



C i t y o f S u i s u n C i t y **C a l i f o r n i a**

Financial Section

The Financial Section contains the:

1. Independent Auditor's Report
 2. Management's Discussion and Analysis
 3. Government-Wide Financial Statements
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December 20, 2004

To the City Council
City of Suisun City, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying basic financial statements of the government activities, each major fund and the aggregate remaining fund information of the City of Suisun City (the "City"), as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2004 and the respective changes in financial position thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Governmental Auditing Standards, we have also issued reports dated December 20, 2004 on our consideration of the City of Suisun City's internal control structure and on its compliance with laws and regulations and should be read in conjunction with this report in considering results of our audit.

Management's Discussion and Analysis and the PERS schedule of Funding Progress are not a required part of the basic financial statements but are supplemental information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information section listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in relation to the basic financial statements taken as a whole.

The introductory section and statistical section listed in the Table of Contents 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 on this information.

Odenberg, Ullakko, Muranishi & Co LLP

City of Suisun City
Management's Discussion and Analysis

This is management's discussion and analysis of the City of Suisun City's financial activities and performance for the fiscal year ended June 30, 2004. Please read this in conjunction with the transmittal letter, that can be found in the introductory section at the front of this report, and with the City's financial statements, which follow this discussion and analysis.

FINANCIAL HIGHLIGHTS

Government-Wide Financial Statements

- The Government-Wide Statement of Net Assets appearing as the first statement of the Basic Financial Statements and summarized in this Management Discussion and Analysis, show the City's assets to be \$134.6 million, liabilities of \$92.6 million and net assets of \$42 million.
- Net assets, as measured in the government-wide financial statements, increased \$2.8 million. This increase is primarily attributable to total revenue of \$31.4 million, expenditure of \$28.7 million and a prior period adjustment of \$0.1 million.
- The City's long-term debt increased by \$4,030,966. The increase was primarily due to the issuance of \$43 million in 2003-B Tax Allocation Refunding Bonds used to refund \$42.635 million of outstanding 1993 Tax Allocation Bonds and the issuance of \$6.39 million in 2003-A Tax Allocation Bonds issued to fund future projects, after payment of the issuance cost. The recording of the accreted interest of \$407,164 in the 1998 Capital Appreciation Bond is also part of the increase. The City also approved the sale and refunding of Certificates of Participation (City of Suisun City-Civic Center Project) for the purpose of lowering the interest from 6.44 % to 4.4%, a savings of about a quarter million in interest. Please refer to Note 7, page 49 for details.
- The Government-wide statement of activities and changes in net assets is summarized on page 20. This statement shows an increase in net assets of \$2,711,150 for the fiscal year ended June 30, 2004, as compared to an increase of \$ 255,838 for the fiscal year ended June 30, 2003.

Government Funds Financial Statements

- As of the close of fiscal year 2004, the City's governmental funds reported a combined ending fund balance of \$30.6 million, an increase of \$8.8 million for the year ending June 30, 2004. The detailed components of Revenues and Expenditures can be found in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balances on page 28. The increase consists mainly of the 2003-Series A bond proceeds of \$5.5 million that is designated to Redevelopment Projects; \$1.3 million increase in the Housing Set-Aside and \$1 million increase in the Redevelopment Debt Service Fund due to property tax collection.
- The core operations of the City are accounted for in the General Fund, and the General Fund balance is a key measure of the financial health of the City. As of June 30, 2004, the General Fund, fund balance was \$2,346,560, a net increase of \$29,855 over the balance at June 30, 2003. As of June 30, 2004, the unreserved fund balance for the

City of Suisun City
Management's Discussion and Analysis

General Fund was \$2,343,785 of which \$1,680,828 was designated for stabilization fund and for compensated absences.

- The \$6.4 million fund balance in Redevelopment Agency Debt Service Funds includes \$4.5 million in reserves with the trustee for the Tax Allocation Bonds.
- The \$6.6 million fund balance in 1998/2003 Tax Allocation bonds is designated for redevelopment projects.
- The \$6.7 million fund balance in Redevelopment Housing Set Aside Special Revenue being held for low and moderate-income housing projects Redevelopment Agency.
- The \$8.2 million fund balance from Non-Major Funds consist mainly of \$5.9 million in Special Revenue Funds, \$1.8 million in Capital Projects Funds and \$0.5 million in other Debt Service Funds to which details can be found on page 79.

City's Highlights

- **WALTERS ROAD WIDENING.** The project provides a new full phase traffic signal at the Walters Road/Peterson Road intersection and extending median and landscaping along Walters Road near Pintail Drive to Bella Vista Drive. The existing signal at Bella Vista Drive was modified and reconstructed to accommodate the revised geometric alignment and the realigned Walters Road. Estimated project cost is \$6.8 million and is funded by Federal Grants and Developer contribution.
- **JEPSON PARKWAY IMPROVEMENTS.** This project mainly consists of constructing and installing, along Walters Road, an 8-foot wide concrete bike/sidewalk path from State Route 12 to Peterson Ranch, and pavement striping for a Class II Bike Lane and a 10-foot wide concrete bike/sidewalk path from Peterson Road to Bella Vista Drive. The project also entailed construction of a left turn pocket at the intersection of Walters Road and Peterson Road; irrigation and landscaping; sculptural art works and an entrance sign on the median island along Walters Road from Highway 12 to Peterson Road; and signage, pavement markings, median landscaping, benches and drinking fountains. Estimated project cost is \$650,000 and is funded by Federal and State Grants.
- **MASTER PLAN FOR THE LAWLER RANCH PARK SITE.** The City has completed the Master Plan for the 10-acre Lawler Ranch Park Site. City staff and public stakeholders were included in the review of the design, constraints of available maintenance funds, and concepts for the park. Construction documents (improvement plans, cost estimates and specifications) are anticipated to be completed within the first quarter of 2005 calendar year, and the construction of the park will begin in the summer of 2005 and will be completed in the fall of 2005.
- **CENTRAL COUNTY BIKEWAY GAP CLOSURE.** The City has secured more than \$1.1 million dollars in grant funding for the Central County Bikeway Gap Closure. This project will provide a segregated, 10-foot wide paved multi-use recreational bike and pedestrian trail along the north side of State Route 12 from Marina Boulevard to the Amtrak Train Station/City modal terminal. This bike and pedestrian trail segment is an extension of the existing Central County Bikeway, and it is to fill the final gap in the Central County Bikeway.

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- **DOWNTOWN BLIGHT REMOVAL.** The Redevelopment Agency is now looking at abandoned and dangerous building structures in downtown Suisun. The Agency will help improve these buildings to increase the volume of business in downtown Suisun.
- **LIGHTHOUSE CONSTRUCTION.** The Suisun City Advisory Council on May 19, 2004, recommended that the Redevelopment Agency commence work immediately on the proposed lighthouse element of the Main Street West plan. The proposed lighthouse would serve as an important and dramatic icon for the downtown and waterfront area. The current working cost estimate for construction of the lighthouse is \$514,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's financial statements consist of three components: 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 themselves.

Government-wide Financial Statements

The government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. They provide information about the activities of the City as a whole and present a longer-term view of the City's finances.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Changes in Net Assets presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses may be reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues related to uncollected taxes and interest expense incurred but not paid.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds of governmental entities can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the

City of Suisun City
Management's Discussion and Analysis

government-wide financial statements, governmental fund financial statements focus on (1) short-term inflows and outflows of spendable resources and (2) the remaining year-end balances available for spending. This information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to assist the reader with this comparison between governmental funds and governmental activities.

The City maintains 116 individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the following funds that are considered to be major funds.

Governmental Funds
Revenues, Expenditures and Other Changes in Fund Balances
For the Fiscal Year Ended June 30, 2004

	General Fund	Other Major Funds	Other Governmental Funds	Total Governmental Funds
Revenues	\$ 6,685,888	\$ 18,210,127	\$ 6,399,334	\$ 31,295,349
Current expenditures	6,723,353	7,724,465	3,463,305	17,911,123
Capital outlay	8,165	3,457,479	415,902	3,881,546
Debt service	-	49,057,267	4,172,821	53,230,088
	<u>6,731,518</u>	<u>60,239,211</u>	<u>8,052,028</u>	<u>75,022,757</u>
Net transfers including bond proceeds	75,485	49,420,467	3,011,215	52,507,167
Net change in fund balances	29,855	7,391,383	1,358,521	8,779,759
Fund balances, beginning of year	2,316,705	12,682,581	6,839,075	21,838,361
Fund balances, end of year	<u><u>\$ 2,346,560</u></u>	<u><u>\$ 20,073,964</u></u>	<u><u>\$ 8,197,596</u></u>	<u><u>\$ 30,618,120</u></u>

The focus of the City's government funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Please refer to page 3 for more detail discussion.

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Proprietary funds

Proprietary funds generally account for services for which customer fees are intended to finance the costs of operations. The City has no proprietary funds.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because those resources are not available to support the City's own programs. Accordingly, only assets and liabilities are reported for these funds. The major fiduciary fund maintained by the City is the Suisun-Solano Water Agency Fund. The net assets of this fund totaled \$12,151,134 as of June 30, 2004. Please refer to page 34 for details.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information other than this discussion and analysis concerning the City's budgetary comparison schedules and PERS schedule of funding progress.

Other supplementary Information

Budgetary comparison schedule of all non-major funds.

Statistical Section

Presentations of financial information and non-financial information , and statistical tables for the last ten years are included in this section, as an aid to understanding and evaluating the overall operation and status of the City.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Assets

Net assets are a measure of a government's financial position and, over time, a trend of increasing or decreasing net assets is an indicator of the financial health of the organization. The City of Suisun's net assets, exceeded liabilities by \$41,972,791. A schedule of net assets is presented in the following table.

City of Suisun City
Management's Discussion and Analysis

Net Assets
June 30, 2004 and 2003

	Governmental Activities		Total Percentage Change
	2004	2003	
Current and other assets	\$36,742,940	27,690,748	33%
Capital Assets	97,876,764	99,630,949	-2%
Total Assets	134,619,704	127,321,697	6%
Current liabilities	6,864,766	6,370,657	8%
Noncurrent liabilities	85,782,147	81,751,181	5%
Total Liabilities	92,646,913	88,121,838	5%
Net assets:			
Invested in capital assets, net of related debt	23,583,975	25,051,103	-6%
Restricted	5,007,205	6,215,569	-19%
Unrestricted	13,381,611	7,933,187	69%
Total net assets	\$41,972,791	\$39,199,859	7%

Net assets invested in capital assets (e.g., land, buildings, equipment and infrastructure) of \$23,583,975 represent the net book value of these assets less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Resources needed to repay the outstanding debt must be provided from other sources other than the related assets, because the capital assets themselves cannot be used to repay these debts.

Restricted net assets of \$5,007,205 represent resources that are subject to external restrictions on how they may be used. The \$13.3 million unrestricted net assets consist mainly of \$6.5 million for redevelopment projects, \$4.7 million for redevelopment housing set-aside and \$2.1 for all other funds to be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Analysis of Changes in Net Assets

The City's net assets increased by \$2.8 million during the current fiscal year. This growth in the City's net assets is principally from the governmental activities. Information about changes in net assets is presented in the summary table below:

City of Suisun City
Management's Discussion and Analysis

Activities and Changes in Net Assets
For the Fiscal Years Ended June 30, 2004 and 2003

	Governmental Activities		Total Percentage Change
	2004	2003	
Revenues:			
Program revenues:			
Charges for services	\$ 4,588,968	\$ 2,873,123	59.72%
Operating grants & contributions	327,813	1,126,389	-70.90%
Capital grants & contributions	3,857,913	3,936,721	-2.00%
General revenues:			
Property Taxes	12,206,723	10,946,689	11.51%
Sales Tax	869,220	872,810	-0.41%
Intergovernmental	4,802,090	4,015,725	19.58%
Special assessments	931,278	814,135	14.39%
Investment earnings	610,872	584,675	4.48%
Reimbursements	1,202,276	1,302,941	-7.73%
Miscellaneous	2,031,135	2,458,554	-17.38%
Total revenues	31,428,288	28,931,762	8.63%
Program expenses:			
General government	930,961	1,007,046	-7.56%
Public safety	4,325,490	4,349,512	-0.55%
Public works	1,859,194	1,620,099	14.76%
Highways and streets	640,412	524,651	22.06%
Culture & recreation	1,321,671	1,568,088	-15.71%
Community development	7,093,672	8,601,001	-17.53%
Tax-increment pass-thru	2,905,665	2,476,268	17.34%
Interest expense	5,773,905	4,761,158	21.27%
Depreciation-infrastructure	3,617,719	3,624,882	-0.20%
Other	254,554	312,633	-18.58%
Total program expenses	28,723,243	28,845,338	-0.42%
Increase/(decrease) in net assets before transfers	2,705,045	86,424	3029.97%
Transfers	6,105	169,414	-96.40%
Change in net assets	2,711,150	255,838	959.71%
Net assets - beginning of year	39,199,859	38,944,021	0.66%
Prior period adjustment	61,782	-	-
Net assets - end of the year	\$ 41,972,791	\$ 39,199,859	7.07%

Change in net assets increased by \$2,455,312 was due to the following factors:

- Increase of revenue by \$2,496,526 primarily due to increase in charges for services (building permits), property tax and a significant decrease in operating grants and contributions.

City of Suisun City
Management's Discussion and Analysis

- Increase of expenditure including transfers by \$41,214 was a net increase of all program expenditures as illustrated above.

Note: Certain reclassification of expenditure have been made in capital grants and contribution and in intergovernmental revenue for fiscal year 2002-2003 to conform with fiscal year 2003-2004 presentation. The change did not affect the net assets as of June 30, 2003.

ANALYSIS OF MAJOR GOVERNMENTAL FUNDS

General Fund

General fund revenues of \$6.6 million, a decrease of \$0.2 million from previous fiscal year resulting from \$423,769 decrease in intergovernmental revenue and an increase of about \$200,000 in other revenue sources. General fund expenditures of \$6.7 million, an increase of \$22,695 from previous fiscal year. The minimal increase was a result of tight spending of all the departments.

Net transfers in were \$75,485 and consisted primarily of \$284,503 transfers in from Unemployment Reserve, Worker's Comp Reserve, Traffic towing & Building Safety Fees and transfers out of \$209,019 consisting primarily of Public Safety and Recreation.

The General Fund balance at fiscal year-end was \$2.3 million consisting of restricted \$2,775, designated \$1,680,828 and \$662,957 that were undesignated.

Local Transportation Fund

The Local Transportation Fund accounts for federal, state and local funds used for streets, pedestrian and bikeway improvements. Revenues including transfer in were \$3.5 million and expenditures of \$3.4 million were made for infrastructure.

Housing Authority Choice Vouchers

The Housing Authority Choice Voucher Fund accounts for the Section 8 Rental Assistance Voucher Program, which is a federally funded program providing rental assistance to low-income households residing in privately owned housing. Total revenue is \$3.2 million and expenditures is \$3.1million.Fund balance as of June 30, 2004 consist of \$37,468 designated for office equipment and \$209,682 undesignated .

RDA-Housing Set-Aside – Special Revenue Fund

This fund is used to account for the 20% tax increment revenue set-aside monies required by law to be used only for low and moderate-income housing. Expenditures of \$658,698 included \$90,138 for projects, \$175,571 for administration cost and \$392,989 of operation cost at Almond Garden apartment complex.

1998/2003 Tax Allocation Bonds – Capital Projects Fund

This fund is used to account for the bond proceeds used for capital projects. Expenditures of \$658,698 consist mainly of \$592,000 for Delta Cove, \$13,475 for Driftwood Drive, \$9,000 for Community Center, \$4,732 for Hotel Site, \$17,602 for Theater Plaza and \$21,889 in other

City of Suisun City
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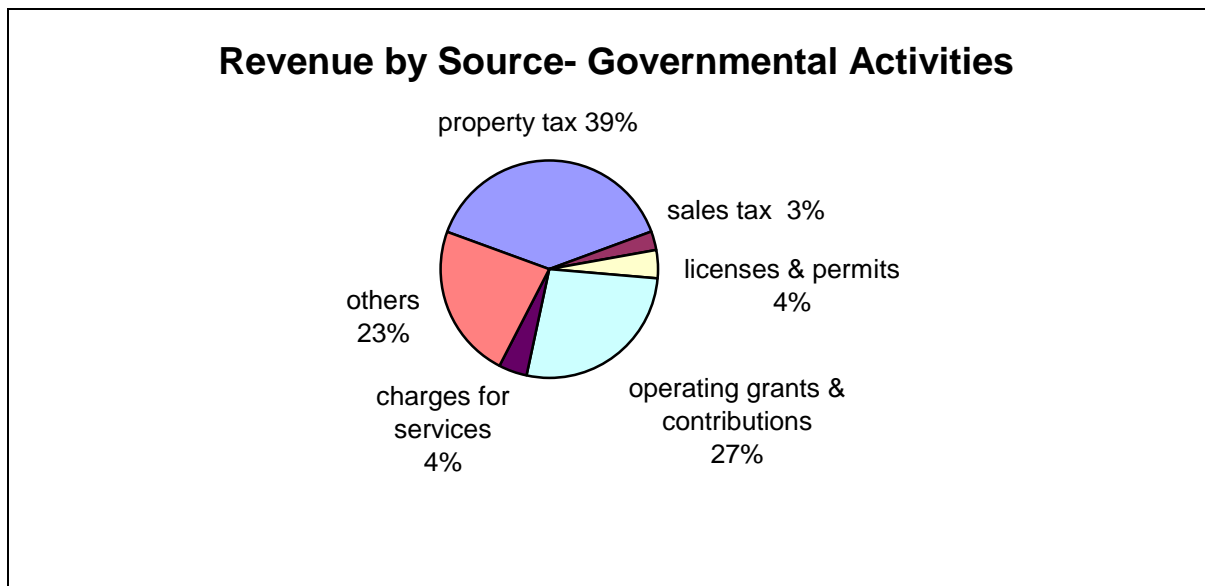
projects. Fund balance as of June 30, 2004 available for redevelopment projects is \$6,542,555.

RDA Bonds Debt Service Fund

This is the principal debt service fund of the redevelopment agency, and is used to account primarily for the payment of debt service on long-term debt obligations. For this fiscal year, the Redevelopment Agency refunded the 1993 Tax Allocation Bonds, proceeds was solely used to redeem the 1993 Bond. The Redevelopment Agency also issued \$6,390,000 tax allocation bonds to finance redevelopment projects. The bonds are secured by a pledge of all incremental tax revenues to be received by the Agency and funds held by the trustee. As of June 30, 2004, fund balance of \$6,428,422 consist of \$4,530,838 cash reserves with trustee and \$1,897,584 undesignated fund.

Analysis of All Governmental Funds

The following schedule presents a summary of general, special revenue, debt service and capital projects fund revenues for the fiscal year ended June 30, 2004 and the amount and percentage of increases and decreases in relation to prior year revenues.



While about 39 percent of total revenues are derived from property taxes, 89 percent of these property taxes revenue goes to the Redevelopment Agency.

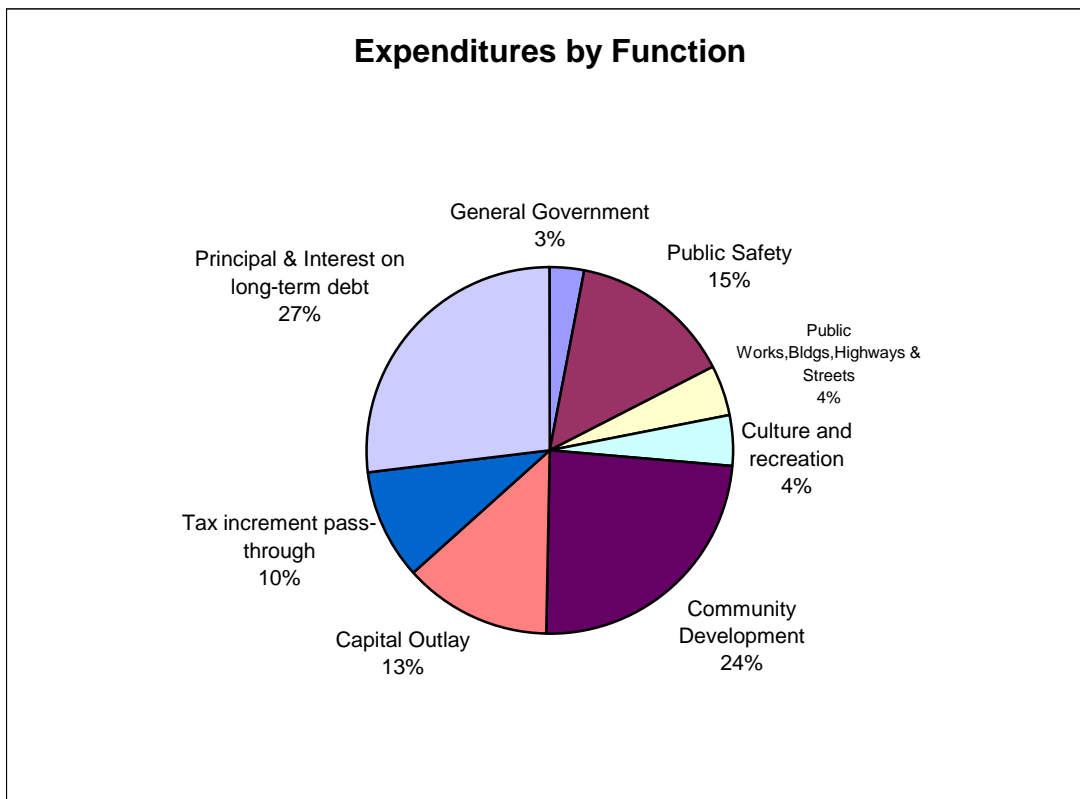
About 27 percent of the City's general governmental revenues are realized from other governmental agencies and in 2004 included:

State of California Motor Vehicle-in-lieu allocations	\$ 1,192,917
State of California Gas Tax	519,335
Federal HUD Section 8 Housing Assistance Program	2,573,684
Federal & State Public Safety Grants	293,042
TDA-Pass through Transportation Commission	3,003,989
Metropolitan Transportation Commission	326,232
All Other Intergovernmental Allocations	<u>574,066</u>
Total	<u>\$ 8,483,265</u>

City of Suisun City
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Revenues	2004	2003	% of Increase (Decrease)
Property Taxes	12,206,723	10,946,689	11.5%
Sales Tax	869,220	872,810	-0.4%
License & Permits	1,229,456	1,009,731	21.8%
Fines & Forfeitures	130,013	116,658	11.4%
Investment Earnings	610,872	584,675	4.5%
Intergovernmental	8,483,265	8,416,554	0.8%
Charges for Services	1,312,337	908,578	44.4%
Special Assessments	931,278	814,135	14.4%
Developer Fees	2,421,713	1,500,437	61.4%
Reimbursements	1,202,276	1,302,941	-7.7%
Miscellaneous	1,898,196	2,438,596	-22.2%
Total	31,295,349	28,911,804	8.2%

The following schedule presents a summary of expenditures for the fiscal year ended June 30, 2004 and the amount of percentage of increases and decreases in relation to prior year expenditures.



City of Suisun City
Management's Discussion and Analysis

Expenditures	2004	2003	% of Increase Decrease
General Government	930,961	1,067,647	-13%
Public Safety	4,325,490	4,186,959	3%
Public Works	438,698	454,647	-4%
Highways & Streets	640,412	605,848	6%
Building Services	254,554	236,737	8%
Culture & Recreation	1,321,671	1,302,991	1%
Community Development	7,093,672	7,749,925	-8%
Capital Outlay	3,881,546	4,449,870	-13%
Tax Increment Pass-through	2,905,665	2,476,268	17%
Principal on Long Term Debt	2,296,183	2,041,124	12%
Interest on Long Term Debt	5,773,905	4,761,158	21%
Sub-total	29,862,757	29,333,174	2%
Bond Principal Pay-off	45,160,000	-	
Total Expenditures	75,022,757	29,333,174	

Overall, governmental spending increased \$529,583 or about 2 percent compared to prior year. The increase are attributed to various factors such as personnel cost, supplies and streets repair charges. The bond principal pay-off is the result of the refunding.

General Fund Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance Final Budget
Beginning fund balances, July 1, 2003	2,316,705	2,316,705	2,316,705	-
Resources:				
Revenues	6,475,200	6,475,200	6,685,888	210,688
Transfer in	323,730	323,730	284,504	(39,226)
Total Resources	6,798,930	6,798,930	6,970,392	171,462
Appropriations:				
Expenditures	7,072,320	7,072,320	6,731,518	340,802
Transfer out	191,010	191,010	209,019	(18,009)
Total Appropriations	7,263,330	7,263,330	6,940,537	322,793
Resources over (under) appropriations	(464,400)	(464,400)	29,855	494,255
Ending fund balances, June 30, 2004	1,852,305	1,852,305	2,346,560	494,255

Budget Modifications

There was no need for budget modification in general fund.

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Management's Discussion and Analysis

Transfers

Transfers to the general Fund are generally made to match restricted revenue with related cost that have been recorded in the General Fund and vice versa.

Operating Variances

The City experienced positive results for the year in a comparison of actual revenue and expenditures to the final budget. The budget projected a net decrease in fund balance of \$464,400, but the actual results were a net increase of \$29,855, a positive variance of \$494,255.

The revenues were over budget by \$210,688. The transfer in had a negative variance of \$39,226 because of a reduction in the transfer in from the Building Safety Fund, which was merged with the General Fund in June 2004.

Departmental expenditures came in under budget by \$340,802. Transfers out were \$18,009 greater than budget, mostly attributable to higher than anticipated transfers to the special revenue funds. Most departments came in under budget, however Public Safety exceeded the budget by \$79,399, as they had difficulty staying within the 10% proposed budget cut.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's net capital assets for its governmental funds as of June 30, 2004 amount to \$97.8 million, net of accumulated depreciation of \$75.7 million. This investment in capital assets includes land and improvements, buildings and improvements, machinery and equipment, construction in progress, current year infrastructure additions and prior year infrastructure outlays for the City's Pavement Sub-System.

Additional information on the City's capital assets can be found in Note 6, page 47, of the accompanying basic financial statements.

Debt Administration

At the end of the current fiscal year, the City had \$87.3 million in debt outstanding compared to \$82.9 million last year, a 5% increase. The increase is primarily due to the issuance of \$6.3 million Tax Allocation Bonds for redevelopment projects minus the principal payments of all the other debt.

At June 30, 2004, the City had total long-term debts and obligations as summarized below.

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Tax Allocation Bonds	\$64,964,563	74%
Redevelopment Loans	10,422,993	12%
Redevelopments Notes	1,347,814	2%
General Obligation Bonds	3,295,000	4%
Certificates of Participation	2,490,000	3%
Capital Leases	2,384,303	3%
North Bay Aqueduct Agreement	<u>2,405,760</u>	3%
Sub-total	87,310,433	100%
Compensated Absences	468,032	
Victorian Harbor Limited Obligation	<u>570,000</u>	
Total Outstanding Debt	<u><u>88,348,465</u></u>	

The City has met all required debt service payments and is maintaining required reserve funds with bond trustees. The \$64.9 million in tax allocation bonds and \$11.7 million in redevelopment loans and notes are repayable from tax increment revenues received by the City's Redevelopment Agency. The \$3.2 million in general obligation bonds are repayable from a voter-approved property tax, and the remaining \$7.5 million City of Suisun City obligations are repayable from special assessments, lease revenues and general fund revenues.

Effective July 17, 2003, the Agency issued the Suisun City Redevelopment Project 2003 Series A Taxable Tax Allocation Bonds in the amount of \$6,390,000 (the "2003 Series A Bonds") and the Suisun City Redevelopment Project 2003 Series B Refunding Tax Allocation Bonds in the amount of \$43,000,000 (the "2003 Series B Bonds"). The bonds will provide funds for redevelopment projects and funds sufficient to refund all of the Agency's outstanding 1993 Tax Allocation Refunding Bonds and pay for the costs of issuance of the 2003 Series A and Series B Bonds. Payments, commencing in fiscal 2004, are due serially through fiscal 2024, at rates ranging from 2.0% to 5.37%.

Additional information on the City's long-term debt obligations can be found in Note 7, page 49, of the accompanying basic financial statements.

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

The City, while financially stable, has a number of issues to address in the future. These are dependent, in large part, upon how the economy fares over the next few years. Among the issues are:

- Significantly higher retirement costs for current and past employees, especially public safety employees.
- Reduced revenues from State as the State attempts to resolve a massive budget deficit.
- Significantly increased workers compensation claims.

As of June 30, 2004, the City has two funds with a deficit fund balance. The first fund is the Victorian Harbor Maintenance Assessment District and is intended to be a self-supporting entity, however the district was established before Proposition 218 without an inflation escalator. Some of the zones within the district have been balloted for increases, but the

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commercial zone where most of the costs are incurred has not. The City plans to ballot for an increase to cover this deficit fund balance.

The second is the YMCA Construction Fund. This fund was set up to remodel and expand an existing City building in order to lease it to YMCA and provide recreational programs. Currently, the YMCA is paying a lease amount sufficient to cover the debt service on the facility. Once the principal is paid off, the building will be leased and the negative fund balance will be covered.

The Fiscal year 2004-2005 Budget includes a number of changes designed to meet the on-going fiscal challenges from economic conditions .A hiring freeze has been placed on most General Fund positions, the Sheriff's office has been contracted with to handle graveyard patrol, positions have been transferred to other funds and each department identified costs savings or revenue increase to lower their department's support from the General Fund. The City will continue to look for opportunities to reduce costs and/or increase revenues to address these fiscal challenges.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, creditors and government regulators with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Below is the contact address for questions about this report or requests for additional financial information.

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