## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The government-wide financial statements provide long-term and short-term information about the City's overall financial condition. This analysis addresses the financial statements of the City as a whole.

## City of Woodland Summary of Net Assets As of June 30, 2010 and 2009 (in millions)

|  | Gover          | nmental Activities    | Business      | -Type Activities              | Total Prin       | Total %<br>Change                 |                |
|--|----------------|-----------------------|---------------|-------------------------------|------------------|-----------------------------------|----------------|
|  | <u>201</u>     | <u>2009</u>           | <u>2010</u>   | <u>2009</u>                   | <u>2010</u>      | <u>2009</u>                       |                |
| Current & other assets                             | \$ 61.         | 0 \$ 66.5             | \$ 25.1       | \$ 17.2                       | \$ 86.1          | \$ 83.7                           | 2.8%           |
| Capital assets                                     | <u>266.</u>    | <u>263.9</u>          | <u>121.6</u>  | <u>118.1</u>                  | <u>387.7</u>     | <u>382.0</u>                      | 1.5%           |
| Total assets                                       | <u>327.</u>    | <u>330.4</u>          | <u>146.7</u>  | <u>135.3</u>                  | <u>473.8</u>     | <u>465.7</u>                      | 1.7%           |
|  |                |                       |               |                               |                  |                                   |                |
| Other liabilities                                  | 8.             | 3 6.7                 | 1.2           | 1.3                           | 9.5              | 8.0                               | 18.7%          |
| Long-term Liabilities                              | <u>112.</u>    | <u>4</u> <u>113.5</u> | 34.2          | 22.4                          | <u>146.6</u>     | <u>135.9</u>                      | 7.8%           |
| Total liabilities                                  | <u>120.</u>    | <u>120.2</u>          | 35.4          | _23.7                         | <u>156.1</u>     | <u>143.9</u>                      | 8.5%           |
| Net Assets:  |                |                       |               |                               |                  |                                   |                |
| Invested in capital assets,<br>net of related debt | 175            | .1 167.7              | 78.4          | 103.1                         | 253.5            | 270.8                             | -6.4%          |
| Restricted   | 28             | 7 26.9                |               | der has                       | 28.7             | 26.9                              | 6.7%           |
| Unrestricted<br>Total net assets                   | \$ <u>206.</u> |                       | 32.9<br>111.3 | <u>8.5</u><br>\$ <u>111.6</u> | 35.5<br>\$ 317.7 | \$ <u>24.1</u><br>\$ <u>321.8</u> | 47.3%<br>-1.3% |

#### ANALYSIS OF NET ASSETS

Net assets represent the difference between the City's resources and its obligations. Over time, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$317.7 million at the close of the fiscal year 2010.

The largest portion of the City's net assets reflects its \$253.5 million (79.8 percent) investment in capital assets (e.g. land, buildings and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

Another portion of the City's net assets, \$28.7 million (9.0 percent) represents resources that are subject to external restrictions on how they may be used. This represents an increase of \$1.8 million or 6.7 percent from the prior year, due primarily to use of unexpended bond proceeds from FY2008/09. The remaining balance of \$35.5 million represents unrestricted net assets.

Net assets of business-type activities decreased \$0.3 million; the City can generally only use these net assets to finance the continuing operations of the business-type activities.

## **CHANGES IN NET ASSETS**

The City's overall net assets decreased by \$4.1 million, from \$321.8 million in FY 2008/09 to \$317.7 million in FY 2009/10, which consisted of a \$3.8 million decrease in governmental activities and a \$0.3 million decrease in business-type activities.

Major reasons for these changes are noted in the government and business-type activities discussion below.

# City of Woodland Changes in Net Assets For the Years Ended June 30, 2010 and 2009 (in thousands)

|                                     | Governmental Activities |           | Busine<br>Activ |           | Total P<br>Gover | Total %   |           |
|-------------------------------------|-------------------------|-----------|-----------------|-----------|------------------|-----------|-----------|
|                                     | 2010                    | 2009      | 2010            | 2009      | 2010             | 2009      | Change    |
| Revenues                            |                         |           |                 |           |                  |           |           |
| Program revenues:                   |                         |           |                 |           |                  |           |           |
| Charges for services                | \$ 8,742                | \$ 23,249 | \$ 19,508       | \$ 18,222 | \$ 28,250        | \$ 41,471 | -31.88%   |
| Operating grants and contributions  | 6,788                   | 5,609     | 209             | 59        | 6,997            | 5,668     | 23.45%    |
| Capital grants and contributions    | 6,362                   | 1,435     | -               | -         | 6,362            | 1,435     | 343.34%   |
| General revenues:                   |                         |           |                 |           |                  |           |           |
| Property taxes                      | 11,034                  | 11,416    | -               | -         | 11,034           | 11,416    | -4.35%    |
| Sales and use tax                   | 8,553                   | 9,211     | -               | -         | 8,553            | 9,211     | -7.14%    |
| Other taxes (including Measure E)   | 4,531                   | 4,613     | -               | -         | 4,531            | 4,613     | -1.78%    |
| Franchise fees                      | 1,642                   | 1,607     | -               | -         | 1,642            | 1,607     | 2.18%     |
| Motor vehicle in-lieu               | 4,248                   | 4,365     | -               | -         | 4,248            | 4,365     | -2.68%    |
| Investment earnings                 | 531                     | 1,170     | 224             | 753       | 755              | 1,923     | -60.63%   |
| Gain on sale of capital assets      | 919                     |           |                 |           | 919              | -         | 100.00%   |
| Total revenues                      | 53,350                  | 62,675    | 19,941          | 19,034    | 73,291           | 81,709    | -10.30%   |
| Expenditures                        |                         |           |                 |           |                  |           |           |
| Governmental activities:            |                         |           |                 |           |                  |           |           |
| General government                  | 2,099                   | 1,910     | -               | -         | 2,099            | 1,910     | 9.89%     |
| Finance                             | 905                     | 1,131     | -               | -         | 905              | 1,131     | -19.98%   |
| Community development               | 5,316                   | 7,073     | -               | -         | 5,316            | 7,073     | -24.84%   |
| Parks and recreation                | 4,371                   | 4,961     | -               | -         | 4,371            | 4,961     | -11.89%   |
| Police                              | 15,467                  | 15,756    | -               | -         | 15,467           | 15,756    | -1.83%    |
| Fire                                | 9,576                   | 9,306     | -               | -         | 9,576            | 9,306     | 2.90%     |
| Library                             | 1,420                   | 1,701     | -               | -         | 1,420            | 1,701     | -16.52%   |
| Public works                        | 15,842                  | 13,271    | -               | -         | 15,842           | 13,271    | 19.37%    |
| Interest on long-term debt          | 3,817                   | 3,926     | _               | -         | 3,817            | 3,926     | -2.77%    |
| Business-type activities:           |                         |           |                 |           |                  |           |           |
| Water                               | -                       | -         | 7,249           | 6,699     | 7,249            | 6,699     | 8.21%     |
| Sewer                               | -                       | <b>+</b>  | 8,715           | 9,021     | 8,715            | 9,021     | -3.39%    |
| Storm drain                         | -                       | -         | 1,063           | 923       | 1,063            | 923       | 15.17%    |
| Wastewater pretreatment             | -                       | -         | 408             | 308       | 408              | 308       | 32.47%    |
| Recycling                           | -                       | -         | 337             | 301       | 337              | 301       | 11.96%    |
| Construction and demolition program | -                       | -         | 70              | 68        | 70               | 68        | 2.94%     |
| Fire training center                | -                       | -         | 435             | 347       | 435              | 347       | 25.36%    |
| Cemetery                            | -                       | _         | 307             | 387       | 307              | 387       | -20.67%   |
| Dubach Park                         | -                       | -         | 1               | 2         | 1                | 2         | - 100.00% |
| Youth program                       | -                       | _         | 5               | 10        | 5                | 10        | -50.00%   |
| Total Expenses                      | 58,813                  | 59,035    | 18,590          | 18,066    | 77,403           | 77,101    | 0.39%     |
| Excess before transfers             | (5,463)                 | 3,640     | 1,351           | 968       | (4,112)          | 4,608     | -189.23%  |
| Transfers                           | 1,595                   | 631       | (1,595)         | (631)     |                  | -         | _         |
| Changes in net assets               | \$ (3,868)              | \$ 4,271  | \$ (244)        | \$ 337    | \$ (4,112)       | \$ 4,608  | -189,23%  |

# REVENUE

The City's total revenue was \$73.3 million for the year ended June 30, 2010, a decrease of \$8.4 million or 10.3 percent from 2009. Revenue from governmental activities totaled \$53.4 million and revenue from business-type activities totaled \$19.9 million.

Charges for services and operating and capital grants provided 56.8 percent of the total revenue received during 2010, while taxes (property, sales and other) provided 32.9 percent of total revenue.

Decrease in total revenue is due primarily to a \$13.2 million decrease in charges for services, a \$1.0 million decrease in property and sales taxes and a \$1.2 million reduction in investment earnings. These decreases were partially offset by a \$4.9 million increase in capital grants and contributions and a \$0.9 million increase in gain on sale of capital assets. The decrease in charges for services stems primarily from a reduction in collection of the City's development impact fees due to a slow housing market, offset partially by an approved increase in the water utility user fee of 20 percent in January 2010. The decrease in investment earnings is a result of two factors: the interest rate earned on pooled City investments was lower in FY2009/10 than the previous year, and unexpended bond proceeds earning investment income in FY2008/09 were expended on capital projects in FY2009/10. The decrease in tax revenues results from the recessionary economy and its effect on spending habits of consumers, and the weak real estate market puts downward pressure on property values and the related tax revenues. The increase in capital grants and contributions is a result of receipt of grant funding from the American Recovery and Reinvestment Act for installation of water meters in residential areas in the City and various transportation related projects. The increase in gain on sale of capital assets is from a one-time receipt of \$0.8 million for sale of storm detention ponds and land for well sites.

## **EXPENSES**

Expenses of the City for the year totaled \$77.4 million, an increase of \$0.3 million or 0.39 percent from 2009. These relatively stagnant numbers reflect the City's efforts to contain costs through mandatory furloughs, early retirement programs and control of discretionary expenditures. These savings are offset by increases in benefit costs, utility costs and other non-controllable costs such as animal control and public safety dispatch services provided by other agencies. Governmental activities expenses totaled \$58.8 million, or 76.0 percent of total expenses. Business-type activities incurred \$18.6 million, or 24.0 percent of total expenses during the year.

#### **GOVERNMENTAL ACTIVITIES**

The following table shows the cost of each of the City's major functions and the net cost of those functions. Net cost is the total cost less fees and other direct revenue generated by the activities. The net cost reflects the financial burden that was placed on the City's taxpayers by each of the functions.

# City of Woodland Net Cost of Governmental Activities As of June 30, 2010 and 2009 (in millions)

|                            | Total Cost of | f Services  | Percent<br>Change | Net Cost (Be<br>Service | Percent<br>Change |         |
|----------------------------|---------------|-------------|-------------------|-------------------------|-------------------|---------|
|                            | <u>2010</u>   | <u>2009</u> |                   | <u>2010</u>             | <u>2009</u>       |         |
| General government         | \$ 2.10       | \$ 1.90     | 10.5%             | \$ 1.18                 | \$ 0.02           | 5800.0% |
| Finance                    | 0.90          | - 1.13      | -20.3%            | 0.81                    | 0.90              | -10.0%  |
| Community development      | 5.32          | 7.07        | -24.7%            | 1.41                    | (2.84)            | -149.6% |
| Parks and recreation       | 4.37          | 4.96        | -11.9%            | 2.35                    | 1.76              | 33.5%   |
| Police                     | 15.47         | 15.76       | -1.8%             | 14.75                   | 14.43             | 2.2%    |
| Fire                       | 9.57          | 9.31        | 2.8%              | 8.75                    | 8.14              | 7.5%    |
| Library                    | 1.42          | 1.70        | -16.5%            | 1.19                    | 1.34              | -11.2%  |
| Public works               | 15.84         | 13.27       | 19.3%             | 2.66                    | 1.07              | 148.6%  |
| Interest on long term debt | 3.82          | 3.93        | -2.8%             | 3.82                    | 3.93              | -2.8%   |
| Total                      | \$ 58.81      | \$ 59.03    |                   | \$ 36.92                | \$ 28.75          |         |

The cost for all governmental activities this year was \$58.81 million. The City's taxpayers paid for approximately 41 percent of these costs; \$24.1 million (including property, sales and other taxes). Fees, including developer fees, grants and contributions funded the balance of the costs of governmental activities.

Total cost of services decreased by \$0.22 million in FY2009/10 through reductions in most departments due to cost saving efforts including staff furloughs and early retirement programs; savings from these efforts were partially offset by increasing benefit costs and some new expenditures related to new operating grants received during the fiscal year.

All departments show a net cost to the City for FY2009/10. The net cost of General Government increased primarily as a result transfers of staff from other departments to the work in general government. The net benefit of Community Development in FY2008/09 became a net cost in FY2009/10 primarily as a result of reduced revenue collections, including housing related grants and fees related to new development. The net cost of Parks and Recreation and Public Works increased in FY2009/10 due primarily to a decrease in collection of charges for services revenues, including a significant decrease in development impact fees. Increased benefits and overtime costs resulted in an increase in both total cost of services and net cost for the Fire department.

#### **BUSINESS-TYPE ACTIVITIES**

Revenue for the City's business-type activities, excluding transfers, increased by \$0.9 million, from \$19.0 million in FY2008/09 to \$19.9 million in 2010. This increase is due primarily to an approved increase of 20% in water utility rates, which was effective January 1, 2010. Charges for services totaled \$19.5 million or 98 percent of total business-type activity revenues. Business-type activities expenses increased by \$0.52 million, from \$18.07 million in FY2008/2009 to \$18.59 million in FY2009/10. The increase in expenses is attributable to increased benefit costs for existing employees, addition of new staff, and allocation of the unfunded FY2009/10 liability for other postemployment benefits. The costs of capital improvements are reported as capital assets in the statement of net assets, rather than as expenses in the statement of activities.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

# **Governmental Funds**

The focus of the City's governmental 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 balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$23.2 million, a decrease of \$8.47 million from the end of the prior year.

Several of the governmental funds had significant net changes in fund balance, which include the following:

- The fund balance of the Spring Lake Capital Projects fund decreased by \$3.5 million in FY2009/10 due to capital expenditures for construction of a new neighborhood park, greenbelts and some road work.
- The fund balance of the Special Sales Tax District fund increased by \$2.4 million in FY2009/10 due to transfer of revenues generated by a ½ cent sales tax in the City that was not entirely used during the fiscal year for construction of capital projects.
- The Woodland Redevelopment Agency City Fund (nonmajor capital projects fund) recorded a net decrease in fund balance of \$2.2 million due in large part to purchase of \$1.2 million in land for a regional courthouse relocation project as well as a seizure of \$687 thousand in property tax increment by the State of California to help solve their budgetary imbalance.
- The City Capital Projects Fund (nonmajor capital projects fund) recorded a net decrease in fund balance of \$1.5 million due to capital expenditures related to the purchase of a new financial and land management system for the City, road rehabilitation projects, and preliminary work for construction of a new freeway onramp.

- The Park Reserve Fund (nonmajor capital projects fund) recorded a net decrease in fund balance of \$1.4 million due to declining revenues that did not cover the total cost of transfers to a debt service fund to cover the fund's share of annual debt service payments.
- The Storm Drain Development Fund (nonmajor capital projects fund) recorded a net decrease in fund balance of \$1.0 million due to a one time purchase of land for storm detention ponds.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$4.2 million, while total fund balance was \$4.33 million, a decrease of \$0.97 million from the prior year. This was due primarily to a shortfall in tax revenues of \$0.48 million, a shortfall in licenses and permits revenues of \$0.46 million.

As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. For FY 2009/10, the unreserved fund balance of \$4.2 million represents 12.3 percent of total General Fund expenditures of \$34.1 million, and the total fund balance represents approximately 12.7 percent of that amount. For FY 2008/09, the General Fund's unreserved fund balance of \$5.15 million was approximately 13.9 percent of the total expenditures of \$37.1 million, and the total fund balance of \$5.3 million represented approximately 14.3 percent of expenditures.

## **Proprietary Funds**

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of FY 2009/10, the unrestricted net assets for the Water and Sewer funds were \$5.83 million and \$34.9 million, respectively. Total net assets for the Water Fund increased by \$0.15 million and net assets for the Sewer Fund increased by \$0.46 million in FY2009/10. The increase in net assets for the Water Fund is due primarily to an approved rate increase of 20%, which was effective on January 1, 2010; these increased revenues were partially offset by an increase in personnel costs for salaries, benefits and other postemployment benefits. The increase in net assets for the Sewer Fund is due primarily to an inflationary increase in the utility rates effective July 1, 2009; expenses remained relatively flat.

Five proprietary funds had deficits in unrestricted net assets: Storm Drain Fund had a deficit of \$9.2 million, Dubach Park Fund had a deficit of \$595 thousand, the Construction and Demolition Program Fund had a deficit of \$19 thousand, the Fire Training Center Fund had a deficit of \$8 thousand, and the Cemetery Fund had a deficit of \$194 thousand. The internal service funds that are used to account for certain governmental activities had unrestricted net assets of \$2.3 million.

The total decrease in net assets for the enterprise funds was \$0.24 million. Factors concerning the finances of these funds have been addressed previously in the discussion of the City's business-type activities. As in the previous years, the Storm Drain Fund's decrease in net assets is related to a continuing operating deficit. The City proposed a voter approved rate increase in FY2007/08 to address this on-going deficiency, which did not pass. Operations have been reduced to the minimum legal level and the City will attempt another rate increase measure and is exploring potential other options for providing these services. Due to weather-related and topographic factors and the recent opening of the new Community Sports Park, Dubach Park operations were ceased. The Woodland Cemetery has been undergoing a revitalization effort that will increase capacity and should allow the operations of the facility to be self-supporting.

The following table shows actual revenues, expenses and results of operations (excluding capital contributions and expenses) for the current fiscal year in the City's proprietary funds (in millions):

## City of Woodland Proprietary Fund Operations For the Year Ended June 30, 2010

|                                     |           |           | Operating |             |                  |               |
|-------------------------------------|-----------|-----------|-----------|-------------|------------------|---------------|
|                                     | Operating | Operating | Income    | NonOper     | 9                |               |
|                                     | Revenues  | Expenses  | (Loss)    | Revenues (I | Expense) Transfe | rs Net Assets |
| Water                               | \$ 7.35   | \$ 6.49   | \$ 0.86   | \$ (0.57    | (0.14)           | \$ 0.15       |
| Sewer                               | 10.86     | 7.99      | 2.87      | (0.55       | (1.85)           | 0.47          |
| Storm Drain                         | 0.20      | 1.01      | (0.81)    | (0.05       | 0.24             | (0.62)        |
| Wastewater Pretreatment             | 0.41      | 0.41      | 0.00      | 0.01        | <b>.</b>         | 0.01          |
| Recycling                           | 0.18      | 0.34      | (0.16)    | 0.03        | -                | (0.13)        |
| Construction and Demolition Program | 0.01      | 0.07      | (0.06)    | -           | -                | (0.06)        |
| Fire Training Center                | 0.41      | 0.44      | (0.03)    | 0.03        | -                | -             |
| Cemetery                            | 0.09      | 0.31      | (0.22)    | -           | 0.16             | (0.06)        |
| Dubach Park                         | -         | -         | -         | -           | -                | -             |
| Youth Program                       | -         | -         | -         | -           | -                | -             |
| Total:                              | \$ 19.51  | \$ 17.06  | \$ 2.45   | \$ (1.10    | ) \$ (1.59)      | \$ (0.24)     |

## General Fund Budgetary Highlights

The City's final budgeted appropriations decreased by \$1.9 million from the preliminary budget. This decrease was in response to revenue projections indicating the revenues from property and sales taxes, as well as fees from new development would have unfavorable budgetary variances. Cost cutting measures included transfer of personnel to non-General Fund funds and reductions in department services and supplies.

During the year, actual revenues were \$0.76 million less than budgeted estimates. This variance primarily consisted of a negative variance of \$0.48 million for taxes, resulting from a continued weak housing market and general recessionary economy throughout the fiscal year; license and permit revenues had a negative variance of \$0.46 million due to less development related activity than originally projected; the City's investment earnings were greater than budget due to better than anticipated return on various investments, and receipt of some grant funds resulted in a favorable variance in intergovernmental revenues.

General Fund expenditures and nonreciprocal transfers out came in very close to budget, with some overruns in the personnel category due to overtime in the Fire department, buy back of unused vacation leave in the Police and Fire departments and leave payouts for employees that accepted an early retirement program. These were offset by budgetary savings in discretionary supplies and services in most departments.

The net effect of less than estimated revenues and expenditures that remained on target resulted in a budgetary deficit of \$1.8 million at the end of the fiscal year.

In creating its budget for the year ending June 30, 2011, the City used an estimated budgetary fund balance of \$4.7 million.

#### CAPITAL ASSET & DEBT ADMINISTRATION

## Capital Assets

As of June 30, 2010, the City had invested \$388 million in a broad range of capital assets, including police and fire equipment, buildings, parks and park improvements, roads and water, sewer and storm drainage transmission and distribution systems. This represents a net increase for the current fiscal year of \$5.7 million, or 2 percent.

# City of Woodland Capital Assets As of June 30, 2010 and 2009 (net of depreciation, in millions)

|                                      | Governmental Activities |    | <br>Business-Type Activities |             |    | <br>Total   |             |    |             |
|--------------------------------------|-------------------------|----|------------------------------|-------------|----|-------------|-------------|----|-------------|
|                                      | <u>2010</u>             |    | 2009                         | <u>2010</u> |    | <u>2009</u> | <u>2010</u> |    | <u>2009</u> |
| Capital Assets Not Being Depreciated |                         |    |                              |             |    |             |             |    |             |
| Land                                 | \$<br>16.5              | \$ | 15.4                         | \$<br>3.8   | \$ | 3.7         | \$<br>20.3  | \$ | 19.1        |
| Intangible assets                    | 1.1                     |    | 1.1                          | -           |    | -           | 1.1         |    | 1.1         |
| Construction in progress             | 14.0                    |    | 12.6                         | 11.5        |    | 7.1         | 25.5        |    | 19.7        |
| Depreciable Capital Assets:          |                         |    |                              |             |    |             |             |    |             |
| Ponds                                | -                       |    | -                            | 0.3         |    | 0.4         | 0.3         |    | 0.4         |
| Buildings                            | 66.4                    |    | 67.5                         | 0.1         |    | 0.1         | 66.5        |    | 67.6        |
| Improvements                         | 16.4                    |    | 15.9                         | 24.1        |    | 24.8        | 40.5        |    | 40.7        |
| Machinery and equipment              | 7.1                     |    | 8.2                          | 1.9         |    | 1.5         | 9.0         |    | 9.7         |
| Intangible assets                    | 0.8                     |    | 0.5                          | 0.1         |    | 0.1         | 0.9         |    | 0.6         |
| Sewer treatment plant                | -                       |    |                              | 8.1         |    | 8.4         | 8.1         |    | 8.4         |
| Infrastructure                       | 143.8                   |    | 142.7                        | 71.7        |    | 72.0        | 215.5       |    | 214.7       |
| Total                                | \$<br>266.1             | \$ | 263.9                        | \$<br>121.6 | \$ | 118.1       | \$<br>387.7 | \$ | 382.0       |

This year's major capital asset additions included:

- Completion of first Spring Lake neighborhood park, Jack Slaven Park, added \$2.47 million to infrastructure.
- Completion of two road rehabilitation projects added \$2.9 million to infrastructure.
- Continued installation of water meters in residential customers throughout the City added \$5.0 million to construction in progress.
- Continued construction of an elevated water tank that will improve water pressure throughout the City and replace a tower that was seismically unsafe added \$2.6 million to construction in progress.
- Purchase of properties to assist the State of California Administrative Offices of Courts in a regional courthouse relocation project added \$1.2 million to land.

More detailed information about the City's capital assets is presented in Note 8 of the Notes to the Basic Financial Statements.

## **Long-term Debt**

At June 30, 2010 and 2009, the City had \$138.8 million and \$131.2 million, respectively, in long-term debt outstanding. Outstanding debt of governmental activities decreased approximately \$3.6 million as a result of principal payments on existing debt during the fiscal year. Outstanding debt of business-type activities increased approximately \$11.2 million as a result of issuance of \$12.1 million in new Wastewater Revenue bonds, offset by principal payments on existing debt during the fiscal year.

# City of Woodland Outstanding Debt As of June 30, 2010 and 2009 (in millions)

|                                    | Governmental Activities |             | Business-T  | ype Activities | Total       |             |  |
|------------------------------------|-------------------------|-------------|-------------|----------------|-------------|-------------|--|
|                                    | <u>2010</u>             | <u>2009</u> | <u>2010</u> | <u>2009</u>    | <u>2010</u> | <u>2009</u> |  |
| Revenue and other bonds            | \$ 54.6                 | \$ 56.6     | \$ 31.2     | \$ 19.3        | \$ 85.8     | \$ 75.9     |  |
| Tax allocation bonds, net          | 8.3                     | 8.4         |             | -              | 8.3         | 8.4         |  |
| Certificates of participation, net | -                       | -           | 1.6         | 2.3            | 1.6         | 2.3         |  |
| Loans payable                      | 6.0                     | 6.2         | -           | -              | 6.0         | 6.2         |  |
| Developer fee obligations          | 34.2                    | 34.9        | -           | -              | 34.2        | 34.9        |  |
| Capital lease obligations          | 2.9                     | 3.5         | -           |                | 2.9         | 3.5         |  |
| Total                              | \$ 106.0                | \$ 109.6    | \$ 32.8     | \$ 21.6        | \$ 138.8    | \$ 131.2    |  |

More detailed information about the City's total long-term liabilities is presented in Note 9 of the Notes to the Financial Statements.

The City continues to maintain excellent credit ratings on all of its debt issues. The following are the ratings at June 30, 2010 as determined by Moody's Investors Service and Standard & Poor's. These ratings have not changed subsequent to year-end.

|  | Moody's | <u>S &amp; P</u>       |
|--|---------|------------------------|
| Insured Issues:  | •       |                        |
| <ul> <li>2002 Lease Revenue Bonds</li> </ul>                 | A3      | AAA                    |
| <ul> <li>2003 Gibson Ranch CFD</li> </ul>                    |         | AAA                    |
| <ul> <li>2004 Gibson Ranch Refunding Bonds</li> </ul>        |         | AAA                    |
| <ul> <li>2005 Capital Project Lease Revenue Bonds</li> </ul> | A3      |                        |
| <ul> <li>2005 Wastewater Revenue Bonds</li> </ul>            | A3      |                        |
| <ul> <li>2007 Lease Revenue Bonds</li> </ul>                 | A3      |                        |
| <ul> <li>2007 Tax Allocation Bonds</li> </ul>                | Aa3     |                        |
| Uninsured Issues:  |         |                        |
| <ul> <li>2008 Water Revenue Bonds</li> </ul>                 |         | AA-                    |
| <ul> <li>2009 Wastewater Revenue Bonds</li> </ul>            |         | $\mathbf{A}\mathbf{A}$ |

The City's bonded debt per capita is a useful indicator to citizens and investors of the City's debt position. As of June 30, 2010 the City had no bonded debt per capita. Bonded debt does not include special assessment debt or mortgage insured bonds for which the City is not obligated.

## **ECONOMIC FACTORS & NEXT YEAR'S BUDGET**

#### **Economic Factors**

In light of the current downturn in the housing market, the City continues to face significant fiscal challenges. These include:

- The challenge of maintaining service levels in the context of continued growth in population and dwindling resources. Decreases in general revenues stemming from property and sales taxes in combination with continuing increases in personnel, benefit and utility costs present significant challenges for funding a balance of City services. Uncertainty surrounding receipt of money due from the State for operations of critical programs has also become a concern.
- The City's Storm Drain system continues to deteriorate, and it will require repairs and replacements in older areas of the City in the near future. The Storm Drain Fund currently has a deficit in unrestricted net assets of \$9.2 million, with total net assets of \$10.0 million. Development fees pay for new construction only; maintenance impacts stemming from past and future new construction will continue to burden this fund. Storm drain rate increases must be voter approved and an attempt to increase the fee failed in August 2007. Council continues to have discussion regarding a future fee increase, but the operations have been reduced to the minimum legal level, and any operations in excess of current revenues have become a General Fund obligation.

Economic factors that may favorably affect the City in the longer term include:

- Construction of the Gateway project, anchored by Costco and Target, has helped generate new sales tax revenues and will ultimately aid area employment. Other retail stores include a Best Buy and Michael's store, which has helped generate new sales tax revenues. Additional stores are planned in the future and planning efforts are underway to determine the feasibility of expanding to a second phase of this project.
- Various Redevelopment projects, including a major regional State courthouse project relocation, potential construction of a multiplex movie theater, and other various façade improvements are hoped to revitalize the downtown area and draw additional business and visitors into the area.
- The Woodland Park Specific plan covers approximately 900 acres in the northeast industrial area of the City. Eventually the Plan will encourage diverse employment; it will include land for corporate campus, research and development, as well as current manufacturing and warehousing industries. It should set the stage for job growth for many years to come. Changes to the Federal Emergency Management Agency (FEMA) flood maps throughout the City will aid to make development of some of this area more realistic in the near term.

## Next Year's Budget

The General Fund budget for 2011 appropriates \$36.3 million, a decrease of 5 percent from the prior year. General Fund revenue for 2011 is projected to be \$36.1 million, which is \$0.9 million less than the revenue budget for 2010.

#### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances, and to demonstrate the City's accountability for the money it receives. If you have questions about this report, need additional financial information, or would like to obtain component unit financial statements, contact the City of Woodland Department of Finance, 300 First Street, Woodland, California, 95695 or visit the City's web page at <a href="https://www.cityofwoodland.org">www.cityofwoodland.org</a>.