 28,329
Deposits payable	2,362,719	3,487,046	\$ 177,744	950,225	300
Total liabilities	<u><u>\$ 3,683,373</u></u>	<u><u>\$ 4,015,194</u></u>	<u><u>\$ 177,744</u></u>	<u><u>\$ 2,378,381</u></u>	<u><u>\$ 28,629</u></u>

<u>North Texas Business Improvement District</u>	<u>Solano Animal Control</u>	<u>Green Valley Open Space Maintenance District</u>	<u>Tri-City/County Regional Parks & Open Space Group</u>	<u>Tourism Business Improvement District</u>	<u>Assessment & Improvement Districts</u>	<u>Total Agency Funds</u>
\$ 49,245	\$ 78,656	\$ 880,349	\$ 61,005	\$ 75	\$ 2,315,720	\$ 12,830,211
150	240	2,680	186		14,318	855,734
					4,312,151	4,312,151
<u>\$ 49,395</u>	<u>\$ 78,896</u>	<u>\$ 883,029</u>	<u>\$ 61,191</u>	<u>\$ 75</u>	<u>\$ 6,642,189</u>	<u>\$ 17,998,096</u>
\$ 49,104	\$ 78,896	\$ 883,029	\$ 61,191	\$ 75	\$ 11,761	\$ 3,366,152
291					6,630,428	14,631,944
<u>\$ 49,395</u>	<u>\$ 78,896</u>	<u>\$ 883,029</u>	<u>\$ 61,191</u>	<u>\$ 75</u>	<u>\$ 6,642,189</u>	<u>\$ 17,998,096</u>

CITY OF FAIRFIELD

**Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2013**

OTHER DEPOSITS

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2013</u>
ASSETS				
Cash and cash equivalents	\$ 3,277,473	\$ 4,605,029	\$ 4,219,582	\$ 3,662,920
Receivables, net		72,530	52,077	20,453
Total assets	<u>\$ 3,277,473</u>	<u>\$ 4,677,559</u>	<u>\$ 4,271,659</u>	<u>\$ 3,683,373</u>
LIABILITIES				
Accounts payable		\$ 5,284,999	\$ 3,964,345	\$ 1,320,654
Deposits payable	\$ 3,277,473	3,892,852	4,807,606	2,362,719
Total liabilities	<u>\$ 3,277,473</u>	<u>\$ 9,177,851</u>	<u>\$ 8,771,951</u>	<u>\$ 3,683,373</u>

PAYROLL TRUST

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2013</u>
ASSETS				
Cash and cash equivalents	\$ 4,154,759	\$ 83,409,080	\$ 83,548,645	\$ 4,015,194
Receivables, net				
Total assets	<u>\$ 4,154,759</u>	<u>\$ 83,409,080</u>	<u>\$ 83,548,645</u>	<u>\$ 4,015,194</u>
LIABILITIES				
Accounts payable	\$ 650,841	\$ 21,838,749	\$ 21,961,442	\$ 528,148
Deposits payable	3,503,918	61,570,331	61,587,203	3,487,046
Total liabilities	<u>\$ 4,154,759</u>	<u>\$ 83,409,080</u>	<u>\$ 83,548,645</u>	<u>\$ 4,015,194</u>

SOLID WASTE

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
ASSETS				
Cash and cash equivalents	\$ 176,287			\$ 176,287
Receivables, net		\$ 1,457		1,457
Total assets	<u>\$ 176,287</u>	<u>\$ 1,457</u>	<u>\$ -</u>	<u>\$ 177,744</u>
LIABILITIES				
Accounts payable				
Deposits payable	\$ 176,287	\$ 1,457	\$ -	\$ 177,744
Total liabilities	<u>\$ 176,287</u>	<u>\$ 1,457</u>	<u>\$ -</u>	<u>\$ 177,744</u>

FAIRFIELD-SUISUN SEWER DISTRICT

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
ASSETS				
Cash and cash equivalents	\$ 1,409,487	\$ 15,610,984	\$ 15,458,253	\$ 1,562,218
Receivables, net		15,395,150	14,578,987	816,163
Total assets	<u>\$ 1,409,487</u>	<u>\$ 31,006,134</u>	<u>\$ 30,037,240</u>	<u>\$ 2,378,381</u>
LIABILITIES				
Accounts payable		\$ 15,610,984	\$ 14,182,828	\$ 1,428,156
Deposits payable	\$ 1,409,487	15,395,149	15,854,411	950,225
Total liabilities	<u>\$ 1,409,487</u>	<u>\$ 31,006,133</u>	<u>\$ 30,037,239</u>	<u>\$ 2,378,381</u>

CITY OF FAIRFIELD

**Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2013**

DOWNTOWN IMPROVEMENT DISTRICT

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2013</u>
ASSETS				
Cash and cash equivalents	\$ 552	\$ 28,621	\$ 631	\$ 28,542
Receivables, net		117	30	87
Total assets	<u>\$ 552</u>	<u>\$ 28,738</u>	<u>\$ 661</u>	<u>\$ 28,629</u>
LIABILITIES				
Accounts payable		\$ 28,846	\$ 517	\$ 28,329
Deposits payable	\$ 552	28	280	300
Total liabilities	<u>\$ 552</u>	<u>\$ 28,874</u>	<u>\$ 797</u>	<u>\$ 28,629</u>

NORTH TEXAS BUSINESS IMPROVEMENT DISTRICT

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2013</u>
ASSETS				
Cash and cash equivalents	\$ 51,243	\$ 50,645	\$ 52,643	\$ 49,245
Receivables, net		321	171	150
Total assets	<u>\$ 51,243</u>	<u>\$ 50,966</u>	<u>\$ 52,814</u>	<u>\$ 49,395</u>
LIABILITIES				
Accounts payable		\$ 101,152	\$ 52,048	\$ 49,104
Deposits payable	\$ 51,243	50,371	101,323	291
Total liabilities	<u>\$ 51,243</u>	<u>\$ 151,523</u>	<u>\$ 153,371</u>	<u>\$ 49,395</u>

SOLANO ANIMAL CONTROL

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
ASSETS				
Cash and cash equivalents	\$ 77,090	\$ 696,232	\$ 694,666	\$ 78,656
Receivables, net	-	607	367	240
Total assets	<u>\$ 77,090</u>	<u>\$ 696,839</u>	<u>\$ 695,033</u>	<u>\$ 78,896</u>
LIABILITIES				
Accounts payable				
Deposits payable	\$ 77,090	\$ 696,839	\$ 695,033	\$ 78,896
Total liabilities	<u>\$ 77,090</u>	<u>\$ 696,839</u>	<u>\$ 695,033</u>	<u>\$ 78,896</u>

GREEN VALLEY OPEN SPACE MAINTENANCE DISTRICT

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
ASSETS				
Cash and cash equivalents	\$ 1,094,512	\$ 108,232	\$ 322,395	\$ 880,349
Receivables, net		6,329	3,649	2,680
Total assets	<u>\$ 1,094,512</u>	<u>\$ 114,561</u>	<u>\$ 326,044</u>	<u>\$ 883,029</u>
LIABILITIES				
Accounts payable		\$ 55,310	\$ 55,310	\$ -
Deposits payable	\$ 1,094,512	115,519	327,002	883,029
Total liabilities	<u>\$ 1,094,512</u>	<u>\$ 170,829</u>	<u>\$ 382,312</u>	<u>\$ 883,029</u>

CITY OF FAIRFIELD

**Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2013**

TRI-CITY & COUNTY REGIONAL PARKS AND OPEN SPACE GROUP

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2013</u>
ASSETS				
Cash and cash equivalents	\$ 53,079	\$ 20,889	\$ 12,963	\$ 61,005
Receivables, net		15,368	15,182	186
Total assets	<u>\$ 53,079</u>	<u>\$ 36,257</u>	<u>\$ 28,145</u>	<u>\$ 61,191</u>
LIABILITIES				
Accounts payable		\$ 11,661	\$ 11,661	-
Deposits payable	\$ 53,079	21,257	13,145	\$ 61,191
Total liabilities	<u>\$ 53,079</u>	<u>\$ 32,918</u>	<u>\$ 24,806</u>	<u>\$ 61,191</u>

TOURISM BUSINESS IMPROVEMENT DISTRICT

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2013</u>
ASSETS				
Cash and cash equivalents	\$ 166	\$ 409,653	\$ 409,744	\$ 75
Receivables, net				
Total assets	<u>\$ 166</u>	<u>\$ 409,653</u>	<u>\$ 409,744</u>	<u>\$ 75</u>
LIABILITIES				
Accounts payable	\$ -	\$ 409,692	\$ 409,692	\$ -
Deposits payable	166	409,653	409,744	75
Total liabilities	<u>\$ 166</u>	<u>\$ 819,345</u>	<u>\$ 819,436</u>	<u>\$ 75</u>

ASSESSMENT & IMPROVEMENT DISTRICTS

	<u>Balance*</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
ASSETS				
Cash and cash equivalents	\$ 2,347,393	\$ 2,763,417	\$ 2,795,090	\$ 2,315,720
Receivables, net	14,953	14,664	15,299	14,318
Restricted cash and investments	<u>4,348,326</u>	<u>135,335</u>	<u>171,510</u>	<u>4,312,151</u>
Total assets	<u>\$ 6,710,672</u>	<u>\$ 2,913,416</u>	<u>\$ 2,981,899</u>	<u>\$ 6,642,189</u>
LIABILITIES				
Accounts payable	2,918	\$ 34,899	\$ 26,056	11,761
Deposits payable	<u>\$ 6,707,754</u>	<u>3,717,119</u>	<u>3,794,445</u>	<u>6,630,428</u>
Total liabilities	<u>\$ 6,710,672</u>	<u>\$ 3,752,018</u>	<u>\$ 3,820,501</u>	<u>\$ 6,642,189</u>

TOTAL - AGENCY FUNDS

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
ASSETS				
Cash and cash equivalents	\$ 12,642,041	\$ 107,702,782	\$ 107,514,612	\$ 12,830,211
Receivables, net	14,953	15,506,543	14,665,762	855,734
Restricted cash and investments	<u>4,348,326</u>	<u>135,335</u>	<u>171,510</u>	<u>4,312,151</u>
Total assets	<u>\$ 17,005,320</u>	<u>\$ 123,344,660</u>	<u>\$ 122,351,884</u>	<u>\$ 17,998,096</u>
LIABILITIES				
Accounts payable	653,759	43,376,292	40,663,899	3,366,152
Deposits payable	<u>16,351,561</u>	<u>85,870,575</u>	<u>87,590,192</u>	<u>14,631,944</u>
Total liabilities	<u>\$ 17,005,320</u>	<u>\$ 129,246,867</u>	<u>\$ 128,254,091</u>	<u>\$ 17,998,096</u>

*Balance restated, see note 20.

HEART OF SOLANO COUNTY



C A L I F O R N I A

Statistical Section

This part of the City of Fairfield's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

In May, 2004 the Governmental Accounting Standards Board (GASB) issued Statement 44, *Economic Reporting: the Statistical Section*. For the City of Fairfield, 2006 was the first required year of implementation. As permitted by the Statement, the City is applying these new tables on a prospective basis. As future years go by, ultimately, ten years of information will be presented for each table.

Contents	Page
<u>Financial Trends</u> These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	130 - 136
<u>Revenue Capacity</u> These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	137 - 140
<u>Debt Capacity</u> These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	141 - 146
<u>Demographic and Economic Information</u> These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	147 - 148
<u>Operating Information</u> These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	149 - 151

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF FAIRFIELD

**Net Position by Component
(accrual basis of accounting)
By Fiscal Year - Last Eight Fiscal Years**
Table 1

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities					
Net investment in capital assets	\$ 97,102,642	\$ 130,259,605	\$ 144,466,640	\$ 170,850,830	\$ 188,491,671
Restricted	197,438,267	194,826,606	233,279,120	203,988,858	190,206,975
Unrestricted	<u>84,136,262</u>	<u>78,468,755</u>	<u>34,779,405</u>	<u>44,051,709</u>	<u>26,808,964</u>
Total governmental activities net position	<u>\$ 378,677,171</u>	<u>\$ 403,554,966</u>	<u>\$ 412,525,165</u>	<u>\$ 418,891,397</u>	<u>\$ 405,507,610</u>
Business-type activities					
Net investment in capital assets	\$ 24,435,740	\$ 70,196,110	\$ 85,867,972	\$ 97,732,208	\$ 98,026,360
Restricted	-	-	-	-	15,258,808
Unrestricted	<u>58,667,801</u>	<u>24,982,281</u>	<u>37,508,060</u>	<u>33,103,995</u>	<u>29,605,766</u>
Total business-type activities net position	<u>\$ 83,103,541</u>	<u>\$ 95,178,391</u>	<u>\$ 123,376,032</u>	<u>\$ 130,836,203</u>	<u>\$ 142,890,934</u>
Primary Government					
Net investment in capital assets	\$ 121,538,382	\$ 200,455,715	\$ 230,334,612	\$ 268,583,038	\$ 286,518,031
Restricted	197,438,267	194,826,606	233,279,120	203,988,858	190,206,975
Unrestricted	<u>142,804,063</u>	<u>103,451,036</u>	<u>72,287,465</u>	<u>77,155,704</u>	<u>56,414,730</u>
Total primary government net position	<u>\$ 461,780,712</u>	<u>\$ 498,733,357</u>	<u>\$ 535,901,197</u>	<u>\$ 549,727,600</u>	<u>\$ 533,139,736</u>

Source: City of Fairfield CAFR

<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 187,758,676	\$ 249,537,290	\$ 285,517,949
177,323,636	100,159,236	132,048,222
<u>45,905,550</u>	<u>108,435,368</u>	<u>30,080,451</u>
<u>\$ 410,987,862</u>	<u>\$ 458,131,894</u>	<u>\$ 447,646,622</u>
\$ 83,003,253	\$ 80,402,256	\$ 103,049,867
3,879,675	7,912,487	15,258,808
<u>42,404,153</u>	<u>26,849,147</u>	<u>15,742,945</u>
<u>\$ 129,287,081</u>	<u>\$ 115,163,890</u>	<u>\$ 134,051,620</u>
\$ 270,761,929	\$ 329,939,546	\$ 388,567,816
181,203,311	108,071,723	147,307,030
<u>88,309,703</u>	<u>135,284,515</u>	<u>45,823,396</u>
<u>\$ 540,274,943</u>	<u>\$ 573,295,784</u>	<u>\$ 581,698,242</u>

CITY OF FAIRFIELD

Changes in Net Position (accrual basis of accounting) By Fiscal Year - Last Eight Fiscal Years

Table 2

	2006	2007	2008	2009	2010	2011	2012	2013
Expenses								
Governmental activities								
Administration	\$ 1,073,844	\$ 2,466,271	\$ 2,703,412	\$ 2,828,716	\$ 2,745,713	\$ 2,889,948	\$ 2,424,440	\$ 3,207,264
Human Resources ##	713,005	798,078	806,325	804,583	583,574	-	-	-
Finance ##	2,704,510	2,992,096	3,227,684	1,773,169	983,914	-	1,415,187	957,241
Administrative Services ##	-	-	-	-	-	1,466,117	675,075	-
Police	25,865,919	29,097,140	34,098,909	35,672,815	36,788,346	33,403,092	33,463,097	31,468,951
Fire	12,950,385	14,188,653	16,015,598	16,215,551	14,850,154	14,435,829	14,507,384	13,859,734
Public Works	30,745,284	32,719,994	30,105,784	28,763,276	33,676,650	31,392,626	24,503,034	32,999,762
Community Development **	8,297,262	9,452,161	9,118,440	1,170,906	2,236,526	1,554,289	2,149,583	2,561,302
Community Resources **	7,983,924	8,227,424	10,428,660	18,795,810	16,899,683	18,982,308	20,878,561	16,067,853
Redevelopment Agency *	13,579,272	15,922,327	15,173,773	15,514,753	26,416,225	17,165,094	6,597,168	-
Non-departmental	3,584,354	-	-	-	-	-	-	-
Interest on long-term debt	5,920,276	5,710,735	5,080,479	6,773,508	6,108,653	7,197,918	5,974,448	1,489,123
Total governmental activities expenses	113,418,035	121,574,878	126,759,064	128,313,086	141,289,437	128,487,221	112,587,977	102,611,230
Business-type activities								
Water	24,246,741	23,526,513	25,511,488	25,697,129	26,044,185	26,498,732	29,403,078	38,597,177
North Bay Treatment Plant	6,476,534	6,877,858	7,449,396	8,942,817	7,762,261	6,962,855	8,512,133	7,254,180
Transportation	8,246,921	8,889,780	10,000,808	10,571,259	11,427,066	12,487,110	12,914,244	12,417,380
Golf Courses	6,925,820	7,165,848	6,945,535	6,601,492	6,695,988	6,192,194	6,182,070	6,200,252
Housing Program	956,957	703,006	711,292	524,989	227,307	188,948	551,442	-
Police Training Center	-	-	222,786	702,398	764,809	758,006	676,720	708,255
Total business-type activities expenses	46,852,973	47,163,005	50,841,305	53,040,084	52,921,616	53,087,845	58,239,687	65,177,244
Total primary government expenses	\$ 160,271,008	\$ 168,737,883	\$ 177,600,369	\$ 181,353,170	\$ 194,211,053	\$ 181,575,066	\$ 170,827,664	\$ 167,788,474
Program Revenues								
Governmental activities:								
Charges for services:								
Public works	\$ 3,956,977	\$ 313,881	\$ 3,901,358	\$ 286,442	\$ 88,250	\$ 169,985	\$ 175,741	\$ 394,776
Community resources	2,091,940	5,552,264	2,208,774	1,891,876	1,779,915	2,513,157	2,359,851	2,048,988
Other activities	1,676,503	2,252,110	2,544,820	101,984	1,279,672	1,232,919	1,320,579	999,339
Operating grants and contribution:	17,316,936	18,946,450	17,098,716	17,552,422	20,185,851	18,579,088	17,794,690	19,386,786
Capital grants and contributions	24,928,691	13,627,419	17,211,846	14,449,935	16,758,532	20,713,603	19,296,301	21,115,995
Total governmental activities program revenues	49,971,047	40,692,124	42,965,514	34,282,659	40,092,220	43,208,752	40,947,162	43,945,884
Business-type activities:								
Charges for services:								
Water	29,627,575	30,712,881	29,538,590	26,024,108	26,070,551	27,515,217	28,017,926	32,767,325
North Bay Treatment Plant	6,077,388	5,858,763	6,284,495	8,711,788	7,094,690	6,659,273	7,789,802	11,359,519
Transportation	1,507,264	1,900,707	2,206,626	2,432,250	2,277,389	2,259,201	2,423,877	2,252,078
Golf Courses	4,623,537	5,046,888	4,897,622	4,418,362	4,475,919	3,960,203	4,387,378	4,322,380
Housing Program	702,826	737,276	793,492	503,215	6,000	1,800	-	-
Police Training Center	-	-	17,216	156,442	204,943	170,576	109,078	119,379
Operating grants and contribution:	5,400,328	9,427,582	12,319,388	3,823,561	4,788,913	7,933,153	8,334,846	7,075,949
Capital grants and contributions	2,282,197	2,319,174	4,365,545	10,096,592	2,195,184	4,782,790	276,787	5,177,512
Total business-type activities program revenues	50,221,115	56,003,271	60,422,974	56,166,318	47,113,589	53,282,213	51,339,694	63,074,142
Total primary government program revenues	\$ 100,192,162	\$ 96,695,395	\$ 103,388,488	\$ 90,448,977	\$ 87,205,809	\$ 96,490,965	\$ 92,286,856	\$ 107,020,026

Source: City of Fairfield

** In 2009, there was reorganization that changed the name of the former Community Services to Community Resources. In addition, the reorganization moved some functions between departments including moving the Housing divisions from Community Development to Community Resources.

In 2011, there was a reorganization whereby the Human Resources and the Finance Department were merged into the newly formed Administrative Services Department. In 2012 the two departments were separated whereby the Human Resources is now Administrative Services.

* In 2012 (February 1, 2012) the Fairfield Redevelopment Agency was dissolved. The 2012 column represents results for the seven month period of July 1, 2011, to January 31, 2012.

CITY OF FAIRFIELD

Changes in Net Position (accrual basis of accounting) By Fiscal Year - Last Eight Fiscal Years

Table 2

	2006	2007	2008	2009	2010	2011	2012	2013
Net (expense)/revenue								
Governmental activities	\$ (63,446,988)	\$ (80,882,754)	\$ (83,793,550)	\$ (93,030,427)	\$ (101,197,217)	\$ (85,278,471)	\$ (71,640,815)	\$ (58,665,346)
Business-type activities	3,368,142	8,840,266	9,581,669	3,126,234	(5,808,027)	194,368	(6,899,993)	(2,103,102)
Total primary government net expense	<u>\$ (60,078,846)</u>	<u>\$ (72,042,488)</u>	<u>\$ (74,211,881)</u>	<u>\$ (89,904,193)</u>	<u>\$ (107,005,244)</u>	<u>\$ (85,084,103)</u>	<u>\$ (78,540,808)</u>	<u>\$ (60,768,448)</u>
General Revenues and Other Changes In Net Position								
Governmental activities								
Taxes								
Property taxes	\$ 44,950,233	\$ 49,110,181	\$ 51,191,170	\$ 47,903,943	\$ 45,787,093	\$ 46,489,076	\$ 30,958,521	\$ 27,299,372
Sales taxes	18,734,988	18,777,868	17,480,626	15,029,807	13,483,633	13,892,315	15,958,180	19,001,983
Other Taxes	10,887,280	11,846,398	10,831,669	10,591,911	10,136,717	11,000,494	11,347,495	11,671,813
Intergovernmental	16,204,963	8,566,798	8,811,864	8,489,085	7,574,388	7,487,153	7,428,234	193,149
Investment earnings	6,685,891	11,917,294	14,547,234	12,923,215	6,937,230	3,430,512	2,389,979	1,496,472
Miscellaneous	7,284,399	5,789,720	3,311,935	4,638,516	4,047,224	3,837,170	5,245,338	3,925,092
Gain on sale of property	46,326	-	-	-	-	4,820,220	-	4,482,870
Extraordinary loss-dissolution RDA	-	-	-	-	-	-	37,083,677	(45,913,578)
Transfers	329,837	(247,710)	(13,410,749)	(179,818)	(152,855)	(208,217)	8,373,423	(242,995)
Total governmental activities	<u>105,123,917</u>	<u>105,760,549</u>	<u>92,763,749</u>	<u>99,396,659</u>	<u>87,813,430</u>	<u>90,748,723</u>	<u>118,784,847</u>	<u>21,914,178</u>
Business-type activities								
Investment earnings	1,616,861	2,986,874	5,205,223	4,154,119	2,451,095	1,252,370	1,150,225	226,298
Miscellaneous	-	-	-	-	-	-	-	59,643
Transfers	(329,837)	247,710	13,410,749	179,818	152,855	208,217	(8,373,423)	242,995
Total business-type activities	<u>1,287,024</u>	<u>3,234,584</u>	<u>18,615,972</u>	<u>4,333,937</u>	<u>2,603,950</u>	<u>1,460,587</u>	<u>(7,223,198)</u>	<u>528,936</u>
Total primary government	<u>\$ 106,410,941</u>	<u>\$ 108,995,133</u>	<u>\$ 111,379,721</u>	<u>\$ 103,730,596</u>	<u>\$ 90,417,380</u>	<u>\$ 92,209,310</u>	<u>\$ 111,561,649</u>	<u>\$ 22,443,114</u>
Change in Net Position								
Governmental activities	\$ 41,676,929	\$ 24,877,795	\$ 8,970,199	\$ 6,366,232	\$ (13,383,787)	\$ 5,480,252	\$ 47,144,032	\$ (36,751,168)
Business-type activities	4,655,166	12,074,850	28,197,641	7,460,171	(3,204,077)	1,654,955	(14,123,191)	(1,574,166)
Total primary government	<u>\$ 46,332,095</u>	<u>\$ 36,952,645</u>	<u>\$ 37,167,840</u>	<u>\$ 13,826,403</u>	<u>\$ (16,587,864)</u>	<u>\$ 7,135,207</u>	<u>\$ 33,020,841</u>	<u>\$ (38,325,334)</u>

CITY OF FAIRFIELD

Government Activities Tax Revenues by Source (accrual basis of accounting) By Fiscal Year - Last Eight Fiscal Years

Table 3

<u>Fiscal Year</u>	<u>Property Taxes*</u>	<u>Sales Taxes</u>	<u>Other Taxes**</u>	<u>Total</u>
2006	\$ 44,950,233	\$ 18,734,988	\$ 10,887,280	\$ 74,572,501
2007	49,110,181	18,777,868	11,846,398	79,734,447
2008	51,191,170	17,480,626	10,831,669	79,503,465
2009	47,903,943	15,029,807	10,591,911	73,525,661
2010	45,787,093	13,483,633	10,136,717	69,407,443
2011	46,489,079	13,892,315	11,000,494	71,381,888
2012*	30,958,521	15,958,180	11,347,495	58,264,196
2013	27,299,372	19,001,983	11,671,813	57,973,168

Source: City of Fairfield

* In 2012 (February 1, 2012) the Fairfield Redevelopment Agency was dissolved. In 2012, property taxes includes Redevelopment Agency property taxes received for the seven month period of July 1, 2011, to January 31, 2012.

** Other taxes consist of franchise tax, utility user tax, transient occupancy tax, business tax, and other taxes.

CITY OF FAIRFIELD

Fund Balances of Governmental Funds (modified accrual basis of accounting) By Fiscal Year - Last Eight Fiscal Years

Table 4

	2006	2007	2008	2009	2010	2011*	2012	2013
General Fund								
Reserved	\$ 1,467,233	\$ 258,376	\$ 1,525,856	\$ 1,228,124	\$ 962,501			
Unreserved	15,469,384	19,824,871	21,104,524	10,358,075	11,256,288			
Committed						\$ 2,407,013	\$ 2,322,738	\$ -
Unassigned						6,619,529	8,180,511	14,818,731
Total general fund	<u>\$ 16,936,617</u>	<u>\$ 20,083,247</u>	<u>\$ 22,630,380</u>	<u>\$ 11,586,199</u>	<u>\$ 12,218,789</u>	<u>\$ 9,026,542</u>	<u>\$ 10,503,249</u>	<u>\$ 14,818,731</u>
All other governmental funds								
Reserved	\$ 186,690,278	\$ 184,003,509	\$ 222,221,298	\$ 196,176,871	\$ 186,435,126			
Unreserved, reported in:								
Debt Service Funds	(79,577,232)	(77,280,879)	(85,277,676)	(72,342,212)	(79,534,506)			
Capital Project Funds			(462,363)	(5,445,130)	(5,295,347)			
Nonspendable						92,626,064	16,838,333	335,375
Restricted						89,982,289	70,774,294	113,234,546
Committed						5,249,824	5,682,220	9,395,169
Assigned						3,235,229	3,228,470	3,145,580
Unassigned						(83,739,406)		-
Total all other governmental funds	<u>\$ 107,113,046</u>	<u>\$ 106,722,630</u>	<u>\$ 136,481,259</u>	<u>\$ 118,389,529</u>	<u>\$ 101,605,273</u>	<u>\$ 107,354,000</u>	<u>\$ 96,523,317</u>	<u>\$ 126,110,670</u>

Source: City of Fairfield

* In, 2011, the City implemented GASB 54, which has revised classifications of fund balances (prospectively).

CITY OF FAIRFIELD

Changes in Fund Balances of Governmental Funds (modified accrual basis of accounting) By Fiscal Year - Last Eight Fiscal Years

Table 5

	2006	2007	2008	2009	2010	2011	2012	2013
Revenues								
Taxes	\$ 74,826,555	\$ 78,448,932	\$ 78,917,007	\$ 74,349,279	\$ 70,424,738	\$ 72,657,870	\$ 60,070,582	\$ 60,030,327
Development fees	8,726,452	4,784,023	2,061,537	3,181,810	2,446,755	3,980,509	4,430,016	6,281,986
Special assessments levied	7,178,654	6,542,903	6,697,890	6,857,485	7,708,305	7,991,277	7,443,799	4,523,640
Licenses, permits and fines	4,337,521	4,736,691	2,115,660	3,214,849	2,299,115	2,127,151	2,281,329	2,604,002
Developers' contribution	596,246	149,287	46,747	516,703	965,438	2,341,863	541,265	813,575
Intergovernmental	28,963,506	28,712,150	27,489,629	28,107,942	32,094,097	29,851,354	29,669,194	23,628,437
Charges for services	3,614,617	3,621,960	3,620,961	3,412,405	3,392,460	3,688,706	3,639,155	3,304,095
Investment income	5,126,605	9,168,006	12,054,059	9,281,240	4,328,822	1,734,741	1,572,942	449,522
Miscellaneous	7,095,168	6,531,524	5,288,499	3,219,132	3,033,593	2,400,519	3,413,643	3,418,553
Total revenues	140,465,324	142,695,476	138,291,989	132,140,845	126,693,323	126,773,990	113,061,925	105,054,137
Expenditures								
Administration	984,681	604,085	598,418	731,851	812,792	607,908	696,930	1,265,650
Human resources ##	666,759	766,469	735,649	729,821	496,069			
Finance ##	2,570,159	2,585,752	2,784,267	1,387,949	503,969		1,353,676	1,255,204
Administrative Services ##						1,143,552	479,995	
Police	24,300,194	27,644,076	32,071,347	31,980,803	31,372,194	30,870,949	31,229,092	31,522,803
Fire	12,027,026	13,574,118	14,743,482	14,855,210	13,313,851	13,524,974	13,770,790	13,923,984
Public works	13,231,659	14,096,477	13,554,249	13,005,467	10,549,578	9,785,268	9,946,804	9,737,258
Community resources	7,362,916	7,501,782	8,576,822	16,058,738	15,623,934	16,532,253	14,789,159	15,189,021
Community development	8,197,756	9,258,036	8,872,795	1,030,093	1,992,139	1,442,175	1,241,541	1,881,824
Redevelopment agency *	4,808,222	6,241,665	5,211,785	5,470,105	6,499,164	6,201,936	2,353,078	
Non-departmental	939,284	1,533,710	1,515,801	1,569,078	1,331,393	1,731,419	1,350,893	1,124,126
Intergovernmental	8,171,254	6,650,439	7,525,381	7,380,834	19,009,191	8,827,433	3,240,737	
Capital outlay	22,512,036	31,921,255	26,170,841	53,378,837	39,102,552	33,959,864	24,616,003	19,397,730
Debt service:								
Principal	7,891,213	8,044,227	10,394,656	5,272,656	6,305,474	5,091,890	5,076,890	736,890
Interest	12,630,065	12,940,688	12,003,039	12,945,077	12,430,707	12,228,737	7,416,814	2,360,629
Fiscal agent fees	770,119	680,110	996,766	1,082,740	1,186,511	927,432	543,097	29,488
Special assessment payments	373,911	376,252	380,451	372,783	361,066	251,018	114,756	
Issuance costs			686,566			361,279		
Total expenditures	127,437,254	144,419,141	146,822,315	167,252,042	160,890,584	143,488,087	118,220,255	98,424,607
Excess of revenues over (under) expenditures	13,028,070	(1,723,665)	(8,530,326)	(35,111,197)	(34,197,261)	(16,714,097)	(5,158,330)	6,629,530
Other financing sources (uses)								
Issuance of debt	30,000	30,000	33,635,000	30,000		6,725,000		
Proceeds from refunding bonds						15,870,000		
Payment to refunded bond escrow						(15,368,036)		
Bond premium	46,326		156,881					
Bond discount			(264,210)			(544,492)		
Gain on sale of property						4,061,956		
Transfers in	21,661,833	28,720,620	35,769,992	33,919,029	35,952,841	33,690,817	31,162,572	10,905,644
Transfers out	(17,325,978)	(24,270,741)	(28,461,575)	(27,973,743)	(17,907,246)	(25,164,668)	(17,524,330)	(13,169,951)
Total other financing sources (uses)	4,412,181	4,479,879	40,836,088	5,975,286	18,045,595	19,270,577	13,638,242	(2,264,307)
EXTRAORDINARY ITEMS:								
Extraordinary gain (loss)--dissolution of Fairfield Redevelopment Agency (Note 18)							(17,833,886)	36,245,366
Net change in fund balances	\$ 8,615,889	\$ 2,756,214	\$ 32,305,762	\$ (29,135,911)	\$ (16,151,666)	\$ 2,556,480	\$ (9,353,974)	\$ 40,610,589
Debt service as a percentage of noncapital expenditures	19.56%	18.65%	18.56%	16.00%	15.38%	15.81%	13.35%	3.39%

Source: City of Fairfield

In 2011, there was a reorganization whereby the Human Resources and the Finance Department were merged into the newly formed Administrative Services Department. In 2012 the two departments were separated whereby the Human Resources is now Administrative Services.

* In 2012 (February 1, 2012) the Fairfield Redevelopment Agency was dissolved. The 2012 column represents results for the seven month period of July 1, 2011, to January 31, 2012.

CITY OF FAIRFIELD

Assessed Value and Estimated Actual Value of Taxable Property (accrual basis of accounting) By Fiscal Year - Last Eight Fiscal Years

Table 6

Fiscal Year	Real Property		Personal Property	Less:	Total Taxable Assessed Value	Direct Tax Rate
	Residential Property	Commercial Property	Unsecured Property	Tax Exempt Real Property		
2006	\$ 8,170,187,302	\$ 2,254,086,090	\$ 873,579,376	\$ 445,841,298	\$ 10,852,011,470	0.00670
2007	8,944,300,988	2,587,193,830	441,933,965	486,465,618	11,486,963,165	0.00580
2008	8,439,577,899	2,768,639,825	469,363,269	495,292,495	11,182,288,498	0.00510
2009	6,965,369,706	2,899,503,883	526,809,331	512,134,929	9,879,547,991	0.00480
2010	6,582,829,213	2,878,940,163	533,443,426	448,313,809	9,546,898,993	0.00600
2011	6,566,969,995	2,924,101,889	502,637,776	566,605,606	9,427,104,054	0.00700
2012	6,375,544,564	2,922,809,408	512,895,198	578,323,247	9,232,925,923	0.00710
2013	7,058,918,343	3,022,247,547	520,592,272	582,950,764	10,018,807,398	0.00650

Source: Solano County Assessor Office
and the City of Fairfield

CITY OF FAIRFIELD

**Property Tax Rates
Direct And Overlapping Governments
By Fiscal Year - Last Eight Fiscal Years**

Table 7

Fiscal Year	City			Overlapping Rates							Total Direct & Overlapping Rates
	Operating Millage	Debt Service Millage	Total City Millage	County			School District				
				Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage	Special Districts	
2006	-	0.006700	0.006700	1.000000	-	1.000000	-	0.045967	0.045967	0.020000	1.072667
2007	-	0.005800	0.005800	1.000000	-	1.000000	-	0.041621	0.041621	0.020000	1.067421
2008	-	0.005100	0.005100	1.000000	-	1.000000	-	0.038570	0.038570	0.020000	1.063670
2009	-	0.004800	0.004800	1.000000	-	1.000000	-	0.040461	0.040461	0.020000	1.065261
2010	-	0.006000	0.006000	1.000000	-	1.000000	-	0.050714	0.050714	0.020000	1.076714
2011	-	0.007000	0.007000	1.000000	-	1.000000	-	0.052064	0.052064	0.020000	1.079064
2012	-	0.007100	0.007100	1.000000	-	1.000000	-	0.053133	0.053133	0.020000	1.080233
2013	-	0.006500	0.006500	1.000000	-	1.000000	-	0.076072	0.076072	0.020000	1.102572

Source: Solano County Auditor-Controller's Office

CITY OF FAIRFIELD

Principal Property Taxpayers Current Year and Seven Years Ago

Table 8

Taxpayer	2013			2006		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
US Real Estate Limited Partnership	\$ 43,474,883	1	0.43%	\$ 45,736,546	4	0.42%
Household Products Manufacturing	43,168,263	2	0.43%			
Ball Metal Beverage Cont Corporation	36,191,035	3	0.36%			
The Pointe LP	27,631,876	4	0.28%			
Park Crossing Investors	26,000,000	5	0.26%			
National Can	25,333,938	6	0.25%			
LBM Partnership LP	24,544,076	7	0.24%			
Travis Housing Limited Partnership	22,945,901	8	0.23%			
West Coast Homebuilders	19,048,748	9	0.19%			
KMF Fairfield	16,994,151	10	0.17%			
Meyer Cookware Industries Inc				43,006,113	5	0.40%
SBC Services				49,778,756	3	0.46%
RO Funding Company LLC				22,327,871	9	0.21%
Anheuser-Busch				300,099,258	1	2.77%
Solano Mall LLC				92,553,418	2	0.85%
Bridgeport Ranch Limited Partnership				30,225,000	6	0.28%
Guittard Chocolate Company				28,450,710	7	0.26%
Fairfield Property Group LLC				22,644,288	8	0.21%
Gilroy Energy Center LLC				25,355,768	10	0.23%
Total Principle Taxpayers Assessed Value	<u>285,332,871</u>		<u>2.85%</u>	<u>660,177,728</u>		<u>6.08%</u>
Total City Assessed Value	<u>\$ 10,018,807,398</u>		<u>100.00%</u>	<u>\$ 10,852,011,470</u>		<u>100.00%</u>

Source: Solano County Assessor Office (HDL Report)

CITY OF FAIRFIELD

Property Tax Levies and Collections By Fiscal Year - Last Eight Fiscal Years

Table 9

Ended December 31	Levy for Fiscal Year	Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2006	\$ 44,950,233	\$ 44,950,233	100%	-	\$44,950,233	100%
2007	49,110,181	49,110,181	100%	-	49,110,181	100%
2008	51,191,170	51,191,170	100%	-	51,191,170	100%
2009	47,903,943	47,903,943	100%	-	47,903,943	100%
2010	45,787,093	45,787,093	100%	-	45,787,093	100%
2011	46,489,079	46,489,079	100%	-	46,489,079	100%
2012*	30,958,521	30,958,521	100%	-	30,958,521	100%
2013	27,299,372	27,299,372	100%	-	27,299,372	100%

Source: Solano County Auditor Controller's Office

In addition to the City's property tax levies for voter-approved debt, Solano County levies property taxes limited to \$1 per \$100 of assessed valuation for county, city, school and special district operating expenses. This additional property tax levy is distributed to the different governmental agencies under the State mandated alternate method of apportioning taxes (commonly referred to as the "Teeter Plan") whereby all local agencies, including cities, receive from the county 100% of their respective shares of the amount of ad valorem taxes levied, without regard to the actual collection of the taxes levied. This method was placed in effect by Solano County in the 1965-66 tax year and remains in effect unless the County Board of Supervisors orders its discontinuance.

* In 2012 (February 1, 2012) the Fairfield Redevelopment Agency was dissolved. In 2012, property taxes includes Redevelopment Agency property taxes received for the seven month period of July 1, 2011, to January 31, 2012.

CITY OF FAIRFIELD

Ratios of Outstanding Debt by Type By Fiscal Year - Last Eight Fiscal Years

Table 10

Fiscal Year	Governmental Activities		Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Pension Obligation Bonds	Redevelopment Revenue Bonds*	Long Term Notes Payable	Utility-Water Bonds	Recreational Revenue Bonds			
2006	\$ 12,815,698	\$ 41,745,000	\$ 77,460,000	\$ 8,292,029	\$ 52,205,000	\$ 13,050,000	\$ 205,567,727	5.86%	\$ 1,957
2007	12,393,808	40,945,000	73,940,000	6,484,249	48,560,000	12,435,000	194,758,057	5.26%	1,856
2008	11,971,918	36,345,000	70,275,000	5,968,335	129,276,697	11,795,000	265,631,950	6.51%	2,503
2009	11,550,028	36,345,000	66,475,000	5,566,781	125,361,697	11,125,000	256,423,506	6.11%	2,409
2010	11,128,138	36,345,000	62,520,000	3,881,913	121,331,697	10,425,000	245,631,748	5.84%	2,318
2011	10,706,248	36,755,000	58,945,000	3,030,200	117,171,697	9,690,000	236,298,145	5.79%	2,254
2012	10,284,358	36,450,000	-	2,195,313	112,856,697	8,775,000	170,561,368	4.23%	1,603
2013	9,862,468	36,135,000	-	2,486,066	107,611,697	7,795,000	163,890,231	3.98%	1,516

Note: Details regarding the City's outstanding debt can be found in the notes of the financial statements.

Source: City of Fairfield

* In 2012 (February 1, 2012) the Fairfield Redevelopment Agency was dissolved. The Redevelopment Agency debt was transferred to the Successor Agency to the Fairfield Redevelopment Agency Private-purpose Trust Fund. See note 18.

** In FY 2013, the City restated these governmental activities long-term obligations as non-commitment debts.

CITY OF FAIRFIELD

**Ratios of General Bonded Debt Outstanding
(amounts expressed in thousands, except per capita amount)
By Fiscal Year - Last Eight Fiscal Years****Table 11**

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total Net Bonded Debt	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2006	\$ 12,815,698	\$ 357,517	\$ 12,458,181	0.11%	119
2007	12,393,808	376,408	12,017,400	0.10%	115
2008	11,971,918	361,198	11,610,720	0.10%	109
2009	11,550,028	278,470	11,271,558	0.11%	106
2010	11,128,138	219,356	10,908,782	0.11%	103
2011	10,706,248	220,288	10,485,960	0.11%	100
2012	10,284,358	318,025	9,966,333	0.11%	94
2013	9,862,468	504,372	9,358,096	0.09%	87

Source: City of Fairfield

CITY OF FAIRFIELD

Direct and Overlapping Governmental Activities Debt June 30, 2013

Table 12

2012/13 Total Assessed Valuation:

\$10,018,807,398

	<u>% Applicable (1)</u>	<u>Outstanding Debt 6/30/13</u>	<u>Estimated Share Of Overlapping Debt</u>
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:			
Solano County Community College District	24.808%	\$ 219,921,989	\$ 54,558,247
Fairfield-Suisun Unified School District	77.633%	82,395,000	63,965,710
Fairfield-Suisun Unified School District Community Facilities District #2	100.000%	1,064,283	1,064,283
Fairfield-Suisun Unified School District Community Facilities District #5	90.413%	30,762,156	27,812,988
Fairfield-Suisun Unified School District Community Facilities District #6	100.000%	2,198,607	2,198,607
Fairfield Municipal Park Facilities District, I.D. No. 1	100.000%	7,795,000	7,795,000
City of Fairfield Zone of Benefit Obligations	100.000%	9,862,468	9,862,468
City of Fairfield Community Facilities District No. 3	100.000%	15,305,000	15,305,000
City of Fairfield Community Facilities District No. 2007-1	100.000%	18,095,000	18,095,000
City of Fairfield 1915 Act Bonds	100.000%	2,705,000	2,705,000
California Statewide Communities Development Authority 1915 Act Bonds	100.000%	1,872,469	1,872,469
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:		<u>\$ 391,976,972</u>	<u>\$ 205,234,772</u>
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Solano County Certificates of Participation	23.839%	\$ 111,720,000	\$ 26,632,931
Solano County Pension Obligation Bonds	23.839%	74,285,000	17,708,801
Solano County Board of Education Certificates of Participation	23.839%	1,955,000	466,052
Travis Unified School District Certificates of Participation	36.801%	34,470,000	12,685,305
Fairfield-Suisun Unified School District Certificates of Participation	77.633%	1,571,820	1,220,251
City Of Fairfield Pension Obligations	100.000%	36,135,000	36,135,000
City of Fairfield - Long Term Notes Payable	100.000%	2,486,066	2,486,066
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT:		<u>262,622,886</u>	<u>97,334,406</u>
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies)	50.305%	91,776,384	46,167,953
TOTAL DIRECT DEBT			48,483,534
TOTAL OVERLAPPING DEBT:			<u>300,253,598</u>
COMBINED TOTAL DEBT		<u>\$ 746,376,242</u>	<u>\$ 348,737,131</u> (2)

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

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

Source: California Municipal Statistics, Inc.
City Of Fairfield

CITY OF FAIRFIELD

Legal Debt Margin Information By Fiscal Year - Last Eight Fiscal Years

Table 13

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Net Assessed Value	\$ 10,852,011,470	\$ 11,486,963,165	\$ 11,182,288,498
Debt Limit Percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt Limit	<u>1,627,801,721</u>	<u>1,723,044,475</u>	<u>1,677,343,275</u>
Net Amount of Bonded Debt Applicable to Debt Limit General Obligation Bonds	<u>12,458,181</u>	<u>12,017,400</u>	<u>12,017,400</u>
Legal Debt Margin	<u>\$ 1,615,343,540</u>	<u>\$ 1,711,027,075</u>	<u>\$ 1,665,325,875</u>

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Source: Solano County Auditor Controller's Office
City of Fairfield

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 9,879,547,991	\$ 9,546,898,993	\$ 9,427,104,054	\$ 9,232,925,923	\$ 10,018,807,398
<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
<u>1,481,932,199</u>	<u>1,432,034,849</u>	<u>1,414,065,608</u>	<u>1,384,938,888</u>	<u>1,502,821,110</u>
<u>11,271,558</u>	<u>10,908,782</u>	<u>10,485,960</u>	<u>9,966,333</u>	<u>9,358,096</u>
<u>\$ 1,470,660,641</u>	<u>\$ 1,421,126,067</u>	<u>\$ 1,403,579,648</u>	<u>\$ 1,374,972,555</u>	<u>\$ 1,493,463,014</u>

CITY OF FAIRFIELD

Pledged Revenue Coverage By Fiscal Year - Last Eight Fiscal Years

Table 14

Fiscal Year	Utility-Water Revenue Bonds				Recreational Revenue (Golf) Bonds			
	Net Available Revenues	Debt Service		Coverage	Net Available Revenues	Debt Service		Coverage
		Principal	Interest			Principal	Interest	
2006	\$ 11,540,342	\$ 3,495,000	\$ 2,378,897	1.96	\$ 1,651,647	\$ 590,000	\$ 661,785	1.32
2007	13,830,588	3,645,000	2,226,697	2.36	1,816,927	615,000	635,570	1.45
2008	15,742,859	3,750,000	2,120,897	2.68	1,596,019	640,000	607,640	1.28
2009	13,144,067	3,915,000	4,075,459	1.64	1,770,817	670,000	578,165	1.42
2010	11,389,246	4,030,000	3,950,634	1.43	1,303,172	700,000	546,990	1.05
2011	12,106,263	4,160,000	3,948,902	1.49	1,185,157	735,000	513,617	0.95
2012	12,429,388	4,315,000	3,922,524	1.51	1,530,367	765,000	477,985	1.23
2013	12,887,045	4,520,000	3,493,898	1.61	1,163,779	980,000	304,385	0.91

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Source: City of Fairfield

CITY OF FAIRFIELD

Demographic and Economic Statistics By Fiscal Year - Last Eight Fiscal Years

Table 15

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2006	105,026	\$ 3,507,868,400	\$ 33,400	31.0	28,384	5.6%
2007	104,955	3,701,657,895	35,269	32.5	28,218	8.3%
2008	106,142	4,080,098,480	38,440	33.1	28,269	8.0%
2009	106,440	4,198,206,480	39,442	31.8	27,797	11.5%
2010	105,955	4,202,811,030	39,666	33.5	27,151	14.2%
2011	104,815	4,083,697,215	38,961	33.7	26,596	12.7%
2012	106,379	4,035,487,365	37,935	33.8	25,572	11.9%
2013	108,107	4,116,498,346	38,078	31.7	27,271	9.7%

Source: City of Fairfield
Fairfield-Suisun and Travis Unified School Districts
California Department of Finance
U.S. Department of Commerce Bureau of Economic Analysis

CITY OF FAIRFIELD

Principal Employers Current Year and Seven Years Ago

Table 16

<u>Employer</u>	<u>2013</u>			<u>2006</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Travis Air Force Base	14,353	1	29%	14,904	1	31%
County of Solano	2,850	2	6%	3,000	2	6%
Fairfield-Suisun Unified School District	2,000	3	4%	2,300	3	5%
Northbay Medical Center	1,115	4	2%	1,301	4	3%
Solano Community College	650	5	1%	650	5	1%
City of Fairfield	502	6	1%	632	6	1%
Sutter Regional Medical Foundation	475	7	1%	-	-	0%
Jelly Belly Candy Co.	461	8	1%	400	9	1%
Westamerica Bancorporation	407	9	1%	450	8	1%
Pride Industries	343	10	1%	-	-	0%
Copart	-		0%	465	7	1%

Source: City of Fairfield

CITY OF FAIRFIELD

Full-time Equivalent City Government Employees by Function By Fiscal Year - Last Eight Fiscal Years As of June 30

Table 17

Function	2006	2007	2008	2009	2010	2011	2012	2013
Administration	11	12	11	17	17	17	16	12
Administrative services ##						53	6	-
Community development	32	32	29	23	20	20	16	19
Community resources	51	52	40	49	45	42	35	21
Finance ##	46	45	45	48	45		40	37
Fire	70	70	68	64	63	63	60	62
Golf courses	1	1	1	1	1	1	-	-
Housing program	10	10	7	6	6	6	10	10
Human Resources ##	11	11	10	10	9			
Police	213	218	215	215	203	190	183	183
Public works	115	116	106	101	92	94	81	84
Transportation	14	14	14	11	11	11	7	7
Water utility	58	60	60	63	63	63	68	68
Total	632	641	606	608	575	560	522	502

Source: City of Fairfield

In 2011, there was a reorganization whereby the Human Resources and the Finance Department were merged into the newly formed Administrative Services Department. In 2012 the two departments were separated whereby the Human Resources is now Administrative Services.

CITY OF FAIRFIELD

Operating Indicators by Function By Fiscal Year – Last Eight Fiscal Years As of June 30

Table 18

<u>Function</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Police								
Physical arrests	3,993	4,621	4,351	4,107	3,712	4,016	4,881	4,756
Parking citations	2,763	3,086	2,574	2,986	3,652	4,371	1,757	1,238
Fire								
Number of emergency calls	8,117	8,059	8,126	8,548	9,137	9,235	9,112	10,585
Inspections	1,189	842	1,362	1,851	1,253	172	370	222
Public Works:								
Street resurfacing (miles)	12	18	24	2	7	11	2	4
Community Resources								
Number of recreation classes	78	74	82	84	109	112	116	98
Number of facility rentals	8	19	19	19	13	13	12	8
Community Development								
Number of business	1,255	1,640	1,837	2,141	2,050	4,913	3,463	3,614
New commercial square footage developed	381,384	420,533	234,679	454,055	314,463	187,800	18,483	355,047
Water								
New connections	710	2,065	223	104	175	141	240	375
Average daily consumption (millions of gallons)	20.7	20.9	21.5	20.4	19.3	16.2	17.6	17.4
Transportation								
Total miles covered by bus system	1,286,715	1,802,636	1,844,101	1,938,092	1,720,553	1,621,661	1,725,304	1,728,032
Total passengers	809,837	868,238	999,208	1,008,952	899,223	929,638	976,219	1,049,232
Golf Courses								
Golf rounds played	113,199	119,025	118,102	111,655	105,599	99,625	104,166	106,393

Sources: Various City Departments

CITY OF FAIRFIELD

Capital Assets Statistics by Function By Fiscal Year – Last Eight Fiscal Years As of June 30

Table 19

Function	2006	2007	2008	2009	2010	2011	2012	2013
Police								
Stations	1	1	1	1	1	1	1	1
Patrol Cars	95	116	121	120	118	101	88	94
Fire								
Fire stations	5	5	5	5	5	5	5	5
Public Works								
Streets (miles)	271	277	282	285	286	286	287	287
Streetlights	9,100	9,100	9,100	9,100	9,100	9,100	9,100	9,100
Traffic signals	80	84	84	84	87	87	100	101
Community Resources								
Parks acreage	233	233	233	233	240	240	268	268
Parks	21	21	21	21	22	23	20	20
Tennis courts	8	8	8	8	8	8	8	8
Community centers	3	3	3	3	3	3	3	4
Water								
Water mains (miles)	318	320	329	330	332	332	378	386
Fire hydrants	2,465	2,489	2,759	2,770	2,775	2,775	2,785	3,157
Maximum daily capacity (millions of gallons)	39	39	39	39	54	57	57	57
Transportation								
Number of buses	56	62	64	58	56	56	49	47
Golf Courses								
Number of city courses	2	2	2	2	2	2	2	2

Sources: Various City Departments.

Note: No capital asset indicators are available for the general government function (Administrative, Community Development, Finance, Human Resources)

HEART OF SOLANO COUNTY



C A L I F O R N I A



**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**

To the Honorable Mayor and Members of City Council
of the City of Fairfield
City of Fairfield, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Fairfield (the City), California, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 12, 2013. Our report included emphasis of matter paragraphs regarding the City's adoption of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* as of July 1, 2012, housing asset transfers, loans from the City to the successor agency, and prior period adjustments.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as items 2013-01, 2013-02 and 2013-03 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

City of Fairfield, California's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Varrinik, Trine, Day & Co. LLP

Sacramento, California
December 12, 2013



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Honorable Mayor and Members of City Council
of the City of Fairfield
City of Fairfield, California

Report on Compliance for Each Major Federal Program

We have audited the City of Fairfield, California's (the City) 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's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City, complied, in all material respects, with the types of 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, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-04 through 2013-07. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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'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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2013-05, 2013-06, and 2013-07 that we consider to be significant deficiencies.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vavrinik, Trine, Day & Co. LLP

Sacramento, California
December 12, 2013

City of Fairfield
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grantor's Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Direct Programs:			
Section 8 Housing Choice Vouchers	14.871	N/A	\$7,989,607
Community Development Block Grant (1)	14.218	N/A	834,457
Passed through the California Department of Housing and Community Development:			
HOME Investment Partnership Program (1)	14.239	08-HOME-5663	1,691,807
HOME Investment Partnership Program (1)	14.239	10-HOME-6866	94,657
Neighborhood Stabilization Program (1)	14.228	B-11-UN-06-0011	559,716
			<u>11,170,244</u>
<u>U.S. Department of Transportation</u>			
Direct Programs:			
Federal Transit Formula Grant (1)	20.507	CA-90-4088	2,378,217
Federal Transit Formula Grant (1)	20.507	CA-90-1977	25,942
Federal Transit Formula Grant (1)	20.507	CA-04-0234	1,500,000
Federal Transit Formula Grant - ARRA (1)	20.507	CA-66-0016 (ARRA)	119,779
Federal Transit Formula Grant (1)	20.507	CA-95-0241	481,368
Passed through the California Department of Transportation:			
Highway Planning and Construction	20.205	STPL-5132 (039)	1,181,155
Highway Planning and Construction - ARRA	20.205	STPL-5132 (032)	1,410
Highway Planning and Construction	20.205	CML-5132-(038-039)	38,011
New Freedom Program	20.521	640768	57,066
Formula Grants for Rural Areas	20.509	642115	78,765
Formula Grants for Rural Areas	20.509	643114	200,000
Passed through the California Office of Traffic Safety:			
State and Community Highway Safety	20.600	SC13137	8,814
State and Community Highway Safety	20.600	20711	52,206
State and Community Highway Safety	20.600	PT1320	18,966
State and Community Highway Safety	20.600	DD1319	11,203
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT1320	21,784
			<u>6,174,686</u>
<u>U. S Department of Education</u>			
Passed through the California Department of Education:			
Adult Day Care Food Program	10.558	48-5033-1 N	7,486
			<u>7,486</u>
<u>U.S. Department of Justice</u>			
Passed through the Office of Justice Programs:Passed through the Office of Justice Programs:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-0326	23,341
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-1004	119,809
Passed through the Office of Community Oriented Policing Services:			
Public Safety Partnership and Community Policing Grant - CHRP - ARRA (1)	16.710	2009-RK-WX-0162	518,736
COPS Hiring Program (CHP) (1)	16.710	2011-UM-WX-0032	603,158
			<u>1,265,044</u>
<u>U.S. Department of Homeland Security</u>			
Passed through the Federal Emergency Management Agency:			
Assistance to Firefighters Grant	97.044	EMW-2010-FH-00946	224,148
			<u>224,148</u>
Total Federal Expenditures			<u>\$ 18,841,608</u>

Note (1) - denotes major program

See notes to the schedule of expenditures of federal awards

City of Fairfield
Notes to the Schedule of Expenditures of Federal Awards
For the year ended June 30, 2013

1. REPORTING ENTITY

The financial reporting entity consists of (a) the primary government, City of Fairfield, California (the “City”), (b) organizations for which the primary government is financially accountable, which include the Fairfield Public Financing Authority, Fairfield Municipal Park Improvement District No. 1, Fairfield Storm Drain Facilities Improvement District No. 1, Fairfield Water Facilities Improvement District No. 1, Fairfield Community Facilities Districts and the Housing Authority of the City of Fairfield, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Funds received under the various grant programs have been recorded within governmental and proprietary fund types of the City. The City utilizes the modified accrual method of accounting for the governmental fund type and the accrual basis of accounting for the proprietary fund types. The accompanying Schedule of Expenditures of Federal Awards (“Schedule”) has been prepared on the accrual basis of accounting.

Schedule of Expenditures of Federal Awards

The accompanying Schedule presents the activity of all federal financial assistance programs of the City. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through the State of California is included in the Schedule.

The Schedule was presented only from the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

3. AMOUNT PROVIDED TO SUBRECIPIENTS

Of the federal expenditures presented in the accompanying Schedule of Federal Awards, the City provided Federal awards to subrecipients as follows:

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures	Amounts Passed Through to Subrecipients
Community Development Block Grant	14.218	<u>\$ 834,457</u>	<u>\$ 383,485</u>

**CITY OF FAIRFIELD, CALIFORNIA
SCHEDULE OF FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

I. SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	
Identification of major programs:	Yes

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.507	Federal Transit Formula Grant
14.239	HOME Investment Partnership Program
16.710	Public Safety Partnership and Community Policing Grant - ARRA
14.218	Community Development Block Grant
14.228	Neighborhood Stabilization Program - ARRA

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 565,248
Auditee qualified as low-risk auditee?	Yes

**CITY OF FAIRFIELD, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

II. FINANCIAL STATEMENT FINDINGS

The following findings represent the significant deficiencies related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

FINDING 2013-01

CASH RECEIPTS SEGREGATION OF DUTIES

Criteria:

Internal controls should be implemented over the cash receipts process to prevent the same person from being able to commit, detect, and correct (or conceal) misstatements due to errors or fraud for which they are responsible.

Condition Found:

Significant Deficiency – During the course of our audit it was observed that there is no documented procedure evidencing segregation of duties in the daily cash receipts batch recording, authorizing and custody functions. Upon inspection of a general ledger report of revenue and cash receipt transactions we noted several instances (approximately 50% of the sample) where the initiator of a transaction was the same as the authorizer. Furthermore, physical evidence of a supervisor review of the cash receipts batch reconciliation is not sufficiently documented to support a test of operating effectiveness of controls. Although it was communicated by the City that undocumented daily receipt reconciliations are performed by management in the cash receipts process and that documented monthly bank reconciliations are performed by accounting staff not involved in the cash receipts process, these serve as detective rather than preventative controls.

Context:

The condition noted above was identified during our consideration of the design and implementation of internal controls over the cash receipts cycle.

Cause:

The City has not adopted formal policies and procedures requiring the segregation of duties in this key cash receipt batch handling and recording function.

Effect:

The lack of verifiable internal controls in the recording, authorization, and custody functions of the cash receipts process results in a higher risk that material misstatements due to error or fraud are not prevented.

Recommendation:

We recommend that the City implement policies and procedures to ensure that the functions and responsibilities of custody, recording, and authorization in the cash receipts batch reconciliation process are segregated.

**CITY OF FAIRFIELD, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

View of Responsible Officials and Planned Corrective Action:

The City's general ledger system vendor has committed to creating a patch for all subsystems to disallow the same employee from creating or initializing a batch and also authorizing the same batch. Implementation of this security within the system is not expected until the final quarter of calendar year 2014, when the City plans to migrate to an updated version of the accounting system. In the interim the City will adhere to a detective control where the Financial Services Manager or Designee will perform a documented review of all the cash receipt batch reconciliation. While this option is not a preventative control, it serves as a compensating control until segregation of duties is possible within the City's current General Ledger system. In addition the City has realigned staff functions so that segregation of duty exists during the cash handling and reconciliation process and documented this as part of a new cash handling policy to be included in the City's Administrative Policy Manual during the current fiscal year.

FINDING 2013-02

REVIEW AND AUTHORIZATION OF GENERAL LEDGER TO BANK STATEMENT RECONCILIATIONS

Criteria:

Cash and investment accounts should be reconciled to the general ledger on a recurring periodic basis in order to mitigate the risk of errors, made by the bank or the City, going undetected. Internal controls should be designed and implemented over the reconciliation process to prevent the same person from being able to commit, detect, and correct (or conceal) accounting misstatements due to error or fraud for which they are responsible.

Condition Found:

Significant Deficiency – During the course of our audit, we observed that although a documented monthly general ledger to bank account reconciliation is performed by Department of Finance personnel, that this reconciliation does not include documented testable evidence of management review and authorization.

Context:

The condition noted above was identified during our consideration of the design and implementation of internal controls over the City's treasury function.

Cause:

A documented second party review and authorization function was not implemented over the monthly bank reconciliation process.

Effect:

As the individual assigned the task of performing bank reconciliations during fiscal year 2012-13 was also involved in the accounting transaction recording function, the deficiency of a second party review and approval of the bank reconciliation process increases the risk that the individual preparing the bank reconciliations would not detect and correct misstatements due to error or fraud which they have committed.

**CITY OF FAIRFIELD, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Recommendation:

We recommend the City implement procedures to ensure bank reconciliations performed on a periodic basis are reviewed and authorized by someone other than the preparer with adequate documentation to evidence this review. By ensuring that these procedures are completed, the City will reduce the risk of cash being misappropriated and going undetected by management or there being errors in the financial statements.

View of Responsible Officials and Planned Corrective Action:

The City will implement (effective 3/31/2014) a documented review process where the Accounting Officer will review and authorize monthly bank reconciliations to the City's general ledger. A copy of the reconciliation will be forwarded to the Finance Director or Designee.

FINDING 2013-03

SEGREGATION OF DUTIES OVER JOURNAL ENTRIES

Criteria:

In an accounting system, journal entries are often the easiest way for management to override existing internal controls established over the major accounting cycles such as cash receipts, cash disbursements, and payroll. As such, it is essential that internal controls be suitably designed and implemented over the journal entry process to prevent, detect and correct misstatements arising due to error or fraud.

Condition Found:

Significant Deficiency – During the course of our audit, it was observed that that the general ledger software currently allows a preparer to initiate and authorize their own journal entry. Printed and scanned versions of the journal entries with supporting documentation do not consistently include testable evidence of a two party recording and authorization function. We noted that although the journal entry forms appear to occasionally be documented with evidence of a two party preparer and approval process, that this process is not consistent enough to support a test of operating effectiveness.

Context:

The condition noted above was identified during our consideration of the design and implementation of internal controls over the City's journal entry process.

Cause:

The general ledger system is not currently set up to prevent the preparer/recorder of a journal entry from also authorizing the same journal entry and posting it to the system. In addition, compensating controls are not consistently applied to fully mitigate risks resulting from the aforementioned deficiency.

Effect:

Individuals having the capability to record and authorize their own journal entries results in a heightened risk that accounting misstatements are not corrected and prevented from accessing the general ledger system.

**CITY OF FAIRFIELD, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Recommendation:

We recommend the City segregate the duties of recording and authorization of journal entries in a manner that is evidenced and verifiable. We also recommend the City implement policies and procedures designed to monitor all journal entries prepared and recorded into the City's general ledger. The individuals reviewing and approving such journal entries should be familiar with generally accepted accounting principles.

View of Responsible Officials and Planned Corrective Action:

The City's general ledger system vendor has committed to creating a patch for all subsystems to disallow the same employee from creating or initializing a batch and also authorizing the same batch. Implementation of this security within the system is not expected until the final quarter of calendar year 2014, when the City plans to migrate to an updated version of the accounting system. In the interim, City staff will adhere to the journal voucher form process with a two party preparer and approval process.

**CITY OF FAIRFIELD, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The following findings represent significant deficiencies and/or instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133, section .510(a).

FINDING 2013-04

Program: Home Investment Partnerships Program

CFDA No.: 14.239

Federal Agency: U.S. Department of Housing and Urban Development,

Passed Through: California Department of Housing and Community Development.

Award Year: FY 2012-13

Compliance Requirement: Sub-recipient Monitoring

Criteria:

The *March 2013 Office of Budget and Management (OMB) OMB Circular A-133 Compliance Supplement* states that a pass-through entity is responsible for “*Award Identification – At the time of the award, identifying to the sub-recipient the Federal award information (e.g., CFDA title and number, award name, name of Federal agency) and applicable compliance requirements.*”

Condition Found:

Instance of Non-Compliance – Through testing of sub-recipient monitoring activities, we noted that one sub-recipient award agreement between the City and the sub-recipient did not include the CFDA number or federal funding information required by *OMB Circular A-133* for the period under audit.

Questioned Costs:

No questioned costs were identified as a result of the procedures performed.

Context:

The condition noted above was identified during our examination of the City’s agreements with its sub-recipients pertaining to the Home Investment Partnerships Program.

Effect:

The sub-recipient agreements do not specifically identify the CFDA number, award name and Federal agency. Accordingly, sub-recipients may not be aware that they have received Federal funding and are subject to the compliance requirements of *OMB Circular A-133*.

Cause:

The City did not maintain procedures to ensure that the CFDA number, award name, and Federal agency were identified in the formal agreement executed with the sub-recipient.

**CITY OF FAIRFIELD, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Recommendation:

We recommend the City implement policies and procedures to ensure that information required by *OMB Circular A-133* is included in sub-recipient agreements.

View of Responsible Officials and Planned Corrective Action:

The City agrees with the finding and will implement a procedure (checklist) to ensure that the information required by OMB Circular A-133 is included in the sub-recipient agreements, specifically by including the Award Identification, which includes CFDA title and number, award name, and name of Federal agency.

Contact: Marcelo Penha

Completion Date: June 30, 2014

FINDING 2013-05

Program: Community Development Block Grant Program

CFDA No.: 14.218

Federal Agency: US Department of Housing and Urban Development

Award Year: FY 2012-13

Compliance Requirement: Subrecipient Monitoring

Criteria:

The *March 2013 Office of Budget and Management (OMB) OMB Circular A-133 Compliance Supplement* states that a pass-through entity is responsible for “*Award Identification* – At the time of the award, identifying to the subrecipient the Federal award information (e.g., CFDA title and number, award name, name of Federal agency) and applicable compliance requirements.” A pass-through entity is also responsible for determining whether an applicant for a non-ARRA subaward has provided a Dun and Bradstreet Data Universal Numbering System (DUNS) number as part of its subaward application or, if not, before award (2 CFR section 25.110 and Appendix A to 2 CFR part 25).

Condition Found:

Significant Deficiency, Instances of Non-Compliance – Through testing of subrecipient monitoring activities, we tested a sample of four subrecipient agreements, noting four instances where the subrecipient award agreements between the City and the subrecipient did not include the CFDA number as required by *OMB Circular A-133* for the period under audit. We also noted that the City did not provide evidence of properly obtaining the DUNS number as part of the application or before award.

Questioned Costs:

No questioned costs were identified as a result of the procedures performed.

Context:

The condition noted above was identified during our examination of the City’s agreements with its subrecipient.

**CITY OF FAIRFIELD, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Effect:

The subrecipient agreements do not specifically identify the CFDA number. Accordingly, subrecipients may not be aware that they have received Federal funding. We also noted that the City is not collecting DUNS information from the subrecipients.

Cause:

The City did not maintain procedures to ensure that the CFDA number was identified in the formalized agreement executed with subrecipients, and that DUNS information was collected from the subrecipients.

Recommendation:

We recommend the City implement policies and procedures to ensure that information required by *OMB Circular A-133* is included in subrecipient agreements and that DUNS numbers are properly obtained for subawardees.

View of Responsible Officials and Planned Corrective Action:

The City agrees with the finding and will implement a procedure (checklist) to ensure that the information required by OMB Circular A-133 is included in the sub-recipient agreements, specifically by including the Award Identification, which includes CFDA title and number, award name, name of Federal agency, and DUNS number.

Contact: Marcelo Penha

Completion Date: June 30, 2014

FINDING 2013-06

Program: Community Development Block Grant Program

CFDA No.: 14.218

Federal Agency: US Department of Housing and Urban Development

Award Year: FY 2012-13

Compliance Requirement: Reporting

Criteria:

The Federal Funding Accountability and Transparency Act requires prime awardees awarded a Federal contract to file a Federal Funding Accountability and Transparency Act (FFATA) subaward report by the end of the month following the month in which the prime awardees awards any subaward greater than \$25,000 on or after October 1, 2010.

Condition Found:

Significant Deficiency, Instances of Non-Compliance – As a result of our audit of reporting requirements, we noted that the City program staff were unaware of the FFATA reporting requirements and had not filed the required Federal Funding Accountability and Transparency Act subaward reports for sub-awards of program funds over \$25,000.

**CITY OF FAIRFIELD, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Questioned Costs:

No questioned costs were identified as a result of the procedures performed.

Context:

The City did not report on Federal subawards made greater than \$25,000 as required by The Federal Funding Accountability and Transparency Act. The City is required to file a Federal Funding Accountability and Transparency Act subaward report by the end of the month following the month in which they are the prime awardees granting a subaward greater than \$25,000.

Effect:

Not properly reporting the Federal subawards under the Federal Funding Accountability and Transparency Act prevents the City from being in compliance with OMB reporting requirements.

Cause:

The City did not maintain procedures to ensure that the reporting requirements related to Federal subawards greater than \$25,000 were met.

Recommendation:

We recommend that the City implement policies and procedures to ensure that the necessary information required by the Federal Funding Accountability and Transparency Act is reported accurately and timely.

View of Responsible Officials and Planned Corrective Action:

The City will implement a procedure (checklist) to ensure that future reports, as required by The Federal Funding Accountability and Transparency Act on Federal sub-awards that are greater than \$25,000, are reported accurately and timely.

Contact: Marcelo Penha

Completion Date: June 30, 2014

FINDING 2013-07

Program: Community Development Block Grant Program

CFDA No.: 14.218

Federal Agency: US Department of Housing and Urban Development

Award Year: FY 2012-13

Compliance Requirement: Activities Allowed or Unallowed/Allowable Costs/Cost Principles

Criteria:

The program requires the City to comply with 2 CFR Part 225 (OMB Circular A-87), *Cost Principles for State, Local, and Indian Tribal Governments*.

**CITY OF FAIRFIELD, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

In accordance with OMB Circular A-87, Attachment B, Section 8h, the following requirements apply to the City's grants and expenditures of federal loans:

Per subsection (1): Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practices of the governmental unit and approved by a responsible official(s) of the governmental unit.

Per subsection (4): Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5). Such documentary support will be required where employees work on:

- a) More than one Federal award,
- b) A Federal award and a non Federal award,
- c) An indirect cost activity and a direct cost activity,
- d) Two or more indirect activities which are allocated using different allocation bases, or
- e) An unallowable activity and a direct or indirect cost activity.

Per subsection (5): Personnel activity reports or equivalent documentation must meet the following standards:

- a) They must reflect an after the fact distribution of the actual activity of each employee,
- b) They must account for the total activity for which each employee is compensated,
- c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- d) They must be signed by the employee.
- e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:
 - i. The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
 - ii. At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
 - iii. The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

Condition Found:

Significant Deficiency, Instance of Non-Compliance – During testing performed over personnel costs charged to the program, we noted the City does not require employees charging time to individual federal projects to prepare and sign personnel activity reports supporting the hours charged to the program as required by Subsection (5) of OMB Circular A-87. Personnel costs for employees are charged to the program through a set percentage allocation of employee salary costs which are not based on certifications of time spent working on the program. We noted that the City does not have a process in place to reconcile the allocations to actual employee time worked on the program on at least a quarterly basis. However, we noted the City reviews aggregate hours charged to each federal grant and any discrepancies are adjusted prior to submitting claims for reimbursement. We also noted that each employee's hours sampled for compliance with activities allowed and allowable

**CITY OF FAIRFIELD, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

costs/cost principles appeared to be reasonably allocated to each project, and as a result, no questioned costs were identified in our tests of compliance with this requirement.

Questioned Costs:

We identified no questioned costs in our tests of compliance with this requirement.

Context:

The condition noted above was identified during the testing over the allowable costs/activities compliance requirements for costs charged to the program.

Effect:

Not properly reconciling personnel time charged to the grant, nor properly maintaining personnel activity reports or equivalent documentation may prevent the City from being in compliance with OMB Circular A-87. We noted the City does have procedures designed to review the accuracy of the aggregate hours charged to each federal grant prior to claiming reimbursement.

Cause:

The City has not implemented procedures to maintain signed personnel activity reports for each employee who charges their time to the grant and reconcile allocations of employee time to actual time spent on the program.

Recommendation:

While the City does have procedures in place to review aggregate hours charged to each federal grant, we recommend that the City implement policies and procedures requiring each of its employees that charge their time to federal grants, loans or cooperative agreements to document their time and effort through the use of personal activity reports or equivalent documentation in accordance with subsection (5) of OMB Circular A-87. We further recommend the City reconcile the payroll costs it charges to the program to actual time worked on the grant.

View of Responsible Officials and Planned Corrective Action:

The City has implemented a procedure requiring each of its employees that charge their time to federal grants, to document their time and effort through the use of time sheets. In addition, the City will reconcile all payroll costs that are charged to the program to actual time that is worked on the grant.

Contact: Marcelo Penha

Completion Date: June 30, 2014

**CITY OF FAIRFIELD, CALIFORNIA
 SCHEDULE OF PRIOR YEAR FINDINGS
 FOR THE YEAR ENDED JUNE 30, 2013**

Summarized below is the current status of all audit findings reported in the prior year auditors' schedule of findings and questioned costs.

Finding No.	Program	CFDA No.	Condition/Compliance Requirement	Status
2012-01	Federal Transit Formula Grant, and Energy Independence and Security Act - ARRA	20.507 81.128	Reporting	Implemented

APPENDIX F

STATE DEPARTMENT OF FINANCE APPROVAL LETTER

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REVISED

March 21, 2014

Mr. Dave White, Assistant City Manager
City of Fairfield
1000 Webster Street
Fairfield, CA 94530

Dear Mr. White:

Subject: Approval of Oversight Board Action

This letter supersedes California Department of Finance (Finance) February 11, 2014 letter objecting to Oversight Board (OB) Resolution No. OB2013-48. On February 21, 2014, the City of Fairfield Successor Agency (Agency) provided Finance with additional documents pertaining to the refunding bonds outlined in OB Resolution No. OB2013-48.

Based on a review of the additional information provided to Finance, Finance no longer objects to OB Resolution No. OB2013-48, given the following conditions:

- The refunding of the bonds meets the saving requirements outlined in Health and Safety Code section 34177.5 (a), and
- The Official Statement and Bond Indenture include language ensuring the Agency and Casa Nova Corporation will comply with the terms of the 1996 Operating Agreement, and the Agency will enforce its rights under that agreement.

This is our determination with respect to the OB action taken.

Please direct inquiries to Wendy Griffe, Supervisor, or Jenny DeAngelis, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Sean Quinn, City Manager, City of Fairfield
Ms. Simona Padilla-Scholtens, CPA, Deputy Auditor Controller, Solano County
California State Controller's Office

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APPENDIX G

SUPPLEMENTAL INFORMATION - CITY OF FAIRFIELD

The following information concerning the City of Fairfield and surrounding areas is included only for the purpose of supplying general information regarding the community. The 2014 Bonds are not a debt of the City, County, the State or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor.

General

The City of Fairfield, which comprises approximately 36.7 square miles, is located in the County of Solano some 44 miles northeast of San Francisco and 42 miles west of Sacramento. The City is served by Interstate 80, the major freeway link between San Francisco and Sacramento, as well as Highway 12, a connecting freeway from Interstate 80 to Napa Valley.

Historically, the City's economy has been based upon agriculture and related industries; the City has served as a commerce center for agriculture in its region for over 100 years. In recent years, however, the City has transformed its economic base as a result of significant residential, industrial and commercial building activity occurring over the past several years. The City has been proactive in providing commercial/industrial development opportunities, and has formed several assessment districts to finance public improvements required by new projects. Additionally, the City's Redevelopment Agency formed five project areas to also fund public improvements required by development. This rapid expansion in manufacturing, warehousing and distribution areas has led to growth in population and employment.

Municipal Government

The City was incorporated in 1903 and operates under a council/manager form of government. All municipal departments operate under the supervision of the City Manager. The City Council consists of a Mayor elected at large for a four-year term and four other Council members elected at large for overlapping four-year terms.

Population

The Fairfield area experienced significant growth over the 1980's. The population of the City was 58,099 as of the 1980 census. By January 1, 1990 the population of the City was estimated to be 77,211, a percentage increase of approximately 33% over this ten-year period. Further growth occurred during the 1990's, when population grew another 25% over this ten-year period. Population estimates of the past five years for the City, the County and the State are shown in the following table.

**CITY OF FAIRFIELD, COUNTY OF SOLANO AND STATE OF CALIFORNIA
Population Estimates- Calendar Years 2009 through 2013**

Calendar Year	City of Fairfield	County of Solano	State of California
2009	103,781	412,832	36,966,713
2010	103,224	413,268	37,223,900
2011	105,955	413,391	37,427,946
2012	106,897	415,787	37,668,804
2013	108,207	418,387	37,966,471

Source: California State Department of Finance, as of January 1.

Employment and Industry

The following table shows civilian labor force and wage and salary employment data for the Fairfield Metropolitan Statistical Area, which is coterminous with Solano County, for the past five calendar years.

**VALLEJO-FAIRFIELD METROPOLITAN STATISTICAL AREA
Civilian Labor Force, Employment and Unemployment
(Annual Averages)**

	2009	2010	2011	2012	2013
<u>Civilian Labor Force</u> ⁽¹⁾	214,600	214,800	215,300	217,000	217,900
Employment	191,800	189,000	190,600	195,200	199,500
Unemployment	22,800	25,900	24,700	21,800	18,300
Unemployment Rate	10.6%	12.0%	11.5%	10.1%	8.4%
<u>Wage and Salary Employment:</u> ⁽²⁾					
Agriculture	1,600	1,400	1,400	1,500	1,600
Mining and Logging	300	200	300	200	300
Construction	7,400	7,200	7,800	8,100	8,600
Manufacturing	9,800	9,700	9,600	10,000	10,100
Wholesale Trade	4,100	4,100	4,000	4,200	4,200
Retail Trade	16,300	16,400	16,500	16,900	17,400
Trans., Warehousing and Utilities	4,600	4,200	3,700	3,700	3,900
Information	1,300	1,300	1,100	1,100	1,100
Financial Activities	5,100	5,200	5,100	5,000	5,200
Professional and Business Services	10,800	8,800	8,800	8,900	9,300
Educational and Health Services	19,800	20,200	20,400	21,100	22,900
Leisure and Hospitality	13,800	13,700	13,900	14,200	14,500
Other Services	3,700	3,600	3,600	3,900	4,000
Federal Government	4,000	4,600	4,200	3,900	3,800
State Government	5,200	5,000	5,200	5,300	5,200
Local Government	16,900	15,200	14,900	14,900	15,000
Total, All Industries ⁽³⁾	124,600	120,800	120,500	123,000	126,900

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

Largest Employers

Employment in the City area traditionally is centered around food processing, financial and service employees and the public sector. The following tables list some of the largest employers located within the City and the County.

CITY OF FAIRFIELD Largest Employers - 2013

Employer Name	No. of Employees	Type of Industry
Travis Air Force Base	14,353	Military Base
County of Solano	2,850	County Government
Fairfield-Suisun Unified School District	2,000	Education
Northbay Medical Center	1,115	Hospital
Solano Community College	650	Education
City of Fairfield	502	City Government
Sutter Regional Medical Foundation	475	Medical
Jelly Belly Candy Co.	461	Candy & Confections
Westamerica Bancorporation	407	Corporate Headquarters
Pride Industries	343	Service

Source: City of Fairfield 2013 Comprehensive Annual Financial Report.

SOLANO COUNTY Largest Employers - 2014- Listed Alphabetically

Employer Name	Location	Industry
Anheuser-Busch Inc	Fairfield	Brewers (Mfrs)
California Medical Facility	Vacaville	Government Offices-State
Flatiron Construction Corp	Benicia	Building Contractors
Genentech Inc	Vacaville	Pharmaceutical Products-Wholesale
Guittard Chocolate Co	Fairfield	Chocolate & Cocoa (Whls)
Honeywell	Benicia	Aerospace Industries (Mfrs)
Kaiser Foundation Hospitals	Vallejo	Hospitals
M&G Dura Vent Inc	Vacaville	Building Materials-Wholesale
Macy's	Fairfield	Department Stores
Northbay Healthcare	Fairfield	Hospitals
Northbay Vacavalley Hospital	Vacaville	Hospitals
O-I	Fairfield	Glass Containers (Mfrs)
Six Flags	Vallejo	Amusement & Theme Parks
Solano County Health & Social	Fairfield	County Gov.-Public Health Programs
Solano County Sheriff	Fairfield	Sheriff
Solano County Superintendent	Fairfield	Schools
Sutter Solano Medical Center	Vallejo	Hospitals
Touro College	Vallejo	Schools-Universities & Colleges
Travis Air Force Base	Fairfield	Military Bases
USDA Forest Svc	Vallejo	Government-Forestry Services
Vacaville City Hall	Vacaville	City Hall
Valero Benicia Refinery	Benicia	Service Stations-Gasoline & Oil
Walmart Supercenter	Fairfield	Department Stores
Walmart Supercenter	Dixon	Department Stores
Westrust-Nut Tree	Vacaville	Real Estate Developers

Source: California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database.

Effective Buying Income

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

The following table summarizes the total effective buying income for the City, the County, the State and the United States for the period 2008 through 2012.

**CITY OF FAIRFIELD, COUNTY OF SOLANO,
STATE OF CALIFORNIA AND UNITED STATES
Effective Buying Income
Calendar Years 2008 Through 2012**

	Year and Area	Total Effective Buying Income (000s omitted)	Median Household Effective Buying Income
2008	City of Fairfield	\$ 2,136,210	\$52,576
	County of Solano	8,909,537	54,596
	California	832,531,445	48,952
	United States	6,443,994,426	42,303
2009	City of Fairfield	\$ 2,213,833	\$54,150
	County of Solano	9,203,213	56,814
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2010	City of Fairfield	\$ 2,099,998	\$51,247
	County of Solano	8,629,795	53,347
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	City of Fairfield	\$ 2,190,555	\$52,291
	County of Solano	9,056,825	53,146
	California	814,578,458	47,062
	United States	6,438,704,664	41,253
2012	City of Fairfield	\$ 2,296,005	\$53,521
	County of Solano	9,385,483	53,444
	California	864,088,828	47,307
	United States	6,737,867,730	41,358

Source: The Nielsen Company (US) Inc.

Commercial Activity

In 2009, the State Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, data for 2009 and after is not comparable to that of prior years. A summary of historic taxable sales within the City during the past five years in which data is available is shown in the following table. Total taxable sales during calendar year 2012 in the City were reported to be \$1,526,410,000, a 7.63% increase over the total taxable sales of \$1,418,267,000 reported during calendar year 2011.

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

	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
2008	1,038	1,163,572	2,066	1,450,763
2009 ⁽¹⁾	1,260	916,520	1,903	1,228,082
2010 ⁽¹⁾	1,339	944,452	1,978	1,240,790
2011 ⁽¹⁾	1,391	1,050,596	2,032	1,418,267
2012 ⁽¹⁾	1,417	1,122,369	2,045	1,526,410

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

A summary of historic taxable sales within the County during the past five years in which data is available is shown in the following table. Total taxable sales during calendar year 2012 in the County were reported to be \$6,037,959,000, a 4.47% increase over the total taxable sales of \$5,779,363,000 reported during calendar year 2011.

**COUNTY OF SOLANO
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)**

	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
2008	4,080	3,881,504	8,499	6,032,523
2009 ⁽¹⁾	5,182	3,354,679	7,655	5,319,472
2010 ⁽¹⁾	5,354	3,494,615	7,839	5,233,333
2011 ⁽¹⁾	5,439	3,844,513	7,916	5,779,363
2012 ⁽¹⁾	5,607	4,110,380	8,102	6,037,959

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

Construction Activity

The following tables show a five year summary of the valuation of building permits issued in the City and the County.

CITY OF FAIRFIELD Total Building Permit Valuations (Valuations in Thousands)*

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Permit Valuation</u>					
New Single-family	\$6,756.1	\$25,055.5	\$22,791.2	\$29,802.2	44,464.2
New Multi-family	0.0	0.0	0.0	0.0	0.0
Res. Alterations/Additions	<u>2,100.4</u>	<u>1,827.5</u>	<u>3,091.0</u>	<u>3,809.5</u>	<u>40,294.1</u>
Total Residential	8,856.5	26,883.0	25,882.2	33,611.7	84,758.3
New Commercial	2,850.0	16,824.8	6,292.0	181.2	2,544.1
New Industrial	0.0	18,151.9	0.0	0.0	417.4
New Other	3,294.9	2,205.4	869.4	0.0	0.0
Com. Alterations/Additions	<u>12,944.9</u>	<u>33,653.5</u>	<u>12,206.2</u>	<u>15,723.6</u>	<u>9,497.6</u>
Total Nonresidential	19,089.8	70,835.6	19,367.6	15,904.8	12,459.1
<u>New Dwelling Units</u>					
Single Family	34	147	139	181	275
Multiple Family	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	34	147	139	181	275

Source: Construction Industry Research Board, Building Permit Summary.

* Subtotals may be slightly off due to rounding.

COUNTY OF SOLANO Total Building Permit Valuations (Valuations in Thousands)*

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Permit Valuation</u>					
New Single-family	\$76,247.9	\$124,971.4	\$100,399.6	\$84,425.3	\$94,240.0
New Multi-family	27,947.2	0.0	0.0	0.0	3,711.3
Res. Alterations/Additions	<u>22,636.5</u>	<u>21,394.9</u>	<u>27,058.7</u>	<u>33,302.5</u>	<u>75,926.4</u>
Total Residential	126,831.6	146,366.3	127,458.2	117,727.8	173,877.7
New Commercial	24,454.4	22,301.8	19,899.6	5,482.4	26,516.0
New Industrial	78,803.2	21,310.9	1,500.0	3,185.9	9,138.7
New Other	23,563.6	13,380.5	14,183.1	6,593.0	110.0
Com. Alterations/Additions	<u>69,534.8</u>	<u>85,324.1</u>	<u>55,500.3</u>	<u>77,069.7</u>	<u>53,261.2</u>
Total Nonresidential	196,356.1	142,317.3	91,083.0	92,331.0	89,025.9
<u>New Dwelling Units</u>					
Single Family	323	559	441	392	470
Multiple Family	<u>239</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>59</u>
TOTAL	562	559	441	392	529

Source: Construction Industry Research Board, Building Permit Summary.

* Subtotals may be slightly off due to rounding.

APPENDIX H
FISCAL CONSULTANT'S REPORT

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Appendix H

SUCCESSOR AGENCY TO THE FAIRFIELD REDEVELOPMENT AGENCY

FAIRFIELD REGIONAL CENTER REDEVELOPMENT PROJECT HIGHWAY 12 REDEVELOPMENT PROJECT CORDELIA AREA PROJECT REDEVELOPMENT PROJECT CITY CENTER REDEVELOPMENT PROJECT AND NORTH TEXAS PROJECT REDEVELOPMENT PROJECT

PROJECTED TAXABLE VALUES AND ANTICIPATED TAX INCREMENT REVENUES

March 23, 2014

I. Introduction

On June 29, 2011, the California Legislature and Governor enacted Assembly Bill 1x 26 (AB 1x 26), which generally dissolved redevelopment agencies statewide as of February 1, 2012. The bill was challenged by a suit filed before the California Supreme Court, but was upheld by the Court on December 29, 2011. On June 27, 2012 Assembly Bill 1484 (AB 1484) was signed into law, modifying and supplementing ABx1 26. AB1484 included provisions related to the refunding of outstanding obligations of former redevelopment agencies.

Pursuant to Assembly Bill 1484 (Stats 2012 c. 26) (AB 1484), the City of Fairfield as Successor Agency to the Fairfield Redevelopment Agency (the "Successor Agency") is proposing to defease and refund the \$79,455,000 initial principal amount Fairfield Public Financing Authority 2003 Refunding Revenue Bonds, Series A (Fairfield Redevelopment Projects), the proceeds of which were used to fund four loans (collectively, the "Loans") to the Fairfield Redevelopment Agency (the "Redevelopment Agency"). These Loan proceeds were be used to refund and defease certain outstanding Agency and Authority bonds issued to finance redevelopment projects in four separate Project Areas of the former Redevelopment Agency. The intent of refunding the Loans will be to lower the cost of repayment of the refunded loans in accordance with Section 34177.5 of the California Health and Safety Code and to pay the costs of issuance. In accordance with Section 34177.5(g) of the California Health and Safety Code, the Successor Agency bonds shall be considered indebtedness incurred by the dissolved redevelopment agency, with the same legal effect as if the bonds, indebtedness, financing agreement, or amended enforceable obligation had been issued, incurred, or entered into prior to June 29, 2011, in full conformity with the applicable provisions of the California Community Redevelopment Law (being Part 1 of Division 24 of the Health and Safety Code and is being referred to herein as the "Law") that existed prior to that date, shall be included in the Successor Agency's Recognized Obligation Payment Schedule (the "ROPS"), and shall be secured by a pledge of, and lien on, and shall be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund (the "RPTTF"). The tax revenue to be deposited into the RPTTF by the Solano County Auditor-Controller will be generated from the five redevelopment project areas of the former Redevelopment Agency. These former project areas are the Regional Center Project, the Highway 12 Project, the City Center Project, the Cordelia Project and the North Texas Project.

The Law provided for the creation of redevelopment agencies by cities and counties for the purpose of the elimination of blight. The Law, together with Article 16, Section 16 of the California Constitution,

authorized redevelopment agencies to receive that portion of property tax revenue generated by project area taxable values that were in excess of the Base Year value. The Base Year value is defined as the amount of the taxable values within the project area boundaries on the last equalized tax roll prior to adoption of the project area. The amount of current year taxable value that is in excess of the Base Year value is referred to as incremental taxable value. Tax revenues generated from the incremental taxable value are, for purposes of this report, referred to as Gross Tax Increment Revenues. The Law provides that the tax increment revenues may be pledged by the redevelopment agency to the repayment of agency indebtedness.

In this report, Gross Tax Increment Revenues including Unitary Tax Revenue (see Section IV, Allocation of State Assessed Unitary Taxes) are referred to as Gross Revenues. For purposes of this report, Tax Revenues are defined as Gross Revenues less the SB 2557 County Administrative fees (see Section IV, County Collection Charges), revenue adjustments, tax sharing payments and any pledges of Gross Revenues that have a lien that is superior to that of the pledge of tax revenues for debt service on the Bonds.

Allocation of tax increment revenue has been significantly altered by the passage of ABx1 26 and AB 1489 by the California Legislature. This legislation has been designed to dissolve redevelopment agencies formed pursuant to the Law while assuring that the enforceable obligations incurred by the former redevelopment agencies are repaid (see Section VI Legislation). While tax increment revenues were previously allocated by the County Auditor-Controller over the period from November through July of each fiscal year, beginning with fiscal year 2012-13 revenues are only allocated on January 2 and June 1 of each year.

The purpose of this fiscal consultant report (the "Report") is to examine property tax information for the current fiscal year and to project the amount of tax increment revenues anticipated to be received by the Successor Agency from the Project Area for the current fiscal year and nine subsequent fiscal years. Provisions of the Law and the Redevelopment Plan for the Project Area determine the amount of Tax Revenue that the Successor Agency may utilize for purposes of making debt service payments and any payments on other obligations with a superior lien on Tax Revenues (see Section VII, Tax Sharing Agreements and Other Obligations, below). As a result of our research, we project that the Tax Revenues for the Project Area will be as shown in Table A below (000's omitted):

Table A Project Area Tax Revenues						
Fiscal Year	Regional Center	Highway 12	City Center	Cordelia	North Texas	Combined Tax Revenue
2013-14	\$6,275	\$11,163	\$2,610	\$6,756	\$1,485	\$28,288
2014-15	4,540	10,928	2,634	6,185	1,430	25,717
2015-16	0	11,128	2,698	6,312	1,467	21,605
2016-17	0	11,331	2,764	6,441	1,505	22,041
2017-18	0	11,539	2,831	6,573	1,543	22,486
2018-19	0	11,751	2,899	6,707	1,582	22,939
2019-20	0	11,967	2,969	6,844	1,622	23,402
2020-21	0	12,187	3,039	6,984	1,663	23,874
2021-22	0	3,877	3,112	7,127	1,705	15,820
2022-23	0	0	3,186	7,273	1,747	12,205

The taxable values of property and the resulting Tax Revenues for the Project Areas summarized above are reflected on Tables 1 and 2 of the projections (attached). These projections are based on assumptions determined by our review of the taxable value history of the Project Areas and the property tax assessment and property tax apportionment procedures of the Solano County Auditor Controller.

The projection illustrates the entire amount of Tax Revenues projected as being available from each Project Area. Future year assessed values and Tax Revenues are projections based on the assumptions described in this Report and are not guaranteed as to accuracy. This Report is not to be construed as a representation of such by HdL Coren & Cone.

II. The Project Areas

Regional Center

Regional Center was the Redevelopment Agency's first redevelopment project area and was adopted on November 11, 1976. It consists of approximately 550 acres and is located on both sides of Interstate 80 at Travis Boulevard. Regional Center is to the northwest of downtown Fairfield and was formed to support economic development projects such as the 1 million square foot Solano Mall and the Gateway retail area. The Project Area was substantially undeveloped at the time of its adoption and has since benefited from the construction of more than 600 residential units and a large number of commercial and retail developments. Territory was added to the Regional Center Project by adoption of Ordinance 2005-05 on June 5, 2005. This territory has never possessed positive incremental value and has not, therefore, ever produced Tax Revenue. The added territory's value is far below its base year value and it is not expected ever to generate Tax Revenue. For purposes of this report, this added territory will not be considered.

Highway 12

Highway 12 contains approximately 1,760 acres and was adopted on December 12, 1979. The Project Area is located between Interstate 80 and Highway 12 on the north and northwest, Hale Ranch Road on the west, Cordelia Road and the Suisan Marsh on the south and open land to the east. It is southwest of the city's downtown. Highway 12 was formed to assist with the revitalization of the city's industrial area and the West Texas Street corridor.

City Center

City Center was adopted on July 6, 1982 and exists within the Fairfield downtown area. The purpose of the Project is to assist with the revitalization of the city's central business district. The Project Area consists of 811 acres that is substantially developed with older mixed use developments. City Center encompasses the City's central business district, the southerly portion of the North Texas Business District, the Fairfield Civic Center, the post office, the Solano County Government Center and Lee Bell Park.

Cordelia

Cordelia was adopted on July 9, 1983 and contains approximately 2,637 acres. The Project Area is located in the southwestern portion of the City and is along the west side of Interstate 680, south of Interstate 80. A portion of the Project Area is located on either side of Highway 80 and east of the Highway 80 and Highway 680 interchange.

North Texas

The Project Area and was adopted on October 3, 1995 and consists of approximately 406 acres. The Project Area is located on both sides of North Texas Street which was originally part of the Lincoln Highway (U.S. 40). The Project Area is generally bounded by East Travis Boulevard on the south and Interstate 80 on the north. At several locations the Project Area boundaries extend some distance east and west of North Texas Street. The Project Area contains a mixture of buildings, small strip commercial centers and larger neighborhood shopping centers. The Project Area also contains several motels, apartment developments and mobile homes as well as single family residential properties. Fairfield High School and Dover Middle School are also located within the Project Area.

A. Land Use

Table B represents the breakdown of land use in the Project Areas by the number of parcels and by their taxable value for fiscal year 2013-14. This information is based on County land use designations as provided by Solano County through tax roll data. It should be noted that the County land use designations do not necessarily parallel City land use and zoning designations. Unsecured and SBE non-unitary values are connected with parcels that are already accounted for in other categories.

Table B			
Regional Center Land Use Summary			
Category	No. Parcels	Net Taxable Value	% of Total
Residential	670	\$154,421,666	22.31%
Commercial	92	456,647,445	65.97%
Industrial	1	1,788,852	0.26%
Institutional	3	2,407,015	0.35%
Vacant Land	16	3,839,469	0.55%
Government	29	0	0.00%
Miscellaneous	<u>10</u>	<u>0</u>	<u>0.00</u>
Subtotal	817	\$619,104,447	89.43%
SBE Non-Unitary		0	0.0%
Unsecured		<u>73,147,277</u>	<u>10.57%</u>
Subtotal		\$73,147,277	10.57%
Combined Total:	817	\$692,251,724	100.00%

Highway 12 Land Use Summary			
Category	No. Parcels	Net Taxable Value	% of Total
Residential	614	\$101,051,026	7.76%
Commercial	116	208,607,526	16.02%
Industrial	92	674,131,138	51.79%
Irrigated Farm	1	17,136	0.00%
Institutional	5	0	0.00%
Government	69	0	0.00%
Miscellaneous	39	0	0.00%
Vacant Land	70	60,863,878	4.68%
Subtotal	1,006	\$1,044,670,704	80.25%
SBE Non-Unitary		25,533,114	1.96%
Unsecured		<u>231,271,302</u>	<u>17.79%</u>
Subtotal		\$257,104,416	19.75%
Combined Totals:	1,006	\$1,301,775,120	100.00%

City Center Land Use Summary

Category	No. Parcels	Net Taxable Value	% of Total
Residential	1,492	\$215,665,475	57.05%
Commercial	207	122,523,436	32.41%
Industrial	7	12,497,971	3.31%
Recreational	4	609,147	0.16%
Institutional	11	3,186,414	0.84%
Government	96	0	0.00
Miscellaneous	28	0	0.00%
Vacant Land	31	2,660,837	0.70%
Subtotal	1,876	\$357,143,280	94.48%
Outer Parcel Unsecured		15,033	0.00%
		<u>20,866,837</u>	<u>5.52%</u>
Subtotal		\$20,881,624	8.52%
Combined Totals:	1,876	\$378,024,904	100.00%

Cordelia Land Use Summary

Category	No. Parcels	Net Taxable Value	% of Total
Residential	2,491	\$623,647,131	51.10%
Commercial	104	244,029,092	19.99%
Industrial	67	200,898,903	16.46%
Irrigated Farm	4	1,647,866	0.14%
Recreational	2	0	0.00%
Institutional	3	0	0.00%
Government	81	0	0.00%
Miscellaneous	41	0	0.00%
Vacant Land	117	86,960,820	7.13%
Subtotal	2,910	\$1,157,183,812	94.81%
SBE Non-Unitary Unsecured		0	0.00%
		<u>63,289,520</u>	<u>5.19%</u>
Subtotal		\$63,289,520	5.19%
Combined Totals:	2,910	\$1,220,473,332	100.00%

North Texas Land Use Summary

Category	No. Parcels	Net Taxable Value	% of Total
Residential	150	\$108,684,243	32.83%
Commercial	125	186,301,070	56.28%
Industrial	1	388,462	0.12%
Irrigated Farm	0	0	0.00%
Recreational	0	0	0.00%
Institutional	1	0	0.00%
Government	30	0	0.00%
Miscellaneous	7	0	0.00%
Vacant Land	20	8,241,721	2.49%
Subtotal	334	\$303,615,496	91.72%
SBE Non-Unitary Unsecured		0	0.00%
		<u>27,394,031</u>	<u>8.28%</u>
Subtotal		\$27,394,031	8.28%
Combined Totals:	334	\$331,009,527	100.00%

B. Redevelopment Plan Limits

The Project Areas were originally adopted with certain limitations written into their redevelopment plans. These limitations were in accordance with the Law as it existed when each Project Area was adopted. In 1993 AB 1290 was enacted (Chapter 942, Statutes of 1993). Chapter 942 required redevelopment plans adopted prior to 1994 to incorporate a number of limits not previously required. For redevelopment plans adopted prior to 1994 Chapter 942 limits the time for establishing indebtedness not exceed 20 years from the adoption of the redevelopment plan or January 1, 2004, whichever is later. Chapter 942 also limits the receipt of tax increment to ten years after the termination of redevelopment activities except for specific low and moderate-income housing obligations and any bond, indebtedness or other obligation authorized prior to January 1, 1994. Pursuant to Chapter 942, the City adopted ordinances that amended the redevelopment plans and incorporated time limits according to the provisions of Chapter 942.

In 2001 the Legislature enacted SB 211 (Chapter 741, Statutes of 2001) allowing redevelopment agencies to eliminate the time limit for incurring indebtedness required by Chapter 942 for redevelopment plans adopted prior to 1994. The limit may be eliminated by a resolution of the agency's legislative body and without going through a formal redevelopment plan amendment. Redevelopment agencies that eliminate the time limit for incurring indebtedness are subject to the statutory tax sharing of Chapter 942 (See Section VII.B Statutory Tax Sharing). The City Council adopted an amendment to the Regional Center plan pursuant to SB 211 that eliminated the original limit on establishing new debt. The statutory tax sharing payments that were incurred by the elimination of this time limit have been incorporated into the projection. The redevelopment plan limits for the Project Areas, as modified, are summarized below.

Pursuant to Senate Bill 1045 (see Section VI), the City Council was permitted to extend the Redevelopment Plan limits on redevelopment plan effectiveness for the Project Areas by one year. Pursuant to Senate Bill 1096 (see Section VI), the City Council was permitted to extend the term of effectiveness for the Project Areas and the periods within which the Successor Agency can repay indebtedness by up to two additional years. This two year extension of the time limits was predicated upon the payment by the Redevelopment Agency of its Educational Revenue Augmentation Fund (the ERAF) obligations for 2005 and 2006 (See Section VI). The Redevelopment Agency's ERAF obligations for 2005 and for 2006 were paid in a timely manner. For project areas that have less than 10 years of plan effectiveness remaining after June 30, 2005 a two year extension is authorized. For project areas that have more than 10 years and less than 20 years of plan effectiveness remaining after June 30, 2005, a two year extension was authorized if the City Council could make certain findings.

The Project Redevelopment Plans for Regional Center, Highway 12, City Center and Cordelia were extended by three years with the adoption of Ordinances 2006-17, 2006-18, 2006-19 and 2006-21. The redevelopment plan for the North Texas Street Project Area was extended by two years with the adoption of Ordinance 2006-20. These extensions also extended the limit on receipt of tax increment revenues for repayment of indebtedness and are reflected in Tables C through G below.

Table C					
Regional Center Redevelopment Plan Limits					
	Plan Expiration	Last Date to Incur New Debt	Last Date to Repay Debt	Cumulative Tax Increment Limit	Limit on Bonded Debt Outstanding
Original Plan Ordinance 76-31	35 years from adoption date	November 23, 2001	November 23, 2011	\$60 million (if bonds issued)	\$25 million
Ordinance 83-30				\$145 million (if bonds issued)	\$50 million
Ordinance 94-24 (AB1290 Limits)			November 23, 2021		
Ordinance 2003-11		Time Limit Eliminated			
Ordinance 2006-21	3 One Year Ext.		3 One Year Ext.		
Applicable Limits	Nov. 23, 2014	Time Limit Eliminated	November 23, 2024	\$145 million	\$50 million

According to the records of the Solano County Auditor Controller, through the end of fiscal year 2012-13, the Agency has received a cumulative total of \$133,132,249 in tax increment revenue. Based on the projected tax increment revenues to be received by the Agency, the tax increment limit of \$145 million will be exceeded during fiscal year 2014-15. In the event that assessed value growth in the Project Area exceeds inflationary growth, this limit may be reached earlier.

Table D					
Highway 12 Redevelopment Plan Limits					
	Plan Expiration	Last Date to Incur New Debt	Last Date to Repay Debt	Cumulative Tax Increment Limit	Limit on Bonded Debt Outstanding
Original Plan Ord. 79-45 & 79-46	50 years from adoption date	December 27, 2004		\$275 million (if bonds issued)	\$96 Million
Ordinance 94-25 (AB1290 Limits)	40 years from adoption date	January 1, 2004	December 27, 2029		
Ordinance 2006-19	3 One Year Ext.		3 One Year Ext.		
Applicable Limits	Dec. 27, 2022	January 1, 2004	December 27, 2032	\$275 Million	\$96 Million

According to the records of the Solano County Auditor Controller, through the end of fiscal year 2012-13, the Agency has received a cumulative total of \$177,292,179 in tax increment revenue. Based on the projected tax increment revenues to be received by the Agency, the tax increment limit of \$275 million will be exceeded during fiscal year 2021-22. In the event that assessed value growth in the Project Area exceeds inflationary growth, this limit may be reached several years earlier.

Table E					
City Center Redevelopment Plan Limits					
	Plan Expiration	Last Date to Incur New Debt	Last Date to Repay Debt	Cumulative Tax Increment Limit	Limit on Bonded Debt Outstanding
Original Plan Ordinance 82-13	50 years from adoption date	July 6, 2007	July 6, 2032	\$500 million (if bonds issued)	\$125 Million
Ordinance 94-26 (AB1290 Limits)	40 years from adoption date	January 1, 2004	June 6, 2032		
Ordinance 2006-17	3 One Year Ext.		3 One Year Ext.		
Applicable Limits	July 6, 2025	January 1, 2004	July 6, 2035	\$500 Million	\$125 Million

According to the records of the Solano County Auditor Controller, through the end of fiscal year 2012-13, the Agency has received a cumulative total of \$57,229,444 in tax increment revenue. Based on the projected tax increment revenues to be received by the Agency, the tax increment limit of \$500 million will not be exceeded within the life of the Project Area unless growth from new development and/or resale of property

can be maintained at something in excess of 15% per year. While it is unlikely that this rate of growth can be sustained in City Center for the balance of the Project Area's life, the amounts of revenue receive should be closely monitored relative to the tax increment limit.

Table F					
Cordelia Redevelopment Plan Limits					
	Plan Expiration	Last Date to Incur New Debt	Last Date to Repay Debt	Cumulative Tax Increment Limit	Limit on Bonded Debt Outstanding
Original Plan Ordinance 83-14	50 years from adoption date	July 19, 2008		\$2.5 billion (if bonds issued)	\$800 million
Ordinance 94-27 (AB1290 Limits)	40 years from adoption date	January 1, 2004	July 19, 2033		
Ordinance 2006-18	3 One Year Ext.		3 One Year Ext		
Applicable Limits	July 19, 2026	January 1, 2004	July 19, 2036	\$2.5 billion	\$800 million

According to the records of the Solano County Auditor Controller, through the end of fiscal year 2012-13, the Agency has received a cumulative total of \$184,443,916 in tax increment revenue. Based on the projected tax increment revenues to be received by the Agency, the tax increment limit of \$2.5 billion will not be exceeded within the life of the Project Area unless growth from new development and/or resale of property can be maintained at something in excess of 17% per year. While it is unlikely that this rate of growth can be sustained in Cordelia for the balance of the Project Area's life, the amounts of revenue receive should be closely monitored relative to the tax increment limit.

Table G					
North Texas Redevelopment Plan Limits					
	Plan Expiration	Last Date to Incur New Debt	Last Date to Repay Debt	Cumulative Tax Increment Limit	Limit on Bonded Debt Outstanding
Ordinance 95-17 (Original Adoption)	October 3, 2025	October 3, 2015	October 3, 2040	None	\$72.5 million
Ordinance 2006-20	October 3, 2027		October 3, 2042		
Applicable Limits	October 3, 2027	October 3, 2015	October 3, 2042	None	\$72.5 million

III. Project Area Assessed Values

A. Assessed Values

Taxable values for all parcels are prepared by the County Assessor and reported to the Successor Agency by the County Auditor-Controller each fiscal year and represent the aggregation of all locally assessed properties that are part of the Project Areas. The assessments are assigned to Tax Rate Areas (TRA) that are coterminous to the boundaries of each Project Area. The historic reported taxable values for the Project Areas were reviewed in order to ascertain the rate of taxable property valuation growth over the ten most recent fiscal years beginning with 2004-05.

Regional Center

Between 2004-05 and 2013-14, the taxable value within Regional Center increased by \$142,853,238 (26.00%). The growth in assessed value was steady through 2008-09 but there were small declines in value for 2009-10 through 2011-12. Assessed values stabilized and reflected a small increase in value for 2012-13 and grew by 8.35% for 2013-14. This pattern is reflective of the statewide losses of value experienced

during the recent recessionary period. The losses were experienced in both secured and unsecured values. During this period, the residential values in Solano County were significantly reduced due to the decline in market value for residential property. Assessed values in Regional Center were somewhat insulated from these declines.

The Project Area has generated \$681 million in incremental value for 2013-14. This is an increase of 6,082% since the adoption of the Regional Center redevelopment plan. This large increase in assessed value is mainly the result of new development on previously vacant property.

Highway 12

Between 2004-05 and 2013-14, the taxable value within Highway 12 increased by \$266.9 million (25.78%). The growth in assessed value was relatively consistent during the entire period and except for drops of \$54 million (-5.33%) in value for 2007-08 and \$44.8 million (-4.07%) in value for 2012-13, values increased each year. The Highway 12 Project was insulated from the volatile residential market over the past 5 years in that residential value is a relatively small percentage of the project area's total value. The declines in value experienced in 2007-08 and 2012-13 were primarily due to assessment appeals among industrial property owners. The top taxpayer within the Highway 12 project is Anheuser Busch which controls 28.39% of the project area's incremental value. This owner's property was recently sold and a reappraisal of the facility is underway by the Assessor. The Project Area has generated \$1.1 billion in incremental value for 2013-14. This is an increase of 585.9% since the project areas adoption. This large increase in assessed value is, for the most part, the result of new development on previously vacant property.

Anheuser Busch has regularly appealed its annual assessed values. On September 4, 2013, the Assessment Appeals Board stipulated a reduction in value relative to the property owner's appeals of its 2009-10, 2010-11, 2011-12 and 2012-13 values. This reduction in value has triggered a large refund of property taxes to the taxpayer that was paid from 13-14B RPTTF amounts in January 2014. The stipulation will also serve to reduce the Anheuser Busch property values for 2014-15 but the extent of this reduction is presently unknown. The reduction in value by the Assessment Appeals Board for the taxpayer's 2012-13 value was \$39.7 million (15%). It is likely that the reduced value established by the Appeals Board will be brought forward to the 2014-15 tax rolls with adjustments for inflation and value adjustments based on any other revisions that may have been made to the property.

City Center

Between 2004-05 and 2013-14, the taxable value within City Center increased by \$49.2 million (14.97%). The growth in assessed value was boosted by the growth in home prices through 2007-08 but values reflected losses for fiscal years 2008-09 through 2012-13 as a result of the decline in residential market values. Residential values began to recover in 2012-13 and this recovery was reflected in assessed value growth of 7.52% for 2013-14. As the market value of residential property continues to recover, values in the City Center project should regain a significant portion of the value lost from 2008-09 through 2012-13.

Because City Center is substantially built out and has been from its inception, the Project Area's growth comes primarily from the sale and improvement of property within the Project Area. The Project Area has generated \$277.9 million in incremental value for 2013-14. This is an increase of 277.5% since the project areas adoption.

Cordelia

Between 2004-05 and 2013-14, the taxable value within Cordelia increased by \$259.5 million (27.0%). The growth in assessed value was boosted by the growth in home prices through 2008-09 but values reflected losses for fiscal years 2009-10 through 2012-13 as a result of the decline in residential market values. Residential values began to recover in 2012-13 and this recovery was reflected in assessed value growth of 5.52% for 2013-14. As the market value of residential property continues to recover, values in the Cordelia project should regain a significant portion of the value lost from 2009-10 through 2012-13. The Project Area has generated \$1.18 billion in incremental value for 2013-14. This is an increase of 2,670.28% since its adoption. This is primarily the result of new development on large areas of substantially vacant land.

North Texas

Between 2004-02 and 2013-14, the taxable value within the Project Area increased by \$128.1 million (63.13%). The growth in assessed value was very steady during the entire period and except for a drop (-11.7%) in value for 2010-11, values increased each year. Secured values grew in all years except for 2010-11, adding \$119.2 million (64.6%) over this period. Unsecured values increased and decreased from year to year during this ten year period. Unsecured values increased by \$8.9 million (48.2%) during this ten year period. The Project Area has generated \$209.7 million in incremental value for 2013-14. This is an increase of 172.8% since its adoption.

Prop 8 Reductions in Value

As a result of the economic downturn and decline in market values of residential property, the Solano County Assessor began to reduce assessed values pursuant to Section 51 of the Revenue and Taxation Code. Reductions in value made under this section are also known as Prop 8 reductions. After such reductions in value are implemented, the Assessor is required to review the property's market value as of each subsequent lien date and adjust the value of real property to the lesser of its base year value as adjusted by the inflation factor pursuant to Article XIII A of the State Constitution or its full cash value taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Significant reductions took place in most counties beginning in 2008-09 due to declining real estate values. Reductions made under this code section to residential properties are normally initiated by the Assessor but may also be requested by the property owner. Reductions of value for commercial, industrial and other land use types under this code section are normally initiated by the property owner as an assessment appeal.

Since the property is reviewed on an annual basis to determine the full cash value of the property and the valuation is adjusted accordingly, further reductions or increases in value may result. Such increases shall be consistent with the full cash value of the property and, as a result, increases may exceed the 2 percent maximum annual inflationary growth rate allowed on other properties under Article XIII A of the State Constitution (see Section IV A). Once the property has regained its prior value, adjusted for inflation, it is again subject to the annual inflationary factor growth rate allowed under Article XIII A. If a property that has been reduced in value pursuant to Prop 8 is sold, the value for that parcel is enrolled in accordance with a new base value established by the Assessor and the property is removed from the pool of properties that are annually reviewed.

Within the Regional Center Project for 2013-14, there are 202 residential parcels that had been reduced in value under Prop 8. This represents 30.1% of all residential parcels in the Project Area. The enrolled values for these parcels are \$26.2 million below the inflation adjusted base values for these parcels. This amount represents the assessed value that may be recaptured by the reassessment of the parcels reduced in value under Prop 8 if none of these parcels is resold.

Within the Highway 12 Project Area for 2013-14, there are 365 residential parcels that had been reduced in value under Prop 8. This represents 59.4% of all residential parcels in the Project Area. The enrolled values for these parcels are \$27.8 million below the inflation adjusted base values for these parcels. This amount represents the assessed value that may be recaptured by the reassessment of the parcels reduced in value under Prop 8 if none of these parcels is resold.

Within the City Center Project Area for 2013-14, there are 498 residential parcels that had been reduced in value under Prop 8. This represents 33.4% of all residential parcels in the Project Area. The enrolled values for these parcels are \$78.5 million below the inflation adjusted base values for these parcels. This amount represents the assessed value that may be recaptured by the reassessment of the parcels reduced in value under Prop 8 if none of these parcels is resold.

Within the Cordelia Project Area for 2013-14, there are 1,302 residential parcels that had been reduced in value under Prop 8. This represents 52.3% of all residential parcels in the Project Area. The enrolled values for these parcels are \$144.9 million below the inflation adjusted base values for these parcels. This amount represents the assessed value that may be recaptured by the reassessment of the parcels reduced in value under Prop 8 if none of these parcels is resold.

Within the North Texas Street Project Area for 2013-14, there are 87 residential parcels that had been reduced in value under Prop 8. This represents 58.0% of all residential parcels in the Project Area. The enrolled values for these parcels are \$10.1 million below the inflation adjusted base values for these parcels. This amount represents the assessed value that may be recaptured by the reassessment of the parcels reduced in value under Prop 8 if none of these parcels is resold.

B. Top Ten Taxable Property Owners

A review of the top ten taxpayers in each Project Area for fiscal year 2013-14 was conducted. The assessed values of those properties controlled by the top ten taxpayers in each Project Area were compared to the total assessed value and incremental value of the Project Area. A complete listing of the top ten taxpayers in each Project Area is shown on Table 4 of each tax increment projection, attachments A through D.

Regional Center

Within Regional Center, the aggregate total taxable value for the ten largest taxpayers totaled \$319.5 million. This amount is 46.91% of the \$681 million Project Area incremental value and 46.15% of the Project Area total value. The top taxpayer in the Project Area is Star-West Solano, which controls 7 parcels with a secured value of \$172.8 million. The value of the Star-West Solano parcels is 25.37% of the Project Area total incremental value and 24.96% of the Project Area total assessed value. The second largest taxpayer in Regional Center is Fairfield Fee Land that controls a total of \$28 million in secured assessed value. Fairfield

Fee Land owns 7 parcels that represent 4.05% of the Project Area's total value and 4.11% of the incremental value. Properties owned by the top ten taxpayers in Regional Center are all commercial or institutional in nature and reflect the large amount of assessed value produced by the development of properties in and around the Solano Mall.

Highway 12

Within Highway 12, the aggregate total taxable value for the ten largest taxpayers totaled \$643.8 million. This amount is 57.89% of the \$1.11 billion Project Area incremental value and 49.45% of the Project Area total value. The top taxpayer in the Project Area is Anheuser Busch Inc. which controls 11 parcels with a secured value of \$315.7 million. The parcels contain or surround a major brewery owned and operated by Anheuser Busch. The value of the Anheuser Busch parcels is 28.39% of the Project Area total incremental value and 24.25% of the Project Area total assessed value. In the ten years since 2004-05, the assessed value for the Anheuser Busch parcels has steadily risen from \$270.6 million to its current level, an increase of \$45.1 million (16.7%). On September 4, 2013, the Assessment Appeals Board stipulated a reduction in value relative to the property owner's appeals of its 2009-10, 2010-11, 2011-12 and 2012-13 values. The stipulation will serve to reduce the Anheuser Busch property values for 2014-15 but the extent of this reduction is presently unknown. The reduction in value by the Assessment Appeals Board for the taxpayer's 2012-13 value was \$39.7 million (15%). It is likely that the reduced value established by the Appeals Board will be brought forward to the 2014-15 tax rolls with adjustments for inflation and any applicable reassessments.

The second largest taxpayer in Highway 12 is Meyers Cookware Industries. This owner controls secured and unsecured value totaling \$78.9 million. Meyers Cookware Industries value represents 6.06% of the Project Area's total value and 7.09% of the incremental value. The third, fourth, sixth and ninth largest taxpayers are owners of only unsecured properties. AMCOR Pet Packaging USA Inc. manufactures packaging products, SBC Services operates telecommunications networks, Jelly Belly Candy Company manufactures the popular fruit flavored jelly beans and Abbott Laboratories is the maker of pharmaceutical products. Properties owned by the top ten taxpayers in Highway 12 are commercial or industrial in nature and reflect the large amount of assessed value produced by the development of properties in and around the industrial district of the City of Fairfield.

City Center

Within City Center, the aggregate total taxable value for the ten largest taxpayers totaled \$58.6 million. This amount is 21.07% of the \$277.9 million Project Area incremental value and 15.49% of the Project Area total value. The top taxpayer in the Project Area is NOI Holdings 10 which controls 16 parcels with a secured value of \$8.1 million. The parcels contain a large multifamily residential development. The value of the NOI Holdings 10 parcels is 2.91% of the Project Area total incremental value and 2.14% of the Project Area total assessed value. The second largest taxpayer in City Center is Solano Storage Center which controls a total of \$7.9 million in secured assessed value. Solano Storage Center owns two parcels that represent 2.09% of the Project Area's total value and 2.84% of the incremental value. Properties owned by the top ten taxpayers in City Center are a mixture of residential, commercial and unsecured properties and reflect the diversity of the City Center Project Area.

Cordelia

Within Cordelia, the aggregate total taxable value for the ten largest taxpayers totaled \$234.9 million. This amount is 19.97% of the \$1.18 billion Project Area incremental value and 19.25% of the Project Area total value. The top taxpayer in the Project Area is the USIR III Distribution-Fermi Drive which controls 1 parcel with a secured value of \$34.9 million. The value of the USIR parcel is 2.96% of the Project Area's total incremental value and 2.86% of the Project Area's total assessed value. The second largest taxpayer in Cordelia is 88 12 which controls 15 parcels and a total of \$33.3 million in secured assessed value. The value of the parcel owned by 88 12 is 2.72% of the Project Area's total value and 2.83% of the incremental value. Properties owned by the top ten taxpayers in Cordelia are a mixture of commercial, industrial, vacant land and unsecured properties.

North Texas

Within North Texas, the aggregate total taxable value for the ten largest taxpayers totaled \$164.7 million. This amount is 78.53% of the \$209.7 million Project Area incremental value and 49.74% of the Project Area total value. The top taxpayer in the Project Area is the NA Rolling Oaks - 88 which controls 1 parcel with a secured value of \$53.1 million. The value of the NA Rolling Oaks parcel is 25.35% of the Project Area's total incremental value and 16.06% of the Project Area's total assessed value. The second largest taxpayer in North Texas is Walmart Real Estate Business Trust which controls 2 parcels and a total of \$26.8 million in secured assessed value. The value of the parcel owned by Walmart Real Estate Business Trust is 8.09% of the Project Area's total value and 12.77% of the incremental value. Properties owned by the top ten taxpayers in North Texas are a mixture of commercial, vacant land and residential properties

IV. Tax Allocation and Disbursement

A. Property Taxes

The taxable values of property are established each year on the January 1 property tax lien date. Real property values reflect the reported assessed values for secured and unsecured land and improvements. The base year value of a parcel is the value established as the full market value upon a parcel's sale, improvement or other reassessment. As discussed above, Proposition 13 provides that a parcel's base year value is revised only when locally assessed real property undergoes a change in ownership or when new construction occurs. Following the year a parcel's base year value is first enrolled, the value is factored annually for inflation. The term base year value does not, in this instance, refer to the base year value of the Project Areas. Pursuant to Article XIII A, Section 2(b) of the State Constitution and California Revenue and Taxation Code Section 51, the percentage increase cannot exceed 2% of the prior year's value.

Secured property includes property on which any property tax levied by a county becomes a lien on that property. Unsecured property typically includes value for tenant improvements, fixtures, inventory and personal property. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other secured property owned by the taxpayer. The taxes levied on unsecured property are levied at the previous year's secured property tax rate. Utility property assessed by the State Board of Equalization (the Board) may be revalued annually and such assessments are not subject to the inflation limitations established by Proposition 13. The taxable value of Personal Property is also established on the lien dates and is not subject to the annual 2% limit of locally assessed real property.

Each year the Board announces the applicable adjustment factor. Since the adoption of Proposition 13, inflation has, in most years, exceeded 2% and the announced factor has reflected the 2% cap. Through 2010-11 there were six occasions when the inflation factor has been less than 2%. Until 2010-11 the annual adjustment never resulted in a reduction to the base year values of individual parcels, however, the factor that was applied to real property assessed values for the January 1, 2010 assessment date was a -0.237% and this resulted in a reductions to the adjusted base year value of parcels. The changes in the California Consumer Price Index (CCPI) from October of one year and October of the next year are used to determine the adjustment factor for the January assessment date. The table below reflects the inflation adjustment factors for the current fiscal year, ten prior fiscal years and the estimated adjustment factor for the next fiscal year.

Historical Inflation Adjustment Factors	
<u>Fiscal Year</u>	<u>Inflation Adj. Factor</u>
2003-04	2.000%
2004-05	1.867%
2005-06	2.000%
2006-07	2.000%
2007-08	2.000%
2008-09	2.000%
2009-10	2.000%
2010-11	-0.237%
2011-12	0.753%
2012-13	2.000%
2013-14	2.000%
2014-15	0.454%

The data since October last year that will be used for the adjustment applicable to the coming January 1 lien data indicates that inflation will be less than the full 2% allowed by Proposition 13. On December 11, 2013, the Board determined that the inflationary adjustment for 2014-15 would be 0.0454%. For purposes of the projection we have assumed that the inflation adjustment factor for fiscal years beyond 2014-15 will be 2.00%. This assumption is based on the fact that the inflation adjustment factor has been at the maximum allowed amount of 2.00% in 31 of the 38 years since the adoption of Proposition 13. We believe that assuming the resumption of a 2.00% inflation adjustment factor is justified by historical experience.

B. Supplemental Assessments

Chapter 498 of the Statutes of 1983 provides for the reassessment of property upon a change of ownership or completion of new construction. Such reassessment is referred to as the Supplemental Assessment and is determined by applying the current year's tax rate to the amount of increase in a property's value and prorating the resulting property taxes to reflect the portion of the tax year remaining as determined by the date of the change in ownership or completion of new construction. Supplemental Assessments become a lien against Real Property.

Since 1984-85 revenues derived from Supplemental Assessments have been allocated to redevelopment agencies and taxing entities in the same manner as regularly collected property taxes. The receipt of Supplemental Tax Revenues by taxing entities typically follows the change of ownership by a year or more. We have **not** included revenues resulting from Supplemental Assessments in the projections.

C. Tax Rates

Tax rates will vary from area to area within the State, as well as within a community and a project area. The tax rate for any particular parcel is based upon the jurisdictions levying the tax rate for the area where the parcel is located. The tax rate consists of the general levy rate of \$1.00 per \$100 of taxable value and the over-ride tax rate. The over-ride rate is that portion of the tax rate that exceeds the general levy tax rate and is levied to pay voter approved indebtedness or contractual obligations that existed prior to the enactment of Proposition XIII.

A Constitutional amendment approved in June 1983 allows the levy of over-ride tax rates to repay indebtedness for the acquisition and improvement of real property, upon approval by a two-thirds vote. A subsequent amendment of the Constitution prohibits the allocation to redevelopment agencies of tax revenues derived from over-ride tax rates levied for repayment of indebtedness approved by the voters after December 31, 1988. Tax rates that were levied to support any debt approved by voters after December 31, 1988 were not allocated to redevelopment agencies. The over-ride tax rates typically decline each year as a result of (1) increasing property values (which would reduce the over-ride rate that must be levied to meet debt service) and (2) the eventual retirement of debt over time.

Section 34183(a)(1) of the Law as amended by ABx1 26 requires the Auditor Controller to allocate all revenues attributable to tax rates levied to make annual repayments of the principal and interest on any bonded indebtedness for the acquisition or improvement of real property to the taxing entity levying the tax rate. This has been interpreted by the County to include all of the revenues resulting from all override tax rates that were previously being allocated to redevelopment agencies. As a result, the tax increment revenues being deposited into the RPTTF include only revenues derived from the general levy tax rate and **none** of the revenues derived from over-ride tax rates that had been included in tax increment revenues prior to the dissolution of redevelopment agencies.

Regional Center contains a total of four Tax Rate Areas (TRAs). Highway 12 contains 25 TRAs, City Center contains two TRAs, Cordelia contains 16 TRAs and North Texas contains 6 TRAs. A Tax Rate Area is a geographic area within which the taxes on all property are levied by a certain set of taxing entities. These taxing entities each receive a prorated share of the general levy and those taxing entities with voter approved over-ride tax rates receive the revenue resulting from that tax rate. The tax increment projections are based only on the 1% general levy tax rate.

D. Allocation of Taxes

Taxes paid by property owners are due in two equal installments. Installments of taxes levied upon secured property become delinquent on December 10 and April 10. Taxes on unsecured property are due March 1 and become delinquent August 31. Prior to dissolution of redevelopment agencies, the County disbursed Secured and Unsecured Tax Increment Revenue to all redevelopment agencies from November through July

with approximately 45 percent of secured revenues apportioned by the end of December and a total of 98% of the secured revenues by the end of the following May. The Solano County Auditor-Controller allocates tax increment revenue based the calculated amount of revenue due on annual incremental value utilizing the alternative allocation method known as the Teeter Plan. Prior to the dissolution of redevelopment agencies, the Solano County Auditor-Controller apportioned tax increment revenue to all redevelopment agencies in two roughly equal payments in December and in April of each fiscal year. In addition, a payment was made in August that served to allocate any revenues that have not been previously paid. This allocation schedule was used by Solano County for many years prior to redevelopment dissolution and continues to be the pattern of tax increment revenue allocation.

As of February 1, 2012, the allocation of tax increment revenue was dictated by the legislation adopted as ABx1 26 (See Legislation, Section VI). Revenue to Successor Agencies is now made on January 2 and June 1 of each fiscal year. All tax increment revenue is accumulated by the County Auditor-Controller in the RPTTF for allocation on these two dates. The tax increment revenue available for allocation on January 2 consists of revenues collected after June 1 of the previous fiscal year and for collections in November and December of the current fiscal year. The tax increment revenues available for allocation on June 1 include revenues collected from January 1 to June 1 of the current fiscal year.

From the amounts accumulated in the RPTTF for each allocation date, the County Auditor-Controller is to deduct its own administrative charges and is to calculate and deduct amounts owed, if any, to taxing entities for tax sharing agreements entered into pursuant to Section 33401 of the Law and for statutory tax sharing obligations required by Sections 33607.5 and 33607.7 of the Law. The amount remaining after these reductions, if any, is what is available for payment by the Successor Agency of debt obligations of the former redevelopment agency.

Prior to receiving revenues on January 2 and June 1, the Successor Agency must adopt a Recognized Obligation Payment Schedule (ROPS) that lists the debt obligations of the former redevelopment agency that must be paid during the upcoming six month periods of January 1 through June 30 and July 1 through December 31. There is provision in the legislation for a Successor Agency to request additional amounts in one ROPS payment to allow it to make payments that may be beyond the revenues available in the upcoming allocation cycle. The ROPS must be submitted at least 90 days prior to each RPTTF allocation date and approved by an Oversight Board that is established in the legislation with membership consisting of representatives from various taxing entities. The ROPS must also receive approval from the State Department of Finance (the "DOF"). Filing ROPS statements is mandated by statute and penalties are incurred if they are filed late or if they are not filed at all.

The Successor Agency is entitled to receive an amount to cover the administrative costs of winding down the business of the former redevelopment agency. This amount is set by ABx1 26 at the greater of \$250,000 per year or a maximum of 3% of the amount allocated from the RPTTF. AB 1484 added language that allowed the Oversight Board to reduce the amount of the minimum administrative allowance. To the extent that revenues are insufficient to pay all of the approved ROPS obligations, the Successor Agency's administrative allowance will be reduced or eliminated. Successor Agency administrative allowance amounts that have been approved but cannot be paid due to a lack of RPTTF revenue will be carried over to the next RPTTF allocation for payment as funds become available.

If there are RPTTF amounts remaining after reductions for county administrative charges, pass through obligations, enforceable obligations and Successor Agency administrative allowance, these remainder amounts are referred to as Residual Revenue. Residual Revenue for each allocation cycle is proportionately allocated to the taxing entities and to the Educational Revenue and Augmentation Fund (ERAF). The legislation stipulates that the combination of tax sharing payments and residual revenue payments to tax entities may not exceed that taxing entity's full share of tax increment revenue. In circumstances where a taxing entity receives all or most of its share of tax increment revenue as a result of its tax sharing agreement, that taxing entity's share of the residual revenue distribution may be reduced and the portions of residual revenue allocated to the other taxing entities will be proportionately increased.

The forms and procedures used by a successor agency to submit its ROPS to its Oversight Board and to the DOF are dictated by the legislation as interpreted by DOF.

E. Annual Tax Receipts to Tax Levy

In accordance with Revenue and Taxation Code Section 4701ff the County utilizes an Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds, also known as a Teeter Plan. This methodology was adopted by the Solano County Board of Supervisors in 1965-66. Under this method, the taxing entities, including redevelopment agencies in Solano County receive 100 percent of the taxes levied on the extended tax roll subject to corrections, cancellations and refunds. The tax revenues of the taxing entities are not subject to revenue loss due to delinquencies or gains due to redemptions.

Counties utilizing the Teeter Plan are required to maintain an amount equivalent to 2% of the total of all taxes and assessments levied on the secured roll for the year for participating entities in the county in a tax loss reserve fund, or 50 percent of the total delinquent secured taxes and assessments to cover losses that may occur as a result of property tax delinquencies. Solano County routinely withholds 2% of the allocated tax revenues in order to fund this reserve. Revenues that are derived from the supplemental tax roll are allocated to the Successor Agency under a separate methodology (see Section IV B, Supplemental Assessments).

F. Assessment Appeals

Assessment appeals granted under Section 51 of the Revenue and Taxation Code (also known as Prop 8 Appeals) require that for each subsequent lien date, the value of real property shall adjusted to be the lesser of its base year value as adjusted by the inflation factor pursuant to Article XIII A of the State Constitution or its full cash value taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Reductions made under this code section may be initiated by the Assessor or requested by the property owner.

After a roll reduction is granted under this section, the property is reviewed on an annual basis to determine the full cash value of the property and the valuation is adjusted accordingly. This may result in further reductions or in value increases. Such increases shall be consistent with the full cash value of the property and, as a result, may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIII A of the State Constitution. Once the property has regained its prior value, adjusted for inflation it, once again, is subject to the annual inflationary factor growth rate allowed under Article XIII A. (See Section X)

Assessment appeals may also be requested as adjustments to a property's base year value. If such an appeal is granted with a change in value, the base year value of the property is adjusted accordingly and that value is subsequently adjusted for new construction, demolition and any other changes requiring revaluation of the parcel's land, improvement and personal property values and by the annual inflationary factor growth rate allowed under Article XIII A.

For purposes of these projections we have made no attempt to estimate the impact of the currently pending appeals on future Project Area assessed values. The data on assessment appeals discussed below relates to appeals information available through January 2, 2014.

Regional Center

Within Regional Center there are a total of 18 pending assessment appeals with a total of \$119.9 million in value under appeal. Nine of these appeals are seeking reductions to the property values for 2012-13 and nine are seeking reduction to assessed values for fiscal year 2013-14. Four of the 12 pending appeals are on properties owned by taxpayers within the top ten. Based on the appeals data for the past five years, 70.37% of the appeals that have been resolved resulted in a reduction of the appealed value. On average, the allowed appeals resulted in a reduction in value of 17.59%. We estimate that 13 of the 18 pending appeals will be allowed with a reduction in value and this reduction is estimated at \$14.9 million. This estimated reduction in value has been applied to the projected assessed values for 2014-15.

Highway 12

Within Highway 12 there are a total of 44 pending assessment appeals with a total of \$217.5 million in value under appeal. Twenty-two of these appeals are seeking reductions to the property values for 2012-13 and 20 are seeking reduction to assessed values for fiscal year 2013-14. Two of the 44 pending appeals are on properties owned by taxpayers within the top ten. Based on the appeals data for the past five years, 80% of the appeals that have been resolved resulted in a reduction of the appealed value. On average, the allowed appeals resulted in a reduction in value of 16.52%. We estimate that 35 of the 44 pending appeals will be allowed with a reduction in value and this reduction is estimated at \$28.8 million. This estimated reduction in value has been applied to the projected assessed values for 2014-15.

Anheuser Busch has regularly appealed its annual assessed values. On September 4, 2013, the Assessment Appeals Board stipulated a reduction in value relative to the property owner's appeals of its 2009-10, 2010-11, 2011-12 and 2012-13 values. The stipulation will serve to reduce the Anheuser Busch property values for 2014-15 but the extent of this reduction is presently unknown. The reduction in value by the Assessment Appeals Board for the taxpayer's 2012-13 value was \$39.7 million (15%). It is likely that the reduced value established by the Appeals Board will be brought forward to the 2014-15 tax rolls with adjustments for inflation and changes for any applicable assessable changes to the property.

City Center

Within City Center there are a total of 9 pending assessment appeals with a total of \$15.1 million in value under appeal. Two of these appeals are seeking reductions to the property values for 2009-10, 1 is seeking reduction in 2010-11 assessed values, 1 is seeking value reductions for 2011-12 values, 2 are seeking reductions to assessed values for 2012-13 and 3 are seeking reduction to assessed values for fiscal year 2013-

14. Only one of the 10 pending appeals is for properties owned by taxpayers within the top ten. Based on the appeals data for the past five years, 50% of the appeals that have been resolved resulted in a reduction of the appealed value. On average, the allowed appeals resulted in a reduction in value of 19.29%. We estimate that 5 of the 9 pending appeals will be allowed with a reduction in value and this reduction is estimated at \$1.5 million. This estimated reduction in value has been applied to the projected assessed values for 2014-15.

Cordelia

Within Cordelia there are a total of 43 pending assessment appeals with a total of \$183 million in value under appeal. Three of these appeals are seeking reductions to the property values for 2011-12, 11 are seeking reduction in 2012-13 assessed values and 29 are seeking reduction to assessed values for fiscal year 2013-14. Three of the 43 pending appeals are for properties owned by taxpayers within the top ten. Based on the appeals data for the past five years, 80.7% of the appeals that have been resolved resulted in a reduction of the appealed value. On average, the allowed appeals resulted in a reduction in value of 26.62%. We estimate that 35 of the 43 pending appeals will be allowed with a reduction in value and this reduction is estimated at \$39.3 million. This estimated reduction in value has been applied to the projected assessed values for 2014-15.

North Texas

Within North Texas there are a total of 11 pending assessment appeals with a total of \$68.8 million in value under appeal. Five of these appeals are seeking reductions to the property values for 2012-13 and the other six appeals are seeking reductions of value for 2013-14. Four of the 7 pending appeals are for properties owned by taxpayers within the top ten. Based on the appeals data for the past five years, 87.5% of the appeals that have been resolved resulted in a reduction of the appealed value. On average, the allowed appeals resulted in a reduction in value of 16.57%. We estimate that 10 of the 11 pending appeals will be allowed with a reduction in value and this reduction is estimated at \$10 million. This estimated reduction in value has been applied to the projected assessed values for 2014-15.

G. County Property Tax Collection Reimbursement

Chapter 466, adopted by Senate Bill 2557, allows counties to recover charges for property tax administration in an amount equal to their 1989-90 property tax administration costs, as adjusted annually. The amounts that are reimbursed are the costs connected with the collection and distribution of property taxes for the Tax Collector, the Auditor Controller and the Assessor. The portions of the reimbursement amount that are allocated to each taxing entity within the County are based on the percentage of the total assessed value in the County that each taxing entity's assessed value represents.

The SB 2557 reimbursement amounts for 2013-14 are not yet published. The percentage of each Project Area's 2012-13 Gross Revenue represented by the allocation of reimbursement costs is used to estimate the reimbursement amounts for future years. The amounts of reimbursable costs allocated to each of the Project Areas and the percentage of Gross Revenue used to project future reimbursement amounts are shown in Table H below.

Table H
Property Tax Collection Reimbursement

	2012-13 Allocation	% of Gross Revenue used to Estimate 2013-14 and Future Year SB2557
Regional Center	\$119,225	1.87%
Highway 12	203,482	1.88%
City Center	52,014	1.88%
Cordelia	212,673	1.88%
North Texas	36,017	1.88%

H. Allocation of State Assessed Unitary Taxes

Legislation enacted in 1986 (Chapter 1457) and 1987 (Chapter 921) provided for a modification of the distribution of tax revenues derived from utility property assessed by the State Board of Equalization, other than railroads. Prior to the 1988-89 fiscal year, property assessed by the SBE was assessed statewide and was allocated according to the location of individual components of a utility in a tax rate area. Commencing in 1988-89, tax revenues derived from unitary property and assessed by the SBE are accumulated in a single Tax Rate Area for the County. It is then distributed to each taxing entity in the County in the following manner: (1) each taxing entity will receive the same amount as in the previous year plus an increase for inflation of up to two percent; (2) if utility tax revenues are insufficient to provide the same amount as in the previous year, each taxing entity's share would be reduced pro-rata county wide; and (3) any increase in revenue above two percent would be allocated in the same proportion as the taxing entity's local secured taxable values are to the local secured taxable values of the County.

To administer the allocation of unitary tax revenues to redevelopment agencies, the County no longer includes the taxable value of utilities as part of the reported taxable values of the project area, therefore, the base year of project areas have been reduced by the amount of utility value that existed originally in the base year. The Auditor Controller's 2013-14 allocations for the Project Areas are shown in Table I below. For purposes of this projection, we have assumed that these amounts of unitary revenue will continue to be allocated to Project Areas for the life of the projection.

Table I
2013-14 Unitary Revenue Allocation

Project Area	2013-34 Allocation
Regional Center	\$ 92,349
Highway 12	256,860
City Center	182,841
Cordelia	159,220
North Texas	10,103

V. Low and Moderate Income Housing Set-Aside

Sections 33334.2 and 33334.3 of the Law required redevelopment agencies to set aside not less than 20 percent of all tax increment revenues from project areas adopted after December 31, 1976 into a low and moderate income housing fund (the "Housing Set-Aside Requirement"). Sections 33334.3, 33334.6 and 33334.7 of the Law extend this requirement to redevelopment projects adopted prior to January 1, 1977. With the adoption of AB 1x 26, the Housing Set-Aside Requirement was eliminated. The housing fund into which these set-aside amounts were formerly deposited has been eliminated and any unencumbered amounts remaining in that fund have been identified through a mandated Due Diligence Review. The amounts found to be unencumbered through this Due Diligence Review have been paid to the County and these funds have been allocated to the taxing entities within the former project area. .

VI. Legislation

In order to address State Budget deficits, the Legislature enacted SB 614, SB 844 and SB 1135 that required payments from redevelopment agencies for the 1992-93, 1993-94 and 1994-95 fiscal years into a countywide ERAF. The Former Agency could have used any funds legally available and not legally obligated for other uses, including agency reserve funds, bond proceeds, earned income, and proceeds of land sales, but not moneys in the Low and Moderate Income Housing Fund (the "Housing Fund") to satisfy this obligation. From 1995-96 to 2001-02, state budgets were adopted with no additional shifting of tax increment revenues from redevelopment agencies, however, the 2002-03 State Budget required a shift of \$75 million of tax increment revenues statewide from redevelopment agencies to ERAF to meet the state budget shortfall. AB 1768 (Chapter 1127, Statutes of 2002) was enacted by the Legislature and signed by the Governor and based upon the methodology provided in the 2002-03 budget the shift requirement for the former redevelopment agencies to make payments into the ERAF for fiscal year 2002-03 only.

As part of the State's 2003-04 budget legislation, SB 1045 (Chapter 260, Statutes of 2003) required redevelopment agencies statewide to contribute \$135 million to local County ERAF which reduced the amount of State funding for schools. This transfer of funds was limited to Fiscal Year 2003-04 only. Under the Law as amended by SB 1045, the redevelopment agencies were authorized to use a simplified methodology to amend the individual redevelopment plans to extend by one year the effectiveness of the plan and the time during which the agencies could repay debt with tax increment revenues. In addition, the amount of this payment and the ERAF payments made in prior years were to be deducted from the amounts applied to the project area cumulative tax increment revenues.

After the State's budget for 2004-05 was approved by the legislature and signed by the Governor, Senate Bill 1096 was adopted. Pursuant to SB 1096, redevelopment agencies within the State were required to pay a total of \$250 million to ERAF for fiscal year 2004-05 and for 2005-06. The payments were due on May 10 of each fiscal year. As in previous years, payments were permitted to be made from any available funds other than the Housing Fund. If an agency was unable to make a payment, it was allowed to borrow up to 50% of the current year Housing Tax Increment Revenues, however, the borrowed amount was required to be repaid to the Housing Fund within 10 years of the last ERAF payment (May 10, 2006). Under SB 1096,

redevelopment plans with less than ten years of effectiveness remaining from June 30, 2005, could be extended by one year for each year that an ERAF payment is made. For redevelopment plans with 10 to 20 years of effectiveness remaining after June 30, 2005, the plans may be extended by one year for each year that an ERAF payment is made if the city council could find that the former redevelopment agency was in compliance with specified state housing requirements. These requirements are: 1) that the agency is setting aside 20% of gross tax increment revenues; 2) that housing implementation plans are in place; 3) that replacement housing and inclusionary housing requirements are being met; and, 4) that no excess surplus exists.

In July, 2009, the Legislature adopted AB 26 4x. This bill is implementing legislation to a package of 30 bills that were adopted in order to close the State's budget deficit. Under this legislation the former redevelopment agencies statewide were required to pay \$1.7 billion in fiscal year 2009-10 and will be required to pay another \$350 million in 2010-11 into their county's "Supplemental" ERAF (the "SERAF"). Funds deposited in the SERAF will be distributed in such a way as to try to avoid the issues that were named by the Sacramento Superior Court in its ruling on AB 1389's ERAF payment requirement. Based on a State Controller formula, the former redevelopment agencies were required to pay the required amounts by May, 2010 and May, 2011.

Under this legislation, the former redevelopment agencies could use any available funds to make the SERAF payments. Any Housing Tax Increment Revenues amount used to make the SERAF payment must be repaid to the Housing Fund by June 30, 2015 and June 30, 2016. On November 12, 2009, the Governor signed SB 68 (Steinberg) into law which modified AB 26 4x by allowing former redevelopment agencies to use the accumulated balances in their housing fund (and not just current year Housing Tax Increment Revenues) to make their SERAF payments, should that become necessary. Funds used from the Housing Fund existing balance to make the 2009-10 payment to County SERAF would be considered a loan to be repaid within five years. Using funds from accumulated Housing Fund was not allowed for making payments due for 2010-11. The legislation requires that the funds be deposited into a County SERAF and distributed to K-12 school districts located in the project area in proportion to the average daily attendance of the district. The funds distributed to schools from the SERAF were to be used to serve pupils living in the project area or in housing supported by redevelopment funds. Under the requirements of Section 34191.4, redevelopment agencies that borrowed from the Housing Fund to make the required payments for 2010 and for 2011 may only repay these amounts from an amount that is 50% of the increase in annual residual revenues that are above the residual revenue for fiscal year 2012-13.

Assembly Bill 1x 26 and Assembly Bill 1x 27 were introduced in May 2011 as placeholder bills and were substantially amended on June 14, 2011. These bills proposed to dramatically modify the Law as part of the fiscal year 2011-12 State budget legislation. AB 1x 26 would first dissolve redevelopment agencies statewide effective October 1, 2011 and suspend all redevelopment activities as of their effective date. AB 1x 27 would allow redevelopment agencies to avoid dissolution by opting into a voluntary program requiring them to make substantial annual contributions to local school and special districts. The bills were signed by the Governor in late June, 2011 and were challenged by a suit filed before the California Supreme Court by the CRA. On December 29, 2012, the Supreme Court ruled that ABx1 27 was unconstitutional and that ABx1 26 was not unconstitutional. On June 27, 2012 the legislature passed and the Governor signed Assembly Bill 1484. This legislation made certain revisions to the language of ABx1 26 based on experience after its implementation.

Once the obligations of the former redevelopment agencies have achieved recognition as Enforceable Obligations, the Successor Agency is obliged to manage the repayment of those Enforceable Obligations through the semiannual adoption of ROPS by an oversight board made up of representatives of taxing entities within the former redevelopment agency. Membership of the oversight board is dictated by Section 34179 of the Law. After 2016, there will be a single oversight board in each county that will be responsible for adoption of ROPS for all successor agencies in the county. The ROPS establishes the amounts that must be paid by the successor agency on the former agency's debts during the six month periods following payments from the RPTTF by the County Auditor-Controller on January 2 and June 1 of each year.

In the County, the revenue available in the RPTTF for the January 2 payment consists of collections from May, June, July and August of the prior fiscal year and collections for November and December of the current fiscal year. In addition, November and December collections commonly include revenue amounts for redemptions and supplemental assessments and revenue reductions due to taxpayer refunds. The revenues available in the RPTTF for the June 1 payments in the County would normally include about 45% to 48% of the total tax increment revenue for the current fiscal year. RPTTF revenues are allocated by the County Auditor-Controller as described in Section III D.

Pursuant to Section 34187(b) of the Law, once the debts of the former redevelopment agency have been paid, the successor agency has one year to dispose of any remaining assets and terminate its existence. The enforceability of time and tax increment limits contained in the redevelopment plans is unclear. The covenants in many bond offerings require the adjustments to the deposit of tax increment revenues with the Trustee if the receipt of tax increment approaches the tax increment or time limits within the redevelopment plan. The County Auditor-Controller has indicated that it intends to abide by tax increment and time limits contained in the redevelopment plans. DOF has informally indicated that it believes the legislation intends for all enforceable obligations to be repaid notwithstanding redevelopment plan limits. If DOF's understanding of the legislation is applied, the ongoing repayment of enforceable obligations may be allowed to continue beyond the time that a project area's cumulative tax increment limit is reached.

As mentioned above, issues involved in the dissolution of redevelopment agencies have yet to be resolved including the continuation of plan limits, override revenues and the treatment of ERAF. Additionally approximately 100 suits have been filed on various aspects of ABx1 26 and AB 1484 which could impact the dissolution of redevelopment agencies including one filed by the Successor Agency. Our projections could be impacted as a result of future court decisions.

VII. Tax Sharing Obligations

The terms of AB 1x 26 requires that after February 1, 2012, all tax sharing payments will be calculated and paid by the Auditor-Controller. The tax sharing payment obligations described below are now administered by the Solano County Auditor-Controller.

Regional Center

The Redevelopment Agency did not enter into any tax sharing agreements within Regional Center. An amendment allowed under SB 211 that eliminated the limitation on the issuance of new indebtedness to be repaid with tax increment revenue was adopted June 17, 2003. As a result, Regional Center is subject to payment of tax sharing payments to those taxing entities with which they do not already have tax sharing agreements. These payments are made in accordance with the three-tiered formulas for statutory tax sharing payments required of those project areas adopted after January 1, 1994. These statutory tax-sharing payments began in fiscal year 2003-04 and use the Project Area assessed values of fiscal year 2001-02, the fiscal year within which the former limit exceeded, as the adjusted base year value.

Beginning in 2003-04 and using the project area's 2001-02 assessed values as a base value, the Successor Agency is be obligated to pay the combined taxing entities 25% of the revenue generated by the Project Area's annual incremental value net of the Housing Set-Aside requirement. Beginning in 2013-14 and using the project area's 2012-13 assessed values as a base value for the second tier of statutory tax sharing payments, the Successor Agency will additionally be obligated to pay the combined taxing entities 21% of the revenue generated by the Project Area's annual second tier of incremental value net of the Housing Set-Aside requirement. The third tier of statutory tax sharing payments will not be initiated before Regional Center terminates.

Highway 12

The Redevelopment Agency did not enter into any tax sharing agreements within Highway 12 and no amendment allowed under SB 211 to eliminate the limitation on the issuance of new indebtedness to be repaid with tax increment revenue was adopted.

City Center

Within City Center, the Redevelopment Agency entered into a tax sharing agreement with Solano County. This agreement calls for the County to receive ten percent of the Successor Agency's first \$8.5 million of annual Gross Revenues and 60% of annual Gross Revenues that are over \$8.5 million. The agreement provides that the County may subordinate tax sharing payments to debt service on the Bonds if the Successor Agency demonstrates to the County's satisfaction that the Agency's obligations under the agreement can be fulfilled. The Successor Agency has not sought such subordination in the past and for purposes of this projection, we have assumed that the tax sharing payments have a lien on Tax Revenues that is superior to debt service on the Bonds.

Cordelia

Within Cordelia, the Redevelopment Agency entered into a tax sharing agreement with Solano County that requires tax sharing payments to the County, Solano Community College District and a group of Special Districts. Solano County receives 34.46% of Gross Revenues. Solano Community College District receives one percent of Gross Revenues. The Special Districts receive six percent of Gross Revenues through 2013-14 and 9.5% of Gross Revenues from 2014-15 through the end of the Project Area's ability to receive tax increment.

North Texas

The North Texas Project Area was adopted after January 1, 1994 and is, therefore, subject to the Law as it was amended by passage of AB 1290. As amended, the Law requires that for project areas adopted after January 1, 1994, a prescribed portion of the Successor Agency's tax increment revenue must be shared with all taxing entities within the Project Area. This defined tax-sharing amount has three tiers. The first tier begins with the first year that the project area receives tax increment revenue and continues for the life of the project area. This first tier tax-sharing amount is 25 percent of the Successor Agency's gross tax increment revenue net of the Housing Set-Aside Revenues. The County Auditor-Controller's practice is to calculate the Tier 1 payment amounts based on the Project Area revenues without including revenues from debt service override tax rates or unitary revenue. This is not consistent with our reading Section 33607.5 of the Law and for purposes of this projection we have based the Tier 1 payments on all Project Area revenue including unitary revenue.

The second tier began in the eleventh year after the Successor Agency first received tax increment revenue (fiscal year 2006-07). This second tier payment amount is 21 percent of the tax increment revenue, net of the Housing Set-Aside Revenues, that is derived from the growth in assessed value that is in excess of the adjusted base year assessed value of the project area in year ten (fiscal year 2005-06). The third tier begins in the 31st year after the Successor Agency first receives tax increment revenue (fiscal year 2026-27). This third tier is 14 percent of the tax increment revenue, net of the Housing Set-Aside Revenues that is derived from the growth in assessed value that is in excess of the assessed value of the project area in the 30th year (fiscal year 2025-26). The three tiers of tax sharing are calculated independent of one another and continue from their inception through the life of the project area.

Section 33607.5(e) of the Law specifies a procedure whereby the Successor Agency may request subordination of the statutory tax sharing payments to payment of debt service on the Bonds by all of the Project Area's taxing entities. As part of this request, the Successor Agency must provide substantial evidence to the taxing entities that it will have sufficient funds to make the debt service payments on the Bonds as well as making the required statutory tax sharing payments. The taxing entities may respond and agree to the subordination request, they may do nothing and after 45 days be deemed to have agreed to the subordination or they may disapprove the subordination request. A taxing entity may disapprove a subordination request only if it believes based on substantial evidence that the Successor Agency's financial estimates are incorrect and that the Agency will not be able to make debt service and the tax sharing payments. The Successor Agency has elected not to request subordination of the tax sharing payments to the debt service on the Bonds.

VIII. Development Activities

Since January 1, 2013 within the combined Project Areas, there have been 186 transfers of ownership where the sales price can be confirmed. These transfers of ownership represent a combined increase of \$7.125 million in assessed value that is expected to be added to the tax rolls for 2014-15. New development continues to occur within the Project Areas but no additional value has been included in the projections for new construction. The values factored into the projections of value for each Project Area are reflected in Table J below:

Table J		
Value Added to 2014-15 Projected Values from Transfers of Ownership		
Project Area	No. of Transfers of Ownership	Assessed Value Change from Enrolled Value
Cordelia	85	\$4,040,728
Highway 12	15	253,789
City Center	60	2,584,235
Regional Center	21	660,765
North Texas	5	(414,987)
Combined Projects	186	\$ 7,124,530

IX. Trended Taxable Value Growth

In accordance with Proposition 13 of the State Constitution, growth in real property land and improvement values may reflect the year-to-year inflationary rate not to exceed 2% for any given year or reduction as shown in the consumer price index. A 2% growth rate is the maximum inflationary growth rate permitted by law and this rate of growth has been realized in all but eight years since 1981. The years in which less than two percent growth was realized included fiscal years 1983-84 (1.0%), 1995-96 (1.19%), 1996-97 (1.11%), 1999-00 (1.85%), 2004-05 (1.867%), 2010-11 (-0.237%) and 2011-12 (0.753%). The State Board of Equalization announced in December, 2012 that the inflation adjustment for 2013-14 would be 2.00% and the Board recently announced that the annual inflationary growth factor to be used by the Assessor for 2014-15 will be 0.454%. We have used this factor to project the inflationary growth for 2014-15. We have assumed a resumption of 2% annual inflationary growth in all subsequent fiscal years. Future values will also be impacted by changes of ownership and new construction not reflected in our projections. In addition, the values of property previously reduced in value due to assessment appeals based on reduced market values could increase more than 2% when real estate values increase more than 2% (see Section IV A above). Seismic activity and environmental conditions such as hazardous substances that are not anticipated in this Report might also impact taxable assessed values and Gross Revenues. HdL Coren & Cone makes no representation that taxable assessed values will actually grow at the rate projected.

Anticipated revenues could be adjusted as a result of unidentified assessment appeal refunds, other Assessor corrections discussed previously, or unanticipated increases or decreases in property tax values. Estimated valuations from developments included in this analysis are based upon our understanding of the general practices of the County Assessor and County Auditor-Controller's Office. General assessment practices are subject to policy changes, legislative changes, and the judgment of individual appraisers. While we believe our estimates to be reasonable, taxable values resulting from actual appraisals may vary from the amounts assumed in the projections.

**Fairfield Successor Agency
Combined Redevelopment Projects**



Projection of Incremental Taxable Value & Tax Increment Revenue

(000's Omitted)

3/23/2014

Table 1

Taxable Values (1)	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	
Real Property (2)	3,489,711	3,417,930	3,486,289	3,556,014	3,627,135	3,699,677	3,773,671	3,849,144	3,926,127	4,004,650	
Personal Property (3)	<u>433,823</u>	<u>435,194</u>	<u>436,591</u>	<u>438,017</u>	<u>439,471</u>	<u>440,955</u>	<u>442,468</u>	<u>444,011</u>	<u>445,585</u>	<u>447,191</u>	
Total Projected Value	3,923,535	3,853,124	3,922,880	3,994,032	4,066,606	4,140,632	4,216,139	4,293,155	4,371,712	4,451,840	
Taxable Value over Base	466,514	3,457,020	3,386,610	3,456,366	3,527,517	3,600,092	3,674,118	3,749,625	3,826,641	3,905,198	3,985,326
Gross Tax Increment Revenue (4)	34,570	33,866	34,564	35,275	36,001	36,741	37,496	38,266	39,052	39,853	
Unitary Tax Revenue	<u>701</u>	<u>701</u>	<u>701</u>	<u>701</u>	<u>701</u>	<u>701</u>	<u>701</u>	<u>701</u>	<u>701</u>	<u>701</u>	
Gross Revenues (5)	35,272	32,744	28,354	28,940	29,538	30,149	30,771	31,406	23,354	19,830	
LESS:											
SB 2557 Admin. Fee (6)	(663)	(615)	(533)	(544)	(556)	(567)	(579)	(591)	(439)	(373)	
Pass Throughs											
Solano County (7)	(4,405)	(4,308)	(4,398)	(4,489)	(4,582)	(4,677)	(4,774)	(4,872)	(4,973)	(5,076)	
Special Districts (8)	(715)	(1,105)	(1,128)	(1,151)	(1,175)	(1,199)	(1,223)	(1,248)	(1,274)	(1,300)	
Solano Community College District (9)	(119)	(116)	(119)	(121)	(124)	(126)	(129)	(131)	(134)	(137)	
Statutory Tax Sharing Tier 1 (10)	(832)	(686)	(415)	(428)	(440)	(453)	(466)	(479)	(493)	(507)	
Statutory Tax Sharing Tier 2 (10)	(249)	(196)	(156)	(166)	(176)	(187)	(198)	(209)	(221)	(232)	
Statutory Tax Sharing Tier 3 (10)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Tax Revenues	<u>28,288</u>	<u>25,717</u>	<u>21,605</u>	<u>22,041</u>	<u>22,486</u>	<u>22,939</u>	<u>23,402</u>	<u>23,874</u>	<u>15,820</u>	<u>12,205</u>	

- (1) Taxable values as reported by Solano County.
- (2) Real property consists of land and improvements. Increased for inflation at 0.454% in 2014-15 and at 2% annually thereafter. Values for 2014-15 are increased by \$7.1 million for 186 transfers of ownership after 1/1/2013 and decreased by \$94.3million for projected value loss due to pending assessment appeals.
- (3) Personal property is held constant at 2013-14 level.
- (4) Projected Gross Tax Increment is based upon incremental values factored against the general levy tax rate of \$1.00 per \$100 of taxable value. Per ABx 1 26, all revenue derived from debt service override tax rates will be directed to the levying entities.
- (5) It is estimated that the \$275,000,000 limit on cumulative tax increment received within the Highway 12 Project will be reached during fiscal year 2021-22. It is estimated that the \$145,000,000 limit on cumulative tax increment received within the Regional Center Project will be reached in fiscal year 2014-15. After these limits are exceeded, no further tax increment is expected to be received from these Project Areas.
- (6) County Administration fee is estimated at 1.88% of Gross Revenue.
- (7) Within the Cordelia Project Area, Solano County receives its stipulated share (34.46%) of Gross Revenue. Within the City Center Project Area, Solano County receives 10% of the first \$8.5 million of annual Gross Revenue and 60% of annual Gross Revenue above \$8.5 million.
- (8) Withing the Cordelia Project Area, Special Districts receive 6% of Gross Revenue through 2013-14 and 9.5% thereafter.
- (9) Within the Cordelia Project Area, Solano Community College District receives its stipulated share (1%) of Gross Revenue.
- (10) By the adoption of an amendment to the Regional Center Redevelopment Plan, the Agency eliminated the debt incurrence time limit. The Agency was required to make statutory tax sharing payments per HSC 33607.7 beginning in 2003-04 and using the Project Area assessed valurs for 2001-02 as an adjusted base year value. Taxing entities that do not have existing tax sharing agreements receive their shares of 25% of tax increment revenue net of Housing Set-Aside. In addition, beginning in the 11th year after the initiation of statutory tax sharing payments, Taxing Entities receive 21% of tax revenue on incremental value net of Housing Set-Aside. Pursuant to H & S Code Section 33607.5, taxing entities within the North Texas Project receive their shares of 25% of total tax increment revenue net of housing set aside (Tier 1). In addition, beginning in 2006-07 and using the Project Area assessed value for 2005-06 as an adjusted base year value, taxing entities receive 21% of tax revenues derived from the incremental increase in value above the adjusted base year value. Beginning in 2026-27 and using the Project Area assessed values from 2025-26 as a second adjusted base year value, taxing entites receive their shares of 14% of the revenue derived from the incremental assessed value above this second adjusted base year value. The City is considered a taxing entity and has elected to receive its share of the Tier 1 payments from both Projects. The City may not receive any portion of the Tier 2 & 3 payments.

Fairfield Successor Agency
 Combined Redevelopment Projects

PROJECTION OF INCREMENTAL VALUE AND TAX INCREMENT REVENUE

(000s Omitted)



03/23/14

Table 2

		Taxable Value		Gross Tax Revenue	SB 2557 Charge	Solano County Pass Through	Statutory Special District Pass Through	Solano College Pass Through	Statutory Tax Sharing			Tax Revenues
		Total Taxable Value	Over Base Taxable Value						Tier 1	Tier 2	Tier 3	
1	2013-14	3,923,535	3,457,020	35,272	(663)	(4,405)	(715)	(119)	(832)	(249)	0	28,288
2	2014-15	3,853,124	3,386,610	32,744	(615)	(4,308)	(1,105)	(116)	(686)	(196)	0	25,717
3	2015-16	3,922,880	3,456,366	28,354	(533)	(4,398)	(1,128)	(119)	(415)	(156)	0	21,605
4	2016-17	3,994,032	3,527,517	28,940	(544)	(4,489)	(1,151)	(121)	(428)	(166)	0	22,041
5	2017-18	4,066,606	3,600,092	29,538	(556)	(4,582)	(1,175)	(124)	(440)	(176)	0	22,486
6	2018-19	4,140,632	3,674,118	30,149	(567)	(4,677)	(1,199)	(126)	(453)	(187)	0	22,939
7	2019-20	4,216,139	3,749,625	30,771	(579)	(4,774)	(1,223)	(129)	(466)	(198)	0	23,402
8	2020-21	4,293,155	3,826,641	31,406	(591)	(4,872)	(1,248)	(131)	(479)	(209)	0	23,874
9	2021-22	4,371,712	3,905,198	23,354	(439)	(4,973)	(1,274)	(134)	(493)	(221)	0	15,820
10	2022-23	4,451,840	3,985,326	19,830	(373)	(5,076)	(1,300)	(137)	(507)	(232)	0	12,205
11	2023-24	4,533,571	4,067,057	20,265	(381)	(5,181)	(1,326)	(140)	(521)	(244)	0	12,472
12	2024-25	3,801,856	3,346,540	20,709	(390)	(5,288)	(1,353)	(142)	(535)	(256)	0	12,745
13	2025-26	3,871,944	3,416,627	21,162	(398)	(5,397)	(1,381)	(145)	(550)	(269)	0	13,023
14	2026-27	3,943,433	3,488,117	21,624	(407)	(5,508)	(1,409)	(148)	(565)	(281)	(8)	13,298
15	2027-28	4,016,352	3,561,036	22,095	(416)	(5,621)	(1,438)	(151)	(580)	(294)	(17)	13,578
16	2028-29	4,090,729	3,635,413	22,576	(425)	(5,737)	(1,467)	(154)	(596)	(307)	(26)	13,864
17	2029-30	4,166,594	3,711,278	23,066	(434)	(5,855)	(1,497)	(158)	(612)	(321)	(35)	14,156
18	2030-31	4,243,976	3,788,660	23,566	(443)	(5,975)	(1,527)	(161)	(628)	(334)	(44)	14,454
19	2031-32	4,322,906	3,867,590	24,076	(453)	(6,098)	(1,558)	(164)	(645)	(348)	(53)	14,757
20	2032-33	4,403,415	3,948,098	24,597	(463)	(6,223)	(1,590)	(167)	(662)	(362)	(62)	15,067
21	2033-34	2,743,031	2,477,514	25,127	(473)	(6,351)	(1,622)	(171)	(679)	(377)	(72)	15,383
22	2034-35	2,797,158	2,531,640	25,669	(483)	(6,481)	(1,655)	(174)	(696)	(392)	(82)	15,705
23	2035-36	2,283,617	2,118,232	21,352	(402)	(6,127)	(1,689)	(178)	(714)	(407)	(92)	11,743
24	2036-37	486,619	365,291	3,663	(69)				(733)	(422)	(102)	2,337
25	2037-38	495,943	374,614	3,756	(71)				(751)	(438)	(113)	2,384
26	2038-39	505,453	384,125	3,851	(72)				(770)	(454)	(123)	2,432
27	2039-40	515,154	393,825	3,948	(74)				(790)	(470)	(134)	2,480
28	2040-41	525,048	403,720	4,047	(76)				(809)	(487)	(145)	2,530
29	2041-42	535,141	413,812	4,148	(78)				(830)	(504)	(157)	2,580
				609,657	(11,467)	(122,394)	(31,032)	(3,310)	(17,866)	(8,957)	(1,265)	413,366

**Fairfield Successor Agency
Combined Redevelopment Projects**

Table 3

	Base Year Values	2004-05	2005-06	2006-07	2007-08	Revised Base Year	2008-09	2009-10	2010-11	Revised Base Year	2011-12	2012-13	2013-14
<i>Secured (2)</i>													
Land	436,230,951	711,716,197	786,038,627	870,488,534	935,877,777	436,137,791	968,140,502	934,327,149	906,366,993	436,132,235	924,932,864	926,031,434	967,622,939
Improvements	0	2,030,238,187	2,273,927,874	2,558,636,278	2,673,108,009	0	2,714,330,094	2,581,486,063	2,507,888,220	0	2,508,416,040	2,455,314,937	2,598,429,287
Personal Property	0	91,650,090	125,563,757	111,047,545	110,407,123	0	126,479,010	128,697,713	118,528,972	0	125,608,554	118,504,435	118,270,220
Exemptions	0	(93,857,322)	(100,909,884)	(111,915,389)	(138,844,084)	0	(163,090,727)	(182,386,139)	(194,675,634)	0	(190,495,614)	(197,086,218)	(177,056,560)
Total Secured	436,230,951	2,739,747,152	3,084,620,374	3,428,256,968	3,580,548,825	436,137,791	3,645,858,879	3,462,124,786	3,338,108,551	436,132,235	3,368,461,844	3,302,764,588	3,507,265,886
<i>Unsecured</i>													
Land	0	746,714	761,648	726,537	738,454	0	762,062	777,303	700,300	0	705,574	719,685	734,079
Improvements	0	81,608,032	97,773,800	85,121,354	84,449,831	0	92,408,995	94,220,295	83,617,956	0	84,456,618	96,186,553	99,981,656
Personal Property	30,381,875	264,257,946	279,530,716	278,554,947	282,922,330	27,070,901	296,229,878	352,268,297	375,323,284	27,070,901	335,345,212	322,254,566	322,894,016
Exemptions	0	(9,302,309)	(7,684,549)	(7,813,139)	(14,669,502)	0	(7,763,777)	(4,632,081)	(4,551,283)	0	(5,579,480)	(6,591,092)	(7,341,030)
Total Unsecured	30,381,875	337,310,383	370,381,615	356,589,699	353,441,113	30,381,875	381,637,158	442,633,814	455,090,257	30,381,875	414,927,924	412,569,712	416,268,721
GRAND TOTAL	466,612,826	3,077,057,535	3,455,001,989	3,784,846,667	3,933,989,938	466,519,666	4,027,496,037	3,904,758,600	3,793,198,808	466,514,110	3,783,389,768	3,715,334,300	3,923,534,607

(1) Source: County of Solano

(2) Secured values include state assessed non-unitary utility property.

**Fairfield Successor Agency
Combined Redevelopment Projects**

TOP TEN TAXABLE PROPERTY OWNERS FOR 2013-14

Table 4



03/23/14

	Secured			Unsecured			Total			Use Code
	Value	Parcels	% Secured Value	Value	Parcels	% Unsecured Value	Value	% Total Value	% Incr. Value	
1. Anheuser Busch	\$315,662,547	11	9.00%	\$0	0	0.00%	\$315,662,547	8.05%	9.13%	Commercial Brewery (owned by AB InBev)
2. Star-West Solano	\$172,790,546	7	4.93%	\$0	0	0.00%	\$172,790,546	4.40%	5.00%	Solano Regional Mall
3. Meyer Cookware Industries	\$72,828,530	4	2.08%	\$6,055,875	1	1.45%	\$78,884,405	2.01%	2.28%	Cookware Manufacturing
4. N A Rolling Oaks - 88	\$53,154,223	1	1.52%	\$0	0	0.00%	\$53,154,223	1.35%	1.54%	Residential Apartments - 292 Units
5. AMCOR Pet Packaging USA Inc 79	\$0	0	0.00%	\$51,615,837	1	12.40%	\$51,615,837	1.32%	1.49%	Packaging Production for Pet Food
6. SBC Services	\$0	0	0.00%	\$48,196,474	1	11.58%	\$48,196,474	1.23%	1.39%	Telecommunications Facilities
7. USIR III Distribution-Fermi Drive Pending Appeals on Parcels	\$34,853,400	1	0.99%	\$0	0	0.00%	\$34,853,400	0.89%	1.01%	Industrial and Warehousing Property
8. 88 12	\$33,254,876	15	0.95%	\$0	0	0.00%	\$33,254,876	0.85%	0.96%	Multiple Office/Commercial and Vacant Parcels
9. BMEF Bridgeport	\$28,544,387	1	0.81%	\$0	0	0.00%	\$28,544,387	0.73%	0.83%	Bridgeport Ranch Apartments - 192 Units
10. Guittard Chocolate Pending Appeals on Parcels	<u>\$28,305,228</u>	2	0.81%	<u>\$0</u>	0	0.00%	<u>\$28,305,228</u>	0.72%	0.82%	Premium Chocolate Production
	\$739,393,737	42		\$105,868,186	3		\$845,261,923			
Total Project Area Value:	\$3,507,265,886		21.08%	\$416,268,721		25.43%	\$3,923,534,607	21.54%		
Project Area Incremental Value:	\$3,071,133,651		24.08%	\$385,886,846		27.44%	\$3,457,020,497	24.45%		

**Fairfield Successor Agency
Combined Redevelopment Projects**

New Development Table

Table 5



03/23/14

<u>REAL</u>	<u>SqFt/ Units</u>	<u>Value</u>	<u>Total Value</u>	<u>Less Existing (1)</u>	<u>000's omitted Total Value</u>		<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
					<u>Added</u>	<u>Start</u>				
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
Transfers of Ownership after 1/1/2013	186 Lump Sum		\$50,139,500	\$43,014,970	\$7,125		0	7,125	0	0
Total Real Property			\$50,139,500	\$43,014,970	\$7,125		0	7,125	0	0

f:\Bond Services\Tax Allocation Bonds\Fairfield 2013 Refunding TAB\Fairfield 2013 Refunding - Projection v4

**Fairfield Successor Agency
Cordelia Area Redevelopment Project**



Projection of Incremental Taxable Value & Tax Increment Revenue
(000's Omitted)

3/23/2014

Table 1

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
Taxable Values (1)										
Real Property (2)	1,151,955	1,121,758	1,144,193	1,167,077	1,190,418	1,214,227	1,238,511	1,263,281	1,288,547	1,314,318
Personal Property (3)	<u>68,519</u>	<u>69,889</u>	<u>71,287</u>	<u>72,713</u>	<u>74,167</u>	<u>75,650</u>	<u>77,163</u>	<u>78,706</u>	<u>80,281</u>	<u>81,886</u>
Total Projected Value	1,220,473	1,191,647	1,215,480	1,239,789	1,264,585	1,289,877	1,315,674	1,341,988	1,368,828	1,396,204
Taxable Value over Base	44,056	1,176,417	1,147,591	1,171,424	1,195,733	1,220,529	1,245,821	1,271,618	1,297,932	1,324,772
Gross Tax Increment Revenue (4)	11,764	11,476	11,714	11,957	12,205	12,458	12,716	12,979	13,248	13,521
Unitary Tax Revenue	<u>159</u>	<u>159</u>	<u>159</u>	<u>159</u>	<u>159</u>	<u>159</u>	<u>159</u>	<u>159</u>	<u>159</u>	<u>159</u>
Gross Revenues	11,923	11,635	11,873	12,117	12,365	12,617	12,875	13,139	13,407	13,681
LESS:										
SB 2557 Admin. Fee (5)	(224)	(219)	(223)	(228)	(233)	(237)	(242)	(247)	(252)	(257)
Pass Throughs										
Solano County (6)	(4,109)	(4,009)	(4,092)	(4,175)	(4,261)	(4,348)	(4,437)	(4,528)	(4,620)	(4,714)
Special Districts (7)	(715)	(1,105)	(1,128)	(1,151)	(1,175)	(1,199)	(1,223)	(1,248)	(1,274)	(1,300)
Solano Community College District (8)	(119)	(116)	(119)	(121)	(124)	(126)	(129)	(131)	(134)	(137)
Tax Revenues	6,755,668	6,185	6,312	6,441	6,573	6,707	6,844	6,984	7,127	7,273

- (1) Taxable values as reported by Solano County.
- (2) Real property consists of land and improvements. Increased for inflation at 0.454% in 2014-15 and at 2% annually thereafter. Values for 2014-15 are increased by \$4 million for 85 transfers of ownership after 1/1/2013 and decreased by \$39.3 million for projected value loss due to pending assessment appeals.
- (3) Personal property is held constant at 2013-14 level.
- (4) Projected Gross Tax Increment is based upon incremental values factored against the general levy tax rate of \$1.00 per \$100 of taxable value. Per ABx 1 26, all revenue derived from debt service override tax rates will be directed to the levying entities.
- (5) County Administration fee is estimated at 1.88% of Gross Revenue.
- (6) Solano County receives its stipulated share (34.46%) of Gross Revenue.
- (7) Special Districts receive 6% of Gross Revenue through 2013-14 and 9.5% thereafter.
- (8) Solano Community College District receives its stipulated share (1%) of Gross Revenue.

Fairfield Successor Agency
Cordelia Area Redevelopment Project
PROJECTION OF INCREMENTAL VALUE AND TAX INCREMENT REVENUE
(000s Omitted)



3/23/2014

Table 2

		Total	Taxable Value	Gross Tax	SB 2557	Solano County	Special District	Solano College	Tax
		Taxable Value	Over Base	Revenue	Charge	Pass Through	Pass Through	Pass Through	Revenues
1	2013-14	1,220,473	1,176,417	11,923	(224)	(4,109)	(715)	(119)	6,756
2	2014-15	1,191,647	1,147,591	11,635	(219)	(4,009)	(1,105)	(116)	6,185
3	2015-16	1,215,480	1,171,424	11,873	(223)	(4,092)	(1,128)	(119)	6,312
4	2016-17	1,239,789	1,195,733	12,117	(228)	(4,175)	(1,151)	(121)	6,441
5	2017-18	1,264,585	1,220,529	12,365	(233)	(4,261)	(1,175)	(124)	6,573
6	2018-19	1,289,877	1,245,821	12,617	(237)	(4,348)	(1,199)	(126)	6,707
7	2019-20	1,315,674	1,271,618	12,875	(242)	(4,437)	(1,223)	(129)	6,844
8	2020-21	1,341,988	1,297,932	13,139	(247)	(4,528)	(1,248)	(131)	6,984
9	2021-22	1,368,828	1,324,772	13,407	(252)	(4,620)	(1,274)	(134)	7,127
10	2022-23	1,396,204	1,352,148	13,681	(257)	(4,714)	(1,300)	(137)	7,273
11	2023-24	1,424,128	1,380,072	13,960	(263)	(4,811)	(1,326)	(140)	7,421
12	2024-25	1,452,611	1,408,555	14,245	(268)	(4,909)	(1,353)	(142)	7,572
13	2025-26	1,481,663	1,437,607	14,535	(273)	(5,009)	(1,381)	(145)	7,727
14	2026-27	1,511,296	1,467,240	14,832	(279)	(5,111)	(1,409)	(148)	7,884
15	2027-28	1,541,522	1,497,466	15,134	(285)	(5,215)	(1,438)	(151)	8,045
16	2028-29	1,572,353	1,528,297	15,442	(290)	(5,321)	(1,467)	(154)	8,209
17	2029-30	1,603,800	1,559,744	15,757	(296)	(5,430)	(1,497)	(158)	8,376
18	2030-31	1,635,876	1,591,820	16,077	(302)	(5,540)	(1,527)	(161)	8,547
19	2031-32	1,668,593	1,624,537	16,405	(309)	(5,653)	(1,558)	(164)	8,721
20	2032-33	1,701,965	1,657,909	16,738	(315)	(5,768)	(1,590)	(167)	8,898
21	2033-34	1,736,004	1,691,948	17,079	(321)	(5,885)	(1,622)	(171)	9,079
22	2034-35	1,770,724	1,726,669	17,426	(328)	(6,005)	(1,655)	(174)	9,263
23	2035-36	1,806,139	1,762,083	17,780	(334)	(6,127)	(1,689)	(178)	9,452
				331,041	(6,227)	(114,077)	(31,032)	(3,310)	176,395

Fairfield Successor Agency
Cordelia Area Redevelopment Project



Table 3

3/23/2014

	Base Year 1982-83	2004-05	2005-06	2006-07	2007-08	Revised Base Year (2008-09)	2008-09	2009-10	2010-11	Revised Base Year (2011-12)	2011-12	2012-13	2013-14
<i>Secured (2)</i>													
Land	40,772,070	271,823,999	304,680,309	337,993,822	374,988,603	40,750,490	385,535,292	361,660,001	349,401,940	40,744,934	350,968,157	348,378,163	358,892,927
Improvements	0	635,137,612	738,051,275	866,046,003	953,509,525	0	959,699,685	872,465,682	829,695,364	0	805,006,518	774,690,923	796,133,568
Personal Property	0	8,091,378	7,455,014	9,207,143	7,951,332	0	10,164,958	10,336,042	23,241,164	0	19,846,327	16,100,534	18,272,792
Exemptions	0	(5,776,470)	(6,629,482)	(9,672,593)	(10,823,909)	0	(11,101,587)	(11,211,526)	(28,903,508)	0	(38,407,306)	(40,486,478)	(16,115,475)
Total Secured	40,772,070	909,276,519	1,043,557,116	1,203,574,375	1,325,625,551	40,750,490	1,344,298,348	1,233,250,199	1,173,434,960	40,744,934	1,137,413,696	1,098,683,142	1,157,183,812
<i>Unsecured</i>													
Land	0	0	0	0	0	0	0	0	0	0	0	0	0
Improvements	0	10,806,795	11,288,634	8,814,452	9,797,763	0	9,953,151	10,438,056	9,067,111	0	10,289,131	11,089,823	13,043,670
Personal Property	3,310,974	40,959,482	41,763,041	38,765,739	42,830,995	0	47,358,927	54,235,315	46,727,813	0	55,910,234	49,735,127	50,369,163
Exemptions	0	(34,817)	(33,879)	(136,084)	(120,166)	0	(162,008)	(162,595)	(223,019)	0	(254,488)	(530,814)	(123,313)
Total Unsecured	3,310,974	51,731,460	53,017,796	47,444,107	52,508,592	3,310,974	57,150,070	64,510,776	55,571,905	3,310,974	65,944,877	60,294,136	63,289,520
GRAND TOTAL	44,083,044	961,007,979	1,096,574,912	1,251,018,482	1,378,134,143	44,061,464	1,401,448,418	1,297,760,975	1,229,006,865	44,055,908	1,203,358,573	1,158,977,278	1,220,473,332
Incremental Value:		916,924,935	1,052,491,868	1,206,935,438	1,334,051,099		1,357,386,954	1,253,699,511	1,184,945,401		1,159,302,665	1,114,921,370	1,176,417,424
Annual Change:			14.78%	14.67%	10.53%		1.75%	-7.64%	-5.48%		-2.16%	-3.83%	5.52%

(1) Source: County of Solano

(2) Secured values include state assessed non-unitary utility property.

Fairfield Successor Agency
Cordelia Area Redevelopment Project
TOP TEN TAXABLE PROPERTY OWNERS FOR 2013-14
Table 4



3/23/2014

	Secured			Unsecured			Total			Use Code
	Value	Parcels	% Secured Value	Value	Parcels	% Unsecured Value	Value	% Total Value	% Incr. Value	
1. USIR III Distribution-Fermi Drive Pending Appeals on Parcels	\$34,853,400	1	3.01%	\$0	0	0.00%	\$34,853,400	2.86%	2.96%	Industrial and Warehousing Property
2. 88 12	\$33,254,876	15	2.87%	\$0	0	0.00%	\$33,254,876	2.72%	2.83%	Multiple Office/Commercial and Vacant Parcels
3. BMEF Bridgeport	\$28,544,387	1	2.47%	\$0	0	0.00%	\$28,544,387	2.34%	2.43%	Bridgeport Ranch Apartments - 192 Units
4. PANCAL Fermi 229 Pending Appeals on Parcels	\$27,695,448	1	2.39%	\$0	0	0.00%	\$27,695,448	2.27%	2.35%	Industrial and Warehousing Property
5. 5 Child	\$27,050,400	3	2.34%	\$0	0	0.00%	\$27,050,400	2.22%	2.30%	Vacant Commercial Properties
6. Super Store Industries	\$20,013,737	1	1.73%	\$0	0	0.00%	\$20,013,737	1.64%	1.70%	Sunnyside Farms Dairy Production
7. NV NBHQ	\$18,187,239	1	1.57%	\$0	0	0.00%	\$18,187,239	1.49%	1.55%	Commercial Office Building
8. Fairfield Property Group	\$16,750,000	1	1.45%	\$0	0	0.00%	\$16,750,000	1.37%	1.42%	Commercial Office Building
9. PEM Green Valley Pending Appeals on Parcels	\$14,950,000	1	1.29%	\$0	0	0.00%	\$14,950,000	1.22%	1.27%	Commercial Office Building
10. Sonmar of Fairfield	<u>\$13,018,560</u>	<u>2</u>	1.13%	<u>\$592,702</u>	<u>1</u>	0.94%	<u>\$13,611,262</u>	1.12%	1.16%	Staybridge Suites Hotel - 82 Rooms
	\$234,318,047	27		\$592,702	1		\$234,910,749			
Total Project Area Value:	\$1,157,183,812		20.25%	\$63,289,520		0.94%	\$1,220,473,332	19.25%		
Project Area Incremental Value:	\$1,116,438,878		20.99%	\$59,978,546		0.99%	\$1,176,417,424	19.97%		

**Fairfield Successor Agency
Cordelia Area Redevelopment Project**

New Development Table

Table 5



3/23/2014

<u>REAL</u>	<u>SqFt/ Units</u>	<u>Value</u>	<u>Total Value</u>	<u>Less Existing (1)</u>	<u>000's omitted Total Value</u>		<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
					<u>Added</u>	<u>Start</u>				
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
Transfers of Ownership after 1/1/2013	85 Lump Sum	\$28,145,000	\$28,145,000	\$24,104,272	\$4,041		0	4,041	0	0
Total Real Property			\$28,145,000	\$24,104,272	\$4,041		0	4,041	0	0

f:\Bond Services\Tax Allocation Bonds\Fairfield 2013 Refunding TAB\Fairfield 2013 Refunding - Projection v4

**Fairfield Successor Agency
Highway 12 Redevelopment Project**

Projection of Incremental Taxable Value & Tax Increment Revenue
(000's Omitted)



3/23/2014

Table 1

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	
Taxable Values (1)											
Real Property (2)	1,041,017	1,017,114	1,037,456	1,058,206	1,079,370	1,100,957	1,122,976	1,145,436	1,168,344	1,191,711	
Personal Property (3)	<u>260,759</u>	<u>260,759</u>	<u>260,759</u>	<u>260,759</u>	<u>260,759</u>	<u>260,759</u>	<u>260,759</u>	<u>260,759</u>	<u>260,759</u>	<u>260,759</u>	
Total Projected Value	1,301,775	1,277,873	1,298,215	1,318,964	1,340,128	1,361,716	1,383,735	1,406,194	1,429,103	1,452,470	
Taxable Value over Base	189,799	1,111,976	1,088,074	1,108,416	1,129,165	1,150,329	1,171,917	1,193,936	1,216,395	1,239,304	1,262,671
Gross Tax Increment Revenue (4)	11,120	10,881	11,084	11,292	11,503	11,719	11,939	12,164	12,393	12,627	
Unitary Tax Revenue	<u>257</u>	<u>257</u>	<u>257</u>	<u>257</u>	<u>257</u>	<u>257</u>	<u>257</u>	<u>257</u>	<u>257</u>	<u>257</u>	
Gross Revenues (5)	11,377	11,138	11,341	11,549	11,760	11,976	12,196	12,421	3,951	0	
LESS:											
SB 2557 Admin. Fee (6)	(214)	(210)	(213)	(217)	(221)	(225)	(229)	(234)	(74)	0	
Tax Revenues	<u>11,163</u>	<u>10,928</u>	<u>11,128</u>	<u>11,331</u>	<u>11,539</u>	<u>11,751</u>	<u>11,967</u>	<u>12,187</u>	<u>3,877</u>	<u>0</u>	

- (1) Taxable values as reported by Solano County.
- (2) Real property consists of land and improvements. Increased for inflation at 0.454% in 2014-15 and at 2% annually thereafter. Values for 2014-15 are increased by \$253,789 for 85 transfers of ownership after 1/1/2013 and decreased by \$28.8 million for projected value loss due to pending assessment appeals.
- (3) Personal property is held constant at 2013-14 level.
- (4) Projected Gross Tax Increment is based upon incremental values factored against the general levy tax rate of \$1.00 per \$100 of taxable value. Per ABx 1 26, all revenue derived from debt service override tax rates will be directed to the levying entities.
- (5) It is estimated that the \$275,000,000 limit on cumulative tax increment received will be reached during fiscal year 2021-22.
- (6) County Administration fee is estimated at 1.88% of Gross Revenue.

Fairfield Successor Agency
Highway 12 Redevelopment Project
PROJECTION OF INCREMENTAL VALUE AND TAX INCREMENT REVENUE



(000s Omitted)

03/23/14

Table 2

	<u>Total</u>	<u>Taxable Value</u>	<u>Gross Tax</u>	<u>SB 2557</u>	<u>Tax</u>
	<u>Taxable Value</u>	<u>Over Base</u>	<u>Revenue</u>	<u>Charge</u>	<u>Revenues</u>
1 2013-14	1,301,775	1,111,976	11,377	(214)	11,163
2 2014-15	1,277,873	1,088,074	11,138	(210)	10,928
3 2015-16	1,298,215	1,108,416	11,341	(213)	11,128
4 2016-17	1,318,964	1,129,165	11,549	(217)	11,331
5 2017-18	1,340,128	1,150,329	11,760	(221)	11,539
6 2018-19	1,361,716	1,171,917	11,976	(225)	11,751
7 2019-20	1,383,735	1,193,936	12,196	(229)	11,967
8 2020-21	1,406,194	1,216,395	12,421	(234)	12,187
9 2021-22 (1)	1,429,103	1,239,304	3,951	(74)	3,877
10 2022-23	1,452,470	1,262,671	0	0	0
11 2023-24	1,476,304	1,286,505	0	0	0
12 2024-25	1,500,615	1,310,816	0	0	0
13 2025-26	1,525,412	1,335,613	0	0	0
14 2026-27	1,550,705	1,360,906	0	0	0
15 2027-28	1,576,504	1,386,705	0	0	0
16 2028-29	1,602,819	1,413,020	0	0	0
17 2029-30	1,629,660	1,439,861	0	0	0
18 2030-31	1,657,038	1,467,239	0	0	0
19 2031-32	1,684,964	1,495,165	0	0	0
20 2032-33	1,713,448	1,523,649	0	0	0
			97,708	(1,838)	95,870

(1) The Project Area is projected to reach its tax increment limit of \$275 million during fiscal year 2021-22.

**Fairfield Successor Agency
Highway 12 Redevelopment Project
Table 3**



03/23/14

	Base Year 1979-80	2004-05	2005-06	2006-07	2007-08	Revised Base Year (2008-09)	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
<i>Secured (2)</i>												
Land	189,806,156	173,283,030	186,845,852	206,061,172	217,645,518	189,799,076	239,014,408	241,573,159	238,364,996	255,837,343	248,181,723	256,372,315
Improvements	0	630,966,357	672,844,855	744,877,577	708,721,906	0	739,701,946	746,745,034	761,205,462	791,155,279	771,559,255	819,938,370
Personal Property	0	52,754,313	86,960,637	69,834,927	73,247,033	0	76,742,039	79,862,001	60,065,568	69,969,505	62,291,878	58,041,498
Exemptions	0	(6,401,171)	(7,062,455)	(10,951,356)	(35,772,106)	0	(61,500,039)	(70,201,313)	(71,310,886)	(62,469,517)	(62,772,071)	(64,148,365)
Total Secured	189,806,156	850,602,529	939,588,889	1,009,822,320	963,842,351	189,799,076	993,958,354	997,978,881	988,325,140	1,054,492,610	1,019,260,785	1,070,203,818
<i>Unsecured</i>												
Land	0	555,680	566,794	673,830	684,693	0	711,387	725,615	648,734	653,620	666,692	680,026
Improvements	0	25,158,451	24,674,433	25,840,945	26,007,803	0	27,317,875	31,484,236	24,257,103	24,479,168	25,824,653	28,174,170
Personal Property	0	159,173,815	169,419,418	166,577,605	163,131,006	0	175,963,068	223,944,924	252,549,267	212,459,302	202,454,627	204,518,857
Exemptions	0	(566,582)	(609,114)	(501,237)	(5,207,558)	0	(3,594,421)	(557,520)	(511,674)	(1,077,921)	(2,003,491)	(1,801,751)
Total Unsecured	0	184,321,364	194,051,531	192,591,143	184,615,944	0	200,397,909	255,597,255	276,943,430	236,514,169	226,942,481	231,571,302
GRAND TOTAL	189,806,156	1,034,923,893	1,133,640,420	1,202,413,463	1,148,458,295	189,799,076	1,194,356,263	1,253,576,136	1,265,268,570	1,291,006,779	1,246,203,266	1,301,775,120
Incremental Value:		845,117,737	943,834,264	1,012,607,307	958,652,139		1,004,557,187	1,063,777,060	1,075,469,494	1,101,207,703	1,056,404,190	1,111,976,044
Annual Change:			11.68%	7.29%	-5.33%		4.79%	5.90%	1.10%	2.39%	-4.07%	5.26%

(1) Source: County of Solano

(2) Secured values include state assessed non-unitary utility property.

Fairfield Successor Agency
Highway 12 Redevelopment Project
TOP TEN TAXABLE PROPERTY OWNERS FOR 2013-14



03/23/14

Table 4

	Secured			Unsecured			Total			Use Code
	Value	Parcels	% Secured Value	Value	Parcels	% Unsecured Value	Value	% Total Value	% Incr. Value	
1. Anheuser Busch	\$315,662,547	11	29.50%	\$0	0	0.00%	\$315,662,547	24.25%	28.39%	Commercial Brewery (owned by AB InBev)
2. Meyer Cookware Industries	\$72,828,530	4	6.81%	\$6,055,875	1	2.62%	\$78,884,405	6.06%	7.09%	Cookware Manufacturing
3. AMCOR Pet Packaging USA Inc 79	\$0	0	0.00%	\$51,615,837	1	22.29%	\$51,615,837	3.97%	4.64%	Packaging Production for Pet Food
4. SBC Services	\$0	0	0.00%	\$48,196,474	1	20.81%	\$48,196,474	3.70%	4.33%	Telecommunications Facilities
5. Guittard Chocolate	\$28,305,228	2	2.64%	\$0	0	0.00%	\$28,305,228	2.17%	2.55%	Premium Chocolate Production
6. Jelly Belly Candy	\$0	0	0.00%	\$26,807,818	1	11.58%	\$26,807,818	2.06%	2.41%	Premium Jelly Bean Production
7. Pacific Bell Telephone	\$25,252,152	4	2.36%	\$0	0	0.00%	\$25,252,152	1.94%	2.27%	Telecommunications Facilities
8. HOMAFAIR	\$24,557,944	4	2.29%	\$0	0	0.00%	\$24,557,944	1.89%	2.21%	Industrial and Warehousing Property
9. Abbott Laboratories	\$0	0	0.00%	\$22,806,088	1	9.85%	\$22,806,088	1.75%	2.05%	Pharmaceutical Manufacturing
10. Rowland Family Properties	\$21,659,171	3	2.02%	\$9,535	1	0.00%	\$21,668,706	1.66%	1.95%	Industrial and Warehousing Property
	\$488,265,572	28		\$155,491,627	6		\$643,757,199			
Total Project Area Value:	\$1,070,203,818		45.62%	\$231,571,302		67.15%	\$1,301,775,120	49.45%		
Project Area Incremental Value:	\$880,404,742		55.46%	\$231,571,302		67.15%	\$1,111,976,044	57.89%		

**Fairfield Successor Agency
Highway 12 Redevelopment Project**

New Development Table

Table 5



03/23/14

<u>REAL</u>	<u>SqFt/ Units</u>	<u>Value</u>	<u>Total Value</u>	<u>Less Existing (1)</u>	<u>000's omitted Total Value</u>		<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
					<u>Added</u>	<u>Start</u>				
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
Transfers of Ownership after 1/1/2013	15 Lump Sum		\$3,843,000	\$3,589,211	\$254		0	254	0	0
Total Real Property			\$3,843,000	\$3,589,211	\$254		0	254	0	0

**Fairfield Successor Agency
City Center Redevelopment Project**

Projection of Incremental Taxable Value & Tax Increment Revenue
(000's Omitted)



3/23/2014

Table 1

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	
Taxable Values (1)											
Real Property (2)	361,725	364,493	371,783	379,219	386,803	394,539	402,430	410,479	418,688	427,062	
Personal Property (3)	<u>16,299</u>	<u>16,299</u>	<u>16,299</u>	<u>16,299</u>	<u>16,299</u>	<u>16,299</u>	<u>16,299</u>	<u>16,299</u>	<u>16,299</u>	<u>16,299</u>	
Total Projected Value	378,025	380,793	388,083	395,518	403,103	410,839	418,729	426,778	434,988	443,361	
Taxable Value over Base	100,133	277,892	280,660	287,949	295,385	302,970	310,706	318,596	326,645	334,855	343,228
Gross Tax Increment Revenue (4)	2,779	2,807	2,879	2,954	3,030	3,107	3,186	3,266	3,349	3,432	
Unitary Tax Revenue	<u>183</u>	<u>183</u>	<u>183</u>	<u>183</u>	<u>183</u>	<u>183</u>	<u>183</u>	<u>183</u>	<u>183</u>	<u>183</u>	
Gross Revenues	2,962	2,989	3,062	3,137	3,213	3,290	3,369	3,449	3,531	3,615	
LESS:											
SB 2557 Admin. Fee (5)	(56)	(56)	(58)	(59)	(60)	(62)	(63)	(65)	(66)	(68)	
Pass Throughs											
Solano County (6)	(296)	(299)	(306)	(314)	(321)	(329)	(337)	(345)	(353)	(362)	
Tax Revenues	<u>2,610</u>	<u>2,634</u>	<u>2,698</u>	<u>2,764</u>	<u>2,831</u>	<u>2,899</u>	<u>2,969</u>	<u>3,039</u>	<u>3,112</u>	<u>3,186</u>	

- (1) Taxable values as reported by Solano County.
- (2) Real property consists of land and improvements. Increased for inflation at 0.454% in 2014-15 and at 2% annually thereafter. Values for 2014-15 are increased by \$2.6 million for 60 transfers of ownership after 1/1/2013 and decreased by \$1.5 million for projected value loss due to pending assessment appeals.
- (3) Personal property is held constant at 2013-14 level.
- (4) Projected Gross Tax Increment is based upon incremental values factored against the general levy tax rate of \$1.00 per \$100 of taxable value. Per ABx 1 26, all revenue derived from debt service override tax rates will be directed to the levying entities.
- (5) County Administration fee is estimated at 1.88% of Gross Revenue.
- (6) Solano County receives 10% of the first \$8.5 million of annual Gross Revenue and 60% of annual Gross Revenue above \$8.5 million.

**Fairfield Successor Agency
 City Center Redevelopment Project
 PROJECTION OF INCREMENTAL VALUE AND TAX INCREMENT REVENUE**



(000s Omitted)

03/23/14

Table 2

	<u>Total Taxable Value</u>	<u>Taxable Value Over Base</u> 100,133	<u>Gross Tax Revenue</u>	<u>SB 2557 Charge</u>	<u>Solano County Pass Through</u>	<u>Tax Revenues</u>
1 2013-14	378,025	277,892	2,962	(56)	(296)	2,610
2 2014-15	380,793	280,660	2,989	(56)	(299)	2,634
3 2015-16	388,083	287,949	3,062	(58)	(306)	2,698
4 2016-17	395,518	295,385	3,137	(59)	(314)	2,764
5 2017-18	403,103	302,970	3,213	(60)	(321)	2,831
6 2018-19	410,839	310,706	3,290	(62)	(329)	2,899
7 2019-20	418,729	318,596	3,369	(63)	(337)	2,969
8 2020-21	426,778	326,645	3,449	(65)	(345)	3,039
9 2021-22	434,988	334,855	3,531	(66)	(353)	3,112
10 2022-23	443,361	343,228	3,615	(68)	(362)	3,186
11 2023-24	451,903	351,770	3,701	(70)	(370)	3,261
12 2024-25	460,615	360,482	3,788	(71)	(379)	3,338
13 2025-26	469,501	369,368	3,877	(73)	(388)	3,416
14 2026-27	478,565	378,432	3,967	(75)	(397)	3,496
15 2027-28	487,810	387,677	4,060	(76)	(406)	3,577
16 2028-29	497,241	397,107	4,154	(78)	(415)	3,660
17 2029-30	506,859	406,726	4,250	(80)	(425)	3,745
18 2030-31	516,671	416,537	4,348	(82)	(435)	3,832
19 2031-32	526,678	426,545	4,448	(84)	(445)	3,920
20 2032-33	536,886	436,752	4,550	(86)	(455)	4,010
21 2033-34	547,297	447,164	4,654	(88)	(465)	4,101
22 2034-35	557,917	457,784	4,761	(90)	(476)	4,195
			83,175	(1,565)	(8,317)	73,293

Fairfield Successor Agency
City Center Redevelopment Project



Table 3

03/23/14

	Base Year 1981-82	2004-05	2005-06	2006-07	2007-08	Revised Base Year (2008-09)	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
<i>Secured (2)</i>												
Land	92,685,546	92,845,882	107,371,685	115,742,947	123,548,808	92,621,046	120,649,749	107,335,128	102,634,355	103,355,555	100,715,144	106,483,717
Improvements	0	225,291,086	269,619,729	320,294,254	346,503,144	0	332,463,188	282,733,533	270,141,688	267,883,496	261,774,060	274,701,243
Personal Property	0	3,578,651	3,941,553	3,809,546	3,610,875	0	3,917,624	3,539,350	3,444,187	3,231,560	3,097,390	2,687,634
Exemptions	0	(17,088,211)	(18,646,337)	(18,903,607)	(17,567,642)	0	(17,342,878)	(21,025,685)	(20,896,520)	(27,694,368)	(27,251,940)	(26,714,281)
Total Secured	92,685,546	304,627,408	362,286,630	420,943,140	456,095,185	92,621,046	439,687,683	372,582,326	355,323,710	346,776,243	338,334,654	357,158,313
<i>Unsecured</i>												
Land	0	46,815	47,751	52,707	53,761	0	50,675	51,688	51,566	51,954	52,993	54,053
Improvements	0	4,400,402	5,281,709	5,546,852	6,927,001	0	5,184,844	6,147,724	6,117,376	6,599,024	6,731,885	7,200,729
Personal Property	7,512,016	22,303,624	22,439,150	24,126,896	26,231,985	7,512,016	20,897,401	20,319,042	20,848,747	13,626,849	15,182,816	15,467,635
Exemptions	0	(2,563,570)	(2,607,287)	(2,586,756)	(4,946,863)	0	(2,417,926)	(1,743,814)	(1,748,454)	(1,919,345)	(1,714,935)	(1,855,826)
Total Unsecured	7,512,016	24,187,271	25,161,323	27,139,699	28,265,884	7,512,016	23,714,994	24,774,640	25,269,235	18,358,482	20,252,759	20,866,591
GRAND TOTAL	100,197,562	328,814,679	387,447,953	448,082,839	484,361,069	100,133,062	463,402,677	397,356,966	380,592,945	365,134,725	358,587,413	378,024,904
Incremental Value:		228,617,117	287,250,391	347,885,277	384,163,507		363,269,615	297,223,904	280,459,883	265,001,663	258,454,351	277,891,842
Annual Change:			25.65%	21.11%	10.43%		-5.44%	-18.18%	-5.64%	-5.51%	-2.47%	7.52%

(1) Source: County of Solano

(2) Secured values include state assessed non-unitary utility property.

Fairfield Successor Agency
City Center Redevelopment Project
TOP TEN TAXABLE PROPERTY OWNERS FOR 2013-14
Table 4



03/23/14

	Secured			Unsecured			Total			Use Code
	Value	Parcels	% Secured Value	Value	Parcels	% Unsecured Value	Value	% Total Value	% Incr. Value	
1. NOI Holdings 10 Pending Appeals on Parcels	\$8,100,000	16	2.27%	\$0	0	0.00%	\$8,100,000	2.14%	2.91%	Residential Apartments - 128 Units
2. Solano Storage Center	\$7,890,377	2	2.21%	\$0	0	0.00%	\$7,890,377	2.09%	2.84%	Self Storage Facility
3. NV Solano MOB	\$7,180,787	1	2.01%	\$0	0	0.00%	\$7,180,787	1.90%	2.58%	Medical Offices
4. Corporate Plaza	\$6,370,000	1	1.78%	\$0	0	0.00%	\$6,370,000	1.69%	2.29%	Medical Offices
5. Lefever Mattson	\$5,302,570	5	1.48%	\$0	0	0.00%	\$5,302,570	1.40%	1.91%	Residential Apartments - 76 Units
6. OMS Property Investments	\$5,282,871	1	1.48%	\$0	0	0.00%	\$5,282,871	1.40%	1.90%	Residential Apartments - 99 Units
7. Pacific Resources Associates	\$5,221,380	2	1.46%	\$0	0	0.00%	\$5,221,380	1.38%	1.88%	Commercial Shopping Center
8. Daily Republic	\$5,019,322	5	1.41%	\$0	0	0.00%	\$5,019,322	1.33%	1.81%	Multiple Commercial/Office/Vacant
9. Fairfield Medical Arts Center	\$4,793,117	4	1.34%	\$0	0	0.00%	\$4,793,117	1.27%	1.72%	Medical Offices
10. Solano Diagnostics Imaging	<u>\$0</u>	<u>0</u>	0.00%	<u>\$3,392,550</u>	<u>1</u>	16.26%	<u>\$3,392,550</u>	0.90%	1.22%	Medical Imaging Services
	\$55,160,424	37		\$3,392,550	1		\$58,552,974			
Total Project Area Value:	\$357,158,313		15.44%	\$20,866,591		16.26%	\$378,024,904	15.49%		
Project Area Incremental Value:	\$264,537,267		20.85%	\$13,354,575		25.40%	\$277,891,842	21.07%		

**Fairfield Successor Agency
City Center Redevelopment Project**

New Development Table

Table 5



03/23/14

<u>REAL</u>	<u>SqFt/ Units</u>	<u>Value</u>	<u>Total Value</u>	<u>Less Existing (1)</u>	<u>000's omitted Total Value</u>		<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
					<u>Added</u>	<u>Start</u>				
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
Transfers of Ownership after 1/1/2013	60 Lump Sum		\$10,852,500	\$8,268,265	\$2,584		0	2,584	0	0
Total Real Property			\$10,852,500	\$8,268,265	\$2,584		0	2,584	0	0

f:\Bond Services\Tax Allocation Bonds\Fairfield 2013 Refunding TAB\Fairfield 2013 Refunding - Projection v4

Fairfield Successor Agency
Fairfield Regional Center Redevelopment Project



Projection of Incremental Taxable Value & Tax Increment Revenue

(000's Omitted)

3/23/2014

Table 1

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
Taxable Values (1)										
Real Property (2)	624,430	613,013	625,273	637,778	650,534	663,545	676,815	690,352	704,159	718,242
Personal Property (3)	<u>67,821</u>	<u>67,821</u>	<u>67,821</u>	<u>67,821</u>	<u>67,821</u>	<u>67,821</u>	<u>67,821</u>	<u>67,821</u>	<u>67,821</u>	<u>67,821</u>
Total Projected Value	692,252	680,834	693,094	705,600	718,355	731,366	744,637	758,173	771,980	786,063
Taxable Value over Base	11,198	681,054	669,636	681,896	694,402	707,157	720,168	733,439	746,975	760,782
Gross Tax Increment Revenue (4)	6,811	6,696	6,819	6,944	7,072	7,202	7,334	7,470	7,608	7,749
Unitary Tax Revenue	<u>92</u>	<u>92</u>	<u>92</u>	<u>92</u>	<u>92</u>	<u>92</u>	<u>92</u>	<u>92</u>	<u>92</u>	<u>92</u>
Gross Revenues (5)	6,903	4,965	0	0	0	0	0	0	0	0
LESS:										
SB 2557 Admin. Fee (6)	(129)	(93)	0	0	0	0	0	0	0	0
Pass Throughs										
SB 211 Tier 1 Payments (7)	(411)	(282)	0	0	0	0	0	0	0	0
SB 211 Tier 2 Payments (7)	(88)	(50)	0	0	0	0	0	0	0	0
Tax Revenues	<u>6,275</u>	<u>4,540</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

- (1) Taxable values as reported by Solano County.
- (2) Real property consists of land and improvements. Increased for inflation at 0.454% in 2014-15 and at 2% annually thereafter. Values for 2014-15 are increased by \$660,765 for 21 transfers of ownership after 1/1/2013 and decreased by \$14.9 million for projected value loss due to pending assessment appeals.
- (3) Personal property is held constant at 2013-14 level.
- (4) Projected Gross Tax Increment is based upon incremental values factored against the general levy tax rate of \$1.00 per \$100 of taxable value. Per ABx 1 26, all revenue derived from debt service override tax rates will be directed to the levying entities.
- (5) It is estimated that the \$145,000,000 limit on cumulative tax increment received will be reached in fiscal year 2014-15.
- (6) County Administration fee is estimated at 1.87% of Gross Revenue.
- (7) By the adoption of an amendment to the Redevelopment Plan under the terms of SB 211, the Agency will eliminate the Plan's time limit for incurrence of new debt. By the elimination of this limit, the Agency will be required to make statutory tax sharing payments as outlined in the Health and Safety Code beginning in the fiscal year following the date of the eliminated time limit (11/23/2001). Because the limit is to be removed after it has been reached, the initiation of tax sharing payments required by SB 211 are projected to begin in fiscal year 2003-04. Using the assessed values for 2001-02 as a base year and beginning in 2003-04, Taxing Entities that do not have existing tax sharing agreements receive their shares of 25% of tax increment revenue net of Housing Set-Aside. In addition, beginning in the 11th year after the initiation of statutory tax sharing payments, Taxing Entities receive 21% of tax revenue on incremental value above 10th year value net of Housing Set-Aside. Statutory tax sharing payments are projected through to the last date to receive tax increment revenue. The City of Fairfield is an affected taxing entity under this statute and is entitled to receive its share of the first tier of statutory tax sharing payments.

Fairfield Successor Agency
Fairfield Regional Center Redevelopment Project
PROJECTION OF INCREMENTAL VALUE AND TAX INCREMENT REVENUE



(000s Omitted)

3/23/14

Table 2

		<u>Total</u>	<u>Taxable Value</u>	<u>Gross Tax</u>	<u>SB 2557</u>	<u>Statutory Tax Sharing</u>		<u>Tax</u>
		<u>Taxable Value</u>	<u>Over Base</u>	<u>Revenue</u>	<u>Charge</u>	<u>Tier 1</u>	<u>Tier 2</u>	<u>Revenues</u>
1	2013-14	692,252	681,054	6,903	(129)	(411)	(88)	6,275
2	2014-15 (1)	680,834	669,636	4,965	(93)	(282)	(50)	4,540
3	2015-16	693,094	681,896	0	0	0	0	0
4	2016-17	705,600	694,402	0	0	0	0	0
5	2017-18	718,355	707,157	0	0	0	0	0
6	2018-19	731,366	720,168	0	0	0	0	0
7	2019-20	744,637	733,439	0	0	0	0	0
8	2020-21	758,173	746,975	0	0	0	0	0
9	2021-22	771,980	760,782	0	0	0	0	0
10	2022-23	786,063	774,866	0	0	0	0	0
11	2023-24	800,428	789,230	0	0	0	0	0
				11,868	(222)	(693)	(138)	10,815

(1) The Project Area is projected to reach its tax increment limit of \$145 million during fiscal year 2014-15.

Fairfield Successor Agency
Fairfield Regional Center Redevelopment Project



3/23/14

Table 3

	Base Year 1976-77	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
<i>Secured (2)</i>											
Land	11,197,724	115,374,634	122,847,409	131,567,435	136,664,469	137,583,971	135,402,704	130,900,691	129,905,922	129,375,004	138,153,132
Improvements	0	411,164,465	439,702,261	465,764,604	490,742,408	496,444,410	489,279,777	472,930,811	462,089,107	461,136,071	507,686,453
Personal Property	0	23,851,113	23,284,065	25,078,323	22,111,916	31,591,476	31,921,572	28,583,360	27,507,832	31,728,364	33,060,234
Exemptions	0	(59,573,022)	(61,222,405)	(62,182,835)	(63,439,200)	(61,762,213)	(68,110,491)	(61,567,421)	(53,782,138)	(58,151,158)	(59,795,372)
Total Secured	11,197,724	490,817,190	524,611,330	560,227,527	586,079,593	603,857,644	588,493,562	570,847,441	565,720,723	564,088,281	619,104,447
<i>Unsecured</i>											
Land	0	0	0	0	0	0	0	0	0	0	0
Improvements	0	34,133,814	49,688,933	33,530,830	33,949,642	39,877,994	36,213,620	35,088,075	33,768,183	39,131,678	38,386,182
Personal Property	0	30,569,349	32,031,349	35,261,513	36,979,446	37,255,994	37,120,546	38,728,010	36,564,035	38,717,759	38,175,597
Exemptions	0	(6,121,867)	(4,389,656)	(4,546,365)	(4,357,931)	(1,386,617)	(1,964,304)	(2,068,136)	(2,165,746)	(2,181,328)	(3,414,502)
Total Unsecured	0	58,581,296	77,330,626	64,245,978	66,571,157	75,747,371	71,369,862	71,747,949	68,166,472	75,668,109	73,147,277
GRAND TOTAL	11,197,724	549,398,486	601,941,956	624,473,505	652,650,750	679,605,015	659,863,424	642,595,390	633,887,195	639,756,390	692,251,724
Incremental Value:		538,200,762	590,744,232	613,275,781	641,453,026	668,407,291	648,665,700	631,397,666	622,689,471	628,558,666	681,054,000
Annual Change:			9.76%	3.81%	4.59%	4.20%	-2.95%	-2.66%	-1.38%	0.94%	8.35%

(1) Source: County of Solano

(2) Secured values include state assessed non-unitary utility property.

Fairfield Successor Agency
Fairfield Regional Center Redevelopment Project

TOP TEN TAXABLE PROPERTY OWNERS FOR 2013-14

Table 4



3/23/14

	Secured			Unsecured			Total			Use Code
	Value	Parcels	% Secured Value	Value	Parcels	% Unsecured Value	Value	% Total Value	% Incr. Value	
1. Star-West Solano	\$172,790,546	7	27.91%	\$0	0	0.00%	\$172,790,546	24.96%	25.37%	Solano Regional Mall
2. Fairfield Fee Land	\$28,022,561	7	4.53%	\$0	0	0.00%	\$28,022,561	4.05%	4.11%	Gateway Plaza Shopping Center
3. Kaiser Foundation Hospitals	\$19,468,358	1	3.14%	\$191,587	2	0.26%	\$19,659,945	2.84%	2.89%	Hospital
4. Demartini Gateway	\$18,223,174	4	2.94%	\$0	0	0.00%	\$18,223,174	2.63%	2.68%	Gateway Courtyard Shopping Center
5. Macy's Primary Real Estate Pending Appeals on Parcels	\$17,880,833	1	2.89%	\$0	0	0.00%	\$17,880,833	2.58%	2.63%	Macy's Department Store
6. Gateway Hotel Group Pending Appeals on Parcels	\$13,924,843	1	2.25%	\$0	0	0.00%	\$13,924,843	2.01%	2.04%	Hilton Garden Inn Hotel
7. Sears Roebuck Pending Appeals on Parcels	\$13,261,440	2	2.14%	\$0	0	0.00%	\$13,261,440	1.92%	1.95%	Sears Department Store
8. Embassy Investments Pending Appeals on Parcels	\$12,605,527	1	2.04%	\$0	0	0.00%	\$12,605,527	1.82%	1.85%	Courtyard Hotel
9. J C Penney Properties	\$11,671,832	1	1.89%	\$0	0	0.00%	\$11,671,832	1.69%	1.71%	J.C. Penney Department Store
10. NV Gateway MOB	<u>\$11,423,980</u>	<u>1</u>	1.85%	<u>\$0</u>	<u>0</u>	0.00%	<u>\$11,423,980</u>	1.65%	1.68%	Medical Office Building
	\$319,273,094	26		\$191,587	2		\$319,464,681			
Total Project Area Value:	\$619,104,447		51.57%	\$73,147,277		0.26%	\$692,251,724	46.15%		
Project Area Incremental Value:	\$607,906,723		52.52%	\$73,147,277		0.26%	\$681,054,000	46.91%		

**Fairfield Successor Agency
Fairfield Regional Center Redevelopment Project**

New Development Table

Table 5



3/23/14

<u>REAL</u>	<u>SqFt/ Units</u>	<u>Value</u>	<u>Total Value</u>	<u>Less Existing (1)</u>	<u>000's omitted Total Value</u>		<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
					<u>Added</u>	<u>Start</u>				
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
Transfers of Ownership after 1/1/2013	21 Lump Sum		\$4,951,000	\$4,290,235	\$661		0	661	0	0
Total Real Property			\$4,951,000	\$4,290,235	\$661		0	661	0	0

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Fairfield Successor Agency
North Texas Street Redevelopment Project



Projection of Incremental Taxable Value & Tax Increment Revenue
(000's Omitted)

3/23/2014

Table 1

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
Taxable Values (1)										
Real Property (2)	310,584	301,552	307,583	313,735	320,010	326,410	332,938	339,597	346,389	353,317
Personal Property (3)	<u>20,425</u>	<u>20,425</u>	<u>20,425</u>	<u>20,425</u>	<u>20,425</u>	<u>20,425</u>	<u>20,425</u>	<u>20,425</u>	<u>20,425</u>	<u>20,425</u>
Total Projected Value	331,010	321,977	328,008	334,160	340,435	346,835	353,363	360,022	366,814	373,742
Taxable Value over Base	121,328	209,681	200,649	206,680	212,832	219,107	225,507	232,035	238,694	245,486
Gross Tax Increment Revenue (4)	2,097	2,006	2,067	2,128	2,191	2,255	2,320	2,387	2,455	2,524
Unitary Tax Revenue	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>
Gross Revenues	2,107	2,017	2,077	2,138	2,201	2,265	2,330	2,397	2,465	2,534
LESS:										
SB 2557 Admin. Fee (5)	(40)	(38)	(39)	(40)	(41)	(43)	(44)	(45)	(46)	(48)
Pass Throughs										
AB 1290 Statutory Tax Sharing Tier 1 (6)	(421)	(403)	(415)	(428)	(440)	(453)	(466)	(479)	(493)	(507)
AB 1290 Statutory Tax Sharing Tier 2 (6)	(161)	(145)	(156)	(166)	(176)	(187)	(198)	(209)	(221)	(232)
AB 1290 Statutory Tax Sharing Tier 3 (6)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Tax Revenues	1,485	1,430	1,467	1,505	1,543	1,582	1,622	1,663	1,705	1,747

- (1) Taxable values as reported by Solano County.
- (2) Real property consists of land and improvements. Increased for inflation at 0.454% in 2014-15 and at 2% annually thereafter. Values for 2014-15 are reduced by \$414,987 for 5 transfers of ownership after 1/1/2013 and decreased by \$10.0 million for projected value loss due to pending assessment appeals.
- (3) Personal property is held constant at 2013-14 level.
- (4) Projected Gross Tax Increment is based upon incremental values factored against the general levy tax rate of \$1.00 per \$100 of taxable value. Per ABx 1 26, all revenue derived from debt service override tax rates will be directed to the levying entities.
- (5) County Administration fee is estimated at 1.88% of Gross Revenue.
- (6) Pursuant to H & S Code Section 33607.5, taxing entities receive their shares of 25% of total tax increment revenue net of housing set aside (Tier 1). In addition, beginning in 2006-07 and using the Project Area assessed value for 2005-06 as an adjusted base year value, taxing entities receive 21% of tax revenue derived from the incremental increase in value above the adjusted base year value. Beginning in 2026-27 and using Project Area assessed values for 2025-26 as an adjusted base year value, taxing entities receive 14% of revenue derived from incremental value above this second adjusted base year value net of housing set aside (Tier 3).
The City of Fairfield is considered a taxing entity and has elected to receive its share of the Tier 1 pass through amount. The City may not receive any share of the Tier 2 or Tier 3 payment amounts.

Fairfield Successor Agency
North Texas Street Redevelopment Project
PROJECTION OF INCREMENTAL VALUE AND TAX INCREMENT REVENUE



(000s Omitted)

03/23/14

Table 2

		Taxable Value		Gross Tax Revenue	SB 2557 Charge	Statutory Tax Sharing			Tax Revenues
		Total Taxable Value	Over Base <u>121,328</u>			Tier 1	Tier 2	Tier 3	
1	2013-14	331,010	209,681	2,107	(40)	(421)	(161)	0	1,485
2	2014-15	321,977	200,649	2,017	(38)	(403)	(145)	0	1,430
3	2015-16	328,008	206,680	2,077	(39)	(415)	(156)	0	1,467
4	2016-17	334,160	212,832	2,138	(40)	(428)	(166)	0	1,505
5	2017-18	340,435	219,107	2,201	(41)	(440)	(176)	0	1,543
6	2018-19	346,835	225,507	2,265	(43)	(453)	(187)	0	1,582
7	2019-20	353,363	232,035	2,330	(44)	(466)	(198)	0	1,622
8	2020-21	360,022	238,694	2,397	(45)	(479)	(209)	0	1,663
9	2021-22	366,814	245,486	2,465	(46)	(493)	(221)	0	1,705
10	2022-23	373,742	252,413	2,534	(48)	(507)	(232)	0	1,747
11	2023-24	380,808	259,480	2,605	(49)	(521)	(244)	0	1,791
12	2024-25	388,016	266,687	2,677	(50)	(535)	(256)	0	1,835
13	2025-26	395,368	274,039	2,750	(52)	(550)	(269)	0	1,880
14	2026-27	402,866	281,538	2,825	(53)	(565)	(281)	(8)	1,917
15	2027-28	410,515	289,187	2,902	(55)	(580)	(294)	(17)	1,956
16	2028-29	418,317	296,989	2,980	(56)	(596)	(307)	(26)	1,995
17	2029-30	426,275	304,946	3,060	(58)	(612)	(321)	(35)	2,035
18	2030-31	434,392	313,063	3,141	(59)	(628)	(334)	(44)	2,075
19	2031-32	442,671	321,343	3,224	(61)	(645)	(348)	(53)	2,117
20	2032-33	451,116	329,788	3,308	(62)	(662)	(362)	(62)	2,159
21	2033-34	459,730	338,402	3,394	(64)	(679)	(377)	(72)	2,202
22	2034-35	468,516	347,188	3,482	(65)	(696)	(392)	(82)	2,247
23	2035-36	477,478	356,149	3,572	(67)	(714)	(407)	(92)	2,291
24	2036-37	486,619	365,291	3,663	(69)	(733)	(422)	(102)	2,337
25	2037-38	495,943	374,614	3,756	(71)	(751)	(438)	(113)	2,384
26	2038-39	505,453	384,125	3,851	(72)	(770)	(454)	(123)	2,432
27	2039-40	515,154	393,825	3,948	(74)	(790)	(470)	(134)	2,480
28	2040-41	525,048	403,720	4,047	(76)	(809)	(487)	(145)	2,530
29	2041-42	535,141	413,812	4,148	(78)	(830)	(504)	(157)	2,580
				85,866	(1,615)	(17,173)	(8,819)	(1,265)	56,994

**Fairfield Successor Agency
North Texas Street Redevelopment Project**



Table 3

03/23/14

	Base Year	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
<i>Secured (2)</i>											
Land	101,769,455	58,388,652	64,293,372	79,123,158	83,030,379	85,357,082	88,356,157	85,065,011	84,865,887	99,381,400	107,720,848
Impts	0	127,678,667	153,709,754	161,653,840	173,631,026	186,020,865	190,262,037	173,914,895	182,281,640	186,154,628	199,969,653
Pers Prop	0	3,374,635	3,922,488	3,117,606	3,485,967	4,062,913	3,038,748	3,194,693	5,053,330	5,286,269	6,208,062
Exemptions	0	<u>(5,018,448)</u>	<u>(7,349,205)</u>	<u>(10,204,998)</u>	<u>(11,241,227)</u>	<u>(11,384,010)</u>	<u>(11,837,124)</u>	<u>(11,997,299)</u>	<u>(8,142,285)</u>	<u>(8,424,571)</u>	<u>(10,283,067)</u>
Total Secured	<u>101,769,455</u>	<u>184,423,506</u>	<u>214,576,409</u>	<u>233,689,606</u>	<u>248,906,145</u>	<u>264,056,850</u>	<u>269,819,818</u>	<u>250,177,300</u>	<u>264,058,572</u>	<u>282,397,726</u>	<u>303,615,496</u>
<i>Unsecured</i>											
Land	0	144,219	147,103	0	0	0	0	0	0	0	0
Impts	0	7,108,570	6,840,091	11,388,275	7,767,622	10,075,131	9,936,659	9,088,291	9,321,112	13,408,514	13,176,905
Pers Prop	19,558,885	11,251,676	13,877,758	13,823,194	13,748,898	14,754,488	16,648,470	16,469,447	16,784,792	16,164,237	14,362,764
Exemptions	0	<u>(15,473)</u>	<u>(44,613)</u>	<u>(42,697)</u>	<u>(36,984)</u>	<u>(202,805)</u>	<u>(203,848)</u>	0	<u>(161,980)</u>	<u>(160,524)</u>	<u>(145,638)</u>
Total Unsecured	<u>19,558,885</u>	<u>18,488,992</u>	<u>20,820,339</u>	<u>25,168,772</u>	<u>21,479,536</u>	<u>24,626,814</u>	<u>26,381,281</u>	<u>25,557,738</u>	<u>25,943,924</u>	<u>29,412,227</u>	<u>27,394,031</u>
GRAND TOTAL	<u>121,328,340</u>	<u>202,912,498</u>	<u>235,396,748</u>	<u>258,858,378</u>	<u>270,385,681</u>	<u>288,683,664</u>	<u>296,201,099</u>	<u>275,735,038</u>	<u>290,002,496</u>	<u>311,809,953</u>	<u>331,009,527</u>
Incremental Value:		81,584,158	114,068,408	137,530,038	149,057,341	167,355,324	174,872,759	154,406,698	168,674,156	190,481,613	209,681,187
Annual Change:			39.82%	20.57%	8.38%	12.28%	4.49%	-11.70%	9.24%	12.93%	10.08%

(1) Source: County of Solano

(2) Secured values include state assessed non-unitary utility property.

Fairfield Successor Agency
North Texas Street Redevelopment Project

TOP TEN TAXABLE PROPERTY OWNERS FOR 2013-14

Table 4



03/23/14

	Secured			Unsecured			Total			Use Code
	Value	Parcels	% Secured Value	Value	Parcels	% Unsecured Value	Value	% Total Value	% Incr. Value	
1. N A Rolling Oaks - 88	\$53,154,223	1	17.51%	\$0	0	0.00%	\$53,154,223	16.06%	25.35%	Residential Apartments - 292 Units
2. Walmart Real Estate Business Trust	\$26,786,563	2	8.82%	\$0	0	0.00%	\$26,786,563	8.09%	12.77%	Walmart Department Store
3. Fairfield GARP	\$20,350,000	5	6.70%	\$0	0	0.00%	\$20,350,000	6.15%	9.71%	Commercial Shopping Center
4. Lowes HIW <small>Pending Appeals on Parcels</small>	\$20,032,654	1	6.60%	\$0	0	0.00%	\$20,032,654	6.05%	9.55%	Home Improvement Warehouse
5. B and L Properties II <small>Pending Appeals on Parcels</small>	\$15,011,087	4	4.94%	\$0	0	0.00%	\$15,011,087	4.53%	7.16%	Oakmont Plaza Shopping Center
6. Almanara Investments <small>Pending Appeals on Parcels</small>	\$8,006,035	3	2.64%	\$0	0	0.00%	\$8,006,035	2.42%	3.82%	Residential Apartments - 180 Units
7. Paul C. Norman	\$7,426,626	2	2.45%	\$0	0	0.00%	\$7,426,626	2.24%	3.54%	Residential Apartments - 86 Units
8. Sunrise Investors	\$5,212,191	7	1.72%	\$0	0	0.00%	\$5,212,191	1.57%	2.49%	Commercial Office Buildings
9. Gong Properties <small>Pending Appeals on Parcels</small>	\$4,628,234	2	1.52%	\$0	0	0.00%	\$4,628,234	1.40%	2.21%	Commecial Uses
10. Yick F. and Jean Lee Wong Trust	<u>\$4,050,257</u>	<u>1</u>	1.33%	<u>\$0</u>	<u>0</u>	0.00%	<u>\$4,050,257</u>	1.22%	1.93%	Mission Village Shopping Center
	\$164,657,870	28		\$0	0		\$164,657,870			
Total Project Area Value:	\$303,615,496		54.23%	\$27,394,031		0.00%	\$331,009,527	49.74%		
Project Area Incremental Value:	\$201,846,041		81.58%	\$7,835,146		0.00%	\$209,681,187	78.53%		

Fairfield Successor Agency
North Texas Street Redevelopment Project
 New Development Table
 Table 5



03/23/14

<u>REAL</u>	<u>SqFt/ Units</u>	<u>Value</u>	<u>Total Value</u>	<u>Less Existing (1)</u>	<u>000's omitted Total Value</u>		<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
					<u>Added</u>	<u>Start</u>				
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
	0	\$0.00	\$0	\$0	\$0		0	0	0	0
Transfers of Ownership after 1/1/2013	5 Lump Sum		\$2,348,000	\$2,762,987	(\$415)		0	(415)	0	0
Total Real Property			\$2,348,000	\$2,762,987	(\$415)		0	(415)	0	0

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