NEW ISSUE—FULL BOOK-ENTRY

RATINGS
Standard & Poor's:
"AA-" (Insured)
"A-" (Underlying)
(See "RATINGS" herein)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

$24,060,000
BRENTWOOD INFRASTRUCTURE FINANCING AUTHORITY
Capital Improvement Revenue Refunding Bonds,
Series 2012
(Contra Costa County, California)

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

Purpose of Financing The $24,060,000 Capital Improvement Revenue Refunding Bonds, Series 2012 (the "Bonds") are being issued by the Brentwood Infrastructure Financing Authority (the "Issuer" or the "Authority") to provide funds to refund the Prior Bonds (as defined herein), pay the costs of the Policy (as defined below), pay the costs of a municipal bond debt service reserve insurance policy issued by the Insurer (as defined below), and pay the costs of issuance of the Bonds.

Special Obligations The Bonds are special, limited obligations of the Issuer, payable from and secured solely by the Trust Estate (as defined herein) which includes the Revenues (as defined herein). The Revenues consist primarily of payments received by the Issuer from the City pursuant to an Amended and Restated Facilities Lease (the "Facilities Lease") and from the Redevelopment Agency of the City of Brentwood (the "Agency") on a series of previously issued tax allocation bonds (the "Agency Local Obligations" and, together with the Facilities Lease, the "Local Obligations"). Payments under the Local Obligations are calculated to be sufficient to provide the Issuer with money to pay the principal of, premium, if any, and interest on the Bonds when due.

Purchase of Bonds The Bonds are being issued 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 in the denomination of $5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Ultimate purchasers of Bonds will not receive physical bonds representing their interest in the Bonds. Interest on the Bonds will be payable on May 1 and November 1 of each year, commencing May 1, 2012. See APPENDIX G — "BOOK-ENTRY ONLY SYSTEM."

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

Base Rental Payments The Base Rental Payments due under the Facilities Lease are payable from the general fund of the City. The City covenants to take such action as may be necessary to include all Base Rental Payments in each of its annual budgets during the term of the Facilities Lease and to make the necessary annual appropriations for all such Base Rental Payments. The City's obligation to make Base Rental Payments from its general fund is subject to abatement in the event of damage or destruction of the Facilities (as defined herein) or a taking of the Facilities (either in whole or in part, temporarily, or permanently) as further described herein. See "SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR" and "SECURITY FOR THE BASE RENTAL PAYMENTS AND SOURCES OF PAYMENT THEREFOR" herein.

Agency Payments The Agency Local Obligations are tax allocation bonds which are special obligations of the Agency secured by the Agency's pledge of Tax Increment Revenues (as defined herein) from the Agency's Merged Project Area (described herein). See "SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR" and "SECURITY FOR THE AGENCY LOCAL OBLIGATIONS AND SOURCES OF PAYMENT THEREFOR" herein.

Risks of Investment For a discussion of some of the risks associated with the purchase of the Bonds, see "RISK FACTORS" herein.

Bond Insurance The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy (the "Policy") to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP ("AGM" or the "Insurer"). See "BOND INSURANCE" and APPENDIX H – "FORM OF MUNICIPAL BOND INSURANCE POLICY."

ASSURED GUARANTY
MUNICIPAL

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE FROM AND SECURED SOLELY BY THE TRUST ESTATE IN ACCORDANCE WITH THE TERMS OF THE TRUST AGREEMENT. THE BONDS ARE NOT A CHARGE AGAINST THE GENERAL CREDIT OF THE ISSUER, THE CITY OR THE AGENCY AND UNDER NO CIRCUMSTANCES WILL THE ISSUER BE OBLIGATED TO PAY PRINCIPAL OF OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE BONDS EXCEPT FROM THE TRUST ESTATE. NEITHER THE STATE NOR ANY PUBLIC AGENCY (OTHER THAN THE ISSUER) NOR THE CITY OR AGENCY IS OBLIGATED TO PAY THE PRINCIPAL OF OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE BONDS, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE ISSUER, THE CITY, THE AGENCY, THE STATE OF CALIFORNIA OR ANY PUBLIC AGENCY THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE BONDS. NEITHER THE BONDS NOR THE LOCAL OBLIGATIONS CONSTITUTE A DEBT OF THE ISSUER, THE CITY OR THE AGENCY WITHIN THE MEANING OF ANY STATUTORY OR CONSTITUTIONAL DEBT LIMITATION.

This cover page contains certain information for general reference only. It is not a summary of the Bonds. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered when and if issued and accepted by the Underwriter subject to the approval, as to their legality, of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Underwriter by Jones Hall, A Professional Law Corporation. Certain legal matters will be passed upon for the Authority, the City and the Agency by the City Attorney. It is expected that the Bonds will be available for delivery in book-entry form on or about February 14, 2012.

RBC | RBC Capital Markets®

Dated: January 11, 2012

MATURITY SCHEDULE

Due (November 1)	Amount	Interest Rate	Priced to Yield	CUSIP No.*
2012	$ 855,000	2.000%	0.970%	10727UBG8
2013	865,000	2.000	1.320	10727UBH6
2014	885,000	3.000	1.740	10727UBJ2
2015	920,000	2.000	2.100	10727UBK9
2016	925,000	4.000	2.390	10727UBL7
2017	965,000	5.000	2.670	10727UBM5
2018	1,020,000	5.250	2.850	10727UBN3
2019	1,070,000	5.250	3.050	10727UBP8
2020	1,130,000	5.250	3.300	10727UBQ6
2021	1,185,000	5.250	3.530	10727UBR4
2022	1,250,000	5.000	3.720†	10727UBS2

$5,660,000 5.000% Term Bonds due November 1, 2026, Priced to Yield†: 4.290% CUSIP No.* 10727UBT0
$7,330,000 4.750% Term Bonds due November 1, 2031, Priced to Yield: 4.800% CUSIP No.* 10727UBU7

† Priced to call November 1, 2021.

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BRENTWOOD INFRASTRUCTURE FINANCING AUTHORITY

CITY OF BRENTWOOD

City Council and Authority Officers

Robert Taylor, Mayor/Chairperson of the Authority
Steve Barr, Vice Mayor/Vice-Chairperson of the Authority
Robert A. Brockman, Councilmember/Boardmember
Joel R. Bryant, Councilmember/Boardmember
Erick Stonebarger, Councilmember/Boardmember

City Staff

Paul Eldredge, City Manager
Damien Brower, City Attorney
Pamela Ehler, Director of Finance and Information Systems
Kerry Breen CPA, Assistant Director of Finance
Brian Kelleher, Accountant II

Special Services

Bond Counsel
Orrick, Herrington & Sutcliffe LLP

Trustee
U.S. Bank National Association
San Francisco, California

Financial Advisor
Del Rio Advisors, LLC
Modesto, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the Authority, City or Agency, in any press release and in any oral statement made with the approval of an authorized officer of the Authority, City or Agency, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements." Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the Authority, City or Agency since the date hereof.

Limit of Offering. No dealer, broker, salesperson or other person has been authorized by the Authority or the Underwriter to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

Involvement of Underwriter. RBC Capital Markets, LLC (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 a part of, their 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. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or Agency since the date hereof. All summaries of the Trust Agreement, the Facilities Lease (as such terms are defined herein) or other documents referred to in this Official Statement, 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.

Stabilization of Prices. In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

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

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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OFFICIAL STATEMENT

$24,060,000
BRENTWOOD INFRASTRUCTURE FINANCING AUTHORITY
Capital Improvement Revenue Refunding Bonds,
Series 2012
(Contra Costa County, California)

INTRODUCTION

This introduction is not a summary of this Official Statement, and is qualified by the more complete and detailed information contained in the entire Official Statement and the documents described or summarized herein. The sale of Bonds to potential investors is made only by means of the entire Official Statement.

General. This Official Statement, including the cover page and the appendices hereto, is provided to furnish information regarding the issuance by the Brentwood Infrastructure Financing Authority (the "Issuer" or the "Authority") of its $24,060,000 aggregate principal amount of Capital Improvement Revenue Refunding Bonds, Series 2012 (the "Bonds").

Purposes of the Bonds. The Bonds are being issued to provide funds to (a) refund the outstanding principal amount of the Authority's Capital Improvement Revenue Bonds, Series 2001 (the "Prior Bonds"), (b) pay the costs of the Policy (as defined herein), (c) pay the costs of a municipal bond debt service reserve insurance policy issued by the Insurer (as defined herein), and (d) pay the costs of issuance of the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "PLAN OF REFUNDING."

The Local Obligations. The Bonds are payable from and secured solely by the Trust Estate (as defined herein) which includes the Revenues (as defined herein). The Revenues consist primarily of (a) Base Rental Payments (the "Base Rental Payments") required to be made by the City under an Amended and Restated Facilities Lease, dated as of February 1, 2012 (the "Facilities Lease"), by and between the City and the Authority pursuant to which the City will lease certain real property and improvements thereon (the "Demised Premises") from the Authority, and (b) payments on the $17,155,000 outstanding principal amount of the Redevelopment Agency of the City of Brentwood Merged Project Area Tax Allocation Bonds, Series 2001 (the "Agency Local Obligations" and, together with the Facilities Lease, the "Local Obligations") originally issued on October 10, 2001 by the Redevelopment Agency of the City of Brentwood (the "Agency") pursuant to an Indenture of Trust, dated as of October 1, 2001 (the "Agency Indenture") by and between the Agency and U.S. Bank National Association, as trustee (the "Agency Trustee"). The facilities lease amended and restated by the Facilities Lease and the Agency Local Obligations were originally acquired by the Issuer in connection with its issuance of the Prior Bonds. Payments under the Local Obligations are calculated to be sufficient to provide the Issuer with money to pay the principal of, premium, if any, and interest on the Bonds when due.

Authority for Issuance. The Bonds are issued pursuant to the terms of an Amended and Restated Trust Agreement, dated as of February 1, 2012 (the "Trust Agreement") by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee") and a Resolution adopted by the Authority on October 11, 2011.

Security for the Bonds. The Bonds are special, limited obligations of the Issuer, payable solely from and secured by the Trust Estate (as defined herein) which includes the Revenues (as defined herein) consisting primarily of payments received by the Issuer on the Local Obligations. The Bonds shall not constitute a charge against the general credit of the Issuer or any of its members, and under no circumstances shall the Issuer be obligated to pay principal of or redemption premiums, if any, or interest on the Bonds except from the Trust Estate. Neither the State nor any public agency (other than the Issuer) nor any member of the Issuer is obligated to pay the principal of or redemption premiums, if any, or interest on the Bonds, and neither the faith and credit nor the taxing power of the State or any public agency thereof or any member of the Issuer is pledged to the payment of the principal of or redemption premiums, if any, or interest on the Bonds. The payment of the principal of or redemption premiums, if any, or interest on, the Bonds does not constitute a debt, liability or obligation of the State or any public agency (other than the Issuer) or any member of the Issuer.

Security for the Local Obligations.

<u>Facilities Lease</u>. The Base Rental Payments due under the Facilities Lease are payable from the general fund of the City. The City covenants to take such action as may be necessary to include all Base Rental Payments in each of its annual budgets during the term of the Facilities Lease and to make the necessary annual appropriations for all such Base Rental Payments. The City's obligation to make Base Rental Payments from its general fund is subject to abatement in the event of damage or destruction of the Facilities (as defined herein) or a taking of the Facilities (either in whole or in part, temporarily, or permanently) as further described herein. See "SECURITY FOR THE BASE RENTAL PAYMENTS AND SOURCES OF PAYMENT THEREFOR – The Facilities Lease – Abatement" and "RISK FACTORS – Abatement." A reserve fund has been established under the Trust Agreement which is available in the event of non-payment of Base Rental Payments. In lieu of a cash deposit to such reserve fund, concurrently with the issuance of the Bonds, the Insurer (as defined herein) will issue a Municipal Bond Debt Service Reserve Insurance Policy (the "Facilities Lease Reserve Fund Insurance Policy") in satisfaction of the Facilities Lease Reserve Requirement (as defined herein). See "SECURITY FOR THE BASE RENTAL PAYMENTS AND SOURCES OF PAYMENT THEREFOR – Reserve Fund," "BOND INSURANCE" and APPENDIX I – "FORM OF MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY."

<u>Agency Local Obligations</u>. The Agency Local Obligations are special obligations of the Agency payable from and secured by Tax Increment Revenues (as defined herein) from the Agency's Merged Project Area (as further described herein). A reserve fund has been established for the Agency Local Obligations under the Agency Indenture. See "SECURITY FOR THE AGENCY LOCAL OBLIGATIONS AND SOURCES OF PAYMENT THEREFOR," "THE MERGED PROJECT AREA" and "PROJECT AREA REVENUES."

Significant changes to the Redevelopment Law (as defined herein) that could affect payments on the Agency Local Obligations or the timing of such payments were signed by the Governor of the State on June 29, 2011. See "RISK FACTORS – Recent Redevelopment Law Changes."

Bond Insurance. Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as Appendix H to this Official Statement.

Limited Scope of Official Statement. There follows in this Official Statement descriptions of the Issuer, the Bonds, the Trust Agreement, the Agency Indenture, the Merged Project Area, the Local Obligations and certain other documents. The descriptions and summaries of documents herein do not purport to be comprehensive or definitive, and reference is made to each such document for the complete details of its respective terms and conditions. All statements herein with respect to such documents are qualified in their entirety by reference to each such document for the complete details of its respective terms and conditions. All statements herein with respect to certain rights and remedies are qualified by reference to laws and principles of equity relating to or affecting creditors' rights generally. Terms not defined herein shall have the meanings set forth in the Trust Agreement, the Agency Indenture or the Facilities Lease.

The information and expressions of opinion herein speak only as of the date of this Official Statement and are subject to change without notice. Neither delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer, the City or the Agency since the date hereof.

All financial and other information presented in this Official Statement has been provided by the City and the Agency from their records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial or other affairs of the City, the Agency or the Issuer. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

THE BONDS

Authority For Issuance

The Bonds are special obligations of the Issuer payable from and secured by payments made under the Local Obligations of the Agency and the City, as described herein. The Bonds are being issued pursuant to the provisions of the Trust Agreement and a Resolution adopted by the Authority on October 11, 2011.

Amount and Issuance of the Bonds

The Bonds are being issued in the aggregate principal amount set forth on the cover of this Official Statement. The Bonds will be dated their date of delivery. The Bonds are being issued 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 in the denomination of $5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. The Bonds shall be initially registered in the name of "Cede & Co." as nominee of DTC, and shall bear interest from the date of delivery thereof.

While the Bonds are subject to the book-entry system, the principal of and interest and any prepayment premium on a Bond will be paid by the Trustee to DTC or its nominee, Cede & Co., which in turn is obligated to remit such payment to DTC Participants for subsequent disbursement to Beneficial Owners of the Bonds. Ultimate purchasers of Bonds will not receive physical bonds representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners shall mean Cede & Co., and shall not mean the ultimate purchasers of the Bonds. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants, as more fully described herein. See APPENDIX G – "BOOK-ENTRY ONLY SYSTEM" herein.

The principal of and redemption premium, if any, and interest on the Bonds are payable in lawful money of the United States of America. Payment of the interest on any Bond will be made to the Person whose name appears on the Bond Register as the Owner thereof as of the close of business on the Record Date, such interest to be paid by check mailed by first class mail on the Interest Payment Date to the Owner at the address which appears on the Bond Register as of the Record Date for that purpose; except that in the case of an Owner of $1,000,000 or more in aggregate principal amount of Bonds, upon written request of such Owner to the Trustee, in form satisfactory to the Trustee, received not later than the Record Date, such interest shall be paid on the Interest Payment Date in immediately available funds by wire transfer to an account in the United States. The principal of and redemption premiums, if any, on the Bonds shall be payable at the Principal Corporate Trust Office of the Trustee, upon presentation and surrender of such Bonds. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months and payable at the rates set forth on the inside cover page of this Official Statement on May 1 and November 1 of each year, commencing May 1, 2012 (each, an "Interest Payment Date"). Principal of the Bonds will be payable in the amounts and on the maturity dates set forth on the inside cover page of this Official Statement (subject to the right of prior redemption).

For a discussion of the accounts and funds established under the Trust Agreement and related to the Bonds, see APPENDIX A – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS." For a schedule of the estimated sources and uses of funds related to the issuance of the Bonds, see "ESTIMATED SOURCES AND USES OF FUNDS."

Redemption

Extraordinary Redemption from Prepayments of Local Obligations. The Bonds are subject to mandatory redemption in part, on any Interest Payment Date, and will be redeemed by the Trustee, from moneys transferred from the Prepayment Account to the Redemption Fund and derived from prepayments of Local Obligations from insurance or condemnation proceeds or other mandatory redemption or acceleration of Local Obligations at a redemption price equal to the principal amount thereof, without premium. See APPENDIX A – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – FACILITIES LEASE -- Eminent Domain; Prepayment" and "AGENCY INDENTURE -- Certain Provisions of the 2001 Agency Bonds -- Redemption of the 2001 Agency Bonds."

Optional Redemption. The Bonds maturing on and after November 1, 2022 are also subject to optional redemption as a whole or in part on any date at the option of the Issuer from any moneys deposited in the Redemption Fund (from any source other than that described above under the heading "Extraordinary Redemption from Prepayments of Local Obligations" or below under the heading "Mandatory Redemption") for such purpose by the Issuer, on and after November 1, 2021, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date.

Mandatory Redemption. The Bonds maturing on November 1, 2026 are also subject to mandatory redemption in part by lot on November 1 in each year commencing November 1, 2023 at the principal amount thereof plus accrued interest thereon to the date fixed for redemption in accordance with the following schedule:

Bonds Maturing November 1, 2026

Redemption Date (November 1)	Principal Amount
2023	$1,315,000
2024	1,375,000
2025	1,445,000
2026*	1,525,000

* Maturity

The Bonds maturing on November 1, 2031 are also subject to mandatory redemption by lot on November 1 in each year commencing November 1, 2027 at the principal amount thereof plus accrued interest thereon to the date fixed for redemption in accordance with the following schedule:

Bonds Maturing November 1, 2031

Redemption Date (November 1)	Principal Amount
2027	$1,330,000
2028	1,400,000
2029	1,460,000
2030	1,535,000
2031*	1,605,000

* Maturity

In the event that Bonds subject to the above mandatory redemption are redeemed in part prior to their stated maturity date from any moneys other than Principal Installments, the remaining Principal Installments for such Bonds shall be reduced as directed by the Issuer.

Notice of Redemption. The Trustee shall give notice that Bonds, identified by CUSIP numbers, serial numbers and maturity date, have been called for redemption and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof that has been called for redemption (or if all the Outstanding Bonds are to be redeemed, so stating, in which event such serial numbers may be omitted), that they will be due and payable on the date fixed for redemption (specifying such date) upon surrender thereof at the Principal Corporate Trust Office, at the redemption price (specifying such price), together with any accrued interest to such date, and that all interest on the Bonds, or portions thereof, so to be redeemed will cease to accrue on and after such date and that from and after such date such Bond or such portion will no longer be entitled to any lien, benefit or security under the Trust Agreement, and the Owner thereof shall have no rights in respect of such redeemed Bond or such portion except to receive payment from such moneys of such redemption price plus accrued interest to the date fixed for redemption. Such notice shall be mailed by first class mail, postage prepaid, at least 20 but not more than 60 days before the date fixed for redemption, to the Owners of such Bonds, or portions thereof, so called for redemption, at their respective addresses as the same shall last appear on the Bond Register. Neither the failure of an Owner to receive notice of redemption of Bonds nor any error in such notice will affect the validity of the proceedings for the redemption of Bonds.

Any notice of redemption may be rescinded by the Issuer by Written Order given to the Trustee not later than five (5) days prior to the date fixed for redemption. Upon receipt of such Written Order, the Trustee shall promptly mail notice of such rescission to the same parties that were mailed the original notice of redemption.

Cash Flow Sufficiency; Selection of Bonds for Redemption. If less than all of the Bonds are to be redeemed on any one date (other than redemption from mandatory sinking fund installments), the Issuer is required to provide the Trustee with a Cash Flow Certificate specifying the maturity or maturities of Bonds to be redeemed and showing that the remaining payments of principal of and interest on Local Obligations, together with other Revenues available to the Trustee, will be sufficient to pay on a timely basis the principal of and the interest on the remaining Bonds when due. If less than all the Outstanding Bonds of any one maturity are to be redeemed on any one date, the Trustee shall select the particular Bonds to be redeemed by lot and in Authorized Denominations.

Payment of Redeemed Bonds. If notice of redemption has been given or waived, the Bonds or portions thereof called for redemption shall be due and payable on the date fixed for redemption at the redemption price thereof, together with accrued interest to the date fixed for redemption, upon presentation and surrender of the Bonds to be redeemed at the office specified in the notice of redemption. If less than the full principal amount of a Bond is called for redemption, the Issuer shall execute and deliver and the Trustee shall authenticate, upon surrender of such Bond, and without charge to the Owner thereof, Bonds of like interest rate and maturity in an aggregate principal amount equal to the unredeemed portion of the principal amount of the Bonds surrendered in Authorized Denominations. If any Bond or any portion thereof shall have been duly called for redemption and payment of the redemption price, together with unpaid interest accrued to the date fixed for redemption, shall have been made or provided for by the Issuer, then interest on such Bond or such portion shall cease to accrue from such date, and from and after such date such Bond or such portion shall no longer be entitled to any lien, benefit or security under the Trust Agreement, and the Owner thereof shall have no rights in respect of such Bond or such portion except to receive payment of such redemption price, and unpaid interest accrued to the date fixed for redemption.

Purchase in Lieu of Redemption. In lieu of redemption of any Bond, amounts on deposit in the Proceeds Fund, the Principal Fund or in the Redemption Fund may also be used and withdrawn by the Trustee at any time prior to selection of Bonds for redemption having taken place with respect to such amounts, upon a Written Order from the Issuer for the purchase of such Bonds at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as the Issuer may in its discretion determine, but not in excess of the redemption price thereof plus accrued interest to the purchase date.

PLAN OF REFUNDING

A portion of the proceeds of the Bonds will be used to redeem the $25,295,000 outstanding principal amount of the Prior Bonds on the date of issuance of the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS."

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds and certain other amounts are estimated to be disbursed as set forth below:

Sources:	
Principal Amount of Bonds	$24,060,000.00
Plus: Original Issue Premium	1,266,396.15
Less: Underwriter's Discount	210,525.00
Existing Facilities Lease Reserve Fund Release	722,993.76
City Cash Contribution	358,395.30
Total Sources	$26,197,260.21
Uses:	
Refunding of Prior Bonds	$25,653,395.30
Costs of Issuance[1]	543,864.91
Total Uses	$26,197,260.21

(1) Includes legal and financial advisory fees, rating agency fees, costs of the Policy and the Facilities Lease Reserve Fund Insurance Policy, bond and Official Statement printing, initial fees of the Trustee and other miscellaneous expenses.

DEBT SERVICE SCHEDULE

The annual debt service on the Bonds is set forth below.

BRENTWOOD INFRASTRUCTURE FINANCING AUTHORITY
Capital Improvement Revenue Refunding Bonds,
Series 2012
Annual Debt Service

Year Ending (November 1)	Principal	Interest	Total
2012	$ 855,000	$ 777,808.71	$ 1,632,808.71
2013	865,000	1,072,437.50	1,937,437.50
2014	885,000	1,055,137.50	1,940,137.50
2015	920,000	1,028,587.50	1,948,587.50
2016	925,000	1,010,187.50	1,935,187.50
2017	965,000	973,187.50	1,938,187.50
2018	1,020,000	924,937.50	1,944,937.50
2019	1,070,000	871,387.50	1,941,387.50
2020	1,130,000	815,212.50	1,945,212.50
2021	1,185,000	755,887.50	1,940,887.50
2022	1,250,000	693,675.00	1,943,675.00
2023	1,315,000	631,175.00	1,946,175.00
2024	1,375,000	565,425.00	1,940,425.00
2025	1,445,000	496,675.00	1,941,675.00
2026	1,525,000	424,425.00	1,949,425.00
2027	1,330,000	348,175.00	1,678,175.00
2028	1,400,000	285,000.00	1,685,000.00
2029	1,460,000	218,500.00	1,678,500.00
2030	1,535,000	149,150.00	1,684,150.00
2031	1,605,000	76,237.50	1,681,237.50
Totals	**$24,060,000**	**$13,173,208.71**	**$37,233,208.71**

SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR

Limited Obligation

The Bonds are payable solely from and secured by a lien on and pledge of the Trust Estate. The "Trust Estate" consists of (i) the Revenues (as defined herein); (ii) the proceeds of the sale of the Bonds; (iii) the amounts in the Funds established by the Trust Agreement, except amounts in the Rebate Fund; (iv) the Local Obligations; and (v) the Site Lease.

The Bonds are special, limited obligations of the Issuer, payable from and secured solely by the Trust Estate in accordance with the terms of the Trust Agreement. The Bonds are not a charge against the general credit of the Issuer, the City or the Agency, and under no circumstances will the Issuer be obligated to pay principal of or redemption premium, if any, or interest on the Bonds except from the Trust Estate. Neither the State nor any public agency (other than the Issuer) nor the City or Agency is obligated to pay the

principal of or redemption premiums, if any, or interest on the Bonds, and neither the faith and credit nor the taxing power of the Issuer, the City, the Agency, the State or any public agency thereof is pledged to the payment of the principal of or redemption premiums, if any, or interest on the Bonds. Neither the Bonds nor the Local Obligations constitute a debt of the Issuer, the City or the Agency within the meaning of any statutory or constitutional debt limitation.

Revenues

The Bonds are secured by a lien on and pledge of Revenues under the Trust Agreement. "Revenues" means all amounts received by the Trustee as the payment of interest or redemption premium on, or the equivalent thereof, and the payment or return of principal of, or the equivalent thereof, all Local Obligations, whether as a result of scheduled payments or Prepayments or remedial proceedings taken in the event of a default thereon, and all investment earnings on any moneys held in the Funds or accounts established under the Trust Agreement, except the Rebate Fund.

The Local Obligations consist of the Facilities Lease and the Agency Local Obligations. Payments under the Local Obligations are calculated to be sufficient to provide the Issuer with money to pay the principal of, premium, if any, and interest on the Bonds when due. See "SECURITY FOR THE BASE RENTAL PAYMENTS AND SOURCES OF PAYMENT THEREFOR and "SECURITY FOR THE AGENCY LOCAL OBLIGATIONS AND SOURCES OF PAYMENT THEREFOR."

Under the Trust Agreement, all of the Revenues and the amounts in the Funds established by the Trust Agreement (except amounts in the Rebate Fund) are pledged by the Issuer to secure the payment of the principal of, redemption premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Trust Agreement. Said pledge constitutes a lien on and security interest in the Revenues upon the physical delivery thereof. In the Trust Agreement, the Issuer transfers in trust and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the right, title and interest of the Issuer in the Local Obligations, if any. The Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the Issuer shall be deemed to be held, and to have been collected or received, by the Trustee and shall forthwith be paid by the Issuer to the Trustee. The Trustee also is entitled to and may take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Issuer or separately, all of the rights of the Issuer and all of the obligations of the City and the Agency under and with respect to the Local Obligations.

Additional Bonds

The Trust Agreement permits the issuance of bonds to be secured by the Trust Estate on a parity with the Bonds but only for the purpose of refunding Bonds outstanding under the Trust Agreement; provided that the Issuer delivers a Cash Flow Certificate to the effect that, assuming that all payments are made with respect to the Local Obligations, (i) the Revenues, together with monies on deposit in other funds and accounts held under the Trust Agreement, will be sufficient to pay all scheduled principal and interest payments on the Bonds when due; and (ii) the redemption premium, if any, on the Local Obligations payable in the event of early retirement of the Local Obligations, together with other Revenues available to the Trustee for such purpose, are sufficient to offset any difference between the interest to accrue on the Bonds to be paid or redeemed with the proceeds of Prepayment of such Local Obligations (plus any redemption premium payable upon redemption of such Bonds) and the income to be earned on any investment of such proceeds (assured as of the date of payment thereof), in each case until the date of payment or redemption of Bonds, such that in no event will the Prepayment of the Local Obligations cause the Trustee to have insufficient funds to pay (A) debt service on the Bonds when due and (B) scheduled debt service on the Bonds which remain Outstanding after such redemption, plus in each case expenses to be payable from the Expense Fund.

SECURITY FOR THE BASE RENTAL PAYMENTS AND SOURCES OF PAYMENT THEREFOR

Neither the Bonds nor the obligation of the City to pay Base Rental Payments constitutes an obligation of the City for which the City is obligated to levy or pledge, or for which the City has levied or pledged, any form of taxation. Neither the Bonds nor the obligation of the City to pay Base Rental Payments constitutes a debt of the City, the State of California or any of its political subdivisions within the meaning of any constitutional debt limitation or violates any statutory debt limitation or constitutes a pledge of the faith and credit of the City, the State of California or any of its political subdivisions. Capitalized terms used but not defined in this section have the meanings given in the Site Lease and the Facilities Lease. See APPENDIX A-"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

The Demised Premises

Pursuant to an Amended and Restated Site Lease, dated as of February 1, 2012, the City will lease to the Authority certain real property and improvements thereon owned by the City (the "Demised Premises"). Pursuant to the Facilities Lease, the City will lease the Demised Premises back from the Authority.

Base Rental Payments

For the right to the use and occupancy of the Demised Premises and the buildings, structures, improvements and appurtenances on the Demised Premises (the "Facilities"), the Facilities Lease requires the City to make Base Rental Payments. Base Rental Payments are due and payable on the fifteenth day of April and October in each year during the Term of the Facilities Lease. Base Rental Payments shall be for the use and occupancy of the Facilities and the Demised Premises for the year in which such payments occur, provided that the Base Rental Payments paid on any date shall only be for that portion of the applicable period that the City has use and occupancy of all or a portion of the Facilities and Demised Premises. The City and the Authority have agreed and determined that such total rental represents no more than the fair rental value of the Demised Premises and the Facilities for each such period.

The Authority has assigned all of its rights under the Facilities Lease (excepting only its right to receive reasonable attorneys' fees and expenses incurred in the event of a default), including the right to receive Base Rental Payments and any prepayments, to the Trustee for the benefit of the Owners of the Bonds. On the fifteenth calendar day of the month preceding each Interest Payment Date during the term of the Facilities Lease, the City must pay to the Trustee a Base Rental Payment which is equal to a portion of the amount necessary to pay the principal, if any, and interest due with respect to the Bonds on the next succeeding Interest Payment Date. The City will pay Base Rental Payments directly to the Trustee, as assignee of the Authority.

The Trust Agreement requires that Base Rental Payments and all other Revenues be deposited in the Revenue Fund maintained by the Trustee. Pursuant to the Trust Agreement, prior to each Interest Payment Date and Principal Payment Date, the Trustee will apply such amounts in the Revenue Fund as are necessary to make principal and interest payments with respect to Bonds as the same shall become due and payable. Payment of the Base Rental Payments is subject to abatement to the extent the City is denied the use and occupancy of the Facilities and Demised Premises. See "Abatement" below.

THE OBLIGATION OF THE CITY TO MAKE THE BASE RENTAL PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE CITY OR THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY OR THE STATE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY OR THE STATE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

The City has also agreed in the Facilities Lease to pay "Additional Payments" as are required by the Issuer for the payment of all amounts, costs and expenses incurred by the Issuer in connection with the execution, performance or enforcement of the Facilities Lease, including salaries and wages of employees, all expenses, compensation and indemnification payable by the Issuer to the Trustee under the Trust Agreement, fees of auditors, accountants, attorneys or architects, and all other necessary administrative costs of the Issuer. Such Additional Payments are not pledged to payment of the Bonds.

Covenant to Appropriate Funds for Base Rental Payments

Under the Facilities Lease, the City covenants to take such action as may be necessary to include all such Base Rental Payments and Additional Payments due under the Facilities Lease as a separate line item in its annual budgets, and to make necessary annual appropriations for all such Base Rental Payments and Additional Payments. The City is required to deliver to the Issuer copies of the portion of each annual City budget relating to the payment of Base Rental Payments and Additional Payments under the Facilities Lease within thirty (30) days after the filing or adoption thereof. These covenants on the part of the City are deemed to be and will be construed to be duties imposed by law and it is the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Facilities Lease agreed to be carried out and performed by the City.

Abatement

The Base Rental Payments are to be paid by the City in each rental period for and in consideration of the right to use and occupy the Facilities and Demised Premises during each such period. Except as otherwise provided in the Facilities Lease, Base Rental Payments and Additional Payments will be abated proportionately, during any period in which by reason of any material damage or destruction (other than by condemnation which is hereinafter provided for) there is substantial interference with the use and occupancy of the Demised Premises and the Facilities, by the City, in the proportion in which the cost of that portion of the Demised Premises and the Facilities rendered unusable bears to the cost of the whole of the Demised Premises and the Facilities. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Facilities Lease will continue in full force and effect and the City waives the benefits of California Civil Code Section 1932(2) and 1933(4) and of Title 11 of the United States Code, Section 365(h) and any and all other rights to terminate the Facilities Lease by virtue of any such damage or destruction or interference. Notwithstanding the foregoing, to the extent that moneys are available for the payment of Base Rental Payments in any of the funds and accounts established under the Trust Agreement (except the Rebate Fund) Base Rental Payments shall not be abated as provided above but, rather, shall be payable by the City as a special obligation payable solely from said funds and accounts. See APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – FACILITIES LEASE.”

Action on Default

Should the City default under the Facilities Lease, the Trustee, as assignee of the Authority under the Facilities Lease, may terminate the Facilities Lease and recover certain damages from the City, or may retain the Facilities Lease and hold the City liable for all Base Rental Payments thereunder on an annual basis. Base Rental Payments may not be accelerated upon a default under the Facilities Lease. See “RISK FACTORS.”

For a description of the events of default and permitted remedies of the Trustee (as assignee of the Authority) contained in the Facilities Lease and the Trust Agreement, see APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – FACILITIES LEASE” and – “TRUST AGREEMENT.”

Reserve Fund

A reserve fund (the “Facilities Lease Reserve Fund”) is established by the Trust Agreement to be held by the Trustee in trust for the benefit of the City and the Owners of the Bonds. The Reserve Fund shall be maintained at the “Facilities Lease Reserve Requirement” which is, as of any date of calculation, the maximum annual Base Rental Payments due in the then-current or any future Bond Year. As of the date of issuance of the Bonds, the Facilities Lease Reserve Requirement is $569,675.00. In lieu of a cash deposit to the Facilities Lease Reserve Fund, concurrently with the issuance of the Bonds, the Insurer will issue the Facilities Lease Reserve Fund Insurance Policy in satisfaction of the Facilities Lease Reserve Requirement. See “BOND INSURANCE” and APPENDIX I – “FORM OF MUNICIPAL

BOND DEBT SERVICE RESERVE INSURANCE POLICY." No deposits will be required to be made to the Facilities Lease Reserve Fund for so long as the Facilities Lease Reserve Fund Insurance Policy is in full force and effect. The Trustee shall draw on the Facilities Lease Reserve Fund Insurance Policy solely for the purpose of paying the interest on or the principal of the Bonds in accordance with the Facilities Lease Reserve Insurance Policy; but solely to the extent that the applicable Base Rental Payments have not been received and solely to the extent that insufficient moneys are available in the Interest Fund, the Principal Fund, the Redemption Fund or the Surplus Fund for such purpose.

Insurance

Liability Insurance. The Facilities Lease requires the City to maintain or cause to be maintained, throughout the term of the Facilities Lease a standard comprehensive general liability insurance policy or policies in protection of the City, the Issuer and their members, directors, officers, agents and employees and the Trustee, indemnifying said parties against all direct or contingent loss or liability for damages for personal injury, death or property damage occasioned by reason of the operation of the Demised Premises and the Facilities, with minimum liability limits of one million dollars ($1,000,000) for personal injury or death of each person and three million dollars ($3,000,000) for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of two hundred thousand dollars ($200,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of three million dollars ($3,000,000) covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance carried by the City. As an alternative, the City may provide a self-insurance method or plan of protection if and to the extent such self-insurance method or plan of protection shall afford reasonable protection to the Issuer, its members, directors, officers, agents and employees and the Trustee, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State other than the City.

Casualty Insurance. The Facilities Lease also requires the City to maintain throughout the term of the Facilities Lease insurance against loss or damage to any structures constituting any part of the Demised Premises and the Facilities by fire and lightning, with extended coverage insurance, vandalism and malicious mischief insurance. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to the replacement cost (without deduction for depreciation) of all structures constituting any part of the Demised Premises and the Facilities (except that such insurance may be subject to deductible clauses not to exceed $25,000), or, in the alternative, shall be in an amount and in a form sufficient, in the event of total or partial loss, to enable a portion of all Bonds then Outstanding equal to the amount of such Bonds to be paid from Base Rental Payments to be redeemed. The City may participate in a joint powers agency providing insurance or other pooled insurance program provided by statute to provide separately funded and maintained insurance. As an alternative to providing the insurance required above, or any portion thereof, the City may provide a self-insurance method or plan of protection if and to the extent such self-insurance method or plan of protection shall afford reasonable protection to the Issuer, its members, directors, officers, agents and employees and the Trustee, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State other than the City.

No Earthquake Insurance. The City is not required to insure against loss or damage due to earthquake. See "RISK FACTORS – Seismic Considerations."

Rental Interruption Insurance. The City is required to procure and maintain, or cause to be procured and maintained, throughout the term of the Facilities Lease, rental interruption or use and occupancy insurance to cover loss, total or partial, of the rental income from or the use of the Demised Premises and the Facilities as the result of any of certain hazards covered by the City's casualty insurance, in an amount sufficient to pay the maximum annual Base Rental Payments under the Facilities Lease for any two year period except that such insurance may be subject to a deductible clause of not to exceed fifty thousand dollars ($50,000). Any proceeds of such insurance and any amounts transferred from the Reserve Fund shall be used by the Trustee to reimburse to the City any rental theretofore paid by the City under this Facilities Lease attributable to such structure for a period of time during which the payment of rental under this Facilities Lease is abated, and any proceeds of such insurance not so used shall be applied to make Base Rental Payments or Additional Payments as provided in the Facilities Lease.

Title Insurance. The Facilities Lease also requires the City to deliver and maintain a policy of title insurance insuring the City's leasehold interest in the Demised Premises, in an amount not less than the sum of the principal components of all Base Rental Payments payable under the Facilities Lease, and issued by a company of recognized standing duly authorized to issue the same, subject only to Permitted Encumbrances. Proceeds of such insurance shall be delivered to the Trustee as a prepayment of rent to be applied by the Trustee to the redemption of Bonds pursuant to the Trust Agreement.

Substitution of the Demised Premises

The City has the option at any time and from time to time during the term of the Facilities Lease, to substitute other real property for the Demised Premises or any portion thereof, provided that the City comply with certain conditions precedent specified in the Facilities Lease, including that the useful life of the Demised Premises and the Facilities will not decrease as a result of the substitution, that the annual fair rental value after the substitution will be at least as great as the maximum annual Base Rental Payment and that the City obtain a policy of title insurance. See "APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – FACILITIES LEASE." The City is not entitled to any reduction, diminution, extension or other modification of the Base Rental Payments whatsoever as a result of such substitution.

SECURITY FOR THE AGENCY LOCAL OBLIGATIONS AND SOURCES OF PAYMENT THEREFOR

Tax Allocation Financing

The Agency Local Obligations were issued pursuant to the Community Redevelopment Law of the State of California (being Part I of Division 24 of the Health and Safety Code of the State of California, as amended), and all laws amendatory thereof or supplemental thereto (the "Redevelopment Law"). The Redevelopment Law and the California Constitution provide a method for financing and refinancing redevelopment projects based upon an allocation of taxes collected within a project area. First, the assessed valuation of the taxable property in a project area last equalized prior to adoption of the redevelopment plan is established and becomes the base roll. Thereafter, except for any period during which the assessed valuation drops below the base year level, the taxing agencies on behalf of which taxes are levied on property within the project area will receive the taxes produced by the levy of the then current tax rate upon the base roll. Except as discussed in the following paragraph, taxes collected upon any increase in the assessed valuation of the taxable property in a project area over the levy upon the base roll may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing the redevelopment project. Redevelopment agencies themselves have no authority to levy taxes on property and must look specifically to the allocation of taxes produced as above indicated.

Significant changes to the Redevelopment Law that could affect payments on the Agency Local Obligations or the timing of such payments were signed by the Governor of the State on June 29, 2011. See "RISK FACTORS – Recent Redevelopment Law Changes."

Allocation of Taxes

Under provisions of the California Constitution and the Redevelopment Law, the Agency has no power to levy taxes; however taxes levied upon taxable property in the Merged Project Area each year by or for the benefit of the State of California, any city, county, city and county or other public corporation ("taxing agencies") for each fiscal year beginning after the effective date of the ordinance approving the redevelopment plan for the respective former project area (see "THE MERGED PROJECT AREA" for a description of the former project areas) are divided as follows:

1. The portion equal to the amount of those taxes which would have been produced by the current tax rate, applied to the assessed value of the taxable property in the Merged Project Area as last equalized prior to the respective effect dates is paid (when collected) into the funds of those respective taxing agencies as taxes by or for such taxing agencies;

2. Except as provided in subparagraph (3) below, that portion of such levied taxes each year in excess of such amount is allocated to and when collected paid into a special fund of the Agency, to the extent required to pay the principal of and interest on loans, moneys advanced to, or indebtedness (whether funded, refunded, assumed or otherwise) incurred by the Agency to finance or refinance, in whole or in part, (i) the Agency's redevelopment projects within the Merged Project Area, and (ii) under certain circumstances, facilities and improvements outside the Merged Project Area; and

3. That portion of the taxes identified in subparagraph (2) above that 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 principal of, and interest on, any bonded indebtedness for the acquisition or improvement of real property approved by the voters of the taxing agency on or after January 1, 1989, shall be allocated to, and when collected shall be paid into, the fund of such taxing agency.

Tax Increment Revenues

Under the Agency Indenture, the Agency has pledged all Tax Increment Revenues and all money in the funds or accounts held under the Agency Indenture (except the Rebate Fund and the Redevelopment Fund) to the payment of the principal of, interest and redemption premiums, if any, on the Agency Local Obligations and any additional parity obligations issued in accordance with the Agency Indenture ("Additional Agency Bonds"). See "Issuance of Additional Debt" below. The Tax Increment Revenues and moneys held in the pledged funds and accounts shall not be used for any other purpose while any of the Agency Local Obligations or Additional Agency Bonds remain outstanding, subject to the provisions of the Agency Indenture permitting application thereof for other purposes. This pledge constitutes a first lien on the Tax Increment Revenues and such other money for the payment of the Agency Local Obligations and any Additional Agency Bonds. So long as any Agency Local Obligations or Additional Agency Bonds are outstanding, all Tax Increment Revenues, together with any interest earned thereon, shall be deposited when and as received by the Agency in the "Redevelopment Agency of the City of Brentwood Merged Project Area Tax Increment Fund" (the "Tax Increment Fund"). Notwithstanding the foregoing, Tax Increment Revenues will not be deposited in the Tax Increment Fund in an amount in excess of that amount which, together with all money then on deposit in the Tax Increment Fund and the accounts therein, is sufficient to discharge all outstanding Agency Local Obligations and Additional Agency Bonds.

"Tax Increment Revenues" means, for each Bond Year, beginning in the Bond Year in which the Agency Local Obligations are issued, (1) the taxes eligible for allocation to the Agency pursuant to the Redevelopment Law and the Redevelopment Plan (exclusive of (a) amounts, if any, not exceeding twenty percent (20%) of certain of such taxes which may be required by law to be set aside for certain housing purposes, (b) amounts, if any, received pursuant to Section 16111 of the Government Code, and (c) amounts payable by the Agency pursuant to Pass-Through Obligations, except to the extent such payments are subordinate to the payment of the principal of, premium, if any, and interest on the Agency Local Obligations or Additional Agency Bonds), together with (2) all payments, reimbursements and subventions, if any, specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations, in an aggregate amount for the foregoing clauses (1) and (2) equal to Annual Debt Service for the corresponding Bond Year, which amount, upon an insufficiency in any Bond Year in the Tax Increment Fund of the Agency or any of the Accounts established therein, shall be increased up to an amount sufficient to replenish said Funds and Accounts.

Any Tax Increment Revenues received in any Bond Year after making the deposits required by the Agency Indenture for debt service and reserve replenishment will be released from the pledge and lien under the Agency Indenture and may be used for any lawful purpose of the Agency. See APPENDIX A – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – AGENCY INDENTURE – Tax Increment Revenues; Creation of Funds."

The Agency has no power to levy and collect property taxes, and any property tax limitation, legislative measure, voter initiative or provisions of additional sources of income to taxing agencies having the effect of reducing the property tax rate, could reduce the amount of Tax Increment Revenues that would otherwise be available to pay the principal of, and interest on, the Agency Local Obligations. Likewise, broadened property tax exemptions could have a similar effect. See “RISK FACTORS” herein.

See APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS − AGENCY INDENTURE − Definitions” for the definitions of certain capitalized terms used in this Section.

Issuance of Additional Debt

The Agency Indenture provides that the Agency may incur additional loans, bonds, notes, advances and indebtedness secured on a parity with the Agency Local Obligations (“Additional Agency Bonds”) if certain conditions are satisfied. The conditions include a requirement that the Adjusted Tax Increment Revenues to be received by the Agency in the most recent (which may be the current) Fiscal Year for which an equalized assessment roll of the County is available shall be in an amount equal to at least one hundred twenty-five percent (125%) of the Maximum Annual Debt Service on all then Outstanding Agency Local Obligations and such Additional Agency Bonds and any unsubordinated loans, advances, indebtedness or other obligations payable from tax increment revenue allocable to the Agency pursuant to Section 33670 of the Redevelopment Law. For this purpose, the term “Maximum Annual Debt Service” means the largest Annual Debt Service from the date of such determination through the final maturity date of any outstanding Agency Local Obligations and for this purpose also includes such loans, advances, indebtedness and obligations as well as the Agency Local Obligations. “Adjusted Tax increment Revenues” is defined in the Agency Indenture as Tax Increment Revenues, decreased by: (i) the amount of Tax Increment Revenues generated from the difference between (A) the effective tax rate for the Merged Project Area, and (B) the sum of 1% plus any additional tax rate that will be (1) in effect until the final maturity of all Outstanding Agency Local Obligations and any Additional Agency Bonds proposed to be issued and (2) applied in the calculation of Tax Increment Revenues in accordance with the Redevelopment Law and the Constitution of the State, as shown in a written report of an Independent Redevelopment Consultant; (ii) the amount of Tax Increment Revenues which would not be collected assuming that all pending appeals of assessed valuation of property within the Merged Project Area are granted at either (A) the average percentage reduction in assessed values granted by the County for property within the City over the previous three Fiscal Years as shown in a written report of an Independent Redevelopment Consultant or (B) if information is not available to allow such report to be prepared, 25% of the reduction in assessed value sought in such appeals; and (iii) the amount of Tax Increment Revenues which would be payable by the Agency under each unsubordinated Pass Through Obligation described in clause (ii) of the definition thereof in the Agency Indenture at the maximum rate of payment provided in each such Pass-Through Obligation and increased by an amount of Tax Increment Revenues which will be generated by the assessed value increases of property within the Merged Project Area as a result of new construction and property transfers which have occurred since the most recent equalized assessment roll as shown in a written report of an Independent Redevelopment Consultant. See APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – AGENCY INDENTURE – Issuance of Additional Agency Bonds.” The Agency has covenanted in the Agency Indenture that it will not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is secured by a lien on all or any part of the Tax Increment Revenues which is superior to the lien established under the Agency Indenture, so long as bonds issued under the Agency Indenture are outstanding.

Agency Reserve Account

Pursuant to the Agency Indenture, an Agency Reserve Account has been established from proceeds of the Agency Local Obligations to secure the Agency Local Obligations and any Additional Agency Bonds. At the time of issuance of the Agency Local Obligations, the amount in the Agency Reserve Account was funded to an amount equal to the "Agency Reserve Account Requirement" which is an amount equal to the Maximum Annual Debt Service on the Agency Local Obligations and Additional Agency Bonds, less a principal amount of Term Agency Local Obligations and Additional Agency Bonds of any maturity, the proceeds of which were initially deposited into an escrow fund (to be held by the Trustee) equal, at any point in time, to the deposit in such escrow fund; provided, that the Agency Reserve Account Requirement shall not be adjusted because of any such deposit into an escrow fund unless as a condition to and following any release of moneys from such escrow fund, the Agency Reserve Account Requirement shall be satisfied. At the time of issuance of the Bonds, the Agency Reserve Account Requirement will be $1,382,300. In the event the Agency Reserve Account Requirement is less than Maximum Annual Debt Service by reason of the deposit of amounts in an escrow fund, as described above, such Agency Reserve Account Requirement shall be established by a Consultant's Report which shall assume a reduction in the Sinking Account Installment payments for each maturity of Term Agency Local Obligations and Additional Agency Bonds the proceeds of which were so deposited in an escrow fund (in an amount equal to the amount attributable to each such maturity of Term Agency Local Obligations and Additional Agency Bonds remaining in the escrow fund), which, to the extent practicable, results in approximately equal annual debt service on the Agency Local Obligations and Additional Agency Bonds Outstanding assuming such reduction in Sinking Account Installment payments.

The Agency Trustee shall set aside from the Tax Increment Fund (or subject to the terms of any Supplemental Indenture, transfer from an escrow fund created thereunder) and deposit in the Agency Reserve Account such amount as may be necessary to maintain on deposit therein an amount equal to the Agency Reserve Account Requirement. No deposit need be made into the Agency Reserve Account so long as there shall be on deposit therein an amount equal to the Agency Reserve Account Requirement.

All money in or credited to the Agency Reserve Account shall be used and withdrawn by the Agency Trustee solely for the purpose of replenishing the Interest Account, the Principal Account or the Term Bonds Sinking Account held under the Agency Indenture, in such order, in the event of any deficiency in any of such accounts occurring on any Interest Payment Date, Principal Payment Date or Sinking Account Payment Date, or for the purpose of paying the interest on or the principal or Accreted Value of the Agency Local Obligations and Additional Agency Bonds in the event that no other money of the Agency is lawfully available therefor, or for the retirement of all Agency Local Obligations and Additional Agency Bonds then Outstanding, except that for so long as the Agency is not in default under the Agency Indenture, any amount in the Agency Reserve Account in excess of the Agency Reserve Account Requirement may, upon Written Request of the Agency, be withdrawn from the Agency Reserve Account by the Agency Trustee and transferred to the Surplus Account.

The Agency Reserve Account Requirement may be funded with money or by the Agency providing a policy of insurance, a surety bond, a letter of credit or other comparable credit facility or a combination thereof meeting the requirements set forth in the Agency Indenture. See APPENDIX A − "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS − AGENCY INDENTURE – Tax Increment Revenues; Creation of Funds."

Housing Set-Aside

Under the provisions of the Redevelopment Law a redevelopment agency is generally required, subject to certain exceptions, to set-aside into a low and moderate income housing fund not less than 20% of its allocated tax revenues from a project. The moneys set aside are to be used for the purpose of increasing and improving the community's supply of low and moderate income housing. Allocated tax revenues required to be so set aside are not included within Tax Increment Revenues pledged to the repayment of the Agency Local Obligations and any Additional Agency Bonds. See also "RISK FACTORS."

Taxing Agencies Sharing Arrangements

Statutory Pass-Throughs, Brentwood Project Area and North Brentwood Project Amendment Area. Pursuant to 1994 legislation, AB 1290, the Agency is required, as to the Brentwood Project Area and North Brentwood Project Amendment Area (each as defined herein), to make payments to taxing entities affected by the redevelopment plan for such project area since no negotiated tax sharing agreements exist for the project area. These payments are required because the cumulative tax increment limitation for the Brentwood Project Area was combined with the tax increment limit for the North Brentwood Project Area (as defined herein). Payments of the pass through payments are only due on increases in tax increment revenues above levels received in the year in which the old tax increment limit would have been reached for the Brentwood Project Area and North Brentwood Project Amendment Area (referred to as the "AB 1290 AV Base Year"). Increases in tax increment above the amount received in 2001-02 are subject to pass through payments, based on the following formula:

(1) Payments to the affected taxing entities in an amount equal to 25 percent of the gross tax increment attributable to increases above the AB 1290 AV Base Year. The tax sharing payment is calculated after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted. The net tax sharing payment is therefore equal to 20 percent.

(2) In addition to the amounts paid pursuant to item (1) above and after deducting the amount allocated to the Low and Moderate Income Housing Fund, an amount equal to 21 percent of the portion of tax increments received by the Agency, which shall be calculated by applying the tax rate against the amount of assessed value by which the current year assessed value exceeds a second adjusted base year assessed value. The second adjusted base year assessed value is the assessed value of the Project Area in the 10th fiscal year in which the Agency received tax increment attributable to the first adjusted base year value.

Non-Subordinated Tax Sharing Agreements. The Agency has entered into agreements with the Contra Costa County Office of Education, the Contra Costa County Mosquito Abatement District, Byron-Brentwood-Knightsen Union Cemetery District, East Bay Regional Park District, Contra Costa Community College District and the Brentwood Union School District, Liberty Union High School District, Oakley School District, Byron School District and Knightsen School District as to the North Brentwood Project Area pursuant to former Section 33401 of the Health and Safety Code. Under the agreements, the Agency has agreed to pass through a portion of the tax increment revenues to the taxing entities based on each taxing entities share of tax increment. Each tax entity's share of tax increment is generally defined under the agreements as the amount the tax entity would have received had there been no provision for tax increment financing in the North Brentwood Project Area Redevelopment Plan. The payments due under these agreements are not subordinate to the pledge of tax increment for payment of the Agency Local Obligations. These agreements provide for future year increases in the amount to be allocated to the taxing agencies.

Subordinated Tax Sharing Agreement. The Agency and the County of Contra Costa (including the Contra Costa County Library District), the Contra Costa County Flood Control and Water Conservation District and the East Diablo Fire District previously entered into a Fiscal Agreement, dated July 29, 1991 providing for the pass-through of tax increment pursuant to California Health & Safety Code Section 33401 relative to North Brentwood Redevelopment Project Area. Pursuant to a Subordination Agreement dated as of September 1, 2001 by and among the Agency and those taxing entities, the Taxing Agencies have agreed to subordinate their rights to receive such tax increment revenue in order for the Agency to pledge such tax increment revenue to the Agency Local Obligations.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as Appendix H to this Official Statement.

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

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. ("Holdings"). Holdings is an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

AGM's financial strength is rated "AA-" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "Aa3" (negative outlook) by Moody's Investors Service, Inc. ("Moody's"). An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On November 30, 2011, S&P published a Research Update in which it downgraded AGM's financial strength rating from "AA+" to "AA-". At the same time, S&P removed the financial strength rating from CreditWatch negative and changed the outlook to stable. AGM can give no assurance as to any further ratings action that S&P may take. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

The most recent rating action by Moody's on AGM took place on December 18, 2009, when Moody's issued a press release stating that it had affirmed the "Aa3" insurance financial strength rating of AGM, with a negative outlook. Reference is made to the press release, a copy of which is available at www.moodys.com, for the complete text of Moody's comments. Moody's is in the process of reviewing AGL and its subsidiaries and there can be no assurance as to any ratings action that Moody's may take with respect to AGM.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2010, as amended by its Form 10-K/A; its Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2011 and June 30, 2011, each as amended by its Form 10-Q/A; and its Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2011.

Capitalization of AGM

At September 30, 2011, AGM's consolidated policyholders' surplus and contingency reserves were approximately $3,105,604,840 and its total net unearned premium reserve was approximately $2,207,101,966, in each case, in accordance with statutory accounting principles.

AGM's statutory financial statements for the fiscal year ended December 31, 2010 and for the quarterly periods ended March 31, 2011, June 30, 2011 and September 30, 2011, which have been filed with the New York State Department of Financial Services and posted on AGL's website at http://www.assuredguaranty.com, are incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Incorporation of Certain Documents by Reference

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

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2010, as amended by Amendment No. 1 on Form 10-K/A (filed by AGL with the SEC on March 1, 2011 and October 31, 2011, respectively);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011, as amended by Amendment No. 1 on Form 10-Q/A (filed by AGL with the SEC on May 10, 2011 and November 14, 2011, respectively);

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011, as amended by Amendment No. 1 on Form 10-Q/A (filed by AGL with the SEC on August 9, 2011 and November 14, 2011, respectively); and

(iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2011 (filed by AGL with the SEC on November 14, 2011).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

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

Miscellaneous Matters

AGM or one of its affiliates may purchase a portion of the Bonds and may hold such Bonds for investment or may sell or otherwise dispose of such Bonds at any time or from time to time.

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

RISK FACTORS

The ability of the Authority to pay principal of and interest on the Bonds depends primarily upon the receipt by the Authority of sufficient Revenues from the Local Obligations. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the Bonds and the order of presentation does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following factors along with all other information in this Official Statement in evaluating the Bonds. There can be no assurance that other risk factors will not become material in the future.

Limitations on Remedies

Remedies available to Bondholders may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Bonds or to preserve the tax-exempt status of interest on the Bonds. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation, or modification of Bondowner rights.

In addition to the limitation on remedies contained in the Trust Agreement, the rights and remedies provided in the Trust Agreement and with respect to the Local Obligations may be limited by and are subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors rights. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified, as to the enforceability of the Bonds, the Trust Agreement, the Facilities Lease and other related documents by bankruptcy, reorganization, moratorium, insolvency, fraudulent conveyance or other similar laws relating to or affecting the enforcement of creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in the appropriate cases and to the limitation on legal remedies against public agencies in the State.

Additionally, enforceability of the rights and remedies of the owners of the Bonds, and the obligations incurred by the City and the Agency, may become subject to laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against counties in the State. The exercise of powers by the federal or State government, if initiated, and the assertion by the City or the Agency of its or their rights as a debtor, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

Under chapter 9 of the Bankruptcy Code (Title 11, United States Code) which governs the bankruptcy proceedings for public agencies such as the Authority, the City and the Agency, there are no voluntary petitions in bankruptcy. If the City or the Agency were to file a petition under chapter 9 of the Bankruptcy Code, the Owners, the Trustee and the Authority could be prohibited from taking any steps to enforce their rights under the Facilities Lease or the Local Obligations and the Trust Agreement, and from taking any steps to collect amounts due from the City or the Agency under the Local Obligations. If the Authority were to file a petition in bankruptcy, the Owners of the Bonds could also be prohibited from taking action to enforce their rights against the Authority.

No Liability of the Authority to the Owners

Except as expressly provided in the Trust Agreement, the Authority will not have any obligation or liability to the Owners of the Bonds with respect to the payment when due of the Base Rental Payments or the Local Obligations, or with respect to the observance or performance of the City or the Agency of other agreements, conditions, covenants and terms required to be observed or performed by it under the respective Local Obligations or under the Trust Agreement, or with respect to the performance by the Trustee of any duty required to be performed by it under the Trust Agreement.

Loss of Tax Exemption

As discussed under the caption "TAX MATTERS," the interest on the Bonds could become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds as a result of a failure of the Authority, the City or the Agency to comply with certain provisions of the Code. Should such an event of taxability occur, the Bonds are not subject to early redemption and will remain outstanding to maturity or until redeemed under the optional redemption or special redemption provisions of the Trust Agreement.

Recent Redevelopment Law Changes

The adopted State Budget for Fiscal Year 2011-12, as signed by the Governor of the State on June 30, 2011, included as trailer bills Assembly Bill No. 26 (First Extraordinary Session) ("AB1X 26") and Assembly Bill No. 27 (First Extraordinary Session) ("AB1X 27"), which the Governor signed on June 29, 2011.

AB1X 26 suspended most redevelopment agency activities and prohibited redevelopment agencies from incurring indebtedness, making loans or grants, or entering into contracts after June 29, 2011. AB1X 26 dissolves all redevelopment agencies in existence and designates "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. Certain provisions of AB1X 26 are described further below. As signed by the Governor, AB1X 27 would have allowed a redevelopment agency to continue to exist, notwithstanding AB1X 26, upon the enactment by the city or county that created the redevelopment agency of an ordinance to comply with AB1X 27's provisions and the satisfaction of certain other conditions.

In July of 2011, various parties filed an action before the Supreme Court of the State of California (the "Court") challenging the validity of AB1X 26 and AB1X 27 on various grounds (California Redevelopment Association v. Matosantos). The Court subsequently stayed the implementation of a portion of AB1X 26 and all of AB1X 27 pending its decision in Matosantos. On December 29, 2011, the Court rendered its decision in Matosantos upholding virtually all of AB1X 26 and invalidating AB1X 27. In its decision, the Court also modified various deadlines for the implementation of AB1X 26. The deadlines for implementation of AB1X 26 below take into account the modifications made by the Court in Matosantos.

After Matosantos, AB1X 26 continues to suspend most redevelopment agency activities and continues to prohibit redevelopment agencies from incurring indebtedness, making loans or grants, or entering into contracts. Until February 1, 2012, when redevelopment agencies are dissolved, AB1X 26 requires redevelopment agencies to continue to make scheduled payments on and perform obligations required under its "enforceable obligations." For this purpose, AB1X 26 defines "enforceable obligations" to include "bonds, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of outstanding bonds of the former redevelopment agency" and "any legally binding and enforceable agreement or contract that is not otherwise void as violating the debt limit or public policy." AB1X 26 specifies that only payments included on an "enforceable obligation payment schedule" adopted by a redevelopment agency shall be made by a redevelopment agency until its dissolution. The Agency Local Obligations were issued prior to the enactment of AB1X 26 and therefore the City and the Agency believe that the Agency Local Obligations and the agreements related thereto, including the Agency Indenture, are enforceable obligations within the meaning of AB1X 26. Pursuant to Resolution No. 189, on August 29, 2011 the Agency adopted an enforceable obligation payment schedule including the Agency Local Obligations as required by AB1X 26. The Agency's enforceable obligation payment schedule was revised on January 10, 2012 pursuant to Agency Resolution No. 191 and is expected to be further revised by the Agency on January 24, 2012. The Agency's enforceable obligation payment schedule, as revised by the Agency, continues to include and will continue to include the Agency Local Obligations.

On February 1, 2012, and pursuant to Matosantos, AB1X 26 dissolves all redevelopment agencies in existence and designates "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. With limited exceptions, all assets, properties, contracts, leases, records, buildings and equipment, including cash and cash equivalents of a former redevelopment agency will be transferred to the control of the successor agency and, unless otherwise required pursuant to the terms of an enforceable obligation, distributed to various taxing agencies pursuant to AB1X 26. Pursuant to AB1X 26, a redevelopment agency's successor agency will be the local agency that authorized the creation of such redevelopment agency unless such local agency elects not to become the successor agency by January 13, 2012. The City authorized the creation of the Agency and on January 10, 2012, pursuant to City Resolution No. 2012-07, the City affirmatively elected to become the Agency's successor agency under AB1X 26. AB1X 26 designates an oversight board for each successor agency and requires the oversight boards to be established no later than May 1, 2012.

With various exceptions, each oversight board is composed of seven members appointed as follows:

- Two members appointed by the related county board of supervisors;
- One member appointed by the mayor for the city that formed the related redevelopment agency;
- One member appointed by the largest special taxing district (by property tax share) eligible to receive property tax revenues with territory within the former redevelopment agency;
- One member appointed by the related county superintendant of education or county board of education;
- One member appointed by the Chancellor of the California Community Colleges;
- One member appointed by the mayor or county board of supervisors, as applicable, that is a member of the recognized employee organization representing the largest number of former redevelopment agency employees employed by the successor agency at the time.

AB1X 26 requires each successor agency to continue to make payments on enforceable obligations of the former redevelopment agencies. As described above, the Agency Local Obligations were issued prior to the enactment of AB1X 26 and therefore the City and the Agency believe that the Agency Local Obligations and the agreements related thereto, including the Agency Indenture, are enforceable obligations within the meaning of AB1X 26. However, until a successor agency adopts a "recognized obligation payment schedule" the only payments permitted to be made are payments on enforceable obligations included on an enforceable obligation payment schedule. The initial enforceable obligation payment schedule will be the enforceable obligation payment schedule adopted by the former redevelopment agency. A successor agency may amend the enforceable obligation payment schedule at any public meeting, subject to the approval of its oversight board. After May 1, 2012, only payments on enforceable obligations that are listed in a "recognized obligation payment schedule" adopted by the successor agency and approved by its oversight board are permitted to be made. By March 1, 2012, each successor agency is required to prepare a draft recognized obligation payment schedule covering the period ending June 30, 2012. Successor agencies are thereafter required to prepare and adopt recognized obligation payment schedules for each six-month period of each fiscal year. As described above, the Agency has adopted the initial enforceable obligation payment schedule required by AB1X 26. The Agency has also prepared and submitted to the City, as its successor agency, a draft of the initial recognized obligation payment schedule, which includes the Agency Local Obligations. The City, as successor agency to the Agency, intends to take all actions to continue to include payments on the Agency Local Obligations in the enforceable obligation payment schedule and each recognized obligation payment schedule. However, no assurances can be given that a failure of the City, as the Agency's successor agency, to include scheduled payments on the Agency Local Obligations on a recognized obligation payment schedule will not result in a delay in such scheduled payments.

Under AB1X 26, commencing February 1, 2012, property taxes that would have been allocated to each redevelopment agency if the agencies had not been dissolved will instead be deposited in a "redevelopment property tax trust fund" created for each former redevelopment agency by the related county auditor-controller and held and administered by the related county auditor-controller as provided in AB1X 26. AB1X 26 generally requires each county auditor-controller, on May 16, 2012 and June 1, 2012 and each January 16 and June 1 thereafter, to apply amounts in a related redevelopment property tax trust fund, after deduction of the county auditor-controller's administrative costs, in the following order of priority:

- To pay pass-through payments to affected taxing entities in the amounts that would have been owed had the former redevelopment agency not been dissolved; provided, however, that if a successor agency determines that insufficient funds will be available to make payments on the recognized obligation payment schedule and the county auditor-controller and State Controller verify such determination, pass-through payments that had previously been subordinated to debt service may be reduced;
- To the former redevelopment agency's successor agency for payments listed on the successor agency's recognized obligation payment schedule for the ensuing six-month period;
- To the former redevelopment agency's successor agency for payment of administrative costs;
- Any remaining balance to school entities and local taxing agencies.

AB1X 26 also states that "it is the intent of [AB1X 26] that pledges of revenues associated with enforceable obligations of the former redevelopment agencies are to be honored. It is intended that the cessation of any redevelopment agency shall not affect either the pledge, the legal existence of that pledge, or the stream of revenues available to meet the requirements of the pledge."

AB1X 26 provides that most of the actions and activities taken by redevelopment agencies pending dissolution, their successor agencies and oversight boards post dissolution, and county auditor-controllers are subject to review and approval by the State Department of Finance and/or the State Controller. This includes, but is not limited to, actions taken with respect to the preparation and adoption of enforceable obligation payment schedules and recognized obligation payment schedules. While, as described above, the City and the Agency believe that the Agency Local Obligations are enforceable obligations under AB1X 26, no assurances can be given that such a review of various actions of the Agency, the City, as the Agency's successor agency, the City's oversight board, or the auditor-controller of Contra Costa County, particularly with respect to actions involving enforceable obligation payment schedules or recognized obligation payment schedules, will not have an adverse affect on the timing of payment on the Agency Local Obligations.

AB1X 26 generally provides that agreements between a redevelopment agency and the city or county that established the agency are not "enforceable obligations." This could include various agreements that the City has with the Agency, some of which support debt for which the City's general fund is ultimately responsible for repayment. However, AB1X 26 provides that certain agreements between a redevelopment agency and the city or county that established the agency will be deemed "enforceable obligations" if certain criteria are met. The City believes that its agreements with the Agency described in this paragraph meet the criteria described in AB1X 26 and therefore constitute "enforceable obligations" that will remain in effect even if the Agency is dissolved. However, AB1X 26 has not been interpreted by the courts in this regard, and there can be no assurances that, if the validity of the agreements between the City and the Agency are challenged, such agreements will ultimately be determined to constitute "enforceable obligations" pursuant to AB1X 26, or will otherwise be determined to be enforceable. There also can be no assurances that AB1X 26 will not interfere with the receipt by the City from the Agency of amounts to support other debt for which the general fund of the City is ultimately responsible for repayment, or other funds used to support City economic development activities.

It is likely that there will be additional legislation proposed and/or enacted to "clean up" various inconsistencies contained in AB1X 26 and there may be additional legislation proposed and/or enacted in the future affecting the current scheme of dissolution and winding up of redevelopment agencies currently contemplated by AB1X 26. No assurances can be given as to the effect of any such future proposed and/or enacted legislation on the Agency Local Obligations.

General Economic Conditions and Real Estate Market

The United States is currently in the midst of a significant and prolonged recession caused in part by a steep decline in the real estate market. This decline has been particularly significant in areas that experienced high amounts of growth in residential real estate prices, including the City. The effects of the steep decline in real estate values and the near complete stoppage of new residential construction in the City may impact the City's overall revenues, as well as the revenues securing the Local Obligations. Since the beginning of calendar year 2011, the median sold price for homes in the City has decreased by 5.4% and the median listing price has increased 5.8%. Over the same period, the total number of units available for sale in the City has declined by 11.4%. However, a significant amount of the units on the market continue to be distressed properties (foreclosures and short sales). No assurance can be given that these conditions will not continue or worsen over time or that such conditions will not have a material adverse affect on the ability of the City to make Base Rental Payments or the ability of the Agency to make payments on the Local Obligations.

The Facilities Lease

General. The obligation of the City to make the Base Rental Payments does not constitute a debt of the City or the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the City or the State is obligated to levy or pledge any form of taxation or for which the City or the State has levied or pledged any form of taxation.

Although the Facilities Lease does not create a pledge, lien or encumbrance upon the funds of the City, the City is obligated, subject to abatement, under the Facilities Lease to pay the Base Rental Payments from any source of legally available funds and the City has covenanted in the Facilities Lease that it will take such action as may be necessary to include all Base Rental Payments due under the Facilities Lease in its annual budgets and to make necessary annual appropriations for all such Base Rental Payments. The City is currently liable and may become liable on other obligations payable from general revenues, some of which may have a priority over the Base Rental Payments.

The City has the capacity to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the City, the funds available to make Base Rental Payments may be decreased. In the event the City's revenue sources are less than its total obligations, the City could choose to fund other activities before making Base Rental Payments and other payments due under the Facilities Lease.

Abatement. In the event of substantial interference with the City's right to use and occupy any portion of the Facilities by reason of damage to, or destruction or condemnation of the Facilities, or any defects in title to the Facilities, Base Rental Payments will be subject to abatement. See "SECURITY FOR THE BASE RENTAL PAYMENTS AND SOURCES OF PAYMENT THEREFOR – Abatement." In the event that such portion of the Facilities, if damaged or destroyed by an insured casualty, could not be replaced during the period of time in which proceeds of the City's rental interruption insurance will be available in lieu of Base Rental Payments, plus the period for which funds are available from the Facilities Lease Reserve Fund or other funds and accounts established under the Trust Agreement, or in the event that casualty insurance proceeds are insufficient to provide for complete repair or replacement of such portion of the Facilities or prepayment of the Bonds, there could be insufficient funds to make payments to Owners in full.

Limited Recourse on Default. If the City defaults on its obligations to make rental payments with respect to the Facilities, the Authority may retain the Facilities Lease and hold the City liable for all rental payments on an annual basis and will have the right to re-enter and re-let the Facilities. In the event such re-letting occurs, the City would be liable for any resulting deficiency in rental payments.

Due to the governmental function of the Facilities, the Site Lease and the Facilities Lease, it is not certain whether a court would permit the exercise of the remedies of repossession and re-letting of the Facilities. In any case, due to the specialized nature of the Facilities, no assurance can be given that the Trustee would be able to re-let the Facilities so as to provide rental income sufficient to make principal and interest payments with respect to the Bonds in a timely manner, and the Trustee is not empowered to sell the fee interest in the Facilities for the benefit of the Owners of the Bonds. Any suit for money damages would be subject to limitations on legal remedies against cities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Moreover, there can be no assurance that such re-letting will not adversely affect the exclusion of any interest component of Base Rental Payments from federal or state income taxation.

No Acceleration. If the City defaults on its obligation to make Base Rental Payments, there is no available remedy of acceleration of the total Base Rental Payments due over the term of the Facilities Lease. The City will only be liable for Base Rental Payments on an annual basis, and the Trustee would be required to seek a separate judgment in each fiscal year for that fiscal year's rental payments.

Seismic Considerations. The area in and surrounding the City, like all California communities, may be subject to unpredictable seismic activity. If there were to be an occurrence of severe seismic activity in the City, there could be substantial damage to and interference with the City's right to use and occupy all or a portion of the Facilities, which could result in Base Rental Payments being subject to abatement. See "Abatement" above. The City is not required to maintain earthquake insurance.

The Agency Local Obligations

Reduction of Tax Increment Revenues. Tax Increment Revenues allocated to the Agency by Contra Costa County are determined in part by the amount by which the assessed valuation of property in the Merged Project Area exceeds the base year assessed valuation for such property, as well as by the current rate at which property in the Merged Project Area is taxed. The Agency itself has no taxing power with respect to property, nor does it have the authority to affect the rate at which property is taxed. Assessed valuation of taxable property within the Merged Project Area may be reduced by economic factors beyond the control of the Agency or by substantial damage, destruction (as a result, for example, of a severe earthquake) or condemnation of such property. Assessed valuation and tax rates can be reduced as a result of actions of the California Legislature or electorate. Such a reduction of assessed valuations or tax rates could result in a reduction of the Tax Increment Revenues available to make payments on the Agency Local Obligations.

The County has implemented an Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. See "MERGED PROJECT AREA REVENUES – County Teeter Plan." Under the Teeter Plan, the County apportions secured property taxes on an accrual basis (irrespective of actual collections) to local political subdivisions, for which the County acts as the tax-levying or tax-collecting agency. There can be no assurance that the County will decide that any given delinquent tax is eligible for the Teeter Plan, or that the County will not terminate the Teeter Plan in the future. If the County determines that substantial delinquent property taxes are not eligible for the Teeter Plan, or decides to terminate the Teeter Plan, substantial delinquencies in the payment of property taxes could have an adverse effect on the ability of the Agency to make payments on the Agency Local Obligations.

While the Agency is authorized to receive the Tax Increment Revenues, it does not have the power to levy and collect property taxes directly. Accordingly, any reduction in tax rates, whether as a result of new statutes, constitutional amendment, changes in methods by which assessed valuation is established, or any increases in exemptions for the type of property to be located in the Merged Project Area which are not offset by funds from other sources, would have the effect of reducing the Agency's Tax Increment Revenues. Accordingly, such events could have an adverse impact on the ability of the Agency to make payments on the Agency Local Obligations.

Future Changes In the Law. In addition to the existing limitations on Tax Increment Revenues described herein and the recent changes to the Redevelopment Law described above under "Recent Redevelopment Law Changes" the California electorate or Legislature could adopt limitations with the effect of reducing Tax Increment Revenues payable to the Agency.

Levy and Collection of Taxes. The 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 Increment Revenues, and accordingly, could have an adverse impact on the ability of the Agency to make payments on the Agency Local Obligations.

Likewise, delinquencies in the payment of property taxes by the owners of land in the Merged Project Area (to the extent not covered by the Teeter Plan) and the impact of bankruptcy proceedings on the ability of taxing agencies to collect property taxes could have an adverse effect on the Agency's ability to make payments on the Agency Local Obligations. Any reduction in Tax Increment Revenues, whether for any of the foregoing reasons or any other reason, could have an adverse effect on the Agency's ability to make payments pursuant to the Agency Local Obligations.

Additional Obligations. The Agency may issue bonds or incur other obligations payable from Tax Increment Revenues. See "SECURITY FOR THE AGENCY LOCAL OBLIGATIONS AND SOURCES OF REPAYMENT THEREFOR – Issuance of Additional Debt."

Earthquake Risk. The area in and surrounding the City, like all California communities, may be subject to unpredictable seismic activity. Earthquake damage in the Merged Project Area could adversely affect assessed valuation and therefore the ability of the Agency to make payments Agency Local Obligations.

Bond Insurance

In the event of default of the payment of the scheduled principal or interest with respect to the Bonds when all or some becomes due, the Trustee on behalf of any owner of the Bonds shall have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a scheduled mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds which is recovered from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment unless the Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Insurer without appropriate consent. The Insurer may direct and must consent to any remedies and the Insurer's consent may be required in connection with amendments to any applicable documents relating to the Bonds.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the Trust Estate as provided in the Trust Agreement. In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Insurer and its claim paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Bonds will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "RATINGS" herein.

The obligations of the Insurer are unsecured contractual obligations and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

None of the Authority, the City, the Agency or the Underwriter have made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Authority to pay principal and interest on the Bonds from the Trust Estate as provided in the Trust Agreement and the claims paying ability of the Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein for further information regarding the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

PROPERTY TAX COLLECTIONS AND LIMITATIONS ON TAX REVENUES

Property Tax Collection Procedures

In California, property which is subject to *ad valorem* taxes is classified as "secured" or "unsecured." The secured classification includes property on which any property tax levied by a county becomes a lien on that property sufficient, in the opinion of the county assessor, to secure payment of the taxes. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on the secured property, regardless of the time of the creation of such other liens. 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.

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 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 that is delinquent. The taxing authority has four ways of collecting unsecured personal property taxes in the absence of timely payments by the taxpayer: (i) 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, in order to obtain a lien on certain property of the taxpayer; and (iv) seizure and sale of personal property, improvements or possessory interests belonging or taxable to the assessee.

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 sold to the State on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1 1/2% 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 on property on the unsecured roll, and further, an additional penalty of 1 1/2% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date.

The assessed valuation of property is determined as of January 1 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 March 1 and become delinquent August 31 and such taxes are levied at the prior year's secured tax rate.

Supplemental Assessments

Legislation enacted in 1983 (Chapter 498, Statutes of 1983), provides for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Previously, California law enabled the assessment of such changes only as of the next tax lien date following the change and thus delayed the realization of increased property taxes from the new assessments.

Chapter 498 provided increased revenue to redevelopment agencies 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 State supplemental assessments occur within the Merged Project Area, Tax Increment Revenues may increase.

Unitary Property

AB 2890 (Statutes of 1986, Chapter 1457) provides that, commencing with the 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 tax rate area will receive the same amount from each assessed utility received in the previous fiscal year unless the applicable county-wide values are insufficient to do so, in which case values will be allocated to each tax rate area on a pro rata basis; and (ii) if values to be allocated are greater than in the previous fiscal year, each tax rate area will receive a pro rata share of the increase from each assessed utility according to a specified formula. Additionally, the lien date on State-assessed property was 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 State Board of Equalization. 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 distributing property tax revenues derived from State-assessed property to taxing jurisdictions within each county as follows: for revenues derived from the one percent tax rate, each jurisdiction, including redevelopment project areas, will receive a percentage up to 102% of its prior year State-assessed unitary revenue; and if countywide revenues generated from unitary property are greater than 102% of the previous year's unitary revenues, each jurisdiction will receive a percentage share of the excess unitary revenue generated from the application of the one percent tax rate to countywide unitary taxable value; further, each jurisdiction will receive a percentage share of revenue based on the jurisdiction's annual debt service requirements and the percentage of property taxes received by each jurisdiction from unitary property taxes. Railroads will continue to be assessed and revenues allocated to all tax rate areas where railroad property is sited.

Property Tax Rate Limitations – Article XIIIA

In 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution which imposes certain limitations on taxes that may be levied against real property. This amendment, which added Article XIIIA to the California Constitution, among other things, defines full cash value of property 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 period." This full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or any reduction in the event of declining property value caused by damage, destruction or other common factors. The amendment further limits the amount of any *ad valorem* tax on real property to one percent of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and on any bonded indebtedness for the acquisition or improvement of real property which is approved after July 1, 1978, by two-thirds of the voters voting on such indebtedness.

In 1986, the voters of the State of California approved two measures, Propositions 58 and 60, which further amended Article XIIIA. Proposition 58 amended Article XIIIA to provide that the terms "purchased" and "change of ownership," for purposes of determining full cash value of property under Article XIIIA, 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.

Implementing Legislation

Legislation enacted by the California Legislature to implement Article XIIIA (Statutes of 1978, Chapter 292, as amended) provided that, notwithstanding any other law, local agencies may not levy any property tax, except to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and that each county will levy the maximum tax permitted by Article XIIIA of $4.00 per $100 assessed valuation (based on the traditional practice of using 25% of full cash value as the assessed value for tax purposes).

Effective as of the 1981/82 fiscal year, assessors in California no longer recorded property values in the tax rolls at the assessed value of 25% of market value. All taxable property value is now shown at full market value. In conformity with this change in procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of market value and all general tax rates reflect the $1 per $100 of taxable value. Tax rates for bond debt service and pension liability are also applied to 100% of market value.

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

Appropriations Limitation – Article XIIIB

On November 6, 1979, California voters approved Proposition 4, known as the Gann Initiative, which added Article XIIIB to the California Constitution. In 1990, the voters approved Proposition 111, which amended Article XIIIB in certain respects. The principal effect of Article XIIIB is to limit 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.

Appropriations subject to Article XIIIB include generally the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes and benefit payments from retirement, unemployment insurance and disability insurance funds. Proceeds of taxes include, but are not limited to, all tax revenues and the proceeds to an entity of government from (i) regulatory licenses, user charges and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), and (ii) the investment of tax revenues.

Limitation on Tax Imposition

On November 4, 1986, California voters approved Proposition 62, an initiative statute limiting the imposition of new or higher taxes by local agencies. The statute (a) requires new or higher general taxes to be approved by two-thirds of the local agency's governing body and a majority of its voters; (b) requires the inclusion of specific information in all local ordinances or resolutions proposing new or higher general or special taxes; (c) penalizes local agencies that fail to comply with the foregoing; and (d) requires local agencies to stop collection of any new or higher general tax adopted between July 31, 1985, and November 4, 1986, unless a majority of the voters approved the tax by November 3, 1988. In 1988, a California appellate court held that the effective date of Proposition 62 (described in (d) above) was unconstitutional. A second appellate court decision held unconstitutional both the effective date and majority-vote provisions of Proposition 62. However, the California Supreme Court has ordered that the latter decision not be published (making it unavailable for citation as precedent), thus creating uncertainty as to the voter-approval requirement of Proposition 62.

Proposition 218

On November 5, 1996, the voters of the State of California approved Proposition 218, known as the "Right to Vote on Taxes Act". Proposition 218 added Articles XIIIC and XIIID to the California Constitution and contained a number of interrelated provisions affecting the ability of the County to levy and collect both existing and future taxes, assessments, fees and charges.

Proposition 218 (Article XIIIC) requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes, even if deposited in the City's general fund, require a two-thirds vote. The voter approval requirements of Proposition 218 reduce the flexibility of the City to raise revenues through general fund taxes, and no assurance can be given that the City will be able to raise such taxes in the future to meet increased expenditure requirements.

Proposition 218 (Article XIIIC) also expressly extends the initiative power to matters of local taxes, assessments, fees and charges. This means that the voters of the City could, by future initiative, reduce or repeal existing local taxes, assessments, fees and charges. The initiative power granted under Proposition 218, by its terms, applies to all local fees and charges and is not necessarily limited to those that are property-related fees and charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges.

Proposition 218 (Article XIIID) also added several provisions affecting property related fees and charges. All new and existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) are for a service not actually used by, or immediately available to, the owner of the property in question, or (iv) are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners.

Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The City must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the City may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services, no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area.

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution by expanding the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, for performing investigations, inspections, and audits, for enforcing agricultural marketing orders, and for the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bears a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The City has analyzed and implemented the requirements of Proposition 26 and has determined that the impacts are immaterial to the financial operations of the City. All resulting financial impacts from Proposition 26 were included in the City's adopted budget for fiscal year 2011-12.

Future Initiatives

Article XIIIA, Article XIIIB, Proposition 62, Proposition 218 and Proposition 26 were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting City revenues or the City's ability to expend revenues.

Property Assessment Appeals

An assessee of locally-assessed or state-assessed property may contest the taxable value enrolled by the county assessor or by the State Board of Equalization ("SBE"), respectively. The assessee of SBE-assessed property or locally-assessed personal property, the valuation of which are subject to annual reappraisal, actually contests the determination of the full cash value of property when filing an assessment appeal. Because of the limitations to the determination of the full cash value of locally-assessed real property by Article XIIIA, an assessee of locally assessed real property generally contests the original determination of the base assessment value of the parcel, i.e. the value assigned after a change of ownership or completion of new construction. In addition, the assessee of locally-assessed real property may contest the current assessment value (the base assessment value plus the compounded annual inflation factor) when specified conditions have caused the full cash value to drop below the current assessment value.

At the time of reassessment, after a change of ownership or completion of new construction, the assessee may appeal the base assessment value of the property. Under an appeal of a base assessment value, the assessee appeals the actual underlying market value of the sale transaction or the recently completed improvement. A base assessment appeal has significant future revenue impact because a reduced base year assessment will then reduce the compounded value of the property prospectively. Except for the two percent inflation factor allowable under Article XIIIA, the value of the property cannot be increased until a change of ownership occurs or additional improvements are added.

Pursuant to Section 51(b) of the Revenue and Taxation Code, the assessor may place a value on the tax roll lower than the compounded base assessment value, if the full cash value of real property has been reduced by damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in the value. Reductions in value pursuant to Section 51(b), commonly referred to as Proposition 8 appeals, can be achieved either by formal appeal or administratively by assessor staff appraising the property. A reduced full cash value placed on the tax roll does not change the base assessment value. The future impact of a parcel subject to a Proposition 8 appeal is dependent upon a change in the conditions which caused the drop in value. In fiscal years subsequent to a successful Proposition 8 appeal, the assessor may determine that the value of the property has increased as a result of corrective actions or improved market conditions and enroll a value on the tax roll up to the parcel's compounded base assessment value.

The taxable value of utility property may be contested by utility companies and railroads to the SBE. Generally, the impact of utility appeals is on the State-wide value of a utility determined by SBE. As a result, the successful appeal of a utility may not impact the taxable value of the Merged Project Area but could impact a project area's allocation of unitary property taxes.

CITY OF BRENTWOOD

The County of Contra Costa and City of Brentwood

Contra Costa County was incorporated in 1850 as one of the original 27 counties of the State of California with the City of Martinez as the County Seat. It is one of the nine counties in the San Francisco-Oakland Bay Area. The County covers about 733 square miles and extends from the northeastern shore of the of San Francisco Bay easterly about 20 miles to San Joaquin County. The County is bordered on the south and west by Alameda County and on the north by Suisun and San Pablo Bays. The western and northern shorelines are highly industrialized while the interior sections are suburban/residential, commercial and light industrial. A large part of the interior of the County is served by the Bay Area Rapid Transit District ("BART") which has contributed to the expansion of residential and commercial development. In addition, economic development along the Interstate 680 corridor in the County has been substantial in the cities of Concord, Walnut Creek, and San Ramon. The County had a population of approximately 1,056,064 as of January 1, 2011, as estimated by the State Department of Finance.

The City is located adjacent and southeast of the City of Antioch, 25 miles northeast of Walnut Creek, 45 miles northeast of San Francisco, and 65 miles southwest of Sacramento. The City of Tracy is located approximately 20 miles to the southeast and Livermore is located roughly 20 miles to the south. The City is situated in the eastern portion of the County, roughly five miles west of the San Joaquin County line. It is situated between the Mount Diablo foothills to the west, Antioch and Oakley to the north, Discovery Bay to the east and Byron to the south.

The City was incorporated in 1948 and up until the 1980's the City had retained its agricultural orientation. In recent years, new residential subdivisions have transformed the City into a more suburban environment. Land uses in and around the City are characterized by older farming and retail districts (the older retail districts are primarily located in downtown of the City) and residential neighborhoods in the peripheral areas of the City.

Management

The members of the City Council and the expiration of their current terms of office are summarized below.

Council Members	Expiration of Term (November)
Robert Taylor, Mayor	2012
Steve Barr, Vice Mayor	2014
Robert A. Brockman, Council Member	2012
Joel R. Bryant, Council Member	2014
Erick Stonebarger, Council Member	2012

CITY OF BRENTWOOD FINANCES

The following selected financial information provides a brief overview of the City's finances. This financial information has been extracted from the City's audited financial statements and, in some cases, from unaudited information provided by the City's Department of Finance. The most recent audited financial statements of the City with an unqualified auditor's opinion is included as Appendix B hereto. See "APPENDIX B – CITY AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011."

Accounting Policies and Financial Reporting

The City's accounting records are organized and operated on a "fund" basis, which is the basic fiscal and accounting entity in governmental accounting. The three broad fund categories include governmental, proprietary and fiduciary funds. The operations of the different funds are accounted for with separate sets of self-balancing accounts with assets, liabilities, fund balance or equity, and revenues and expenses. The basis of accounting for all funds is more fully explained in the Notes to General Purpose Financial Statements contained in Appendix B.

The City has received the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting for the past ten fiscal years.

Budgetary Process

The budget of the City is a detailed operating plan which identifies estimated costs and activities in relation to estimated revenues. The City is required to adopt an annual operating budget on or before June 30 for the ensuing fiscal year which begins July 1. Initially, the City Manager submits to the City Council a proposed annual operating and capital improvement project budget for the fiscal year commencing the following July 1. Public hearings are then conducted to obtain taxpayer comments. Finally, the budget is legally adopted through the passage of a minute order.

From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the applicable governmental funds. The City Council may amend the budget by motion during the fiscal year. The level of budgetary control is at the fund level. The City Manager may transfer appropriations within the same fund without approval from the City Council. All other transfers require City Council approval.

All annual appropriations lapse at the end of the fiscal year to the extent they have not been expended or encumbered. For the actual GAAP basis financial statements, encumbered appropriations are not reported as expenditures, but are reported as a reservation of fund balance available for subsequent year expenditures based on the encumbered appropriation authority carried over to the next fiscal year.

General Fund Financial Summary

The information contained in the following tables of revenues, expenditures and changes in fund balances, and assets, liabilities and fund equity has been derived from (i) with respect to fiscal years 2007-08 through 2010-11, the City's audited financial statements for such fiscal years and (ii) with respect to fiscal year 2011-12, the City's adopted budget for such fiscal year.

A copy of the City's audited financial statements for the twelve months ended June 30, 2011 is attached as Appendix B hereto.

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CITY OF BRENTWOOD
General Fund Balance Sheet
As of June 30 for Fiscal Years 2007-08 through 2011-12

	2007-08	2008-09	2009-10	2010-11	2011-12 (Budgeted)
Assets					
Cash and Investments	$29,600,497	$19,865,927	$19,134,672	$21,970,025	$21,003,085
Receivables	930,215	869,236	1,337,430	1,187,514	1,187,514
Prepaids	69,008	115,603	69,383	168,127	168,127
Total Assets	$30,599,720	$20,850,766	$20,541,485	$23,325,666	$22,358,726
Liabilities					
Liabilities:					
Accounts Payable	$1,228,168	$ 969,795	$ 1,037,622	$1,119,922	$ 1,200,000
Unearned Revenue	214,424	253,540	569,788	628,669	650,000
Deposits Held	5,146,109	4,042,613	3,600,153	3,305,556	3,000,000
Total Liabilities	$6,588,701	$5,265,948	$5,207,563	$5,054,147	$ 4,850,000
Fund Equity					
Reserved For:					
Prepaids	$ 69,008	$ 115,603	$ 69,383	$ 168,127	$ 168,127
Unreserved	23,942,011	15,469,215	15,264,539	18,103,092	17,340,599
Total Fund Balances	$24,011,019	$15,584,818	$15,333,922	$18,271,219	$17,508,726
Total Liabilities and Fund Balances	$30,599,720	$20,850,766	$20,541,485	$23,325,366	$22,358,726

Source: City of Brentwood, Finance Department.

CITY OF BRENTWOOD
General Fund
Summary of Revenues and Expenditures
For Fiscal Years 2007-08 through 2011-12

	2007-08	2008-09	2009-10	2010-11	2011-12 (Budgeted)
Revenues:					
Taxes	$16,511,382	$15,352,221	$13,670,774	$13,583,274	$13,884,159
Licenses	454,678	530,025	494,958	486,963	490,430
Permits and Fines	3,311,232	1,299,070	2,419,184	2,695,972	2,846,045
Uses of Money and Property	2,540,498	1,284,703	841,953	489,917	644,100
Intergovernmental	4,174,292	4,163,335	3,597,583	3,079,656	2,989,850
Franchises	1,018,540	1,057,537	1,168,412	1,183,245	1,223,247
Charges for Other Services	515,471	407,429	437,338	522,681	440,669
Charges to Other Funds	5,293,754	5,507,561	6,101,449	5,887,152	5,639,464
Fees and Other Revenues	1,324,519	1,068,105	1,110,596	1,249,349	1,699,080
Total Revenues	**$35,144,366**	**$31,069,986**	**$29,842,247**	**$29,178,209**	**$29,857,044**
Expenditures:					
Current:					
General Government	$ 6,306,881	$ 5,996,458	$ 5,050,152	$ 5,019,112	$ 6,167,432
Public Safety	14,082,356	14,237,877	14,851,292	15,612,181	17,072,932
Community Development	4,095,931	3,188,946	2,679,783	2,941,344	3,383,656
Engineering	2,574,651	2,523,897	2,124,818	2,241,604	2,735,993
Public Works	2,676,479	2,385,896	2,342,121	2,687,175	2,788,701
Parks	5,797,217	4,444,574	4,094,709	4,141,563	4,827,389
Community Services	225,313	265,957	522,597	549,915	604,696
Other	--	--	--	--	--
Capital Outlay	64,014	--	--	100	--
Debt Service:					--
Principal	112,369	98,379	--	--	--
Interest and Fiscal Charges	--	--	86,131	75,407	--
Total Expenditures	**$35,935,211**	**$33,141,984**	**$31,751,603**	**$33,268,402**	**$37,580,799**
REVENUES OVER (UNDER) EXPENDITURES	**$ (790,845)**	**$ (2,071,998)**	**$ (1,909,356)**	**$ (4,090,193)**	**$ (7,723,755)**
OTHER FINANCING SOURCES (USES)					
Transfers In	$ 3,339,031	$3,709,945	$ 6,043,059	$12,919,771	$ 7,527,656
Transfers Out	(3,936,732)	(10,064,148)	(4,384,599)	(5,891,981)	(566,444)
Total Other Financing Sources (Uses)	**$ (597,701)**	**$(6,354,203)**	**$ 1,658,460**	**$ 7,027,790**	**$ 6,961,212**
NET CHANGE IN FUND BALANCES	**$(1,388,546)**	**$(8,426,201)**	**$ (250,896)**	**$ 2,937,597**	**$ (762,543)**
Fund Balance, Beginning of Year	**25,399,565**	**24,011,019**	**15,584,818**	**15,333,922**	**18,271,519**
Fund Balance, End of Year	**$24,011,019**	**$15,584,818**	**$15,333,922**	**$18,271,519**	**$17,508,976**

Source: City of Brentwood, Finance Department.

Pension Plans and Other Post-Employment Benefits

The City provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to its employees, retirees and other beneficiaries through its participation in the California Public Employees Retirement System ("CalPERS"), an agent multiple-employer public employee defined benefit pension plan (a combination of multiple public agencies' separate plans each with different terms and contribution rates but administered and invested together by CalPERS). The City maintains two defined-benefit plans through CalPERS (the "Miscellaneous Plan" and the "Safety Plan" and together, the "Plans"). As of June 30, 2010, the last actuarial valuation date for the Miscellaneous Plan, the actuarial accrued liability for the Miscellaneous Plan was $64.4 million, the actuarial value of the Miscellaneous Plan assets was $51.7 million and the market value of the Miscellaneous Plan assets was $41.7 million. As of June 30, 2010, the Miscellaneous Plan was 80.1% funded on an actuarial value of assets basis and 64.7% funded on a market value of assets basis. The Safety Plan is part of the CalPERS Safety 3.0% at 50 Risk Pool (the "Risk Pool"), a cost-sharing multiple-employer defined benefit plan. The Safety Plan has generally represented less than 1% of the Risk Pool based on covered payroll. As of June 30, 2010, the last actuarial valuation date for the Risk Pool, the actuarial accrued liability for the Risk Pool was $10.2 billion, the actuarial value of the Risk Pool assets was $8.5 billion and the market value of the Risk Pool assets was $6.7 billion. As of June 30, 2010, the Risk Pool was 83.3% funded on an actuarial value of assets basis and 65.4% funded on a market value of assets basis. For more information on the Plans and the Risk Pool, certain actuarial assumptions used, the annual pension cost and the funded status on an actuarial value of assets basis, see "Note 9" and "Required Supplementary Information" to the City's audited financial statements included in Appendix B attached to this Official Statement.

As an employer, the City is required to contribute a percentage of payroll each year to CalPERS to fund the Plans based on actuarial valuations performed by CalPERS. The City also makes either the full or partial contributions required of City employees on their behalf and for their account. For the fiscal year ended June 30, 2011, the City's required employer contribution rate (not including the City's contributions to cover required employee contributions) was 14.482% of covered payroll for the Miscellaneous Plan and 21.523% of covered payroll for the Safety Plan. During the fiscal year ended June 30, 2011 the City contributed $3.5 million and $2.0 million to CalPERS for the Miscellaneous Plan and the Safety Plan, respectively, (including the City's contributions to cover required employee contributions). For the fiscal year ending June 30, 2012, the City is required to contribute 16.914% and 26.746% of covered payroll to the Miscellaneous Plan and the Safety Plan, respectively, not including City contributions to cover required employee contributions. This results in an expected contribution by the City of $2.5 million and $3.8 million to the Miscellaneous Plan and the Safety Plan, respectively, for such fiscal year (including City contributions to cover required employee contributions). Payments to CalPERS constitute approximately 12% of the City's General Fund operating expenditures in the current fiscal year. CalPERS has determined that the City will be required to contribute 17.0% and 27.3% of covered payroll to the Miscellaneous Plan and the Safety Plan, respectively, for the fiscal year ending June 30, 2013, not including City contributions to cover required employee contributions. The amount the City is required to contribute to CalPERS is expected to increase in the future. The actual amount of such increases will depend on a variety of factors, including but not limited to investment returns, actuarial methods and assumptions, experience and retirement benefit adjustments.

The City has implemented a second tier retirement benefit for Miscellaneous Plan employees hired after September 30, 2010. Employees in the second tier are eligible for a reduced set of pension benefits. These reductions include a 2% at 60 pension benefit (rather than 2.7% at 55 for tier one employees); maximum annual cost of living allowances in retirement of 2% (rather than 5% for tier one employees); and pensions based upon the average of the highest 36 months of salary (rather than highest 12 months of salary for tier one employees). In addition, second tier employees must also contribute 7% of their salary towards pension costs (rather than 2% for tier one employees). At this time, the City does not intend to cover any portion of the required employee contribution for second tier employees.

While the City has some ability to adjust the retirement benefits provided to its employees, CalPERS determines the actuarial methods and assumptions used with respect to assets administered by CalPERS (including the City Plans assets) and makes the investment decisions with respect to such assets. For a description of such actuarial methods and assumptions (including the smoothing conventions used by CalPERS when setting employer contribution rates) and investments, see the comprehensive annual financial report of CalPERS available on its website at www.calpers.ca.gov. The City cannot guaranty the accuracy of such information. Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may prove to be inaccurate or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

The Governmental Accounting Standards Board (GASB) released on July 8, 2011, its exposure draft of proposed changes in pension accounting and financial reporting standards for state and local governments (GASB 25 and 27), and if implemented, these changes will impact the City. Major changes would be: 1) the inclusion of unfunded pension liabilities on the City's balance sheet (they are currently included as notes to the City's financial statements); 2) full pension costs would be shown as expenses regardless of actual contribution levels; 3) lower actuarial discount rates would be required to be used for most plans for purposes of the financial statements, resulting in increased liabilities and pension expenses; and 4) shorter amortization periods for unfunded liabilities would be required to be used for purposes of the financial statements, which generally would increase pension expenses. Following public comments on the exposure draft in 2011, new standards could be adopted in final form in 2012 and are expected to take effect in fiscal years beginning mid-2013 for most employers.

The City also provides certain post-retirement health care benefits. Historically, the City has funded such benefits on a pay-as-you-go basis. However, beginning in fiscal year 2010-11, the City began prefunding such benefits, with an approved policy which ramps up funding to 85% of the ARC by fiscal year 2017-18. The City paid $570,457 and $1,012,000 for such health care benefits for the fiscal years ended June 30, 2010 and 2011, respectively. For more information on the City's post-retirement health care benefits, see "Note 11" to the City's audited financial statements included in Appendix B attached to this Official Statement.

Tax Receipts

Taxes received by the City include Sales Taxes, Property Taxes, Transient Occupancy Tax, and Real Property Transfer Tax. None of the general taxes currently imposed by the City are affected by Proposition 218. See "PROPERTY TAX COLLECTIONS AND LIMITATIONS ON TAX REVENUES - Proposition 218."

The following table sets forth tax revenues received by the City's General Fund, by source:

CITY OF BRENTWOOD
Tax Revenues by Source
For Fiscal Years 2007-08 through 2011-12

Fiscal Year Ended June 30:	2007-08	2008-09	2009-10	2010-11	Budgeted 2011-12
Source:					
Property Taxes	$11,094,861	$ 9,966,851	$ 8,025,003	$ 7,771,196	$ 7,826,973
Sales Taxes	4,924,165	4,899,098	5,135,982	5,355,400	5,601,731
Transient Occupancy Tax	149,729	187,361	226,380	205,586	205,000
Real Property Transfer Tax	342,627	298,911	283,407	251,092	250,455
Total	$16,511,382	$15,352,221	$13,670,772	$13,583,274	$13,884,159

Source: City of Brentwood, Finance Department.

Sales Taxes

During fiscal year 2011-12, the City expects sales taxes to generate approximately 40.3% of the City's 2011-12 tax revenues. A sales tax is imposed on retail sales or consumption of personal property. The tax rate is established by the State Legislature. Effective October 1, 2011, the statewide tax rate is 7.250%. An additional 1% is collected in Contra Costa County for transportation purposes. The State collects and administers the tax, and makes distributions on taxes collected within the City. The State's administrative costs are deducted before distribution.

The following table shows taxable transactions in the City during calendar years 2006 through 2010 (through third quarter only).

CITY OF BRENTWOOD
Taxable Transactions
For Calendar Years 2006 through 2010
($'s in thousands)

Year	Retail Transactions	Total
2006	362,644	409,480
2007	380,461	424,934
2008	383,626	434,761
2009	388,890	444,070
2010[1]	300,283	343,814

[1] Through third quarter only.
Source: California State Board of Equalization.

Property Taxes

Assessed Valuation. The valuation of property in the City is established by the Contra Costa County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the full value of the property, as defined in Article XIIIA of the California Constitution. Prior to 1981-82, assessed valuations were reported at 25% of the full value of the property. See "PROPERTY TAX COLLECTIONS AND LIMITATIONS ON TAX REVENUES," above.

A State-reimbursed exemption currently provides a credit of $7,000 of the full value of an owner-occupied dwelling for which application has been made to the County Assessor. Revenue estimated to be lost to local taxing agencies due to the this exemption has in the past been reimbursed from State sources. Reimbursement is based upon total taxes due upon such exemption values and therefore is not reduced by any estimated amount of actual delinquencies.

CITY OF BRENTWOOD
Assessed Valuation
For Fiscal Years 2007-08 through 2011-12

Fiscal Year	Secured	Unsecured	SBE Nonunitary	Total
2007-08	$7,999,420,950	$118,536,799	$249,794	$8,118,207,543
2008-09	7,270,949,678	133,513,363	249,794	7,404,712,835
2009-10	5,970,295,657	138,544,390	249,794	6,109,089,841
2010-11	5,733,833,213	124,941,914	1,111,107	5,859,886,234
2011-12	5,476,975,390	120,006,661	953,943	5,597,935,994

Source: Contra Costa County Auditor/Controller.

Ad Valorem Property Taxes. Taxes are levied for each fiscal year on taxable real and personal property which is situated in the City as of the preceding March 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property, the taxes on which are a lien on real property sufficient to secure payment of the taxes. Other property is assessed on the "unsecured roll." See "PROPERTY TAX COLLECTIONS AND LIMITATIONS ON TAX REVENUES."

County Tax Loss Reserve Fund ("Teeter Plan"). The Board of Supervisors of the County adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. Property taxes and certain assessment installments are collected by the County and distributed pursuant to the Teeter Plan. Under the Teeter Plan, each entity levying property taxes in the County may draw on the amount of uncollected secured taxes credited to its fund, in the same manner as if the amount credited had been collected.

Property Tax Levies. The table below sets forth for fiscal years 2006-07 through 2010-11, the property tax levies and collections in the City for property tax accruing to the City's general fund. Because the City participates in the County's Teeter Plan, total collections equals total levies.

CITY OF BRENTWOOD
Property Tax Levies
For Fiscal Years 2006-07 through 2010-11

Fiscal Year	Total Levies	Total Collections
2006-07	$19,676,078	$19,676,078
2007-08	20,802,069	20,802,069
2008-09	20,639,137	20,639,137
2009-10	16,247,076	16,247,076
2010-11	15,684,496	15,684,496

Source: Contra Costa County Auditor/Controller.

Principal Taxpayers. The twenty largest secured taxpayers in the City for fiscal year 2011-12 are as follows:

CITY OF BRENTWOOD
Largest Local Secured Taxpayers
Fiscal Year 2011-12

Property Owner[(1)]	2011-12 Primary Land Use	% of Assessed Valuation	Total
Brentwood Specialty Center LLC	Commercial	1.97%	$110,110,635
Sand Creek Crossing LLC	Commercial	0.74	41,285,400
John Muir Mt. Diablo Health	Commercial	0.65	36,548,936
Trilogy Vineyards LLC	Vacant	0.59	33,013,580
DS Lone Tree Plaza LLC	Commercial	0.58	32,284,463
Towncentre Professional LP	Residential	0.46	25,857,719
Discovery Builders INC	Dry Farm	0.39	21,818,636
New Urban Comm Sciortino LLC	Commercial	0.35	19,775,100
Festival Retail Fund Brentwood	Commercial	0.19	10,879,192
Safeway Stores Inc	Commercial	0.16	8,951,161
Sand Creek Business Center III	Commercial	0.13	7,415,908
Wells Fargo Bank NA	Commercial	0.13	7,209,223
Pacific State Bank	Commercial	0.10	5,751,558
Claremont Storage Partners	Commercial	0.10	5,326,831
Paul E. Lisa A. Taylor Trust	Commercial	0.09	4,915,560
HPH Brentwood Towncentre Shops	Commercial	0.08	4,709,244
Brentwood Business Center LP	Commercial	0.08	4,606,000
Sunset Plaza Properties LLC	Commercial	0.08	4,579,000
Maggiore Family Company LLC	Commercial	0.08	4,482,320
Sand Creek Bus Associates I LLC	Commercial	0.08	4,470,700
WEC 97-34 Investment Trust	Commercial	0.08	4,388,510
JFM Development LLC	Commercial	0.07	4,164,871
Harvest Park Bowling Center	Commercial	0.07	3,895,890
Diamond Mine Mini Storage	Commercial	0.06	3,560,311
Rogelstad-Thorpe LLC	Commercial	0.06	3,542,053

(1) 2011-12 Local Secured Assessed Valuation: $5,598,393,433.

Source: HdL, Coren & Cone.

Long-Term Debt

For information on the long-term debt of the City, see "Note 6" to the City's audited financial statements shown in Appendix B hereto.

Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. This Debt Report is included for general information purposes only. The City has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the City in whole or in part. Such long-term obligations generally are not payable from revenues of the City (except as indicated) nor are they necessarily obligations secured by land within the City. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The second column in the table shows the percentage of each overlapping entity's assessed value located within the boundaries of the City. The third column shows the corresponding portion of the overlapping entity's existing debt payable from property taxes levied within the City. The total amount of debt for each overlapping entity is not given in the table.

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CITY OF BRENTWOOD
Statement of Direct and Overlapping Debt As of October 4, 2011

2011-12 Assessed Valuation:	$5,597,919,185
Redevelopment Incremental Valuation:	547,344,800
Adjusted Assessed Valuation:	$5,050,574,385

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 10/1/11
Bay Area Rapid Transit District	1.158%	$ 4,777,213
Contra Costa Community College District	4.055	9,242,967
Liberty Union High School District	49.657	28,369,044
Brentwood Union School District	91.596	47,240,366
Oakley Union School District	0.003	666
City of Brentwood	**100.**	**4,754,977**[(1)a]
City of Brentwood 1915 Act Bonds	100.	160,350,768
California Statewide Communities Development Authority Assessment Districts	100.	9,290,931
East Bay Regional Park District	1.656	2,163,481
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$266,190,413

Ratios to 2011-12 Assessed Valuation:

Direct Debt ($4,754,977)....................0.08%

Total Direct and Overlapping Tax and Assessment Debt 4.76%

DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Contra Costa County General Fund Obligations	4.037%	$12,903,823
Contra Costa County Pension Obligations	4.037	16,141,541
Contra Costa Community College District Certificates of Participation	4.055	37,509
Brentwood Union School District Certificates of Participation	91.596	2,399,815
City of Brentwood General Fund Obligations	**100.**	**56,450,000**
GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$87,932,688
Less: Contra Costa County Obligations Supported From Revenue Funds		4,894,866
NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$83,037,822
GROSS COMBINED TOTAL DEBT		$354,123,101[(2)]
NET COMBINED TOTAL DEBT		$349,228,235

Ratios to Adjusted Assessed Valuation:

Total Direct Debt ($61,204,977)....................1.21%

Gross Combined Total Debt 7.01%

Net Combined Total Debt....................6.91%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11: $0

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(1) Excludes accreted interest. Excludes issue to be sold.

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

Source: California Municipal Statistics, Inc.

THE REDEVELOPMENT AGENCY OF THE CITY OF BRENTWOOD

Establishment of Agency

The Agency was established by the City Council of the City (the "City Council") pursuant to the Community Redevelopment Law of the State of California (the "Redevelopment Law") and is charged with the authority and responsibility of redeveloping and improving blighted areas of the City. The Agency is broadly empowered to engage in the general economic revitalization and redevelopment of the City through acquisition and development of property in those areas of the City determined to be in a declining condition.

Agency Powers and Duties

All powers of the Agency are vested in five members who are also members of the City Council. The Agency exercises all the governmental functions as authorized under the Law and has among other powers the authority to acquire, administer, develop, lease or sell property, including the right of eminent domain and the right to issue bonds and expend the proceeds thereof. The Agency can clear buildings and other improvements and can develop as a building site any real property owned or acquired and in connection with such development, cause streets, highways, and sidewalks to be constructed or reconstructed and public utilities to be installed.

The Agency may, out of funds available for such purposes, pay for all or part of the value of land and the cost of building facilities, structures or other improvements to be publicly owned and operated to the extent that such improvements are of benefit to a project area and no other reasonable means of financing are available.

Organization

The City Council serves as the Board of Directors of the Agency. The City of Brentwood was incorporated as a general law city in 1948. The City operates under a council-manager form of government. The five Council Members are elected at large for staggered four-year terms.

Members of the Board, and their term of office are shown below:

Member	Position	Term Expires (November)
Robert Taylor	Chairman	2012
Steve Barr	Vice Chairman	2014
Robert A. Brockman	Board Member	2012
Joel R. Bryant	Board Member	2014
Erick Stonebarger	Board Member	2012

Financial Information

Included in this Official Statement as Appendix C are the audited financial statements of the Agency for the Fiscal Year ended June 30, 2011.

THE MERGED PROJECT AREA

Merger of Former Project Areas

The Merged Project Area consists of approximately 1,319 acres comprising two formerly "independent" redevelopment project areas that were merged together for financing purposes on May 9, 2000 by City Council Ordinance No. 632. The two project areas that were merged together are the Brentwood Redevelopment Project (the "Brentwood Project Area") and the North Brentwood Redevelopment Project (the "North Brentwood Project Area," and collectively referred to as the "Constituent Project Areas").

The Redevelopment Plan for the Brentwood Project Area was originally adopted on July 13, 1982 by City Council Ordinance No. 333. It has been amended four times. The first amendment added territory (the "Brentwood Project Amendment Area"). The second and third amendments changed the financial time limits for the Brentwood Project Area. The merger amendment was the fourth amendment to the Brentwood Project Area.

The Redevelopment Plan for the North Brentwood Project Area was originally adopted on July 9, 1991 by City Council Ordinance No. 496. It has been amended three times. The first amendment changed the financial time limits of the North Brentwood Project Area. The merger amendment was the second amendment and the third amendment added territory (the "North Brentwood Project Amendment Area"). The current time limits for the Constituent Project Areas are as shown below:

Limit	Brentwood Project Original Area	Brentwood Project Amendment Area	North Brentwood Project Original Area	North Brentwood Project Amendment Area
Debt Establishment[(1)]	N/A	N/A	N/A	07/09/2022
Plan Effectiveness	07/13/2025	11/29/2026	07/09/2032	07/09/2032
Debt Repayment	07/13/2035	11/29/2036	07/09/2042	07/09/2047

(1) In March 2002, the City repealed the deadline for incurring debt in the Brentwood Project Original Area, Brentwood Project Amendment Area and North Brentwood Project Original Area, as authorized by SB 211.

Prior to the amendment and merger, the Brentwood Project Area had a cumulative tax increment limit of $16 million and the North Brentwood Project Area had a cumulative tax increment limit of $1.5 billion. The merger combined the tax increment limits of the two Constituent Project Areas for a total limit of $1.516 billion for the Merged Project Area. The Agency has received approximately $71.5 million in tax increment under the cumulative tax increment limit through 2010-11. The Agency also established a combined limit on the principal amount of bonded indebtedness that can be outstanding at any one time. That limit is $266 million for the Merged Project Area.

While the Agency is not currently contemplating enacting changes in the Redevelopment Plan for the Merged Project Area, no assurances can be given that changes to the Redevelopment Plan will not occur.

Present Condition

The approximate 1,319-acre Merged Project Area includes approximately 948 acres within the North Brentwood Project Area and approximately 371 acres within the Brentwood Project Area. The Merged Project Area contains the City's historic downtown area (part of the Brentwood Project Area) and includes a mix of commercial, residential and industrial uses.

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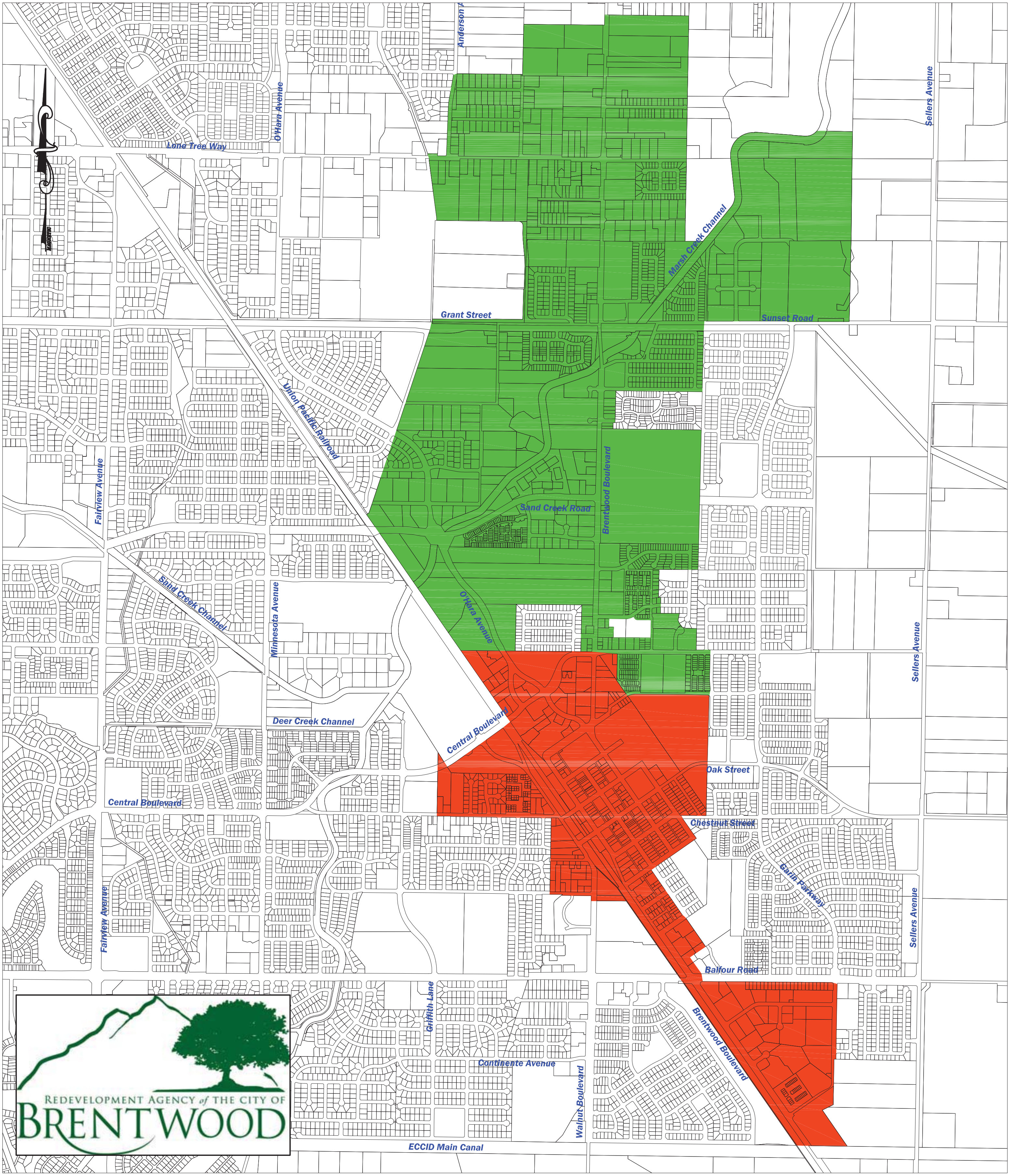
Brentwood Redevelopment Project Areas



Brentwood Project Area (371 AC)

North Brentwood Project Area (948 AC)

Scale: 1 inch = 2,000 feet
Prepared April 23, 2007

The following table shows the assessed value by land use of property within the Merged Project Area for the fiscal year ending June 30, 2012.

REDEVELOPMENT AGENCY OF THE CITY OF BRENTWOOD
MERGED PROJECT AREA
Assessed Value by Land Use
For Fiscal Year 2011-12

Land Use	Assessed Value	Percent of Total
Residential	$258,904,386	42.1%
Commercial	168,478,161	27.4
Unsecured	54,129,010	8.8
Industrial	46,718,747	7.6
Vacant	38,818,972	6.3
Miscellaneous	16,218,273	2.6
Outer Parcels	14,993,830	2.4
Unknown	9,511,872	1.5
Recreational	4,018,781	0.7
Irrigated	1,358,738	0.2
Institutional	1,329,013	0.2
SBE Nonunitary	953,943	0.2
Govt. Owned	166,907	0.0
Total	$615,600,633	100.0%

Source: HdL, Coren & Cone.

Controls, Land Use and Building Restrictions

The Redevelopment Plan for the Merged Project Area sets forth the principal land uses permitted and the building restrictions to be imposed in project development. It also assigns the Agency and the City their respective responsibilities in carrying out the Redevelopment Plan. Provision is made for rehabilitation as well as new construction and sets forth conditions and procedures required under both approaches. Construction is required to comply with all applicable State and local laws in effect, including without limitation, building, electrical, heating and ventilating, housing and plumbing codes of the City.

MERGED PROJECT AREA REVENUES

General

The Assessor of Contra Costa County will assess all taxable property in the Merged Project Area (except exempt property and public utility property) at 100% of "full cash value," as defined in Article XIIIA of the California Constitution. Public utility property is assessed by the State Board of Equalization. See "PROPERTY TAX COLLECTIONS AND LIMITATIONS ON TAX REVENUES." Contra Costa County operates under the provisions of Revenue and Taxation Code Sections 4701-4716 by which taxing entities in the County may receive their total secured tax levies regardless of actual payments and delinquencies. See "County Teeter Plan" below. Also see "PROPERTY TAX COLLECTIONS AND LIMITATIONS ON TAX REVENUES - Property Tax Collection Procedures."

The pledge of the Tax Increment Revenues pursuant to the payment of the Agency Local Obligations is subject to the Agency first satisfying its housing set-aside obligation.

Significant changes to the Redevelopment Law that could affect payments on the Agency Local Obligations or the timing of such payments were signed by the Governor of the State on June 29, 2011. See "RISK FACTORS – Recent Redevelopment Law Changes."

Merged Project Area Highlights

Assessed Valuation. The table below presents the assessed valuation of all property within the Merged Project Area for the fiscal year ending June 30, 2012.

REDEVELOPMENT AGENCY OF THE CITY OF BRENTWOOD
MERGED PROJECT AREA
Assessed Valuation
For Fiscal Year 2011-12

	Secured	Utility	Unsecured	Total
Merged Project Area Assessed Value	$560,517,680	$953,943	$54,129,010	$615,600,633
Percent of Total Assessed Value	91.05%	0.15%	8.79%	100.00%

Source: HdL, Coren & Cone.

Historical Tax Increment Revenue. Gross tax increment receipts have fallen from $7.2 million in 2006-07 to $5.7 million in 2010-11. The table below presents the tax increment receipts within the Merged Project Area for fiscal years ended June 30, 2007 through 2011.

REDEVELOPMENT AGENCY OF THE CITY OF BRENTWOOD
MERGED PROJECT AREA
Historical Tax Increment Revenues
For Fiscal Years 2006-07 through 2010-11

	2006-07	2007-08	2008-09	2009-10	2010-11
Brentwood Project Area	$2,548,401	$2,807,334	$2,822,594	$2,627,279	$2,404,798
North Brentwood Project Area	4,649,777	4,773,012	4,578,713	3,352,388	3,258,066
Total	$7,198,178	$7,580,346	$7,401,307	$5,979,667	$5,662,864

Source: Seifel Consulting Inc.

Major Property Owners. The following table lists the ten largest taxable property owners within the Merged Project Area. For the fiscal year 2011-12, the top ten taxable property owners in the Merged Project Area represent approximately 14.23 percent of the total Merged Project Area taxable value of $615,600,633.

REDEVELOPMENT AGENCY OF THE CITY OF BRENTWOOD
MERGED PROJECT AREA
Ten Major Property Tax Assessees
For Fiscal Year 2011-12

Assessee	Assessed Value	Percent of Total
Towncentre Professional LP	$25,857,719	4.20%
Comcast of California IV Inc	13,357,619	2.17
Safeway Stores	8,951,161	1.45
Sand Creek Business Center III	7,415,908	1.20
Sand Creek Bus Associates I LLC	6,143,600	1.00
Pacific State Bank	5,751,558	0.93
Festival Retail Fund Brentwood	5,365,000	0.87
Claremont Storage Partners I	5,326,831	0.87
Paul E. and Lisa A. Taylor Trust	4,804,577	0.78
Brentwood Business Center LP	4,606,000	0.75
Total	**$87,579,973**	**14.23%**

Source: HdL, Coren & Cone.

County Teeter Plan

The Board of Supervisors of the County, in 1949, adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et. seq*. of the California Revenue and Taxation Code, "to accomplish a simplification of the tax-levying and tax-apportioning process and an increased flexibility in the use of available cash resources." This alternative method will, subject to the following, be used for distribution of the revenues with respect to the levy of *ad valorem* property taxes.

Pursuant to the Teeter Plan, each taxing entity in the County may draw on the amount of uncollected taxes and assessments credited to its fund, in the same manner as if the amount credited had been collected. Under the Teeter Plan, the County establishes a tax losses reserve fund and a tax resources account. The tax losses reserve fund is used exclusively to cover losses occurring in the amount of tax liens as a result of sales of tax-defaulted property. Moneys in this fund are derived from delinquent tax penalty collections.

The amount of taxes extended on a tax-defaulted property determines the cost of redeeming the property. If valuations of tax-defaulted property entered on the roll exceed 1% of the total roll, they are not included in any statement of equalized assessed valuations that are the basis for determining bond debt limitations. When tax-defaulted property is sold, the taxes and assessments which constitute the amount required to redeem the property are prorated between apportioned (Teeter) levies and unapportioned (or non-Teeter) levies. Amounts apportioned to the funds at the time of the levy are distributed to the apportioned tax resources accounts. The pro rata share of redemption penalties or interest collected on amounts levied but not apportioned to funds at the time of the levy is distributed to the respective funds. The balance of redemption penalties or interest, together with delinquency penalties, is apportioned to the tax losses reserve fund.

The County will be responsible for determining the amount of the ad valorem property taxes on each parcel, which will be entered onto the tax roll. Upon completion of the tax roll, the County Auditor determines the total amount of taxes and assessments actually extended on the roll for each fund for which a tax levy has been included, and apportions 100% of the tax and assessment levies to that fund's credit. Such moneys may thereafter be drawn against in the same manner as if the amount credited had been collected. The Board of Supervisors determines which moneys in the County treasury (including those credited to the tax losses reserve fund) shall be available to be drawn on to the extent of the amount of uncollected taxes credited to each fund for which a levy has been included. When amounts are received on the secured tax roll for the current year or for redemption of tax-defaulted property, Teeter Plan moneys are distributed to the apportioned tax resources accounts.

The Teeter Plan is to remain in effect unless the Board of Supervisors orders its discontinuance or prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by resolutions adopted by two-thirds of the participating revenue districts in the County, in which event the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. The County has never received a petition from any governing board to discontinue the Teeter Plan. In the event that the Teeter Plan were terminated, the amount of the levy of ad valorem property taxes in the Merged Project Area would depend upon the collections of the ad valorem property taxes and delinquency rates experienced with respect to the parcels within the Merged Project Area.

The Board of Supervisors may, by resolution adopted not later than July 15 of the fiscal year for which it is to apply, after holding a public hearing on the matter, discontinue the procedure under the Teeter Plan with respect to any tax or assessment levying agency in the County if the rate of secured tax delinquency for that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls in for that agency.

It has been the Agency's experience that approximately 55% of the tax allocations for the year are received by December 31 and the final 45% by June 30.

Certification of Agency Indebtedness

A significant provision of the Redevelopment Law, Section 33675, was added by the Legislature in 1976 and amended by AB 1290 in 1993, providing for the filing not later than the first day of October of each year with the county auditor of a statement of indebtedness certified by the chief fiscal officer of the agency for each redevelopment project which receives tax increment. The statement of indebtedness is required to contain the date on which the bonds were delivered, the principal amount, term, purpose and interest rate of the bonds, the principal amount and interest due in the fiscal year in which the statement is filed, and the total principal and interest remaining to be paid. Similar information must be given for each loan, advance or indebtedness that the agency has incurred or entered into to be payable from tax increment. The statement must also indicate the total principal and interest due on all bonds, loans, advances or other indebtedness indicated on the statement, both for the current fiscal year and cumulatively over their lives, and the total amount of "available revenues" on hand at the time of filing of the statement. "Available Revenues" is defined in Section 33675, and is based upon a calculation of the amounts received by the Agency in the prior fiscal year from all sources, less amounts paid on all bonds, loans, advances or indebtedness in the prior fiscal year, plus amounts held by the Agency and pledged to the payment of bonds, loans advances or indebtedness. The difference between the cumulative amount remaining to be paid on the lives of all bonds, loans, advances or other indebtedness as shown on the statement and the amount of available revenues is the maximum amount which can be paid to the Agency in tax increment revenue for the fiscal year in which the statement is filed.

Section 33675 also provides that the county auditor is limited in payment of tax increment to the payment of indebtedness. Section 33675 further provides that the statement of indebtedness is prima facie evidence of the indebtedness of the agency, but that the county auditor may dispute the amount of indebtedness shown on the statement in certain cases. Provision is made for time limits under which the dispute can be made by the county auditor as well as provisions for determination by the Superior Court in a declaratory relief action of the proper disposition of the matter. The issue in any such action shall involve only the amount of the indebtedness and not the validity of any contract or debt instrument, or any expenditures pursuant thereto. An exception is made for payments to a public agency in connection with payments by such public agency pursuant to a bond issue which shall not be disputed in any action under Section 33675. The payments made pursuant to the Reimbursement Agreement should be entitled to the protection of the statute so that they cannot be disputed by the county auditor.

Debt Service Coverage and Projected Tax Increment Revenues

The following table provided by the Underwriter shows tax increment revenues and projected debt service coverage for the Agency's obligations under the Agency Local Obligations . All of the projections commence with the reported assessed values for Fiscal Year 2011-12. The projections assume no growth in real property taxable values (land and improvements).

REDEVELOPMENT AGENCY OF THE CITY OF BRENTWOOD
Merged Project Area
Projected Incremental Tax Revenue Assuming No Growth in Assessed Value

FY	Incremental Tax Revenues *	County Admin Fee	Section 33676	Net Taxes Remitted To Agency	Pass-Through Payments	AB 1290 Pass-Through Payments	For Housing Programs	Net Tax Increment Available For For Debt Service	2001 Bonds	Coverage of 2001 Bonds
2012	5,453,000	61,352	21,000	5,370,648	968,000	180,221	1,074,130	3,148,297	1,365,653	2.31
2013	5,453,000	61,352	21,000	5,370,648	971,809	180,221	1,074,130	3,144,488	1,364,081	2.31
2014	5,453,000	61,352	21,000	5,370,648	981,444	180,221	1,074,130	3,134,853	1,365,550	2.30
2015	5,453,000	61,352	21,000	5,370,648	986,434	180,221	1,074,130	3,129,864	1,365,238	2.29
2016	5,453,000	61,352	21,000	5,370,648	1,262,276	180,221	1,074,130	2,854,021	1,368,688	2.09
2017	5,453,000	61,352	21,000	5,370,648	1,267,468	180,221	1,074,130	2,848,830	1,356,125	2.10
2018	5,453,000	61,352	21,000	5,370,648	1,272,763	180,221	1,074,130	2,843,535	1,360,800	2.09
2019	5,453,000	61,352	21,000	5,370,648	1,278,164	180,221	1,074,130	2,838,134	1,360,881	2.09
2020	5,453,000	61,352	21,000	5,370,648	1,283,672	180,221	1,074,130	2,832,625	1,357,853	2.09
2021	5,453,000	61,352	21,000	5,370,648	1,289,291	180,221	1,074,130	2,827,006	1,357,809	2.08
2022	5,453,000	61,352	21,000	5,370,648	1,295,023	180,221	1,074,130	2,821,274	1,357,125	2.08
2023	5,453,000	61,352	21,000	5,370,648	1,300,869	180,221	1,074,130	2,815,428	1,355,875	2.08
2024	5,453,000	61,352	21,000	5,370,648	1,306,832	180,221	1,074,130	2,809,465	1,357,500	2.07
2025	5,453,000	61,352	21,000	5,370,648	1,312,914	180,221	1,074,130	2,803,383	1,352,000	2.07
2026	5,453,000	61,352	21,000	5,370,648	1,319,118	180,221	1,074,130	2,797,179	1,354,250	2.07
2027	5,453,000	61,352	21,000	5,370,648	1,325,446	180,221	1,074,130	2,790,851	1,354,000	2.06
2028	5,453,000	61,352	21,000	5,370,648	1,331,901	180,221	1,074,130	2,784,397	1,351,250	2.06
2029	5,453,000	61,352	21,000	5,370,648	1,338,484	180,221	1,074,130	2,777,813	1,350,875	2.06
2030	5,453,000	61,352	21,000	5,370,648	1,345,200	180,221	1,074,130	2,771,098	1,347,750	2.06
2031	5,453,000	61,352	21,000	5,370,648	1,352,049	180,221	1,074,130	2,764,248	1,346,750	2.05
Totals	**109,060,000**	**1,227,040**	**420,000**	**107,412,960**	**24,789,159**	**3,604,420**	**21,482,592**	**57,536,789**	**27,150,053**	

(*) Estimates based on information provided by City of Brentwood Redevelopment Agency.

THE AUTHORITY

The Authority was created on March 14, 1995 by the City and the Redevelopment Agency of the City of Brentwood pursuant to a Joint Exercise of Powers Agreement, to assist the City and the Redevelopment Agency of the City of Brentwood in financing capital improvement projects. The members of the City Council serve as the governing board of the Authority. The Joint Exercise of Powers Agreement was entered into pursuant to the provisions of the Joint Powers Act. The Authority is a separate entity constituting a public instrumentality of the State.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the City and the Agency by not later than nine months after the end of the City's fiscal year (presently June 30) in each year commencing with its report for the 2010-11 fiscal year (the "Annual Report") and to provide notices of the occurrence of certain listed events. The Annual Report will be filed by the Trustee on behalf of the City with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access System ("EMMA"). The notices of listed events will be filed by the Trustee on behalf of the City with the MSRB through EMMA. These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be contained in the Annual Report or the notices of listed events by the City and the Agency is summarized in "APPENDIX F - FORM OF CONTINUING DISCLOSURE AGREEMENT." The City has never failed to comply in any material respect with any previous undertakings with regard to the Rule.

LEGAL OPINION

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Issuer. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix E. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain matters will be passed upon for the Issuer, the Agency and the City by the City Attorney of the City.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Issuer ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the 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 Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of the bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal tax purposes of interest on obligations such as the Bonds. The Issuer, the City and the Agency have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to assure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether actions taken (or not taken), or events occurring (or not occurring) or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Beneficial Owner and the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. As one example, the Obama Administration recently announced a legislative proposal which, for tax years beginning on or after January 1, 2013, generally would limit the exclusion from gross income of interest on obligations like the Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Issuer, the City or the Agency, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Issuer, the City and the Agency have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Issuer, the City, the Agency or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Issuer, the City, the Agency and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Issuer, the City or the Agency legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the Issuer, the City, the Agency or the Beneficial Owners to incur significant expense.

FINANCIAL ADVISOR

The Authority has retained Del Rio Advisors, LLC of Modesto, California, as financial advisor (the "Financial Advisor") in connection with the preparation of this Official Statement and with respect to the issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

The compensation of the Financial Advisor is contingent upon the issuance of the Bonds.

NO LITIGATION

There is no action, suit, or proceeding known by the Issuer, the Agency or the City to be pending or threatened at the present time restraining or enjoining the delivery of the Local Obligations or the Bonds or in any way contesting or affecting the validity of the Bonds, the Trust Agreement, the Local Obligations or any proceedings of the Issuer, the Agency or the City taken with respect to the execution or delivery thereof.

RATINGS

Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") is expected to rate the Bonds "AA-" with the understanding that, upon issuance of the Bonds, the Policy will be issued by AGM. S&P has assigned an underlying rating of "A-" to the Bonds. Such ratings reflect only the views of S&P and any desired explanation of the significance of such ratings should be obtained only from S&P. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. The Authority and the Underwriter have undertaken no responsibility either to bring to the attention of the owners of the Bonds any proposed change in or withdrawal of such ratings or to oppose any such proposed revision or withdrawal. Any such downward change in or withdrawal of the ratings might have an adverse effect on the market price or marketability of the Bonds.

UNDERWRITING

RBC Capital Markets, LLC (the "Underwriter") has agreed to purchase the Bonds from the Issuer at a purchase price of $25,115,871.15 being the aggregate principal amount of the Bonds less an underwriter's discount of $210,525.00 and plus a net original issue premium on the Bonds of $1,266,396.15. The purchase contract pursuant to which the Underwriter is purchasing the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in such contract of purchase.

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

MISCELLANEOUS

All quotations from, and summaries and explanations of the Trust Agreement, the Local Obligations, the Site Lease or other documents contained herein do not purport to be complete, and reference is made to said documents and statutes for full and complete statements of their provisions.

This Official Statement is submitted only in connection with the sale of the Bonds by the Issuer. All estimates, assumptions, statistical information and other statements contained herein, while taken from sources considered reliable, are not guaranteed by the Issuer, the City, the Agency or the Underwriter. The information contained herein should not be construed as representing all conditions affecting the Issuer, the City, the Agency or the Bonds.

All information contained in this Official Statement pertaining to the Issuer, the Agency and the City has been furnished by the Issuer, the Agency and the City and the execution and delivery of this Official Statement has been duly authorized by the Issuer, the Agency and the City.

BRENTWOOD INFRASTRUCTURE FINANCING AUTHORITY

By /s/ Pamela Ehler
Treasurer/Controller

APPENDIX A

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions of the principal legal documents which are not described elsewhere in this Official Statement. This summary does not purport to be a definitive or comprehensive summary of all of the provisions of such documents. This summary is qualified in its entirety by reference to the full text of such documents.

TRUST AGREEMENT

The following is a summary of certain provisions of the Trust Agreement. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Trust Agreement.

Definitions

The following capitalized terms have the following meanings when used in the Trust Agreement. Certain capitalized terms used but not defined in the forepart of this Official Statement have the meanings given in this section.

"Accountant" shall mean an independent certified public accountant, or a firm of independent certified public accountants, selected by the Issuer.

"Act" shall mean Articles 1 through 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended and supplemented from time to time.

"Agency" shall mean the Redevelopment Agency of the City of Brentwood and its successors.

"Authorized Denominations" shall mean five thousand dollars ($5,000) and any integral multiple thereof, but not exceeding the principal amount of Bonds maturing on any one date.

"Authorized Officer" shall mean the Chairman, Vice-Chairman, Treasurer/Controller or any other Person authorized by the Issuer in a Written Order to perform an act or sign a document on behalf of the Issuer for purposes of the Trust Agreement.

"Base Rental Payments" shall mean all amounts payable by the City to the Issuer as base rental payments pursuant to the Facilities Lease.

"Bond" or "Bonds" shall mean any bond or all of the bonds, as the case may be, authorized and issued by the Issuer and authenticated by the Trustee and delivered under the Trust Agreement.

"Bond Counsel" shall mean Orrick, Herrington & Sutcliffe LLP or another attorney-at-law, or a firm of such attorneys, of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on obligations issued by states and their political subdivisions.

"Bond Register" shall mean the registration books specified as such in the Trust Agreement.

"Bond Year" shall mean any one-year period ending on a Principal Payment Date, except the first Bond Year shall commence on the date of issuance of the Bonds and end on November 1, 2012.

"Business Day" shall mean any day other than (i) a Saturday or Sunday or (ii) a day on which commercial banks in New York, New York or the city in which the Principal Corporate Trust Office of the Trustee is located are closed.

"Cash Flow Certificate" shall mean a written certificate executed by a Cash Flow Consultant.

"Cash Flow Consultant" shall mean RBC Capital Markets, LLC, or such other independent investment bank or financial advisor selected by the Issuer to serve as such.

"Chairman" shall mean the Chairman of the Issuer.

"City" shall mean the City of Brentwood, California, and its successors.

"Code" shall mean the Internal Revenue Code of 1986 and the regulations thereunder.

"Continuing Disclosure Agreement" shall mean that certain Continuing Disclosure Agreement between the City and the Trustee, dated the Dated Date, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Dated Date" shall mean the date of issuance of the Bonds.

"Debt Service Account" shall mean the account within the Revenue Fund by that name established and maintained under the Trust Agreement.

"Defeasance Opinion" means an opinion of nationally-recognized bond counsel, addressed to the Issuer, the Trustee and the Insurer (unless waived), to the effect that Bonds are no longer Outstanding under the Trust Agreement.

"Event of Default" shall mean any event of default specified as such in the Trust Agreement.

"Expense Fund" shall mean the Fund by that name established under the Trust Agreement.

"Expenses" shall mean all costs of issuing the Bonds and all administrative costs of the Issuer that are charged directly or apportioned to the administration of the Local Obligations and the Bonds, such as salaries and wages of employees, audits, overhead and taxes (if any), legal and financial consultant fees and expenses, amounts necessary to pay to the United States of America or otherwise to satisfy requirements of the Code in order to maintain the tax-exempt status of the Bonds, and compensation, reimbursement and indemnification of the Trustee, together with all other reasonable and necessary costs of the Issuer or charges required to be paid by it to comply with the terms of the Trust Agreement or of the Bonds or in connection with the Local Obligations.

"Facilities" shall mean the facilities being leased under the Facilities Lease, as described therein.

"Facilities Lease" means the Local Obligation described in clause (i) of the definition thereof.

"Facilities Lease Reserve Fund" shall mean the Fund by that name established under the Trust Agreement.

"Facilities Lease Reserve Fund Insurance Policy" shall mean the municipal bond debt service reserve insurance policy issued by the Insurer with respect to the Issuer's Capital Improvement Revenue Refunding Bonds, Series 2012, issued under the Trust Agreement.

"Facilities Lease Reserve Requirement" shall mean, as of any date of calculation, the maximum annual Base Rental Payments due in the then-current or any future Bond Year; provided that the Facilities Lease Reserve Requirement shall be satisfied by the Facilities Lease Reserve Fund Insurance Policy for so long as the Facilities Lease Reserve Fund Insurance Policy is in full force and effect.

"Fiscal Year" shall mean the fiscal year of the Issuer, which as of the date of issuance of the Bonds is the period commencing on July 1 in each calendar year and ending on June 30 in the following calendar year.

"Funds" shall mean, collectively, the Revenue Fund, the Interest Fund, the Principal Fund, the Redemption Fund, the Expense Fund, the Facilities Lease Reserve Fund, the Surplus Fund, the Proceeds Fund, the Local Obligation Fund and the Rebate Fund, including all accounts therein.

"Government Obligations" shall mean and include any of the following obligations of the United States of America or any agency or instrumentality thereof, when such obligations are guaranteed as to principal and interest by, or are backed by the full faith and credit of, the United States of America: (1) United States Treasury Obligations - State and Local Government Series, United States Treasury bills, notes and bonds, and certificates, receipts or other obligations evidencing direct ownership of, or the right to receive, a specified portion of one or more interest payments or principal payments, or any combination thereof, to be made on any United States Treasury bill, note or bond; (2) Certificates of beneficial ownership of the Farmers Home Administration; (3) Participation certificates of the General Services Administration; (4) Guaranteed Title XI financing of the U.S. Maritime Administration; (5) Guaranteed participation certificates or guaranteed pool certificates of the Small Business Administration; (6) GNMA - guaranteed mortgage-backed securities or GNMA - guaranteed participation certificates of the Government National Mortgage Association; (7) Local authority bonds of the U.S. Department of Housing and Urban Development; (8) Guaranteed transit bonds of the Washington Metropolitan Area Transit Authority; (9) Guaranteed REMIC Pass-through certificates of the Veterans Administration. "Governmental Obligations" shall also include the following non-callable obligations of government-sponsored agencies that are not backed by the full faith and credit of the United States: (10) Debt obligations of the Federal Home Loan Mortgage Corp.; (11) Consolidated systemwide bonds and notes of the Farm Credit System (formerly known as Federal Land Banks, Intermediate Credit Banks, and Banks for Cooperatives); (12) Consolidated debt obligations of the Federal Home Loan Banks; (13) Debt obligations of the Federal National Mortgage Association; (14) Debt obligations of the Student Loan Marketing Association; (15) Debt obligations of the Resolution Funding Corp. (REFCORP); and (16) Guaranteed Notes (maturing at least 4 business days before the appropriate payment date) of the U.S. Agency for International Development. "Governmental Obligations" shall also include stripped securities where the principal-only and interest-only strips of noncallable obligations are issued by the United States Treasury, and REFCORP securities stripped by the Bank of New York, but specifically excluding custodial receipts (i.e. CAT's, TIGERS, etc.). Other securities or investments not specifically described above (including without limitation unit investment trusts and mutual funds) shall not be considered "Governmental Obligations."

"Insurance Policy" means the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest when due on the Issuer's Capital Improvement Revenue Refunding Bonds, Series 2012, issued under the Trust Agreement.

"Insurer" means Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof.

"Interest Fund" means the Fund by that name established pursuant to the Trust Agreement.

"Interest Payment Date" means May 1 and November 1 in each year, commencing, with respect to the Bonds, on May 1, 2012.

"Investment Securities" means and includes any of the following securities:

(i) Government Obligations, or any other direct obligations of, or any obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America and obligations of the Government National Mortgage Association).

(ii) Bonds, debentures or notes or other evidence of indebtedness payable in cash issued by the United States Treasury which represents the full faith and credit of the United States of America or the following federal agencies: Federal Home Loan Bank, Export Import Bank of the United States, Federal Financing Bank, Federal Farm Credit Bank, Farmer's Home Administration, Federal Housing Administration, Maritime Administration, Public Housing Corporation, Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation.

(iii) Certificates of deposit issued by commercial banks, state banking corporations, savings and loan associations and mutual savings banks and properly secured at all times by collateral security described in (i) or (ii) above.

(iv) The following investments fully insured by the Federal Deposit Insurance Corporation ("FDIC"): (a) certificates of deposit, (b) savings accounts, (c) deposit accounts, or (d) depository receipts of banks, state banking corporations, savings and loan associations and mutual savings banks.

(v) Repurchase agreements with (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at the time of execution of such agreement at least "A" by S&P; or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at the time of execution of such agreement at least "A" by S&P, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated at the time of execution of such agreement "A" or better by S&P and acceptable to the Insurer, provided that:

A. The market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S & P to maintain an "A" rating in an "A" rated structured financing (with a market value approach);

B. The Trustee or a third party acting solely as agent therefor or for the Issuer (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);

C. The repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

D. All other requirements of S&P in respect of repurchase agreements shall be met; and

E. The repurchase agreement shall provide that if during its term the provider's rating by S&P is withdrawn or suspended or falls below "A-" by S&P, the provider must, at the direction of the Issuer or the Trustee (who shall give such direction if so directed by the Insurer), within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Issuer or Trustee.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (A) above, so long as such collateral levels are 103% or better and the provider is rated at the time of execution of such agreement at least "A" by S&P.

(vi) Money market funds (including funds of the Trustee and its affiliates) comprised of investments rated in the highest category by S&P, or money market funds comprised of obligations described in clause (i) of the definition of Investment Securities or repurchase agreements collateralized by such obligations.

(vii) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at the time of execution of such agreement at least "AA" by S&P; provided that, by the terms of the investment agreement:

A. to the extent interest payments from the investment agreement are relied upon to pay debt service on the Bonds, such interest payments are to be made to the Trustee at times and in amounts as necessary to pay such debt service, and to the extent such interest payments are relied upon to pay construction draws, such payments are to be made to the Trustee at the times and in the amounts necessary to pay such construction draws);

B. the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; the Issuer and the Trustee agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

C. the investment agreement shall state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

D. the Issuer or the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the Issuer and the Insurer) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the Insurer;

E. the investment agreement shall provide that if during its term

(I) the provider's rating by S&P falls below "AA-", the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (a) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Issuer, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S&P to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (b) repay the principal of and accrued but unpaid interest on the investment, and

(II) the provider's rating by S&P is withdrawn or suspended or falls below "A-", the provider must, at the direction of the Issuer or the Trustee (who shall give such direction if so directed by the Insurer), within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Issuer or Trustee, and

F. The investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

G. the investment agreement must provide that if during its term

(I) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Issuer or the Trustee (who shall give such direction if so directed by the Insurer), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Issuer or Trustee, as appropriate, and

(II) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Issuer or Trustee, as appropriate.

(viii) Tax-exempt obligations rated in any of the three highest rating categories by S&P, including money market funds comprised solely of such obligations.

(ix) Local Agency Investment Fund (established under Section 16429.1 of the California Government Code), provided that such investment is held in the name and to the credit of the Trustee, and provided further that the Trustee may restrict such investment if required to keep monies available for the purposes of the Trust Agreement.

(x) Shares in a State of 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 the State of California, as it may be amended.

"Issuer" shall mean the Brentwood Infrastructure Financing Authority, a joint exercise of powers agency established pursuant to the laws of the State, and its successors.

"Local Obligations" means (in each case as such agreement or instrument may be amended from time to time):

(i) Amended and Restated Facilities Lease, between the Issuer and the City, relating to certain City property described therein.

(ii) $21,415,000 original principal amount of Redevelopment Agency of the City of Brentwood Merged Project Area Tax Allocation Bonds, Series 2001.

"Officer's Certificate" means a certificate signed by an Authorized Officer.

"Opinion of Bond Counsel" means a legal opinion signed by Bond Counsel.

"Outstanding" means, with respect to the Bonds and as of any date, the aggregate of Bonds authorized, issued, authenticated and delivered under the Trust Agreement, except:

(a) Bonds cancelled or surrendered to the Trustee for cancellation pursuant to the Trust Agreement;

(b) Bonds deemed to have been paid as provided in the Trust Agreement; and

(c) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Trust Agreement.

"Owner" shall mean, as of any date, the Person or Persons in whose name or names a particular Bond shall be registered on the Bond Register as of such date.

"Person" shall mean an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

"Prepayment" shall mean any payment of principal received with respect to a Local Obligation earlier than the time scheduled for payment.

"Prepayment Account" shall mean the account by that name within the Revenue Fund established and maintained pursuant to the Trust Agreement.

"Principal Corporate Trust Office" shall mean the office of the Trustee in San Francisco, California, except that with respect to presentation of Bonds for payment, transfer or exchange, such term shall mean the corporate trust office of the Trustee in St. Paul, Minnesota, or such other offices as it shall designate from time to time.

"Principal Fund" shall mean the Fund by that name established pursuant to the Trust Agreement.

"Principal Installment" shall mean, with respect to any Principal Payment Date, the principal amount of Outstanding Bonds due on such date, if any.

"Principal Payment Date" shall mean November 1 of each year commencing November 1 of the first year in which principal is due on the Bonds, and ending on the final maturity date of the Bonds.

"Prior Bonds" shall mean $25,295,000 outstanding principal amount Brentwood Infrastructure Financing Authority Capital Improvement Revenue Bonds, Series 2001.

"Proceeds Fund" shall mean the Fund by that name established pursuant to the Trust Agreement.

"Rebate Fund" shall mean the Fund by that name established pursuant to the Trust Agreement.

"Rebate Instructions" shall mean those calculations and directions required to be delivered to the Trustee by the Issuer pursuant to the Tax Certificate.

"Rebate Requirement" shall mean the Rebate Requirement defined in the Tax Certificate.

"Record Date" shall mean the close of business on the fifteenth (15th) day of the month preceding the month in which any Interest Payment Date occurs, whether or not such day is a Business Day.

"Redemption Fund" shall mean the Fund by that name established pursuant to the Trust Agreement.

"Responsible Officer" means any Vice-President, Assistant Vice-President, or Trust Officer of the Trustee having regular responsibility for corporate trust matters.

"Revenue Fund" shall mean the Fund by that name established pursuant to the Trust Agreement.

"Revenues" shall mean all amounts received by the Trustee as the payment of interest or redemption premium on, or the equivalent thereof, and the payment or return of principal of, or the equivalent thereof, all Local Obligations, whether as a result of scheduled payments or Prepayments or remedial proceedings taken in the event of a default thereon, and all investment earnings on any moneys held in the Funds or accounts established under the Trust Agreement, except the Rebate Fund.

"S&P" means Standard & Poor's Corporation, its successors and assigns.

"Secretary" shall mean the Secretary of the Issuer.

"Securities Depositories" shall mean, initially, The Depository Trust Company, New York, N.Y., or in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities depositories, or no such depositories, as designated by the Trustee.

"Site Lease" means that certain Amended and Restated Site Lease, dated as of February 1, 2012, between the City, as lessor and the Issuer, as lessee, relating to the Bonds.

"Special Record Date" means the date established by the Trustee pursuant to the Trust Agreement as a record date for the payment of defaulted interest on the Bonds.

"State" shall mean the State of California.

"Supplemental Trust Agreement" shall mean any trust agreement supplemental to or amendatory of the Trust Agreement which is duly executed and delivered in accordance with the provisions of the Trust Agreement.

"Surplus Fund" shall mean the Fund by that name established pursuant to the Trust Agreement.

"Tax Certificate" shall mean that certificate, relating to various federal tax requirements, including the requirements of Section 148 of the Code, signed by the Issuer on the date the Bonds are issued, as the same may be amended or supplemented in accordance with its terms.

"Treasurer/Controller" shall mean the Treasurer/Controller of the Issuer.

"Trust Agreement" shall mean the Amended and Restated Trust Agreement between the Issuer and the Trustee, pursuant to which the Bonds are to be issued, as amended or supplemented from time to time in accordance with its terms.

"Trust Estate" shall mean (a) the proceeds of sale of the Bonds, (b) the Revenues, (c) the amounts in the Funds established by the Trust Agreement, except amounts in the Rebate Fund, (d) the Local Obligations, and (e) the Site Lease.

"Trustee" shall mean U.S. Bank National Association, a national banking association, in its capacity as trustee under the Trust Agreement and any other successor as trustee under the Trust Agreement.

"Verification" means a report of an independent firm of nationally recognized certified public accountants, or such other firm as shall be acceptable to the Insurer, addressed to the Issuer, the Trustee and the Insurer, verifying the sufficiency of the escrow established to pay Bonds in full at maturity or on a redemption date.

"Vice-Chairman" shall mean the Vice-Chairman of the Issuer.

"Written Request" or "Written Order" shall mean a written direction of the Issuer to the Trustee signed by an Authorized Officer.

General; Pledge Under the Trust Agreement

The Trust Agreement sets forth the terms of the Bonds; the nature and extent of the security therefor; various rights of the Bondholders; rights, duties and immunities of the Trustee and the rights and obligations of the Issuer.

In order to secure the payment of the interest on and the principal of and the redemption premium, if any, on all Bonds Outstanding under the Trust Agreement according to their tenor and effect, and such other payments required to be made under the Trust Agreement, and to secure the observance and performance of the agreements, conditions, covenants and terms expressed and implied in the Trust Agreement and the Bonds, the Issuer assigns, bargains, conveys, grants, mortgages and pledges a security interest to the Trustee, subject to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein, the Trust Estate.

Revenues and Funds

<u>Establishment of Funds</u>. The following special trust funds for the Bonds are established and maintained by the Trustee: the Revenue Fund, the Interest Fund, the Principal Fund, the Redemption Fund, the Facilities Lease Reserve Fund, the Expense Fund, the Proceeds Fund, the Surplus Fund, the Local Obligation Fund and the Rebate Fund.

<u>Revenue Fund</u>. All Revenues, other than Revenues derived from Prepayments, received by the Trustee shall be deposited by the Trustee into the Debt Service Account within the Revenue Fund. The Trustee shall transfer Revenues from the Debt Service Account for deposit into the Interest Fund, Principal Fund, Facilities Lease Reserve Fund, Expense Fund and Surplus Fund in the amounts and at the times as specified in the Trust Agreement. Such deposits shall be made in that order of priority, with the requirements of each fund to be fully satisfied, leaving no deficiencies, prior to any deposit later in priority.

All Revenues derived from Prepayments received by the Trustee shall be deposited in the Prepayment Account within the Revenue Fund. Amounts in the Prepayment Account shall be transferred by the Trustee to the Redemption Fund to be used to redeem Bonds on the next Interest Payment Date that is at least 45 days later.

Interest Fund. The Trustee shall deposit in the Interest Fund before each Interest Payment Date from the Debt Service Account an amount of Revenues which together with any amounts then on deposit in said Fund is equal to the interest on the Bonds due on such date. On each Interest Payment Date, the Trustee shall pay the interest due and payable on the Bonds on such date from the Interest Fund.

Principal Fund. All moneys transferred to the Principal Fund shall be applied to the redemption of Bonds and to the payment of the Principal Installments of the Bonds when due on each Principal Payment Date pursuant to the Trust Agreement. Before each Principal Payment Date, but after the required deposit to the Interest Fund, the Trustee shall transfer from the Debt Service Account to the Principal Fund the amount of Revenues, which, when taken together with the amounts transferred to the Principal Fund pursuant to the Trust Agreement in connection with such Principal Payment Date, will be sufficient to pay the Principal Installments on the Bonds due on such date.

Expense Fund. After making the required deposits to the Interest Fund, the Principal Fund and Facilities Lease Reserve Fund, the Trustee shall deposit from the Debt Service Account into the Expense Fund an amount of Revenues to pay all Expenses as they become due and payable.

Surplus Fund. After making the required deposits to the Interest Fund, the Principal Fund, the Facilities Lease Reserve Fund and the Expense Fund, the Trustee shall deposit any moneys remaining in the Debt Service Account in the Surplus Fund. Amounts in the Surplus Fund shall be withdrawn by the Trustee for the purpose of paying the principal of and the interest and redemption premium, if any, on the Bonds as provided in the Trust Agreement.

Redemption Fund. All moneys held in or transferred to the Redemption Fund shall be used for the purpose of redeeming or purchasing all or a portion of the Outstanding Bonds pursuant to the Trust Agreement. The Trustee shall use amounts in the Redemption Fund solely for the payment of the redemption price of Bonds called for redemption or the purchase price of Bonds purchased pursuant to the Trust Agreement.

Proceeds Fund. The Trustee shall deposit into the Proceeds Fund proceeds of the Bonds in the amount provided in the Trust Agreement. Amounts in the Proceeds Fund shall be applied by the Trustee to the refunding of the Prior Bonds.

Facilities Lease Reserve Fund. On each date on which Base Rental Payments are due, the City shall pay to the Trustee, as Additional Rental, such amounts as may be required to maintain the Facilities Lease Reserve Requirement in the Facilities Lease Reserve Fund. Excess amounts over and above the Facilities Lease Reserve Requirement may be used to redeem Bonds or pay debt service on Bonds when due. Notwithstanding the foregoing, no deposits will be made to the Facilities Lease Reserve Fund for so long as the Facilities Lease Reserve Fund Insurance Policy is in full force and effect.

Local Obligation Fund. All Local Obligations held by the Trustee under the Trust Agreement shall be deposited into the Local Obligation Fund. The Trustee shall sell any Local Obligations specified in a Written Order in the open market, but only on conditions as specified in the Trust Agreement. The proceeds of any sale of a Local Obligation shall be deposited in the Redemption Fund in an amount sufficient to retire Bonds in an amount at least equal to the outstanding principal amount of such Local Obligation at the time of such sale on the earliest date permitted under the Trust Agreement and the remaining amount of such proceeds, if any, shall be deposited in the Surplus Fund.

Rebate Fund. The Trustee shall deposit in the Rebate Fund the Rebate Requirement all in accordance with Rebate Instructions received from the Issuer. The Trustee will apply moneys held in the Rebate Fund as provided in the Trust Agreement and according to instructions provided by the Issuer. Subject to the provisions in the Trust Agreement, moneys held in the Rebate Fund are pledged to secure payments to the United States of America. The Issuer and the Owners will have no rights in or claim to such moneys. The Trustee will invest all amounts held in the Rebate Fund in Investment Securities as directed in writing by the Issuer and all investment earnings with respect thereto shall be deposited in the Rebate Fund.

Notwithstanding any other provision of the Trust Agreement, the obligation to remit the rebate amounts to the United States and to comply with all other requirements of the Trust Agreement and the Tax Certificate shall survive the defeasance or payment in full of the Bonds.

Application of Insurance Proceeds. In the event of any damage to or destruction of any part of the Facilities covered by insurance, the Issuer, except as provided in the Trust Agreement, shall cause the proceeds of such insurance to be utilized for the repair, reconstruction or replacement of the damaged or destroyed portion of the Facilities, and the Trustee shall hold said proceeds in a fund established when required by the Trustee for such purpose separate and apart from all other funds, to the end that such proceeds shall be applied to the repair, reconstruction or replacement of the Facilities to at least the same good order, repair and condition as it was in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds. The Trustee shall invest said proceeds in Investment Securities as directed by the City, and withdrawals of said proceeds shall be made from time to time upon the filing with the Trustee of a Certification of the City pursuant to the Trust Agreement. Any balance of such proceeds not required for such repair, reconstruction or replacement and the proceeds of use and occupancy insurance shall be treated by the Trustee as Base Rental Payments or a prepayment thereof and shall be used to effect an extraordinary redemption or to pay debt service on the Bonds when due, as directed by the City. Alternatively, the City, at its option, if the proceeds of such insurance together with any other moneys then available for such purpose are sufficient to prepay all, in case of damage or destruction in whole of the Facilities, or that portion, in the case of partial damage or destruction of the Facilities, of the Base Rental Payments relating to the damaged or destroyed portion of the Facilities, may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Facilities and thereupon shall cause said proceeds to be used for the redemption of Outstanding Bonds pursuant to the Trust Agreement. The City shall not apply the proceeds of insurance as set forth in the Trust Agreement to redeem the Bonds in part due to damage or destruction of a portion of the Facilities unless the Base Rental Payments on the undamaged portion of the Facilities will be sufficient to pay the initially-scheduled principal and interest on the Bonds remaining unpaid after such redemption.

Security For and Investment of Moneys

All moneys required to be deposited with or paid to the Trustee in any of the Funds (other than the Rebate Fund) referred to in any provision of the Trust Agreement shall be held by the Trustee in trust, and except for moneys held for the payment or redemption of particular Bonds or the payment of interest on particular Bonds, shall, while held by the Trustee, constitute part of the Trust Estate and shall be subject to the lien and pledge created by the Trust Agreement.

So long as the Bonds are Outstanding and there is no default under the Trust Agreement, moneys on deposit to the credit of the Revenue Fund, the Interest Fund, the Principal Fund, the Expense Fund, and the Surplus Fund and all accounts within such funds (other than amounts invested in Local Obligations) shall be invested by the Trustee in Investment Securities, and moneys held in the Rebate Fund or the Redemption Fund shall be invested by the Trustee in Government Obligations.

Moneys on deposit in the Facilities Lease Reserve Fund shall be invested in Investment Securities pursuant to a Written Order and such moneys may not be invested in any other investments unless the Trustee receives, at the time of such reinvestment, a Cash Flow Certificate to the effect that, after such reinvestment, Revenues will be sufficient to pay principal and interest on the Bonds when due.

Notwithstanding, anything to the contrary contained in the Trust Agreement, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the Fund (or account) from which such accrued interest was paid.

Covenants of the Issuer

Payment of Bonds; No Encumbrances. The Issuer will cause the Trustee to promptly pay, from Revenues and other funds derived from the Trust Estate pledged under the Trust Agreement, the principal of and redemption premium, if any, on and the interest on every Bond issued under and secured by the Trust Agreement. The Issuer will not issue any bonds, notes or other evidences of indebtedness or incur any obligations payable from or secured by the Trust Estate, other than the Bonds.

Enforcement and Amendment of Local Obligations. The Issuer will enforce all of its rights with respect to the Local Obligations to the fullest extent necessary to preserve the rights and protect the security of the Owners under the Trust Agreement. The Issuer and the Trustee may, without the consent of or notice to the Owners, consent to any amendment, change or modification of any Local Obligation that may be required pursuant to the Trust Agreement.

The Issuer and the Trustee may, without the consent of or notice to the Owners, consent to any amendment, change or modification of any Local Obligation that may be required (a) to conform to the provisions of the Trust Agreement (including any modifications or changes contained in any Supplemental Trust Agreement), (b) for the purpose of curing any ambiguity or inconsistency or formal defect or omission, (c) so as to add additional rights acquired in accordance with the provisions of such Local Obligation, (d) in connection with any other change therein which is not to the material prejudice of the Trustee or the owners of the Bonds pursuant to an Opinion of Counsel, or (e) in the Opinion of Bond Counsel, to preserve or assure the exemption of interest on the Local Obligations or the Bonds from federal income taxes or the exemption from California personal income tax.

Except for amendments, changes or modifications provided for in the preceding paragraph, neither the Issuer nor the Trustee shall consent to any amendment, change or modification of any Local Obligation without the mailing of notice and the written approval or consent of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding.

Tax Covenants. The Issuer will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Code. The Issuer will not directly or indirectly use or permit the use of any proceeds of the Bonds any other funds of the Issuer or take or omit to take any action that would cause the Bonds to be "private activity bonds" within the meaning of Section 141(a) of the Code or obligations which are "federally guaranteed" within the meaning of Section 149(b) of the Code. The Issuer will not allow ten percent or more of the proceeds of the Bonds to be used in the trade or business of any nongovernmental units and will not lend five percent or more of the proceeds of the Bonds to any nongovernmental units. The Issuer will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the Issuer to take or omit to take any action that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the Issuer will comply with all requirements of Section 148 of the Code to the extent applicable to the Bonds. The Issuer will pay or cause to be paid the Rebate Requirement as provided in the Tax Certificate. Such covenant will survive payment in full or defeasance of the Bonds.

Defaults and Remedies

Events of Default. The following will constitute "Events of Default" under the Trust Agreement:

(i) if payment of interest on the Bonds shall not be made when due; or

(ii) if payment of any Principal Installment shall not be made when due and payable, whether at maturity, by proceedings for redemption, by acceleration or otherwise; or

(iii) if the Issuer shall fail to observe or perform in any material way any agreement, condition, covenant or term contained in the Trust Agreement on its part to be performed, and such failure will continue for thirty days after written notice specifying such failure and requiring the same to be remedied shall have been given to the Issuer by the Trustee or by the Owner(s) of not less than twenty-five percent in aggregate principal amount of the Bonds Outstanding, provided, that if such default be such that it cannot be corrected within the applicable period, it will not constitute an Event of Default if corrective action is instituted by the Issuer within the applicable period and diligently pursued until the default is corrected; provided, however, that such grace period shall not be extended beyond sixty days following such written notice, without the consent of the Insurer.

If an Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee or the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding will be entitled to declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon such declaration the same will become and will be immediately due and payable.

Any such declaration, however, is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Issuer shall deposit with the Trustee a sum sufficient to pay all the principal or redemption price of and installments of interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds, and the reasonable charges and expenses of the Trustee, 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) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Trustee may, if such declaration was made by the Trustee, and the Trustee shall, upon receipt of written notice by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, which written notice shall also be delivered to the Issuer, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences and waive such default; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Effect of Discontinuance or Abandonment. In case any proceeding taken by the Trustee on account of any default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case the Trustee and the Owners shall be restored to their former positions and rights under the Trust Agreement, respectively, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

Rights of Owners. Anything in the Trust Agreement to the contrary notwithstanding, subject to the limitations and restrictions as to the rights of the Owners in the Trust Agreement, including the limitations described in this Appendix under "TRUST AGREEMENT – Certain Bond Insurance Provisions," upon the happening and continuance of any Event of Default, the Owners of not less than twenty-five percent in aggregate principal amount of the Bonds then Outstanding will have the right, upon providing the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Trust Agreement. The Trustee may refuse to follow any direction that conflicts with law or the Trust Agreement or that the Trustee determines is prejudicial to rights of other Owners or would subject the Trustee to personal liability without adequate indemnification therefor.

Restriction on Owner's Action. In addition to the other restrictions on the rights of Owners to request action upon the occurrence of an Event of Default and to enforce remedies under the Trust Agreement, no Owner of any of the Bonds will have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any trust under the Trust Agreement, or any other remedy under the Trust Agreement or on the Bonds, unless such Owner previously will have given to the Trustee written notice of an Event of Default under the Trust Agreement and unless the Owners of not less than twenty-five percent in aggregate principal amount of the Bonds then Outstanding will have made written request of the Trustee to institute any such suit, action, proceeding or other remedy, after the right to exercise such powers or rights of action, as the case may be, will have accrued, and will have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Trust Agreement, or to institute such action, suit or proceeding in its or their name; nor unless there also will have been offered to the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred tin the Trust Agreement or thereby, and the Trustee will not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case to be conditions precedent to the execution of the trusts of the Trust Agreement or for any other remedy under the Trust Agreement, it being understood and intended that no one or more Owners of the Bonds secured by the Trust Agreement will have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Trust Agreement, or to enforce any rights under the Trust Agreement or under the Bonds, except in the manner provided in the Trust Agreement, and that all proceedings at law or in equity will be instituted, had and maintained in the manner provided in the Trust Agreement, and for the equal benefit of all Owners of Outstanding Bonds; subject, however, to the provisions summarized in this paragraph. Notwithstanding the provisions described above in this paragraph or any other provision of the Trust Agreement, the obligation of the Issuer shall be absolute and unconditional to pay, but solely from the Trust Estate, the principal of and the redemption premium, if any, and the interest on the Bonds to the respective Owners thereof at the respective due dates thereof, and nothing in the Trust Agreement shall affect or impair the right of action, which is absolute and unconditional, of such Owners to enforce such payment. These provisions are subject to the limitations described in this Appendix under "TRUST AGREEMENT – Certain Bond Insurance Provisions."

Power of Trustee to Enforce. All rights of action under the Trust Agreement or under any of the Bonds secured by the Trust Agreement which are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds, or the production thereof at the trial or other proceedings relative thereto, and any such suit, action or proceedings instituted by the Trustee shall be brought in its own name, as Trustee, for the equal and ratable benefit of the Owners subject to the provisions of the Trust Agreement.

Remedies Not Exclusive. No remedy in the Trust Agreement conferred upon or reserved to the Trustee or to the Owners is intended to be exclusive of any other remedy or remedies, and each and every such remedy will be cumulative, and will be in addition to every other remedy given under the Trust Agreement at law or in equity or by statute.

Waiver of Events of Default; Effect of Waiver. Upon the written request of the Owners of at least a majority in aggregate principal amount of all Outstanding Bonds the Trustee will waive any Event of Default under the Trust Agreement and its consequences at any time. If any Event of Default will have been waived as provided in the Trust Agreement, the Trustee will promptly give written notice of such waiver to the Issuer and to all Owners of Outstanding Bonds if such Owners had previously been given notices of such Event of Default; but no such waiver, rescission and annulment will extend to or affect any subsequent Event of Default, or impair any right or remedy consequent thereon. No delay or omission of the Trustee or of any Owner to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default, or an acquiescence therein; and every power and remedy given to the Trustee and to the Owners of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient. These provisions are subject to the limitations described in this Appendix under "TRUST AGREEMENT – Certain Bond Insurance Provisions."

Application of Moneys. Any moneys received by the Trustee pursuant to the Trust Agreement will, after payment of all fees and expenses of the Trustee, and the fees and expenses of its counsel incurred in connection with the performance of the Trustee's duties under the Trust Agreement, be applied as follows:

(i) unless the principal of all of the Outstanding Bonds will be due and payable,

FIRST, to the payment of the Owners entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest, and if the amount available will not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege;

SECOND, to the payment of the Owners entitled thereto of the unpaid principal of and redemption premium, if any, and any of the Bonds which will have become due in the order of their due dates, and if the amount available will not be sufficient to pay in full the principal of and redemption premium, if any, on such Bonds due on any particular date, then to the payment ratably, according to the amount due on such date, to the Persons entitled thereto without any discrimination or privilege; and

THIRD, to be held for the payment to the Owners entitled thereto as the same will become due of the principal of and redemption premium, if any, on and interest on the Bonds which may thereafter become due, either at maturity or upon call for redemption prior to maturity, and if the amount available will not be sufficient to pay in full such principal and redemption premium, if any, due on any particular date, together with interest then due and owing thereon, payment will be made in accordance with the FIRST and SECOND paragraphs above.

(ii) if the principal of all of the Outstanding Bonds will be due and payable, to the payment of the principal and redemption premium, if any, and interest then due and unpaid upon the Outstanding Bonds without preference or priority of any of the principal of or the redemption premium, if any, on any Outstanding Bond over any other Outstanding Bond or of any interest on any Outstanding Bond over any other Outstanding Bond, ratably, according to the amounts due respectively for principal and redemption premium, if any, and interest, to the Owners entitled thereto without any discrimination or preference except as to any difference in the respective amounts of interest specified in the Outstanding Bonds.

Whenever moneys are to be applied pursuant to the provisions described in this section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The Trustee shall give, by mailing by first class mail as it may deem appropriate, such notice of the deposit with it of any such moneys.

Modification of Trust Agreement and Supplemental Trust Agreements

Supplemental Trust Agreements Without Consent of Owners. The Issuer may, without the consent of the Owners, enter into a Supplemental Trust Agreement or Supplemental Trust Agreements, which thereafter will form a part of the Trust Agreement, for any one or more of the following purposes:

(i) to add to the agreements and covenants of the Issuer contained in the Trust Agreement other agreements and covenants thereafter to be observed, or to surrender any right or power in the Trust Agreement reserved to or conferred upon the Issuer; provided, that no such agreement, covenant or surrender will materially adversely affect the rights of any Owner;

(ii) to cure any ambiguity, to supply any omission or to cure, correct or supplement any defect or inconsistent provisions contained in the Trust Agreement or in any Supplemental Trust Agreement;

(iii) to make any change which does not materially adversely affect the rights of any Owner;

(iv) to grant to the Trustee for the benefit of the Owners additional rights, remedies, powers or authority;

(v) to subject to the Trust Agreement additional collateral or to add other agreements of the Issuer;

(vi) to modify the Trust Agreement or the Bonds to permit qualification under the Trust Indenture Act of 1939, as amended, or any similar statute at the time in effect, or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States of America;

(vii) to make any change necessary or appropriate to accommodate leases;

(viii) to evidence the succession of a new Trustee; or

(ix) in the Opinion of Bond Counsel, to preserve to preserve or assure the exemption of interest on the Bonds or the Local Obligations, as applicable, from federal income taxes or the exemption from California personal income tax.

Supplemental Trust Agreements With Consent of Owners. Any modification or alteration of the Trust Agreement or of the rights and obligations of the Issuer or of the Owners of the Bonds may be made with the consent of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding and the consent of the Insurer; provided, that no such modification or alteration will be made which will reduce the percentage of aggregate principal amount of Bonds the consent of the Owners of which is required for any such modification or alteration, or permit the creation by the Issuer of any lien prior to or on a parity with the lien of the Trust Agreement upon the Trust Estate or which will affect the times, amounts and currency of payment of the principal of or the redemption premium, if any, on or the interest on the Bonds or affect the rights, duties or obligations of the Trustee without the consent of the party affected thereby.

Defeasance

If and when the Bonds secured will become due and payable in accordance with their terms or through redemption proceedings as provided in the Trust Agreement, or otherwise, and the whole amount of the principal and the redemption premium, if any, and the interest so due and payable upon all of the Bonds will be paid, or provision will have been made for the payment of the same, together with all other sums payable under the Trust Agreement by the Issuer, including all fees and expenses of the Trustee, and together with all amounts due or to become due to the Insurer in connection with its municipal bond insurance policy for the Bonds, then and in that case, the Trust Agreement and the lien created thereby will be completely discharged and satisfied and the Issuer will be released from the agreements, conditions, covenants and terms of the Issuer contained in the Trust Agreement, and the Trustee will assign and transfer to or upon the order of the Issuer all property (in excess of the amounts required for the foregoing) then held by the Trustee free and clear of any encumbrances and will execute such documents as may be reasonably required by the Issuer in this regard.

Notwithstanding the satisfaction and discharge of the Trust Agreement, those provisions of the Trust Agreement relating to the maturity of the Bonds, interest payments and dates thereof, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds, and the duties of the Trustee in connection with all of the foregoing, remain in effect and will be binding upon the Trustee and the Owners and the Trustee will, subject to the Trust Agreement relating to unclaimed money, continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of and redemption premium, if any, on and interest on the Bonds, to pay to the Owners of Bonds the funds so held by the Trustee as and when such payment becomes due, and those provisions of the Trust Agreement relating to the compensation and indemnification of the Trustee will remain in effect and will be binding upon the Trustee and the Issuer.

Bonds Deemed to Have Been Paid. If moneys will have been set aside and held by the Trustee for the payment or redemption of any Bonds and the interest installments therefor at the maturity or redemption date thereof, such Bonds will be deemed to be paid within the meaning and with the effect provided in the preceding paragraph. Any Outstanding Bond will prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph if (a) in case said Bonds are to be redeemed on any date prior to their maturity, the Issuer will have given to the Trustee irrevocable instructions to mail notice of redemption of such Bonds on such redemption date, (b) there will have been deposited with the Trustee in escrow either moneys in an amount which (as stated in a Cash Flow Certificate) will be sufficient, or noncallable Government Obligations the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Trustee at the same time, will be sufficient (as verified by a Cash Flow Certificate) to pay when due the principal of and the redemption premium, if any, and the interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, (c) in the event any of such Bonds are not to be redeemed within the next succeeding sixty days, the Issuer will have given the Trustee irrevocable instructions to mail a notice to the Owners of such Bonds and to the Securities Depositories that the deposit required above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the Trust Agreement and stating such maturity or redemption dates upon which moneys are to be available for the payment of the principal of and redemption premium, if any, on and interest on such Bonds, and (d) certain rights of the Insurer have been satisfied. Neither the securities nor moneys deposited with the Trustee as described in this paragraph nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and redemption premium, if any, on and interest on such Bonds; provided, that any cash received from such principal or interest payments on such obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable and at the direction of the Issuer, be reinvested in Government Obligations maturing at times and in amounts, together with the other moneys and payments with respect to Government Obligations then held by the Trustee pursuant to this section, sufficient to pay when due the principal of and redemption premium, if any, and interest to become due on such Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall, upon receipt by the Trustee of a Written Order so directing, be paid over to the Issuer as received by the Trustee free and clear of any trust, lien or pledge.

Moneys Held for Particular Bonds. Except as otherwise provided in the paragraph above and the provisions of the Trust Agreement relating to unclaimed moneys, the amounts held by the Trustee for the payment of the principal or the redemption premium, if any, or the interest due on any date with respect to particular Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it solely for the Owners of the Bonds entitled thereto.

Certain Bond Insurance Provisions. The following provisions shall govern in the event of a conflict with any contrary provision of the Trust Agreement.

The Insurer shall be deemed to be the sole holder of the Bonds insured by it for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Bonds insured by it are entitled to take pursuant to the Trust Agreement provisions pertaining to events of defaults and remedies and the provisions pertaining to the Trustee. The Trustee shall take no action under said provisions except with the consent, or at the direction, of the Insurer. The maturity of Bonds insured by the Insurer shall not be accelerated without the consent of the Insurer.

In the event the maturity of the Bonds is accelerated, the Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued on such principal to the date of acceleration (to the extent unpaid by the Issuer) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Insurer's obligations under the Insurance Policy with respect to such Bonds shall be fully discharged.

The Insurer is a third party beneficiary to the Trust Agreement.

Rights of the Insurer to direct or consent to Issuer, Trustee or Owner actions under the Trust Agreement shall be suspended during any period in which the Insurer is in default in its payment obligations under the Insurance Policy (except to the extent of amounts previously paid by the Insurer and due and owing to the Insurer) and shall be of no force or effect in the event the Insurance Policy is no longer in effect or the Insurer asserts that the Insurance Policy is not in effect or the Insurer shall have provided written notice that it waives such rights.

Amounts paid by the Insurer under the Insurance Policy shall not be deemed paid for purposes of the Trust Agreement and shall remain outstanding and continue to be due and owing until paid by the Issuer in accordance with the Trust Agreement.

The Insurer shall, to the extent it makes any payment of principal of or interest on the Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy.

The Insurer shall be entitled to pay principal or interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Insurance Policy) and any amounts due on the Bonds as a result of acceleration of the maturity thereof in accordance with the Trust Agreement, whether or not the Insurer has received a Notice of Nonpayment (as such terms are defined in the Insurance Policy) or a claim upon the Insurance Policy.

FACILITIES LEASE

The following is a summary of certain provisions of the Facilities Lease. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Facilities Lease.

Definitions

The following capitalized terms have the following meanings when used in the Facilities Lease. Certain capitalized terms used but not defined in the forepart of this Official Statement have the meanings given in this section. Capitalized terms used but not defined in the Facilities Lease have the meanings given in the Trust Agreement.

"Additional Payments" means all amounts payable to the Issuer or the Trustee or any other person from the City as Additional Payments pursuant to the Facilities Lease.

"Applicable Environmental Law" means and shall include, but shall not be limited to, Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), 42 USC §§ 9601 et seq., the Resource Conservation and Recovery Act ("RCRA"), 42 USC §§ 6901, et seq., the Federal Water Pollution Control Act, 33 USC §§ 1251, et seq., the Clean Air Act, 42 USC §§ 7401, et seq., the California Hazardous Waste Control Law ("HWCL"), California Health and Safety Code §§ 25100, et seq., Hazardous Substance Account Act ("HSAA"), California Health & Safety Code §§ 25300, et seq., or the Porter-Cologne Water Quality Control Act (the "Porter-Cologne Act"), California Water Code §§ 13000 et seq., the Air Resources Act, California Health & Safety Code §§ 3900, et seq., the Safe Drinking Water & Toxic Enforcement Act, California Health & Safety Code §§ 25249.5, and the regulations thereunder, and any other local, State and/or federal laws or regulations, whether currently in existence or enacted in the future, that govern

(i) the existence, cleanup and/or remedy of contamination on property;

(ii) the protection of the environment from spilled, deposited or otherwise emplaced contamination;

(iii) the control of hazardous wastes; or

(iv) the use, generation, transport, treatment, removal or recovery of Hazardous Substances, including building materials.

"Base Rental Payment Schedule" means the schedule of Base Rental Payments payable to the Issuer from the City pursuant to the Facilities Lease.

"Base Rental Payments" means all amounts payable to the Issuer from the City as Base Rental Payments pursuant to the Facilities Lease.

"Bonds" means the Brentwood Infrastructure Financing Authority Capital Improvement Revenue Refunding Bonds, Series 2012 issued and so designated by the Issuer under and pursuant to the Trust Agreement.

"City" means the City of Brentwood, California, a municipal corporation organized and existing under and by virtue of the constitution of the State.

"Closing Date" means the date of issuance of the Bonds.

"Code" means the Internal Revenue Code of 1986, as amended.

"Continuing Disclosure Agreement" means that Continuing Disclosure Agreement dated the date of issuance of the Bonds, as originally executed or as it may from time to time be supplemented, modified or amended pursuant to the provisions thereof.

"Demised Premises" means that certain real property situated in the City, described in and made a part of the Facilities Lease, or any real property substituted for all or any portion of such property in accordance with the Facilities Lease and the Trust Agreement; subject, however, to any conditions, reservations and easements of record known to the City.

"Event of Default" shall have the meaning specified in the Facilities Lease.

"Existing Leases" means, collectively, all leases granted by the City to any party other than the Issuer with respect to any portion of the Demised Premises or the Facilities, or both, that are in effect as of the Closing Date, including without limitation the leases identified in the Facilities Lease. Any lease that has not been executed as of the Closing Date and any renewal of an Existing Lease shall not be included within the meaning of "Existing Leases" for purposes of the Facilities Lease.

"Facilities" means all buildings, structures, improvements and appurtenances existing on the Demised Premises.

"Facilities Lease" means that certain Amended and Restated Facilities Lease, dated as of February 1, 2012, between the Issuer and the City, as originally executed and recorded or as it may from time to time be supplemented, modified or amended pursuant to the provisions thereof and of the Trust Agreement.

"Government Obligations" shall have the meaning ascribed to such term in the Trust Agreement.

"Hazardous Substance" means any substance which shall, at any time, be listed as "hazardous" or "toxic" or in the regulations implementing CERCLA, RCRA, HWCL, HSAA, or the Porter-Cologne Act, or which has been or shall be determined at any time by any agency or court to be a hazardous or toxic substance regulated under Applicable Environmental Law. The term "Hazardous Substance" shall also include, without limitation, raw materials, building components, the products of any manufacturing or other activities on the subject property, wastes, petroleum, and source, special nuclear or by-product material as defined by the Atomic Energy Act of 1954, as amended (42 USC §§ 3011, et seq., as amended).

"Insurance Consultant" means an individual or firm employed by the City, including the Risk Manager of the City, that has actuarially-experienced personnel in the field of risk management.

"Issuer" means (i) the Brentwood Infrastructure Financing Authority, acting as lessor under the Facilities Lease; (ii) any surviving, resulting or transferee entity; and (iii) except where the context requires otherwise, any assignee of the Issuer.

"Opinion of Counsel" means an opinion signed by an attorney or firm of attorneys (who may be counsel to the City) selected by the City.

"Outstanding," when applied to Bonds, shall have the meaning ascribed to such term in the Trust Agreement.

"Permitted Encumbrances" means (1) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the City may, pursuant to the Facilities Lease, permit to remain unpaid; (2) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date of recordation of the Facilities Lease in the office of the County Recorder of Contra Costa County and which the City certifies in writing will not materially impair the use of the Demised Premises; (3) the Site Lease, as it may be amended from time to time; (4) the Facilities Lease, as it may be amended from time to time; (5) the Trust Agreement, as it may be amended from time to time; (6) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (7) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions to which the Issuer and the City consent in writing and certify to the Trustee will not materially impair the leasehold interests of the Issuer or use of the Facilities by the City; and (8) subleases and assignments of the City which will not adversely affect the exclusion from gross income of interest on the Bonds.

"Prior Bonds" means the Brentwood Infrastructure Financing Authority Capital Improvement Revenue Bonds, Series 2001.

"Rental Payment Period" means Bond Year. See "TRUST AGREEMENT – Definitions" in this Appendix.

"Reserve Fund" means the Facilities Lease Reserve Fund established pursuant to the Trust Agreement.

"Site Lease" means that lease, entitled "Amended and Restated Site Lease" dated as of February 1, 2012, by and between the City, as lessor, and the Issuer, as lessee, as originally executed and recorded or as it may from time to time be supplemented, modified or amended pursuant to the provisions thereof and of the Trust Agreement.

"S&P" means Standard & Poor's Ratings Group, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term S&P shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"State" means the State of California.

"Supplemental Trust Agreement" means any supplement or amendment to the Trust Agreement duly authorized and entered into between the Issuer and the Trustee in accordance with the provisions of the Trust Agreement.

"Tax Certificate" shall have the meaning ascribed to such term in the Trust Agreement.

"Trust Agreement" means the amended and restated trust agreement, dated as of February 1, 2012, by and between the Issuer and the Trustee, pursuant to which the Trustee will deliver the Bonds, as originally executed or as it may from time to time be supplemented or amended by a Supplemental Trust Agreement entered into pursuant to the provisions of the Trust Agreement.

"Trustee" means U.S. Bank National Association, appointed as trustee pursuant to the Trust Agreement, and any successor appointed under the Trust Agreement.

"Written Request of the City" means an instrument in writing signed by the City Manager or Director of Finance of the City or by such official's designee, or by any other officer or employee of the City duly authorized by the City for that purpose.

"Written Request of the Issuer" means an instrument in writing signed by or on behalf of the Issuer by its Treasurer/Controller or by such official's designee or by any other officer of the Issuer duly authorized by the governing board of the Issuer to sign documents on its behalf.

Lease of Demised Premises and Facilities; Term; Substitution

Leased Demised Premises and Facilities. The Issuer leases to the City and the City leases from the Issuer the Demised Premises and the Facilities. The City agrees and covenants during the term of the Facilities Lease that it will use the Demised Premises and the Facilities for public and City purposes so as to afford the public the benefits contemplated by the Facilities Lease.

The leasing by the City to the Issuer of the Demised Premises and the Facilities shall not effect or result in a merger of the City's leasehold estate pursuant to the Facilities Lease and its fee estate as lessor under the Site Lease, and the Issuer shall continue to have and hold a leasehold estate in said Demised Premises and Facilities pursuant to the Site Lease throughout the term thereof. As to said Demised Premises and Facilities, the Facilities Lease shall be deemed and constitute a sublease.

Term; Occupancy. The term of the Facilities Lease shall commence on the Closing Date and shall end on the final maturity of the Bonds, unless such term is extended or sooner terminated as provided in the Facilities Lease.

If on the final maturity date of the Bonds, all amounts due under the Facilities Lease and under the Trust Agreement shall not be fully paid, or if the rental or other amounts payable under the Facilities Lease shall have been abated at any time and for any reason, then the term of the Facilities Lease shall be extended until all amounts due under the Facilities Lease and under the Trust Agreement shall be fully paid, except that the term of the Facilities Lease shall in no event be extended beyond ten years following the final maturity of the Bonds. If prior to the final maturity of the Bonds, all Bonds allocable to the Facilities Lease and all amounts due under the Facilities Lease and the Trust Agreement shall be fully paid, or provision therefor made in accordance with the terms and provisions of the Trust Agreement, the term of the Facilities Lease shall end immediately.

The Facilities. The annual Base Rental Payments for the Demised Premises and the Facilities are as set forth in the Facilities Lease and shall be the fair rental value for such property as determined by the City. The Base Rental Payments for the Demised Premises and the Facilities shall be due and payable on the dates as set forth in the Facilities Lease.

Substitution. With the prior written consent of the Insurer, the City and the Issuer may substitute real property as part of the Demised Premises and the Facilities for purposes of the Site Lease and the Facilities Lease only after the City shall have filed with the Issuer and the Trustee, with copies to each rating agency then providing a rating for the Bonds, all of the following:

(a) Executed copies of the Site Lease and the Facilities Lease or amendments thereto containing the amended description of the Facilities and the Demised Premises, including the legal description of the Demised Premises as modified if necessary.

(b) A Certificate of the City with copies of the Site Lease and the Facilities Lease, if needed, or amendments thereto containing the amended description of the Facilities and the Demised Premises stating that such documents have been duly recorded in the official records of the County Recorder of Contra Costa County.

(c) A Certificate of the City evidencing that the useful life of the Facilities and the Demised Premises which will constitute the Facilities and the Demised Premises after such substitution will be at least equal to the useful life of the Facilities and the Demised Premises which constitute the Facilities and the Demised Premises before such substitution.

(d) A Certificate of the City, which may but need not be accompanied by a written appraisal from a qualified appraiser, showing that the fair rental value of the Facilities and Demised Premises after the substitution will be at least equal to the maximum annual Base Rental Payments.

(e) (i) A California Land Title Association leasehold owner's policy or policies or a commitment for such policy or policies or an amendment or endorsement to an existing policy or policies resulting in title insurance with respect to the Demised Premises after such substitution in an amount at least equal to the amount of such insurance provided with respect to the Demised Premises prior to such substitution; or

> (ii) An Opinion of Counsel or Certificate of the City stating that certificates or any other matters described in such Opinion of Counsel or Certificate of the City, the City has good merchantable title to the Facilities and the Demised Premises which will constitute the Facilities and the Demised Premises after such substitution.

(f) A Certificate of the City stating that such substitution does not adversely affect the City's use and occupancy of the Facilities and the Demised Premises.

(g) An Opinion of Bond Counsel stating that such amendment or modification (i) will, upon the execution and delivery thereof, be valid and binding upon the Issuer and the City in accordance with its terms; and (ii) will not cause the interest on the Bonds to be included in gross income for federal income tax purposes.

Insurance

Insurance Proceeds; Form of Policies. Except as expressly permitted otherwise under the Facilities Lease and except as otherwise approved by the Insurer, all policies of insurance required by the Facilities Lease shall be provided by an insurance company with a claims paying ability rated at least "A" by A.M. Best or S&P and shall provide that all proceeds thereunder shall be payable to the Trustee pursuant to a lender's loss payable endorsement. The Trustee shall collect, and receive all moneys which may become due and payable under any such policies, may compromise any and all claims thereunder and shall apply the proceeds of such insurance as provided in the Facilities Lease. The City shall pay when due the premiums for all insurance policies required by the Facilities Lease, and shall promptly furnish evidence of such payments to the Issuer.

See also "SECURITY FOR THE BASE RENTAL PAYMENTS AND SOURCES OF PAYMENT THEREFOR – Insurance" in the forepart of this Official Statement for additional information relating to insurance requirements under the Facilities Lease.

Defaults and Remedies

Defaults and Remedies. (a) If the City shall fail to pay any Base Rental Payment, Additional Payment or other amount payable under the Facilities when the same becomes due and payable, or the City shall fail to keep, observe or perform any other term, covenant or condition contained in the Facilities Lease or in the Trust Agreement to be kept or performed by the City for a period of thirty (30) days after notice of the same has been given to the City by the Issuer, the Insurer or the Trustee or for such additional time as is reasonably required, in the discretion of the Trustee, to correct the same, or upon the happening of any of the events specified in paragraph (b) of this section, below, the City shall be deemed to be in default under the Facilities Lease and it shall be lawful for the Issuer to exercise any and all remedies available pursuant to law or granted pursuant to the Facilities Lease. Upon any such default, the Issuer, in addition to all other rights and remedies it may have at law, may, with the consent of the Insurer, and shall, at the direction of the Insurer, do any of the following:

(1) Terminate the Facilities Lease in the manner provided in the Facilities Lease on account of default by the City, notwithstanding any re-entry or re-letting of the Demised Premises and the Facilities as provided in subparagraph (2), below, and to re-enter the Demised Premises and the Facilities and remove all persons in possession thereof and all personal property whatsoever situated upon the Demised Premises and the Facilities and place such personal property in storage in any warehouse or other suitable place located within the City. The City covenants and agrees that no surrender of the Demised Premises and the Facilities or of the remainder of the term of the Facilities Lease or any termination of the Facilities Lease shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Issuer by such written notice.

(2) Without terminating the Facilities Lease, (i) collect each Base Rental Payment installment and other amounts as they become due and enforce any other terms or provision of the Facilities Lease to be kept or performed by the City, regardless of whether or not the City has abandoned the Facilities, or (ii) exercise any and all rights of re-entry upon the Demised Premises and the Facilities. In the event the Issuer does not elect to terminate the Facilities Lease in the manner provided for in subparagraph (1), above, the City shall remain liable and agrees to keep or perform all covenants and conditions contained in the Facilities Lease and, if the Demised Premises and the Facilities are not re-let, to pay the full amount of the Base Rental Payments, Additional Payments and other amounts to the end of the term of the Facilities Lease or, in the event that the Demised Premises and the Facilities are re-let, to pay any deficiency in rent and other amounts that result therefrom; and further agrees to pay said rent and other amounts and/or deficiency rent and other amounts punctually at the same time and in the same manner as provided in the Facilities Lease for the payment of Base Rental Payments, Additional Payments and other amounts under the Facilities Lease (without acceleration).

Notwithstanding any other provision of the Facilities Lease, any right of the Issuer to re-enter, take possession of, or re-let any portion of the Demised Premises or any portion of the Facilities shall be subject in all respects to the rights of any tenant under an Existing Lease.

(b) If (1) the City's interest in the Facilities Lease or any part thereof be assigned or transferred, or (2) the City or any assignee shall file any petition or institute any proceeding under any act or acts, State or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such act or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the City asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of the City's debts or obligations, or offers to the City's creditors to effect a composition or extension of time to pay the City's debts or asks, seeks or prays for reorganization or to effect a plan of reorganization, or for a readjustment of the City's debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character be filed or be instituted or taken against the City, or if a receiver of the business or of the property or assets of the City shall be appointed by any court, except a receiver appointed at the instance or request of the Issuer, or if the City shall make a general or any assignment for the benefit of the City's creditors, or if (3) the City shall abandon or vacate the Demised Premises and the Facilities, then the City shall be deemed to be in default under the Facilities Lease.

(c) The Issuer shall in no event be in default in the performance of any of its obligations under the Facilities Lease or imposed by any statute or rule of law unless and until the Issuer shall have failed to perform such obligations within thirty (30) days or such additional time as is reasonably required to correct any such default. In the event of default by the Issuer, the City shall be entitled to pursue any remedy provided by law; provided that the City may not terminate the Facilities Lease.

(d) In addition to the other remedies set forth in the Facilities Lease, upon the occurrence of an event of default as described therein, the Issuer shall proceed to protect and enforce the rights vested in the Issuer by the Facilities Lease or by law. In addition to the other remedies available to the Issuer, the Issuer has the remedy described in California Civil Code Section 1951.4. The provisions of the Facilities Lease and the duties of the City and of its trustees, officers or employees shall be enforceable by the Issuer by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction.

The exercise of any rights or remedies under the Facilities Lease shall not permit acceleration of Base Rental Payments.

Each and all of the remedies given to the Issuer under the Facilities Lease or by any law enacted are cumulative and the single or partial exercise of any right, power or privilege under the Facilities Lease shall not impair the right of the Issuer to other or further exercise thereof or the exercise of any or all other rights, powers or privileges.

Notwithstanding any other provision of the Facilities Lease, the Issuer shall obtain the consent of the Insurer before exercising any remedy thereunder; and shall comply with any direction of the Insurer with respect to such remedies.

Waiver. Failure of the Issuer to take advantage of any default on the part of the City shall not be, or be construed as, a waiver thereof, nor shall any custom or practice which may grow up between the parties in the course of administering the Facilities Lease be construed to waive or to lessen the right of the Issuer to insist upon performance by the City of any term, covenant or condition of the Facilities Lease, or to exercise any rights given the Issuer on account of such default. The acceptance of rent under the Facilities Lease shall not be, or be construed to be, a waiver of any term, covenant or condition of the Facilities Lease.

Eminent Domain; Prepayment

Eminent Domain. If the whole of the Demised Premises and the Facilities or so much thereof as to render the remainder unusable for the purposes for which it was used by the City shall be taken under the power or threat of eminent domain, the term of the Facilities Lease shall cease as of the day that possession shall be so taken. If less than the whole of the Demised Premises and the Facilities shall be taken under the power or threat of eminent domain and the remainder is usable for the purposes for which it was used by the City at the time of such taking, then the Facilities Lease shall continue in full force and effect as to such remainder, and the parties waive the benefits of any law to the contrary, and in such event there shall be a partial abatement of the rental due under the Facilities Lease in an amount equivalent to the amount by which the annual payments of principal of and interest on the Bonds then Outstanding will be reduced by the application of the award in eminent domain to the redemption of Outstanding Bonds. So long as any of the Bonds shall be Outstanding, any award made in eminent domain proceedings for taking the Demised Premises and the Facilities or any portion thereof shall be paid to the Trustee and applied to the prepayment of the Base Rental Payments as provided in the Facilities Lease. Any such award made after all of the Base Rental Payments and Additional Payments have been fully paid, or provision therefor made, shall be paid to the City.

Prepayment. (a) The City shall prepay, on any date from insurance and eminent domain proceeds as provided in the Facilities Lease, all or any part of Base Rental Payments then unpaid so that the aggregate annual amounts of Base Rental Payments which shall be payable after such prepayment date shall be as nearly proportional as practicable to the aggregate annual amounts of Base Rental Payments unpaid prior to the prepayment date. In the event of partial damage or destruction of the Facilities that is covered by insurance, the Issuer may elect to repair, reconstruct or replace the damaged or destroyed portion of the Facilities if the insurance proceeds are sufficient to do so.

(b) The City may prepay, from any source of available funds, all or any portion of Base Rental Payments as provided in the Facilities Lease. The City agrees that if following such prepayment the Facilities and the Demised Premises are damaged or destroyed or taken by eminent domain, it is not entitled to, and by such prepayment waives the right of, abatement of such prepaid Base Rental Payments and shall not be entitled to any reimbursement of such Base Rental Payments.

(c) Before making any prepayment pursuant to the Facilities Lease, the City shall, within five (5) days following the event creating such right or obligation to prepay, give written notice to the Issuer and the Trustee describing such event and specifying the date on which the prepayment will be made.

(d) When (1) there shall have been deposited with the Trustee at or prior to the due dates of the Base Rental Payments or date when the City may exercise its option to purchase the Facilities or any portion or item thereof, in trust for the benefit of the Owners of the Bonds and irrevocably appropriated and set aside to the payment of the Base Rental Payments or option price, sufficient moneys and Government Obligations, not redeemable prior to maturity, the principal of and interest on which when due will provide money sufficient to pay all principal of and interest on the allocable Bonds to the due date of such Bonds or date when the City may exercise its option to purchase the Facilities, as the case may be and to the payment in full of all other amounts due under the Facilities Lease or under the Trust Agreement; (2) all of the defeasance requirements set forth in the Trust Agreement have been satisfied; (3) an agreement shall have been entered into with the Trustee for the payment of its fees and expenses so long as any of the allocable Bonds shall remain unpaid; and (4) the requirements of the Trust Agreement have been satisfied; then and in that event the right, title and interest of the Issuer in the Facilities Lease and the obligations of the City under the Facilities Lease shall thereupon cease, terminate, become void and be completely discharged and satisfied and the Issuer's interest in and title to the Facilities or applicable portion or item thereof shall be transferred and conveyed to the City.

(e) Notwithstanding any contrary provision of the Facilities Lease, the price to prepay all or any portion of the Base Rental Payments under the Trust Agreement and the option price to purchase all or any portion of the Demised Premises under the Trust Agreement shall include a premium equal to such additional amount as may be necessary to increase such prepayment price or option price to that amount which is sufficient to redeem an amount of Bonds, including the principal thereof and any redemption premium and accrued interest thereon, such that, after such redemption, the remaining scheduled payments payable to the Issuer under the remaining Local Obligations and other Revenues shall be sufficient to pay when due the remaining principal of and interest on the Bonds; provided, however, that with respect to prepayments from insurance or eminent domain proceeds, such premium shall be payable only out of such proceeds, and further provided that to the extent such sources are insufficient therefor, the prepayment price shall be reduced by the amount of such insufficiency and the amount of Bonds to be redeemed therefrom shall be reduced as necessary. Prior to the exercise of any option to prepay Base Rental Payment or purchase the Demised Premises, the City shall deliver to the Trustee a Cash Flow Certificate certifying the sufficiency of the option or prepayment price, as described in this paragraph.

Option to Purchase; Sale of Personal Property. The City shall have the option to purchase the Issuer's interest in any part of the Demised Premises and the Facilities upon payment of an option price consisting of moneys or Government Obligations or both, in an amount sufficient to provide funds to pay the aggregate amount for the entire remaining term of the Facilities Lease of the part of the total rent thereunder attributable to such part of the Demised Premises and Facilities, plus such additional amount as may be required under the preceding paragraph. Any such payment shall be made to the Trustee and shall be treated as Base Rental Payments and shall be applied by the Trustee to pay the principal of and interest on the allocable Bonds and to redeem Bonds if such Bonds are subject to redemption pursuant to the terms of the Trust Agreement. The City, in its discretion may request the Issuer to sell or exchange any personal property which may at any time constitute a part of the Facilities, and to release said personal property from the Facilities Lease. In the event of any such sale, the full amount of the money or consideration received for the personal property so sold and released shall be paid to the Issuer. Any money so paid to the Issuer may, so long as the City is not in default under any of the provisions of the Facilities Lease, be used to purchase personal property, which property shall become a part of the Facilities leased under the Facilities Lease.

Covenants

Liens. In the event the City shall at any time during the term of the Facilities Lease cause any changes, alterations, additions, improvements or other work to be done or performed or materials to be supplied, in or upon the Demised Premises or the Facilities, the City shall pay all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the City in, upon or about the Demised Premises or the Facilities and shall keep the Demised Premises and the Facilities free of any and all mechanics' or materialmen's liens or other liens against the Demised Premises or the Facilities or the Issuer's interest therein. In the event any such lien attaches to or is filed against the Demised Premises or the Facilities or the Issuer's interest therein, the City shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the City desires to contest any such lien it may do so in good faith.

Issuer Not Liable. The Issuer and its members, directors, officers, agents, employees and assignees shall not be liable to the City or to any other party whomsoever for any death, injury or damage that may result to any person or property by or from any cause whatsoever in, on or about the Demised Premises and the Facilities.

Assignment and Subleasing. The Facilities Lease or any interest of the City thereunder may be mortgaged, pledged, assigned, sublet or transferred by the City, provided, such subletting shall not cause interest on the Bonds to be included in gross income for federal income tax purposes and further provided that the prior written consent of the Insurer is obtained. No such mortgage, pledge, assignment, sublease or transfer shall in any event affect or reduce the obligation of the City to make the Base Rental Payments and Additional Payments required under the Facilities Lease.

Title to Facilities. During the term of the Facilities Lease, the Issuer shall hold title to the Facilities and any and all additions which are added thereto by the City, except for additions to the Facilities by the City which may be removed without damaging the Facilities and certain equipment. This provision shall not operate to the benefit of any insurance company if there is a rental interruption covered by insurance pursuant to the Facilities Lease. During the term of the Facilities Lease, the Issuer shall have a leasehold interest in the Demised Premises pursuant to the Site Lease. Upon the termination or expiration of the Facilities Lease, title to the Facilities shall vest in the City pursuant to the Site Lease.

Tax Covenants. The City and the Issuer shall at all times do and perform all acts and things permitted by law which are necessary or desirable in order to assure that the interest on the Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Code and shall take no action that would result in such interest not being excluded from gross income for federal income tax purposes. The City further covenants that it will not use or permit the use of the Facilities by any person not an "exempt person" within the meaning of Section 141(a) of the Code or by an "exempt person" (including the City) in an "unrelated trade or business", in such manner or to such extent as would result in the inclusion of interest on the Bonds in gross income for federal income tax purposes under Section 103 of the Code.

Purpose of Facilities Lease. The City covenants that during the term of the Facilities Lease, (a) it will use, or cause the use of, the Demised Premises and the Facilities for public purposes and for the purposes for which the Facilities are customarily used, (b) it will not vacate or abandon the Facilities or any part thereof, and (c) it will not make any use of the Demised Premises and the Facilities which would jeopardize in any way the insurance coverage required to be maintained pursuant to the Facilities Lease.

Environmental Matters. (a) The City will comply with Applicable Environmental Law and shall not use, store, generate, treat, transport or dispose of any Hazardous Substance on, or in a manner that would cause it to later flow, migrate, leak, leach or otherwise come to rest on or in the Facilities or the Demised Premises.

(b) The City will transmit copies of all records concerning the contact with any local, State or federal agency concerning any violation of any Applicable Environmental Law involving the Facilities or the Demised Premises, and all notices, orders or statements received from any governmental entity concerning violations of Applicable Environmental Law with respect to the Facilities or the Demised Premises and any operations conducted thereon or any conditions existing thereon to the Trustee.

(c) The City shall permit the Issuer, its agents or any experts designated by the Issuer to have full access to the Facilities and the Demised Premises during reasonable business hours for purposes of such independent investigation of compliance with the Applicable Environmental Law.

Net-Net-Net Facilities Lease. The Facilities Lease shall be deemed and construed to be a "net-net-net lease" and the City agrees that the rentals and other payments provided for in the Facilities Lease shall be an absolute net return to the Issuer, free and clear of any expenses, charges or set-offs whatsoever.

Taxes. The City shall pay or cause to be paid all taxes and assessments of any type or nature charged to the Issuer or affecting the Demised Premises and the Facilities or the respective interests or estates therein.

AGENCY INDENTURE

The following is a summary of certain provisions of the Agency Indenture. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Agency Indenture.

Definitions

The following are summaries of definitions of additional terms used in the Agency Indenture:

"Accreted Value" means, with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Agency Bond, plus interest accrued thereon from its date compounded on each May 1 and November 1 (through and including the maturity date of such Agency Bond) at the "original issue yield" for such Agency Bond; provided, that the Accreted Value on any date other than May 1 and November 1 shall be calculated by straight line interpolation of the Accreted Values as of the immediately preceding and succeeding May 1 and November 1. The term "original issue yield" means, with respect to any particular Agency Bond, the yield to maturity of such Agency Bond from the initial date of delivery thereof calculated on the basis of semiannual compounding on each May 1 and November 1.

"Additional Agency Bonds" means all tax allocation bonds of the Agency authorized and executed pursuant to the Agency Indenture and issued and delivered in accordance with the Agency Indenture.

"Adjusted Tax Increment Revenues" means Tax Increment Revenues, decreased by:

(i) the amount of Tax Increment Revenues generated from the difference between (A) the effective tax rate for the Project Area, and (B) the sum of 1% plus any additional tax rate that will be (1) in effect until the final maturity of all Outstanding Bonds and any Additional Bonds proposed to be issued and (2) applied in the calculation of Tax Increment Revenues in accordance with the Law and the Constitution of the State, as shown in a written report of an Independent Redevelopment Consultant;

(ii) the amount of Tax Increment Revenues which would not be collected assuming that all pending appeals of assessed valuation of property within the Project Area are granted at either (A) the average percentage reduction in assessed values granted by the County for property within the City of Brentwood over the previous three Fiscal Years as shown in a written report of an Independent Redevelopment Consultant or (B) if information is not available to allow such report to be prepared, 25% of the reduction in assessed value sought in such appeals; and

(iii) the amount of Tax Increment Revenues which would be payable by the Agency under each unsubordinated Pass Through Obligation described in clause (ii) of the definition thereof at the maximum rate of payment provided in each such Pass-Through Obligation;

and *increased* by an amount of Tax Increment Revenues which will be generated by the assessed value increases of property within the Project Area as a result of new construction and property transfers which have occurred since the most recent equalized assessment roll as shown in a written report of an Independent Redevelopment Consultant.

"Agency Bond Insurance Policy" means the municipal bond insurance policy, issued by the applicable Agency Bond Insurer and guaranteeing, in whole or in part, the payment of principal of and interest on a Series of Agency Bonds.

"Agency Bond Insurer" means the issuer or issuers of a policy or policies of municipal bond insurance obtained by the Agency to insure the payment of principal of and interest on a Series of Agency Bonds issued under the Agency Indenture, when due otherwise than by acceleration, and which, in fact, are at any time insuring such Series of Agency Bonds. For the purposes of this definition, the insurer of any series of bonds, including the Authority Bonds, the payment of which is secured in whole or in part by a Series of Agency Bonds issued under the Agency Indenture shall be deemed to be an Agency Bond Insurer. For the purposes of this definition, except where expressly indicated otherwise, all consents, approvals or actions required by the Agency Bond Insurer shall be unanimous action of all Agency Bond Insurers if there is more than a single Agency Bond Insurer.

"Agency Bonds" means the Series 2001 Agency Bonds and all Additional Agency Bonds.

"Agency Indenture" means the Indenture of Trust dated as of October 1, 2001 by and between the Redevelopment Agency of the City of Brentwood and U.S. Bank National Association and all Supplemental Agency Indentures.

"Agency Reserve Account" means the account maintained within the Tax Increment Fund pursuant to the Agency Indenture.

"Agency Reserve Account Requirement" means an amount equal to the Maximum Annual Debt Service on the Agency Bonds, less a principal amount of Term Bonds of any maturity, the proceeds of which were initially deposited into an escrow fund (to be held by the Agency Trustee) equal, at any point in time, to the deposit in such escrow fund; provided, that the Agency Reserve Account Requirement shall not be adjusted because of any such deposit into an escrow fund unless as a condition to and following any release of moneys from such escrow fund, the Agency Reserve Account Requirement shall be satisfied. In the event the Agency Reserve Account Requirement is less than Maximum Annual Debt Service by reason of the deposit of amounts in an escrow fund, as described above, such Agency Reserve Account Requirement shall be established by a Consultant's Report which shall assume a reduction in the Sinking Account Installment payments for each maturity of Term Bonds the proceeds of which were so deposited in an escrow fund (in an amount equal to the amount attributable to each such maturity of Term Bonds remaining in the escrow fund), which, to the extent practicable, results in approximately equal annual debt service on the Agency Bonds Outstanding assuming such reduction in Sinking Account Installment payments.

"Agency Trustee" means U. S. Bank National Association, appointed by the Agency in and acting as an independent fiduciary with the duties and powers provided in the Agency Indenture, and its successors and assigns, or any other corporation or association which may at any time be substituted in its place, as provided in the Agency Indenture.

"Annual Debt Service" means, for each Bond Year, the sum of (1) the interest falling due on the Outstanding Agency Bonds which are Current Interest Bonds in such year, assuming that the Outstanding Serial Bonds are retired as scheduled and that the Outstanding Term Bonds, if any, are redeemed from such Sinking Account Installments as may be scheduled, (2) the principal amount of the Outstanding Serial Bonds which are

Current Interest Bonds, if any, falling due by their terms in such year, (3) the Accreted Value of the Outstanding Serial Bonds which are Capital Appreciation Bonds, if any, falling due by their terms in such year, and (4) the Sinking Account Installments required to be made in such year to pay or redeem Outstanding Term Bonds.

"Authority" means the Brentwood Infrastructure Financing Authority duly organized and existing under and pursuant to the laws of the State of California and a Joint Exercise of Powers Agreement between the City and the Agency.

"Authority Bonds" means the Brentwood Infrastructure Financing Authority Capital Improvement Revenue Bonds, Series 2001, issued pursuant to the Trust Agreement.

"Authority Revenues" has the same meaning as is given to the term "Revenues" in the Trust Agreement.

"Authority Trustee" means U.S. Bank National Association, as trustee under the Trust Agreement, or any successor thereto.

"Bond Obligation" means, as of any given date of calculation, (1) with respect to any Outstanding Current Interest Bond, the principal amount of such Agency Bond, and (2) with respect to any Outstanding Capital Appreciation Bond, the Accreted Value thereof as of the May 1 or November 1 next preceding such date of calculation (unless such date of calculation is a May 1 or November 1, in which case as of such date).

"Bond Year" means (1) with respect to the initial Bond Year, the period from the date the Series 2001 Agency Bonds are originally delivered to and including the first succeeding November 1, and (2) thereafter, each twelve-month period from November 2 in any calendar year to and including November 1 in the following calendar year.

"Capital Appreciation Bonds" means Agency Bonds the interest on which is payable at maturity and compounded semiannually on each Interest Payment Date through and including the maturity dates thereof.

"Consultant's Report" means a report signed by an Independent Financial Consultant or an Independent Redevelopment Consultant, as may be appropriate to the subject of the report, and including:

(1) a statement that the person or firm making or giving such report has read the pertinent provisions of the Agency Indenture to which such report relates;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the report is based;

(3) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said Independent Financial Consultant or Independent Redevelopment Consultant to express an informed opinion with respect to the subject matter referred to in the report.

"Corporate Trust Office" means such corporate trust office of the Agency Trustee as may be designated from time to time by written notice from the Agency Trustee to the Agency, initially being such office located in San Francisco, California, except that with respect to presentation of Agency Bonds for payment, transfer or exchange, such term means the office of the Agency Trustee in St. Paul, Minnesota, or such other offices as it shall designate from time to time.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Agency or the City and related to the authorization, issuance, sale and delivery of the Agency Bonds, including but not limited to publication and printing costs, costs of preparation and reproduction of documents, filing and recording fees, fees and charges of the Agency Trustee, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of the Agency Bonds, and any other cost, charge or fee in connection with the original issuance of the Agency Bonds.

"Current Interest Bonds" means Agency Bonds the interest on which is payable on May 1 and November 1 of each year through and including the maturity dates thereof.

"Depository" means the securities depository acting as Depository pursuant to the Agency Indenture.

"Expense Fund" means the fund established pursuant to the Agency Indenture.

"Federal Securities" means: direct non-callable obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, to which direct obligation or guarantee the full faith and credit of the United States of America has been pledged, Refcorp interest strips, CATS, TIGRS, STRPS, or defeased municipal bonds rated AAA by S&P or Aaa by Moody's (or any combination thereof), or such other securities as may be approved by the Agency Bond Insurer.

"Fiscal Year" means the period commencing on July 1 of each year after the date of the sale and delivery of the Series 2001 Agency Bonds and terminating on the next succeeding June 30, or any other annual accounting period selected and designated by the Agency as its Fiscal Year in accordance with the Law and with notice to the Agency Trustee.

"Independent Certified Public Accountant" means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State of California, appointed and paid by the Agency and who, or each of whom:

(1) is in fact independent and not under the domination of the Agency;

(2) does not have any substantial interest, direct or indirect, with the Agency; and

(3) is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other audits of the books of or reports to the Agency.

"Independent Financial Consultant" means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the Agency and who, or each of whom:

(1) is in fact independent and not under the domination of the Agency;

(2) does not have any substantial interest, direct or indirect, with the Agency; and

(3) is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other reports to the Agency.

"Independent Redevelopment Consultant" means a consultant or firm of such consultants generally recognized to be well qualified in the field of consulting relating to tax allocation bond financing by California redevelopment agencies, appointed and paid by the Agency, and who, or each of whom:

(1) is in fact independent and not under the domination of the Agency;

(2) does not have any substantial interest, direct or indirect, with the Agency; and

(3) is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other reports to the Agency.

"Interest Account" means the account maintained within the Tax Increment Fund pursuant to the Agency Indenture.

"Interest Payment Date" means any May 1 or November 1 on which interest on any Series of Agency Bonds is scheduled to be paid, commencing November 1, 2001, with respect to the Series 2001 Agency Bonds.

"Investment Agreement" means an investment agreement that is a Permitted Investment.

"Law" means the Community Redevelopment Law of the State of California (being Part I of Division 24 of the Health and Safety Code of the State of California, as amended), and all laws amendatory thereof or supplemental thereto.

"Maximum Annual Debt Service" means the largest Annual Debt Service during the period from the date of such determination through the final maturity date of any Outstanding Agency Bonds.

"Nominee" means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Agency Indenture.

"Outstanding" when used as of any particular time with reference to Agency Bonds, means (subject to the provisions of the Agency Indenture) all Agency Bonds except:

(1) Agency Bonds theretofore cancelled by the Agency Trustee or surrendered to the Agency Trustee for cancellation;

(2) Agency Bonds paid or deemed to have been paid within the meaning as set forth in the Agency Indenture; and

(3) Agency Bonds in lieu of or in substitution for which other Agency Bonds shall have been authorized, executed, issued and delivered by the Agency pursuant to the Agency Indenture.

"Owner" or "Bondowner" whenever employed in the Agency Indenture means the person in whose name such Agency Bond shall be registered.

"Pass-Through Obligations" means (i) the statutory pass-through obligations of the Agency described under Section 33607.5 of the Law, and (ii) the negotiated pass-through obligations of the Agency entered into with other taxing agencies pursuant to the Law.

"Permitted Investments" means:

(1) Direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, provided, that the full faith and credit of the United States of America must be pledged to any such direct obligation or guarantee ("Direct Obligations");

(2) Direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations and letter of credit-backed issues of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation ("FHLMCs"); debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association ("FNMAs"); participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association ("GNMAs"); guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; debt obligations and letter of credit-backed issues of the Student Loan Marketing Association; local authority bonds of the U.S. Department of Housing & Urban Development; guaranteed Title XI financings of the U.S. Maritime Administration; guaranteed transit bonds of the Washington Metropolitan Area Transit Authority; Resolution Funding Corporation securities.

(3) direct obligations of any state of the United States of America or any subdivision or agency thereof whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, “A” or better by Moody’s Investors Service and “A” or better by Standard & Poor’s Corporation, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured, uninsured and unguaranteed general obligation debt is rated, as the time of purchase, “A” or better by Moody’s Investors Service and “A” or better by Standard & Poor’s Corporation;

(4) commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, “P-1” by Moody’s Investors Service and “A-1” or better by Standard & Poor’s Corporation;

(5) Federal funds, unsecured certificates of deposit, time deposits or bankers acceptances (in each case having maturities of not more than 365 days) of any domestic bank including a branch office of a foreign bank which branch office is located in the United States, provided legal opinions are received to the effect that full and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank, which, at the time of purchase, has a short-term “Bank Deposit” rating of “P-1” by Moody’s and a “Short-Term CD” rating of “A-1” or better by S&P.

(6) deposits of any bank or savings and loan association which has combined capital, surplus and undivided profits of not less than $3,000,000, provided such deposits are continuously and fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation;

(7) investments in money-market funds rated “AAAm” or “AAAm-G” by Standard & Poor’s Corporation;

(8) repurchase agreements collateralized by Direct Obligations, FNMAs, FNMAs or FHLMCs with any registered broker/dealer subject to the Securities Investors’ Protection Corporation jurisdiction or any commercial bank insured by the FDIC, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated “P-1” or “A3” or better by Moody’s Investors Service, and “A-1” or “A” or better by Standard & Poor’s Corporation, provided:

a. a master repurchase agreement or specific written repurchase agreement governs the transaction; and

b. the securities are held free and clear of any lien by the Agency Trustee or an independent third party acting solely as agent (“Agent”) for the Agency Trustee, and such third party is (i) a Federal Reserve Bank, (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $50,000,000 or (iii) a bank approved in writing for such purpose by the Agency Bond Insurer, and the Agency Trustee shall have received written confirmation from such third party that it holds such securities, free and clear or any lien, as agent for the Agency Trustee; and

c. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 *et seq*. or 31 C.F.R. 350.0 *et seq*. in such securities is created for the benefit of the Agency Trustee; and

d. the repurchase agreement has a term of 180 days or less, and the Agency Trustee or the Agent will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and

e. the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%.

(9) any cash sweep or similar account arrangement of or available to the Agency Trustee, the investments of which are limited to investments described in clauses (1) through (3) and clause (10) of this definition of Permitted Investments and any money market fund, registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, including funds for which the

Agency Trustee or its affiliates or subsidiaries provide investment advisory or other management services, the entire investments of which are limited to investments described in clauses (1) through (3) and clause (10) of this definition of Permitted Investments; provided that as used in this clause (9) investments will be deemed to satisfy the requirements of clause (10) if they meet the requirements set forth in clause (10) ending with the words "clauses (1) through (3) above" and without regard to the remainder of such clause (10);

(10) Any investment agreement with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA" by S&P and "Aa" by Moody's; provided that, by the terms of the investment agreement:

a. to the extent interest payments from the investment agreement are relied upon to pay debt service on the Bonds, such interest payments are to be made to the Trustee at times and in amounts as necessary to pay such debt service, and to the extent such interest payments are relied upon to pay construction draws, such payments are to be made to the Trustee at the times and in the amounts necessary to pay such construction draws);

b. the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; the Agency and the Trustee agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

c. the investment agreement shall state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

d. the Agency or the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the Agency and the Agency Bond Insurer) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the Agency Bond Insurer;

e. the investment agreement shall provide that if during its term

(I) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (a) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Agency, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (b) repay the principal of and accrued but unpaid interest on the investment, and

(II) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the Agency or the Trustee (who shall give such direction if so directed by the Agency Bond Insurer), within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Agency or Trustee, and

f. The investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

g. the investment agreement must provide that if during its term

(I) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Agency or the Trustee (who shall give such direction if so directed by the Agency Bond Insurer), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Agency or Trustee, as appropriate, and

(II) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Agency or Trustee, as appropriate.

(11) the Local Agency Investment Fund (as that term is defined in Section 16429.1 of the Government Code of the State, as such statute may be amended or recodified from time to time); and

(12) any investment approved by the Agency and the Agency Bond Insurer, if any, for which confirmation is received from each rating agency then rating any of the Agency Bonds that such investment will not adversely affect such agency's rating on such Agency Bonds, and the approval of the Agency Bond Insurer when so required.

"Principal Account" means the account maintained within the Tax Increment Fund pursuant to the Agency Indenture.

"Principal Installment" means, with respect to any Principal Payment Date, the principal amount of Outstanding Series 2001 Agency Bonds (including mandatory sinking fund payments) due on such date, if any.

"Principal Payment Date" means any November 1 on which principal or Accreted Value of any Series of Agency Bonds is scheduled to be paid, commencing on November 1, 2002 with respect to the Series 2001 Agency Bonds.

"Project" means the undertaking of the Agency pursuant to the Redevelopment Plan and the Law for the redevelopment of the Project Area.

"Project Area" means the territory comprising the Agency's Merged Project Area redevelopment project, as described in the Redevelopment Plan.

"Rebate Fund" means the Rebate Fund established pursuant to the Agency Indenture.

"Rebate Instructions" means those calculations and directions required to be delivered to the Agency Trustee by the Agency pursuant to the Tax Certificate.

"Rebate Requirement" means the Rebate Requirement defined in the Tax Certificate.

"Redevelopment Fund" means the fund by that name established pursuant to the Agency Indenture.

"Redevelopment Plan" means the redevelopment plan for the Merged Project Area of the Agency in Brentwood, California, adopted and approved as the Redevelopment Plan for the Project by Ordinance No. 632, adopted by the City Council of the City of Brentwood, California on May 9, 2000, together with all further amendments made in accordance with the Law and the Resolution.

"Regulations" means temporary and permanent regulations promulgated or applicable under Section 103 and all related provisions of the Code.

"Serial Bonds" means Agency Bonds for which no Sinking Account Installments are provided.

"Series 2001 Agency Bonds" means the Redevelopment Agency of the City of Brentwood Merged Project Area Tax Allocation Bonds, Series 2001.

"Series A Bonds" means the Agency's outstanding Brentwood Redevelopment Project Tax Allocation Bonds, Series A, issued in the original principal amount of $5,330,000.

"Sinking Account Installment" means the amount of money required to be paid by the Agency on a Sinking Account Payment Date toward the retirement of any particular Term Bonds on or prior to their respective stated maturities, as set forth in the Agency Indenture.

"Sinking Account Payment Date" means any November 1 on which Sinking Account Installments on Term Bonds are scheduled to be paid, as set forth in the Agency Indenture.

"Supplemental Agency Indenture" means any indenture amendatory of or supplemental to the Agency Indenture, but only if and to the extent that such Supplemental Agency Indenture is specifically authorized under the Agency Indenture.

"Surplus Account" means the account maintained within the Tax Increment Fund pursuant to the Agency Indenture.

"Tax Increment Fund" means the fund established pursuant to the Agency Indenture.

"Tax Increment Revenues" means, for each Bond Year, beginning in the Bond Year in which the Series 2001 Agency Bonds are issued, (1) the taxes eligible for allocation to the Agency pursuant to the Law and the Redevelopment Plan (exclusive of (a) amounts, if any, not exceeding twenty percent (20%) of certain of such taxes which may be required by law to be set aside for certain housing purposes, (b) amounts, if any, received pursuant to Section 16111 of the Government Code, and (c) amounts payable by the Agency pursuant to the statutory Pass-Through Obligations of the Agency in accordance with Section 33607.5 of the Law, except to the extent such payments are subordinate to the payment of the principal of, premium, if any, and interest on Agency Bonds), together with all payments, reimbursements and subventions, if any, specifically attributable to *ad valorem* taxes lost by reason of tax exemptions and tax rate limitations, in an amount equal to Annual Debt Service for the corresponding Bond Year, which amount, upon an insufficiency in any Bond Year in the Tax Increment Fund of the Agency or any of the Accounts established therein, shall be increased up to an amount sufficient to replenish said Funds and Accounts.

"Term Bonds" means Agency Bonds which are payable on or before their specified maturity dates from Sinking Account Installments established for that purpose.

"Term Bond Sinking Account" means the account maintained within the Tax Increment Fund pursuant to the Agency Indenture.

"Written Request of the Agency" means an instrument in writing signed by the Executive Director or Treasurer of the Agency, or by any other officer of the Agency duly authorized by the Agency for that purpose, and by the Secretary of the Agency, with the seal of the Agency affixed.

Equal Security

In consideration of the acceptance of the Agency Bonds by the Owners thereof, the Agency Indenture shall be deemed to be and shall constitute a contract between the Agency and the Owners from time to time of all Agency Bonds issued under the Agency Indenture and then Outstanding to secure the full and final payment of the interest on and principal and Accreted Value of and redemption premiums, if any, on all Agency Bonds authorized, executed, issued and delivered under the Agency Indenture, subject to the agreements, conditions, covenants and provisions contained in the Agency Indenture; and the agreements and covenants as set forth in the Agency Indenture to be performed on behalf of the Agency shall be for the equal and proportionate benefit, security and protection of all Owners of the Agency Bonds without preference, priority or distinction as to security or otherwise of any Agency Bonds over any other Agency Bonds.

Certain Provisions of the Series 2001 Agency Bonds

Terms of Series 2001 Agency Bonds. The Series 2001 Agency Bonds are issued as fully registered bonds in the denomination of $5,000 or in any integral multiple thereof and are Current Interest Bonds bearing interest from the Interest Payment Date next preceding the date of authentication thereof, unless such date of authentication is an Interest Payment Date, in which event they shall bear interest from such Interest Payment Date, or unless such date of authentication is prior to the first Interest Payment Date, in which event they shall bear interest from their date, provided, however, that if, at the time of authentication of any Series 2001 Agency Bond, interest is then in default on such Agency Bond, such Agency Bond shall bear interest from the Interest Payment Date to which interest previously has been paid or made available for payment. Payment of interest on the Series 2001 Agency Bonds shall be made to the person whose name appears on the bond registration books of the Agency Trustee as the registered owner thereof, as of the close of business on the fifteenth (15th) day of the calendar month preceding the Interest Payment Date (the "Record Date), such interest to be paid by check mailed to such registered owner at his address as it appears on such books or at such other address as he may have filed with the Agency Trustee for that purpose prior to the Record Date, or, upon request of an Owner of at least $1,000,000 in aggregate principal amount of Series 2001 Agency Bonds, by wire transfer in immediately available funds to an account within the United States designated by such Owner prior to the Record Date. Interest on the Series 2001 Agency Bonds shall be computed on the basis of a 360-day year of twelve 30-day months.

The Series 2001 Agency Bonds shall mature on the dates, in the principal amounts and at the interest rates as set forth in the Agency Indenture. Principal and redemption premiums, if any, on the Series 2001 Agency Bonds shall be payable by check upon the surrender thereof at maturity or upon the prior redemption thereof at the Corporate Trust Office of the Agency Trustee. Principal and redemption premiums, if any, and interest on the Series 2001 Agency Bonds shall be paid in lawful money of the United States of America. Each payment of principal or interest on the Series 2001 Agency Bonds shall include the CUSIP identification number, if any, of the Series 2001 Agency Bond with respect to which such payment is made.

The Series 2001 Agency Bonds shall be registered initially in the name of the U.S. Bank Trust National Association, as trustee for the Brentwood Infrastructure Financing Authority, and shall be evidenced by one bond for each maturity of Series 2001 Agency Bonds in the principal amount of the respective maturities of Series 2001 Agency Bonds.

Redemption of Series 2001 Agency Bonds.

(a) Optional Redemption. The Series 2001 Agency Bonds maturing on or before November 1, 2011 shall not be subject to redemption on or before their respective stated maturities. Series 2001 Agency Bonds maturing by their terms on or after November 1, 2012 shall be subject to redemption prior to their respective stated maturities from any source of available funds at the option of the Agency on any date on or after November 1, 2011, as a whole or in part, and by lot within a maturity, at a redemption price equal to the principal amount of the Series 2001 Agency Bonds to be redeemed, together with interest accrued thereon, if any, to the date fixed for redemption, subject to increase as required by the Agency Indenture.

(b) Sinking Account Redemption. The Series 2001 Agency Bonds that are Term Bonds are subject to mandatory redemption on the dates and in the amounts set forth in the Agency Indenture solely from funds deposited by the Agency in the Term Bonds Sinking Account established therefor pursuant to the Agency Indenture at the principal amount thereof plus accrued interest thereon, if any, without premium.

(c) Selection of Agency Bonds. For purposes of selecting Agency Bonds for redemption, the Agency Bonds shall be composed of $5,000 portions and any such portions may be separately redeemed. Whenever less than all the Outstanding Agency Bonds of any Series maturing on any one date are called for redemption at any one time, the Agency Trustee shall select the Agency Bonds of such Series to be redeemed from the Outstanding Agency Bonds of such Series maturing on such date not previously selected for redemption, by lot in any manner which the Agency Trustee deems fair.

(d) Purchase in Lieu of Redemption. In lieu of redemption of any Term Bond pursuant to the provisions of the Agency Indenture, amounts on deposit in the Tax Increment Fund which are available for deposit or deposited in the Term Bonds Sinking Account may also be used and withdrawn by the Agency Trustee at any time for the purchase of such Term Bonds at public or private sale as and when and at such prices as the Agency Trustee may in its discretion determine, but not in excess of par plus accrued interest. Any accrued interest payable upon the purchase of Agency Bonds shall be paid from amounts held in the Tax Increment Fund for the payment of interest on the next following Interest Payment Date. Any Term Bonds so purchased shall be cancelled by the Agency Trustee forthwith and shall not be reissued. The principal of any Term Bonds so purchased by the Agency Trustee in any twelve-month period ending 60 days prior to any Sinking Account Payment Date in any year shall be credited towards and shall reduce the principal of such Term Bonds required to be redeemed on such Sinking Account Payment Date in such year.

(e) Notice. Notice of redemption shall be mailed (by first class mail) by the Agency Trustee, not less than thirty (30) nor more than sixty (60) days prior to the redemption date to (i) the respective Owners of Agency Bonds designated for redemption at their addresses appearing on the bond registration books of the Agency Trustee as of the fifteenth day prior to the date of mailing such notice, (ii) one or more Information Services and (iii) the Securities Depositories; provided that the notices to the parties in clauses (ii) and (iii) are not required if the Bonds to be redeemed are registered in the name of the Authority Trustee.

(f) Partial Redemption. Upon surrender of any Agency Bonds redeemed in part only, the Agency shall execute and the Agency Trustee shall authenticate and deliver to the Owner thereof a new Agency Bond or Agency Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Agency Bond surrendered and of the same interest rate and the same maturity. In the event that the Series 2001 Agency Bond subject to mandatory redemption is redeemed in part prior to its stated maturity date from any moneys other than Principal Installments, the remaining Principal Installments for such Series 2001 Agency Bond shall be reduced proportionately in each year remaining until and including the final maturity date of such Series 2001 Agency Bond.

(g) Effect of Redemption. When notice of redemption has been duly given, and moneys for payment of the redemption price are being held by the Agency Trustee, the Agency Bonds so called for redemption shall, on the redemption date designated in such notice, become due and payable at the redemption price specified in such notice, and from and after the date so designated interest on the Agency Bonds so called for redemption shall cease to accrue, said Agency Bonds shall cease to be entitled to any benefit or security under the Agency Indenture, and the Owners of said Agency Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof. The Agency Trustee shall, upon surrender for payment of any of said Agency Bonds, pay such Agency Bonds at the redemption price aforesaid. All Agency Bonds redeemed pursuant to the provisions of the Agency Indenture shall be cancelled upon surrender thereof and delivered to the Agency, and no Agency Bonds shall be issued in place thereof.

Issuance of Additional Agency Bonds

Conditions for the Issuance of Additional Agency Bonds. The Agency may at any time after the issuance and delivery of the initial series of Agency Bonds issue Additional Agency Bonds under the Indenture payable from the Tax Increment Revenues and secured by a lien and charge upon the Tax Increment Revenues equal to and on a parity with the lien and charge securing the Outstanding Agency Bonds theretofore issued under the Agency Indenture, but only subject to the following additional bonds test:

The Adjusted Tax Increment Revenues to be received by the Agency in the most recent (which may be the current) Fiscal Year for which an equalized assessment roll of the County is available shall be in an amount equal to at least one hundred twenty-five percent (125%) of the Maximum Annual Debt Service on all then Outstanding

Agency Bonds and such Additional Agency Bonds and any unsubordinated loans, advances, indebtedness or other obligations payable from tax increment revenue allocable to the Agency pursuant to Section 33670 of the Law. For this purpose, the term "Maximum Annual Debt Service" shall apply to such loans, advances, indebtedness and obligations in the same manner as Agency Bonds. For the purpose of the issuance of Additional Bonds, the Adjusted Tax Increment Revenues shall be increased by amounts, not exceeding 20% of the taxes eligible for allocation to the Agency pursuant to the Law, which may be otherwise required by the Law to be set aside for certain housing purposes, if, and only to the extent that, the Agency delivers to the Agency Trustee an opinion of counsel experienced in redevelopment law to the effect that such amounts may be lawfully made available as Tax Increment Revenues and the Agency makes such amounts available as Tax Increment Revenues from the date of delivery to the final maturity of such Additional Agency Bonds. For the purposes of the calculation of the coverage requirements set forth above, Outstanding Agency Bonds and Additional Agency Bonds shall not include any Agency Bonds the proceeds of which are deposited in an escrow fund held by the Agency Trustee, provided that the Supplemental Indenture authorizing the issuance of such Additional Agency Bonds shall provide that:

(1) Such proceeds shall be deposited or invested in Federal Securities or in an Investment Agreement at a rate of interest which, together with amounts made available by the Agency from Agency Bond proceeds or otherwise, is at least sufficient to pay Annual Debt Service on the Agency Bonds the proceeds of which are to be deposited in the escrow fund held by the Agency Trustee;

(2) Moneys may be transferred from said escrow fund only if Adjusted Tax Increment Revenues for the then current Fiscal Year will be at least equal to one hundred twenty-five percent (125%) of Maximum Annual Debt Service on all Outstanding Agency Bonds and such Additional Agency Bonds and any unsubordinated loans, indebtedness or other obligations payable from tax increment revenue allocable to the Agency pursuant to Section 33670 of the Law (exclusive of disqualified Agency Bonds described in the Agency Indenture), less a principal amount of Agency Bonds which is equal to moneys on deposit in said escrow fund after each such transfer; and

(3) Additional Agency Bonds shall be redeemed from moneys remaining on deposit in said escrow fund at the expiration of a specified escrow period in such manner as may be determined by the Agency.

In the event Additional Agency Bonds are to be issued solely for the purpose of refunding and retiring any Outstanding Agency Bonds, interest and principal payments on the Outstanding Agency Bonds to be so refunded and retired from the proceeds of such Additional Agency Bonds being issued shall be excluded from the foregoing computation of Maximum Annual Debt Service. Nothing contained in the Agency Indenture shall limit the issuance of any tax allocation bonds of the Agency payable from the Tax Increment Revenues and secured by a lien and charge on the Tax Increment Revenues if, after the issuance and delivery of such tax allocation bonds, none of the Agency Bonds theretofore issued under the Agency Indenture will be Outstanding. Nothing contained in the Indenture shall limit the issuance of any tax allocation bonds of the Agency secured by a lien and charge on Tax Increment Revenues junior to that of the Agency Bonds.

Tax Increment Revenues; Creation of Funds

Pledge of Tax Increment Revenues; Tax Increment Fund. All the Tax Increment Revenues and all money in the Tax Increment Fund and in the funds or accounts so specified and provided for in the Agency Indenture (except the Rebate Fund and the Redevelopment Fund), are irrevocably pledged to the punctual payment of the interest on and principal and Accreted Value of and redemption premiums, if any, on the Agency Bonds, and the Tax Increment Revenues and such other money shall not be used for any other purpose while any of the Agency Bonds remain Outstanding; subject to the provisions of the Agency Indenture. Such pledge shall constitute a first lien on the Tax Increment Revenues and such other money for the payment of the Agency Bonds in accordance with the terms thereof. All the Tax Increment Revenues, together with any interest earned thereon, shall, so long as any Agency Bonds shall be Outstanding under the Agency Indenture, be deposited by the Agency in the "Redevelopment Agency of the City of Brentwood Merged Project Area Tax Increment Fund".

Receipt and Deposit of Tax Increment Revenues. The Agency covenants and agrees that all Tax Increment Revenues, when and as received, will be received by the Agency in trust under the Agency Indenture and shall be deemed to be held by the Agency as agent for the Agency Trustee, and will be immediately deposited by the Agency with the Agency Trustee in the Tax Increment Fund and will be accounted for through and held in trust in the Tax Increment Fund, and the Agency shall have no beneficial right or interest in any of such money, except only as provided in the Agency Indenture. All such Tax Increment Revenues, shall nevertheless be disbursed, allocated and applied solely to the uses and purposes as set forth in the Agency Indenture, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the Agency.

Expense Fund. All moneys in the Expense Fund shall be applied to the payment of Costs of Issuance incurred by the Agency in connection with the authorization, issuance and sale of Agency Bonds. Upon the payment in full of such costs and expenses or the making of adequate provision for the payment thereof, any balance remaining in such Fund shall be deposited in the Redevelopment Fund.

Redevelopment Fund. Within the Redevelopment Fund, the Agency shall establish a Series 2001 Project Account and may, at the discretion of the Agency, establish subaccounts within such account. Moneys in the Redevelopment Fund shall be used and disbursed in the manner as provided in the Agency Indenture.

Establishment and Maintenance of Accounts for Use of Moneys in the Tax Increment Fund. All Tax Increment Revenues in the Tax Increment Fund shall be set aside by the Agency Trustee in each Bond Year when and as received in the following respective special accounts within the Tax Increment Fund in the following order of priority: (1) Interest Account; (2) Principal Account; (3) Term Bonds Sinking Account; (4) Agency Reserve Account; (5) Surplus Account. All moneys in each of such accounts shall be held in trust by the Agency Trustee and shall be applied, used and withdrawn only for the purposes authorized in the Agency Indenture.

Interest Account. The Agency Trustee shall set aside from the Tax Increment Fund and deposit in the Interest Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of the interest becoming due and payable on all Outstanding Agency Bonds which are Current Interest Bonds on the Interest Payment Dates in such Bond Year.

Principal Account. The Agency Trustee shall set aside from the Tax Increment Fund and deposit in the Principal Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of principal and Accreted Value becoming due and payable on all Outstanding Serial Bonds on the Principal Payment Date in such Bond Year.

Term Bonds Sinking Account. The Agency Trustee shall deposit in the Term Bonds Sinking Account an amount of money which, together with any money contained therein, is equal to the Sinking Account Installments payable on the Sinking Account Payment Date in such Bond Year.

Agency Reserve Account. The Agency Trustee shall set aside from the Tax Increment Fund (or, subject to the terms of any Supplemental Agency Indenture, transfer from an escrow fund created thereunder) and deposit in the Agency Reserve Account the amount necessary to maintain on deposit therein the Agency Reserve Account Requirement. See "SECURITY FOR THE AGENCY LOCAL OBLIGATIONS AND SOURCES OF PAYMENT THEREFOR – Agency Reserve Account." Notwithstanding any provision of the Agency Indenture to the contrary, but subject to the approval of the Agency Bond Insurer as described below, all or any portion of the Agency Reserve Account Requirement for the Agency Bonds may be satisfied by the provision of a policy of insurance, a surety bond, a letter of credit or other comparable credit facility, or a combination thereof, which, together with moneys on deposit in the Agency Reserve Account, provide funds in an aggregate amount equal to the Agency Reserve Account Requirement. Such policy of insurance, surety bond, letter of credit or comparable credit facility for the Agency Bonds shall, unless approved in writing by the Agency Bond Insurer, meet the following requirements:

(a) A surety bond or insurance policy issued to the Agency Trustee, by a company licensed to issue an insurance policy guaranteeing the timely payment of debt service on the Agency Bonds (a "municipal bond insurer") may be deposited in the Agency Reserve Account to meet the Agency Reserve Account Requirement if the claims paying ability of the issuer thereof shall be rated "AAA" or "Aaa" by S&P or Moody's, respectively.

(b) A surety bond or insurance policy issued to the Agency Trustee by an entity other than a municipal bond insurer may be deposited in the Agency Reserve Account to meet the Agency Reserve Account Requirement if the form and substance of such instrument and the issuer thereof shall be approved by the Agency Bond Insurer.

(c) An unconditional irrevocable letter of credit issued to the Trustee by a bank may be deposited in the Agency Reserve Account to meet the Agency Reserve Account Requirement if the issuer thereof is rated at least "AA" by S&P and if such instrument and the issuer thereof are approved by the Agency Bond Insurer. The letter of credit shall be payable in one or more draws upon presentation by the beneficiary of a sight draft accompanied by its certificate that it then holds insufficient funds to make a required payment of principal or interest on the bonds. The draws shall be payable within two days of presentation of the sight draft. The letter of credit shall be for a term of not less than three years. The issuer of the letter of credit shall be required to notify the Agency and the Agency Trustee, not later than 30 months prior to the state expiration date of the letter of credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date. If such notice indicates that the expiration date shall not be extended, the Agency shall deposit in the Agency Reserve Account an amount sufficient to cause the cash or permitted investments on deposit in the Agency Reserve Account together with any other qualifying credit instruments, to equal the Agency Reserve Account Requirement on all outstanding Agency Bonds, such deposit to be paid in equal installments on at least a semi-annual basis over the remaining term of the letter of credit, unless the Agency Reserve Account credit instrument is replaced by a Agency Reserve Account credit instrument meeting the requirements in any of (a)-(c) above. The letter of credit shall permit a draw in full not less than two weeks prior to the expiration or termination of such letter of credit if the letter of credit has not been replaced or renewed. The Agency Trustee shall draw upon the letter of credit prior to its expiration or termination unless an acceptable replacement is in place or the Agency Reserve Account is fully funded in its required amount.

Surplus Account. After making the deposits in each Bond Year to the Interest Account, the Principal Account, the Term Bonds Sinking Account and the Reserve Account, as described above, the Agency Trustee shall set aside from the Tax Increment Fund and deposit in the Surplus Account all money then remaining in the Tax Increment Fund. The Agency Trustee shall first use any funds in the Surplus Account solely for the purpose of replenishing the other accounts in the Tax Increment Fund, in the event of any deficiency at any time in any of such accounts occurring on any Interest Payment Date, Principal Payment Date or Sinking Account Payment Date, or for the purpose of paying the interest on or the principal or Accreted Value of or redemption premiums, if any, on the Agency Bonds in the event that no other money of the Agency is lawfully available therefor, or for the retirement of all Agency Bonds then Outstanding. Purchases of Outstanding Agency Bonds may be made by the Agency Trustee from moneys in the Surplus Account, upon the Written Request of the Agency, as provided in the Agency Indenture.

Investment of Moneys in Funds and Accounts. Moneys in the Interest Account, the Principal Account, the Term Bonds Sinking Account and the Surplus Account in the Tax Increment Fund, upon the Written Request of the Agency, shall be invested by the Agency Trustee in Permitted Investments. Moneys in the Interest Account representing accrued interest paid to the Agency upon the initial sale and delivery of any Agency Bonds and in the Agency Reserve Account, upon the Written Request of the Agency, shall be invested by the Agency Trustee in Permitted Investments. Permitted Investments purchased with amounts on deposit in the Agency Reserve Account shall have a term to maturity not greater than five (5) years. The obligations in which moneys in the Tax Increment Fund, the Interest Account, the Principal Account, the Term Bond Sinking Account or the Surplus Account are so invested shall mature prior to the date on which such moneys are estimated to be required to be paid out under the Agency Indenture. Moneys in the Redevelopment Fund may be invested by the Agency in any investments permitted by law.

Covenants of the Agency

Against Encumbrances. The Agency will not mortgage or otherwise encumber, pledge or place any charge upon any of the Tax Increment Revenues, except as provided in the Agency Indenture, and will not issue any obligation or security superior to or on a parity with the Agency Bonds payable in whole or in part from the Tax Increment Revenues (other than Additional Agency Bonds).

Extension or Funding of Claims for Interest. In order to prevent any claims for interest after maturity, the Agency will not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any Agency Bonds and will not, directly or indirectly, be a party to or approve any such arrangements by purchasing or funding said claims for interest or in any other manner.

Management and Operation of Properties. The Agency will manage and operate all properties owned by the Agency and comprising any part of the Project in a sound and business-like manner and in conformity with all valid requirements of any governmental authority relative to the Project or any part thereof, and will keep such properties insured at all times in conformity with sound business practice.

Payment of Claims. The Agency will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Agency or upon the Tax Increment Revenues or any part thereof, or upon any funds in the hands of the Agency Trustee, or which might impair the security of the Agency Bonds; provided that nothing contained in the Agency Indenture shall require the Agency to make any such payments so long as the Agency in good faith shall contest the validity of any such claims.

Books and Accounts; Financial and Project Statements. The Agency will keep proper books of record and accounts, separate from all other records and accounts of the Agency, in which complete and correct entries shall be made of all transactions relating to the Project and the Tax Increment Fund. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Agency Trustee or of the Owners of not less than ten per cent (10%) of the aggregate amount of Bond Obligation or their representatives authorized in writing.

Protection of Security and Rights of Owners. The Agency will preserve and protect the security of the Agency Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any Agency Bonds by the Agency, such Agency Bonds shall be incontestable by the Agency.

Payment of Taxes and Other Charges. Subject to the provisions of the Agency Indenture, the Agency will pay and discharge all taxes, service charges, assessments and other governmental charges which may be lawfully imposed upon the Agency or any properties owned by the Agency in the Project Area, or upon the revenues therefrom, when the same shall become due; provided that nothing contained in the Agency Indenture shall require the Agency to make any such payments so long as the Agency in good faith shall contest the validity of any such taxes, service charges, assessments or other governmental charges.

Taxation of Leased Property. Whenever any property in the Project Area is redeveloped by the Agency and thereafter is leased by the Agency to any person or persons, or whenever the Agency leases any real property in the Project Area to any person or persons for redevelopment, the property shall be assessed and taxed in the same manner as privately-owned property in accordance with the Law.

Disposition of Property in Project Area. The Agency will not, except as otherwise provided in the Agency Indenture, authorize the disposition of any real property in the Project Area to anyone which will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except for public ownership or use contemplated by the Redevelopment Plan in effect on the effective date of the Agency Indenture, or property to be used for public streets or public off-street parking facilities or easements or rights of way for public utilities, or other similar uses) if such dispositions, together with all similar prior dispositions on or subsequent to the effective date of the Agency Indenture, shall comprise (i) more than ten percent (10%) of the land area in the Project Area or (ii) more than ten percent (10%) of the assessed valuation in the Project Area based on the most recently equalized assessment roll adjusted for new construction, property transfers, and successful assessment appeals not reflected in such roll, as shown in a written report of an Independent Redevelopment Consultant. If the Agency proposes to make any such disposition which, together with all similar dispositions on or subsequent to the effective date of the Agency Indenture, shall comprise more than ten percent (10%) of the land area or assessed value in the Project Area (adjusted as described in the preceding sentence), it shall cause to be filed with the Agency Trustee and any Agency Bond Insurer a Consultant's Report on the effect of such proposed disposition. If the Agency Bond Insurer approves the disposition in its discretion (which approval may be conditioned on additional security features such as those described in clause (1) and (2) below), the Agency may proceed with the disposition notwithstanding the land area or assessed value to be disposed of. If there is no Agency Bond Insurer and the Consultant's Report concludes that the Tax Increment Revenues will not be materially reduced by such proposed disposition, the Agency may proceed with such proposed disposition. If there is no Agency Bond Insurer and the Consultant's Report concludes that Tax Increment Revenues will be materially reduced by such proposed disposition, the Agency shall as a condition precedent to proceeding with such proposed disposition, require that such new owner or owners either:

(1) Pay to the Agency Trustee, so long as any of the Agency Bonds are Outstanding, an amount equal to the amount that would have been received by the Agency as Tax Increment Revenues if such property were assessed and taxed in the same manner as privately-owned non-exempt property; or

(2) Pay to the Agency Trustee a single sum equal to the amount estimated by an Independent Redevelopment Consultant to be receivable from taxes on such property from the date of such payment to the last maturity date of all Outstanding Agency Bonds, less a reasonable discount value.

All such payments to the Agency Trustee in lieu of taxes shall be treated as Tax Increment Revenues and shall be deposited by the Agency Trustee in the Tax Increment Fund.

<u>Amendment of Redevelopment Plan</u>. The Agency will not amend the Redevelopment Plan except as provided in the Agency Indenture. If the Agency proposes to amend the Redevelopment Plan, it shall cause to be filed with the Agency Trustee a Consultant's Report on the effect of such proposed amendment. If the Consultant's Report concludes that Tax Increment Revenues will be materially reduced by such proposed amendment, the Agency may not undertake such proposed amendment. Amendments to the Redevelopment Plan require the Agency Bond Insurer's consent.

<u>Tax Covenants; Rebate Fund</u>.

The Agency covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on any of the Agency Bonds under Section 103 of the Code. The Agency will not directly or indirectly use or permit the use of any proceeds of the Agency Bonds or any other funds of the Agency, or take or omit to take any action, that would cause any of the Agency Bonds to be "private activity bonds" or "private loan bonds" within the meaning of Section 141 of the Code, or "arbitrage bonds" within the meaning of Section 148(a) of the Code, or to be "federally guaranteed" within the meaning of Section 149(b) of the Code. To that end, the Agency will comply with all requirements of Section 148 of the Code to the extent applicable to any of the Agency Bonds. Without limiting the generality of the foregoing, the Agency agrees that there shall be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Agency Bonds from time to time.

The Agency Trustee shall establish and maintain a fund separate from any other fund established and maintained under the Agency Indenture designated as the Rebate Fund. Notwithstanding any other provision of the Agency Indenture to the contrary, all amounts deposited into or on deposit in the Rebate Fund shall be governed by the Agency Indenture and by the Tax Certificate. The Agency shall cause to be deposited in the Rebate Fund the Rebate Requirement as provided in the Tax Certificate. Subject to the provisions of the Agency Indenture, all money at any time deposited in the Rebate Fund shall be held by the Agency Trustee in trust for payment to the federal government of the United States of America. The Agency and the Owners shall have no rights in or claim to such money.

Upon the written direction of the Agency, the Agency Trustee shall invest all amounts held in the Rebate Fund in Permitted Investments, subject to the restrictions set forth in the Tax Certificate.

Upon receipt of the Rebate Instructions required to be delivered to the Agency Trustee by the Tax Certificate, the Agency Trustee shall remit part or all of the balances held in the Rebate Fund to the federal government of the United States of America, as so directed. In addition, if the Rebate Instructions so direct, the

Agency Trustee shall deposit moneys into or transfer moneys out of the Rebate Fund from or into such accounts or funds as the Rebate Instructions direct. Any funds remaining in the Rebate Fund after redemption and payment of all of the Series 2001 Agency Bonds and payment of any required rebate amount, or provision made therefor satisfactory to the Agency Trustee, shall be withdrawn and remitted to the Agency.

The Agency Trustee shall have no obligation to pay any amounts required to be remitted pursuant to the Agency Indenture, other than from moneys held in the funds and accounts created under the Agency Indenture or from other moneys provided to it by the Agency.

Notwithstanding any other provision of the Agency Indenture, the obligation of the Agency to remit or cause to be remitted any required rebate amount to the United States government and to comply with all other requirements of the Agency Indenture and the Tax Certificate shall survive the defeasance or payment in full of the Series 2001 Agency Bonds.

Notwithstanding any provision of the Agency Indenture to the contrary, if the Agency shall provide to the Agency Trustee an opinion of Bond Counsel to the effect that any action required under the Agency Indenture is no longer required to maintain the exclusion from Federal gross income of the interest on the Agency Bonds pursuant to the Code, the Agency Trustee and the Agency may conclusively rely on such opinion in complying with the provisions of the Agency Indenture. Nothing contained in the Agency Indenture shall be construed as prohibiting the issuance of Agency Bonds the interest on which is not excludable from gross income under Section 103 of the Code, provided, that such Agency Bonds may be issued and the proceeds thereof used without violating any of the covenants in the Agency Indenture as they may apply to any other Agency Bonds.

Amendment of Agency Indenture. The Agency Indenture and the rights and obligations of the Agency and of the Owners may be amended at any time, upon the written consent of the Agency Bond Insurer, by a Supplemental Agency Indenture which shall become binding when the written consents of the Owners of sixty per cent (60%) in aggregate amount of Bond Obligation, exclusive of Agency Bonds disqualified as provided in the Agency Indenture, are filed with the Agency Trustee.

The Agency Indenture and the rights and obligations of the Agency and of the Owners may also be amended at any time, upon the written consent of the Agency Bond Insurer, by a Supplemental Agency Indenture which shall become binding upon adoption, without the consent of any Owners, but only to the extent permitted by law and only for the following purposes:

(a) To add to the covenants and agreements of the Agency in the Agency Indenture, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the Agency;

(b) To make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Agency Indenture, or in regard to questions arising under the Agency Indenture, as the Agency may deem necessary or desirable and not inconsistent with the Indenture, and which shall not materially adversely affect the interests of the Owners of the Bonds;

(c) To provide for the issuance of any Additional Agency Bonds, and to provide the terms and conditions under which such Additional Agency Bonds may be issued, subject to and in accordance with the provisions of Article IV;

(d) To modify, amend or supplement the Agency Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute thereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Owners of the Agency Bonds;

(e) To maintain the exclusion of interest on Agency Bonds from gross income for federal income tax purposes; or

(f) To obtain a bond insurance policy or a rating on the Agency Bonds, or in connection with obtaining a policy of insurance, surety bond, letter of credit or other comparable credit facility to satisfy all or a portion of the Agency Reserve Account Requirement.

Event of Default and Remedies of Owners

Events of Default and Acceleration of Maturities. The following are "Events of Default" under the Agency Indenture:

(a) If default shall be made in the due and punctual payment of the principal of or redemption premium, if any, on any Agency 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 in the due and punctual payment of the interest on any Agency Bond when and as the same shall become due and payable;

(c) If default shall be made by the Agency in the observance of any of the agreements, conditions or covenants on its part in the Agency Indenture or in the Agency Bonds contained, and such default shall have continued for a period of thirty (30) days after the Agency shall have been given notice in writing of such default by the Agency Trustee; provided, however, that such default shall not constitute an Event of Default under the Agency Indenture if the Agency shall commence to cure such default within said 30-day period and thereafter diligently and in good faith proceed to cure such default within a reasonable period of time not to exceed 60 days with the consent of the Agency Bond Insurer; or

(d) If the Agency shall file a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Agency, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Agency or of the whole or any substantial part of its property.

Events of Default described in the preceding paragraphs (a) and (b) shall continue to exist under the Agency Indenture after payment is made by the Agency Bond Insurer when due, pursuant to the terms of the Agency Bond Insurance Policy.

In each and every such case during the continuance of an Event of Default, with the written consent of the Agency Bond Insurer, the Agency Trustee may, and upon the written request of the Owners of not less than twenty-five per cent (25%) in aggregate amount of Bond Obligation, shall, by notice in writing to the Agency, declare the principal of all of the Agency Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Agency Indenture or in the Agency Bonds contained to the contrary notwithstanding. The Agency Bond Insurer is deemed to be an owner of one hundred percent (100%) of the Agency Bonds insured by it unless the Agency Bond Insurer is in default under the terms of its Agency Bond Insurance Policy.

If, at any time after the principal of the Agency Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the money due shall have been obtained or entered, the Agency shall deposit with the Agency Trustee a sum sufficient to pay all principal on the Agency Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Agency Bonds, with interest at the rate of ten per cent (10%) per annum on such overdue installments of principal and interest, and the reasonable expenses of the Agency Trustee, and any and all other defaults known to the Agency Trustee (other than in the payment of principal of and interest on the Agency Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Agency Trustee or provision deemed by the Agency Trustee to be adequate shall have been made therefor, then, and in every such case, the Owners of at least twenty-five per cent (25%) in aggregate amount of Bond Obligation, by written notice to the Agency and to the Agency Trustee, may, on behalf of the Owners of all of the Agency Bonds, rescind and annul such declaration and its consequences. No such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Application of Funds Upon Acceleration. All money in the funds and accounts provided for in the Agency Indenture upon the date of the declaration of acceleration by the Agency Trustee as provided in the Agency Indenture, and all Tax Increment Revenues thereafter received by the Agency under the Agency Indenture, shall be transmitted to the Agency Trustee and shall be applied by the Agency Trustee in the order as provided in the Agency Indenture.

Agency Trustee to Represent Bondowners. The Agency Trustee is irrevocably appointed (and the successive respective Owners of the Agency Bonds, by taking and owning the same, shall be conclusively deemed to have so appointed the Agency Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Agency Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Agency Bonds, the Agency Indenture, the Law and applicable provisions of any other law.

Bondowners' Direction of Proceedings. Anything in the Agency Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Agency Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Agency Trustee, to direct the method of conducting all remedial proceedings taken by the Agency Trustee under the Agency Indenture.

Limitation on Bondowners' Right to Sue. No Owner of any Agency Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Agency Indenture, the Law or any other applicable law with respect to such Agency Bond, unless as provided in the Agency Indenture.

Non-Waiver. Nothing in the Agency Indenture or in any other provision of the Agency Indenture, or in the Agency Bonds, shall affect or impair the obligation of the Agency to pay the interest on and principal of the Agency Bonds to the respective Owners of the Agency Bonds at the respective dates of maturity, as provided in the Agency Indenture, out of the Tax Increment Revenues pledged for such payment, or affect or impair the right of action of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Agency Bonds and in the Agency Indenture. A waiver of any default or breach of duty or contract by any Owner shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach.

Defeasance

Discharge of Indebtedness. The Agency Bonds for the payment of which money shall have been set aside to be held in trust by the Agency Trustee for such payment at the maturity or redemption date thereof shall be deemed, as of the date of such setting aside, to have been paid. Owners of such Agency Bonds shall cease to be entitled to the pledge of Tax Increment Revenues, and all covenants, agreements and other obligations of the Agency to the Owners of such Agency Bonds under the Agency Indenture shall thereupon cease, terminate and become void and be discharged and satisfied.

Any Outstanding Agency Bonds shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph if (1) there shall have been deposited with the Agency Trustee either money in an amount which shall be sufficient, or Federal Securities the principal of and the interest on which when paid will provide money which, together with the money, if any, deposited with the Agency Trustee at the same time, shall be sufficient, to pay when due the interest due and to become due on such Agency Bonds on and prior to the maturity or redemption date thereof, the principal and Accreted Value of such Agency Bonds, and the premium, if any, due on such Agency Bonds.

Liability of Agency Limited to Tax Increment Revenues. Notwithstanding anything contained in the Agency Indenture, the Agency shall not be required to advance any money derived from any source of income other than the Tax Increment Revenues for the payment of the interest on or the principal of the Agency Bonds or for the performance of any covenants contained in the Agency Indenture. The Agency may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose.

The Agency Bonds are limited obligations of the Agency and are payable, as to interest thereon and principal thereof, exclusively from the Tax Increment Revenues, and the Agency is not obligated to pay them except from the Tax Increment Revenues. All of the Agency Bonds are equally secured by a pledge of, and charge and lien upon, all of the Tax Increment Revenues, and the Tax Increment Revenues constitute a trust fund for the security and payment of the interest on and the principal of the Agency Bonds, to the extent set forth in the Agency Indenture. The Agency Bonds are not a debt of the City of Brentwood, the State of California or any of its political subdivisions, and neither said City, said State nor any of its political subdivisions is liable therefor, nor in any event shall the Agency Bonds be payable out of any funds or properties other than those of the Agency pledged therefor as provided in the Agency Indenture.

APPENDIX B

CITY AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2011

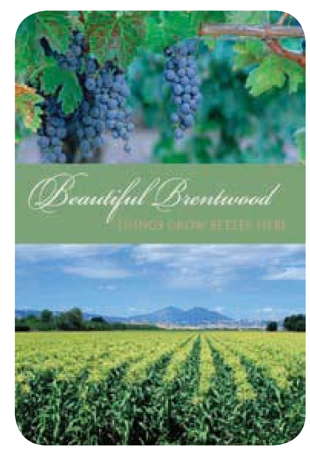
THE CITY OF BRENTWOOD
HERITAGE ▪ VISION ▪ OPPORTUNITY

City of Brentwood
150 City Park Way Brentwood, CA 94513

THE CITY OF BRENTWOOD

HERITAGE ▪ VISION ▪ OPPORTUNITY

Every year the City selects a theme for the covers of its major financial documents - the Capital Improvement Program (CIP), the Fiscal Model, the Operating Budget, the Cost Allocation Plan, the Comprehensive Annual Financial Report (CAFR) and the Public Facilities Fee Report. ***This year each of the covers showcases an aspect of "Beautiful Brentwood."***

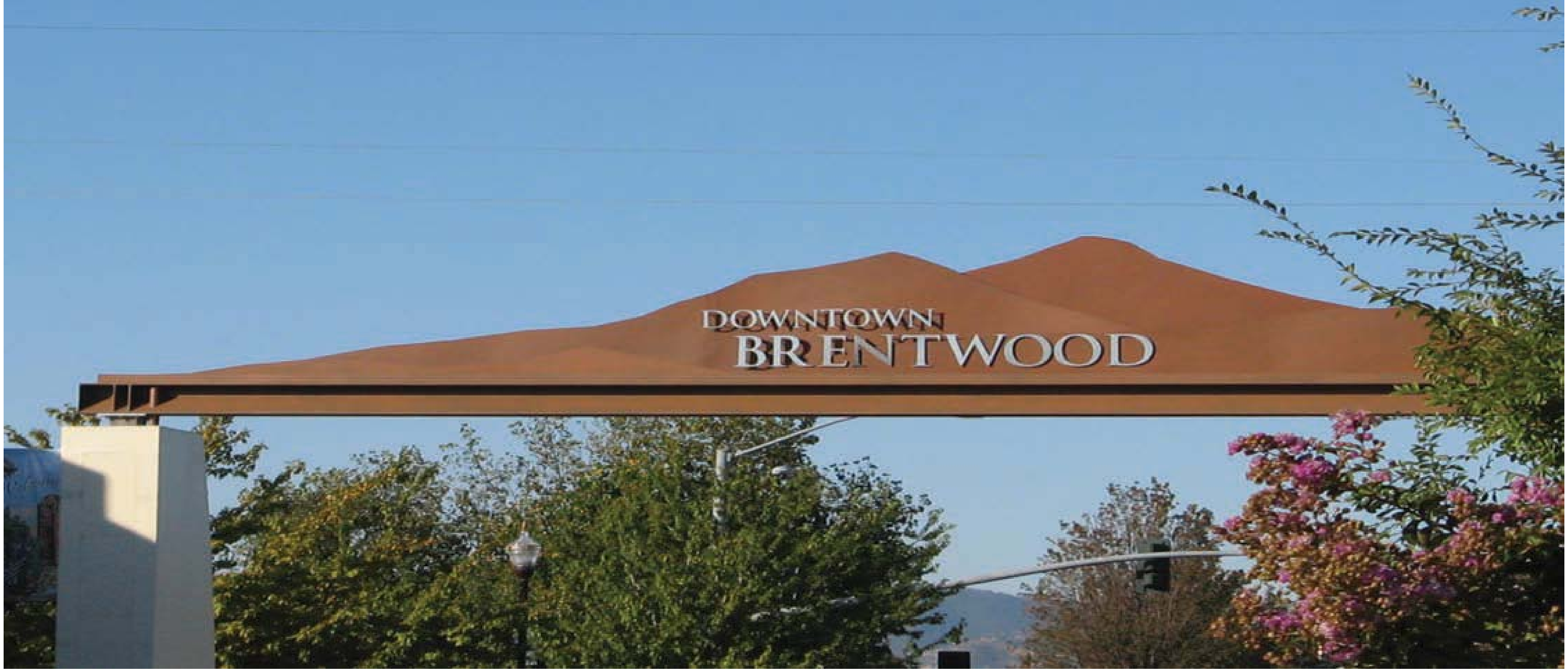


This year the City of Brentwood is one of sixty-five companies chosen by The Bay Area News Group to receive the Top Workplaces Award for 2011. This award recognizes the best places to work in the Bay Area and is based upon feedback from employees.

TOP WORK PLACES 2011 BayAreaNewsGroup

Comprehensive Annual Financial Report

Fiscal Year Ended
June 30, 2011



Prepared by:
Finance Department
City of Brentwood
150 City Park Way
Brentwood, California 94513

For Fiscal Year Ended June 30, 2011

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STATISTICAL SECTION *(Unaudited) (Continued)*

Letter of Transmittal

December 13, 2011

The Honorable Mayor, Members of the City Council and Citizens of the City of Brentwood
City of Brentwood
Brentwood, California 94513

Dear Mayor, Members of the City Council and Citizens of the City of Brentwood:

State law requires all general-purpose local governments to publish a complete set of financial statements, presented in conformity with Generally Accepted Accounting Principles, within six months of the close of each fiscal year. Therefore, we are pleased to submit the Comprehensive Annual Financial Report for the City of Brentwood, California for the fiscal year ended June 30, 2011. This is the eleventh year the City's Finance Department has prepared this report and the tenth year using the reporting requirements as prescribed by the Governmental Accounting Standards Board in Statement No. 34. Responsibility for both the accuracy of the data and the completeness and fairness of the information, including all disclosures, rests with the City. To the best of the City staff's knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of the operations of the various entities of the City of Brentwood. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. Generally accepted accounting principles require that management provide a narrative introduction overview and analysis to accompany the basic financial statements in the form of a Management Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

INTERNAL CONTROLS

Accounting for all of the City's activities is centralized under the Finance Department. The department has been delegated the responsibility for maintaining the integrity of the City's recorded financial data. The Finance Department, in conjunction with the City's management, is also responsible for establishing and maintaining an internal control structure designed to ensure that the City's assets are protected from loss, theft or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met, while recognizing that this

City Hall: 150 City Park Way, Brentwood, California 94513
Phone: (925) 516-5400 ~ Fax: (925) 516-5401

Letter of Transmittal

assurance is not absolute. The concept of reasonable assurance recognizes: 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management. City administration believes the existing internal control systems are adequate to provide reasonable assurance the City's assets are safeguarded against loss and that the financial records are reliable for preparing financial statements and maintaining accountability for assets. This belief is supported by the City's twelfth consecutive "Unqualified" Audit issued in 2011.

INDEPENDENT AUDIT

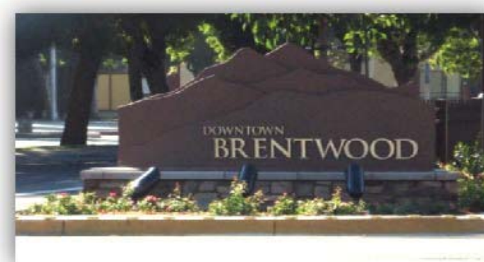
The City Council is responsible for: 1) assuring the City administration fulfills its responsibilities in the preparation of the financial statements and 2) engaging certified public accountants with whom the City Council reviews the scope of the audits and the accounting principles to be applied in financial reporting.

The Government Code of the State of California requires general law cities, such as the City of Brentwood, to have its financial statements audited by an independent certified public accountant. Accordingly, this year's audit was completed by the accounting firm of Maze & Associates. The firm was engaged by the City Council to render an opinion on the City's financial statements in accordance with auditing standards generally accepted in the United States of America. To ensure complete independence, Maze & Associates Corporation has full and free access to meet with the City Council to discuss the results of their assessment of the adequacy of internal accounting controls and the quality of financial reporting. The auditor's report on the basic financial statements is the first item in the accompanying Financial Section.

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

PROFILE OF BRENTWOOD

The City of Brentwood was incorporated in 1948 as a general law city under the laws of the State of California. Brentwood is located in eastern Contra Costa County, halfway between the cities of San Francisco and Sacramento. The City is governed by a five member City Council, under the Council–Manager form of government. As of June 30, 2011, the City had a population of approximately 52,029 and encompassed approximately 14.83 square miles.



The City provides a full range of services including: Police, Public Works, Economic Development, Planning, Building, Engineering and Inspection, Parks and Recreation, Housing and General Administrative services. The City also operates public water and wastewater utilities, as well as providing a recycling program and refuse collection and disposal. All of these services are accounted for in the City's financial statements. In addition, the City is financially accountable for two

Letter of Transmittal

component units, the Brentwood Redevelopment ("Agency") and the Brentwood Infrastructure Financing Authority (BIFA). Although legally separate entities, these blended component units are, in substance, part of the government's operations. Financial data for these units is combined with the data of the primary government. Each of the blended components has a June 30 year-end date for accounting purposes. See Note #1 – A, found on page 30, for a more detailed discussion of these two component units.

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

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

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

The following funds are not legally required to adopt annual operating budgets as their appropriations are either: 1) established by the related bond documentation, 2) other legal agreements or 3) are multi-year projects covered through the Capital Improvement Program Budget whose budget cycle exceeds one fiscal year. Funds which meet these requirements are the: Capital Improvement Financing Program Funds; 2002 Series A&B Fund; Randy Way Assessment District Improvement Fund; Community Facilities Improvement Projects Fund; Park Improvement Projects Fund; Drainage Improvement Projects Fund; Street Improvement Projects Fund; Capital Improvement Program 2001 Fund; 2002 General Obligation Bond Fund and Civic Center Projects Revenue Bond Fund. See Note #2 – A on page 43 for additional information.

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ECONOMIC OUTLOOK

The City experienced a period of tremendous growth from the mid 1990's to the mid 2000's. During this time period, the population of the City more than tripled. Since that time, the City has seen very little residential development activity and property valuations have fallen substantially from their peak. In general, the recession has had far greater impacts in communities, such as Brentwood's, which experienced high growth rates and property appreciation during the previous decade. New single family residential building permits have fallen from an average of over 1,400 per year to approximately 100 per year. The financial challenges resulting from the decline in development activity have been exacerbated by a corresponding decline in property values. Property taxes, the General Fund's top revenue source, is expected to decline for a fourth consecutive year in FY 2011/12, with a total decline of 32.7% since FY 2007/08.

In addition to this decline, in November 2009 the Contra Costa County Assessor's office settled a property tax appeal filed by Chevron, located in Richmond. As a result of the settlement, Chevron will receive a refund of $16.0 million in overpaid property taxes and $1.8 million in interest. The City, despite not being a beneficiary of the annual over assessments, has thus far been required to share in the refund and has been informed that it is responsible for a repayment amount of $96,136 over the 2010/11 and 2011/12 fiscal years. Chevron has appealed their assessed valuation amounts for the 2004 through 2010 tax years; however, the settlement with the Assessor's office only covered the 2004 through 2006 timeframe. City staff has been informed the City may be responsible for significant additional payments if Chevron is successful in their appeal of these additional years. The majority of cities in Contra Costa County, including Brentwood, along with several special districts have filed a legal complaint against the Contra Costa County Auditor-Controller regarding the allocation of the Chevron refund amongst those agencies, such as Brentwood, which did not receive any of the benefit in previous years.

Persistently high unemployment, stock market losses and home valuation declines have caused consumers to pull back on spending. These factors have caused sales tax revenues to decline on a State wide basis. While most agencies have suffered double digit percentage declines, the City has continually experienced minor increases, in large part due to the 2008 opening of the Streets of Brentwood Lifestyle Center. Despite the difficult economic environment, the City's sales tax revenues are expected to continue to show very modest gains as businesses continue to view Brentwood as an attractive location.

Investment income has been another revenue source which has been impacted by the recession. Record low interest rates have served to reduce the City's expected investment income in the coming years. Low interest rates have a more significant negative impact on agencies, such as Brentwood, which have larger cash reserves due to large reserve policy requirements. Just a few years ago the City was able to earn nearly 5% on its cash reserves. Over the next two years, rates of return between 1- 2% are expected.

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The City is also facing significant challenges on the expenditure side of the budget. While revenues have fallen, operational costs have continued to escalate. These budgetary challenges will be made much more difficult in the coming years, as significant increases in the City's pension contribution requirements are phased in, while at the same time the City's funding of Other Post Employment Benefits (OPEB) is expected to dramatically increase.

FINANCIAL OUTLOOK

Long-Range Financial Planning – Key to planning for the City's build-out was the development of a highly sophisticated fiscal model which helps ensure the City continues to budget conservatively, with revenues exceeding expenditures, and with adequate reserves to cover future liabilities and unexpected emergencies. The City's 2010/11 – 2019/20 General Fund Fiscal Model, adopted by the City Council in April 2011, combines a 10-year financial forecast of expenditures, revenues and fund balance, with recommendations on how to manage any possible gaps between revenues and expenditures. The fiscal model is updated annually and will continue to be a valuable tool during the next decade as the City positions itself for a successful emergence from the current economic downturn.

This long-range financial planning helped highlight the unsustainability of the existing cost structure associated with employee benefits, especially pensions, health care and retiree medical expenses. The predictions of an extremely challenging financial environment in the City's 10-year financial forecast prompted City management to negotiate with the City's non-public safety bargaining units for the adoption of a second tier for retirement benefits, as discussed in Note #9 – B on page 74.

The City also opened a Budget Stabilization Fund during the 2008/09 fiscal year. The fund is used to accumulate savings during good years in order to provide a source of funding for economically challenging years. These funds are budgeted to be drawn down to assist in balancing the General Fund over the next several years, as was the intended purpose of the fund. This draw down period will provide the General Fund with the necessary time to allow for the financial savings associated with the newly implemented second tier retirement program, and other proposed long term cost savings, to ultimately allow for the General Fund to operate in balance without this subsidy. In Fiscal Year 2011/12, a total of $2.1 million is budgeted to be transferred from the Budget Stabilization Fund to the General Fund for this purpose. All the while, the General Fund is budgeted to maintain a 30% reserve, as directed by City Council policy. Despite the availability of the Budget Stabilization Fund, the City is continuing to actively look for ways to reduce costs and minimize the use of the fund.

Other Post Employment Benefits (OPEB) – Governmental Accounting Standards Board (GASB) Statement No. 45 was established in 2004 and requires the City to report the costs of OPEB as the employee earns the benefit, rather than as the benefit is paid. While there is no requirement that the City pre-fund, or set aside the full Annual Required Contribution (ARC) on an annual basis, the City Council established a funding

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strategy which includes achieving 85% funding of the ARC on an annual basis in ten years. Estimated OPEB pre-funding costs for the City as a whole are projected to rise from $1.0 million in FY 2010/11 to $5.7 million in FY 2019/20. Pre-funding OPEB obligations is projected to provide the City with savings over the long-term, as pre-funding contributions will be invested on a long-term basis until they are needed to pay for OPEB obligations. Pre-funding will ultimately allow for investment income, rather than City contributions, to provide the majority of funds needed to cover OPEB obligations in the future. The impacts of the pre-funding have been incorporated into the City's operating budget, and the accumulated liability of $8.0 million has been reported in the City's financial statements.

Development Fees – The City of Brentwood established a Development Fee Program in 1989. The program sets forth the nexus between future development, facilities needed to serve future development and the estimated costs of those improvements based on the current General Plan and Capital Improvement Program. The purpose of the fees, referred to as AB 1600 fees, is to finance municipal public facilities to mitigate the impacts caused by future development. These capital improvement facility fees are adopted pursuant to Government Code §66000, et seq.

The Development Fee Program implements policies of the City's General Plan including the policy that "…new development shall contribute its fair share of the cost of on-site and off-site public infrastructure and services. This shall include installation of public facilities, payment of impact fees and participation in a Capital Improvement Financing Program (CIFP)." Capital Improvement Financing Programs provide a mechanism through which the City and the development community cooperate to fund and construct both major Master Planned and Sub-Master Planned infrastructure (roads, water and wastewater lines, regional drainage facilities, etc.). Bonds are sold using the participating Developer's property as collateral. There is minimal risk involved for the City as a 3 to 1 value to lien ratio is used to determine the amount of bonds to be sold. Additionally, the City is able to obtain very low interest rates through its outstanding financial reputation. As the properties develop, the bonds are repaid by the new property owner over a 30-year period.

In January 2009, the City adopted a temporary deferral of certain residential development impact fees. The goal of the program is to assist developers with cash flow, allowing permits to be pulled and homes to be built that otherwise may not have been constructed due to economic factors. Several municipalities in California have adopted similar programs to help manage the challenges of the current economy. Development fees for water, wastewater, roadway, community facilities, parks and trails and administration are deferred until final inspection, or for twelve months, whichever occurs first. This program was developed within the guidelines of AB 2604, approved by the State Legislature in July 2008. Through June 30, 2011 the City had issued 181 permits under the fee deferral program. Since incorporation of the program, the City has deferred a total of $2,417,150 of which $2,306,203 has been subsequently paid.

MAJOR INITIATIVES – BRINGING BRENTWOOD'S VISION TO REALITY

Community and Neighborhood Improvement – *Commitment to maintain friendly, clean, safe neighborhoods.*

- **Recreation Program**: The City of Brentwood Parks and Recreation Department offers a variety of sponsored and co-sponsored programs for the benefit of the community. The City Council has established cost recovery goals for programs and in the past year has also adopted a resolution in support of allowing youth sport

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organizations to raise money for development and use of City owned parcels, expanded use of the skate park to include BMX bikes, and have set standards for sport groups related to priority use of City facilities.

Customer Service **–** *Serve our customers as we want to be served, providing efficient and friendly professional service to our internal and external customers.*

- **Community Outreach – New Methods:** Community Development's CRW software and Public Works' Maintenance Connection software both include a Customer Relationship Management (CRM) module which allows the public to enter service requests on the web. Public Works' Maintenance Connection also includes a smartphone application enabling mobile device service request entry. The CRW software has been installed on the City web server and is in the testing phase. The installation of this software on the City's website will expand e-Government (accessing government services through the internet) to better serve the public. The City has investigated the use of social media in government and at this time has elected not to pursue these applications.

Economic Development **–** *Attract, retain and expand jobs, goods, services, tax revenues and property values.*

- **Agricultural Enterprise Implementation:** This project is in direct correlation with the adoption of Chapter 17.730 (Agricultural Preservation Program) of the Municipal Code which was adopted by the City Council on January 12, 2010. With the adoption of the ordinance, an Implementation Plan has been created to implement the agricultural preservation policies. The Implementation Plan consists of the following programs: permanent easement transactions; temporary easement transactions; transferrable agricultural credits; agricultural enterprise marketing grants; Brentwood agricultural mitigation pool; Brentwood Grown; agricultural enterprise loan program; agricultural education program; and agricultural capital projects program. The Plan serves as a comprehensive manual for use on all the programs available under this new ordinance and includes guidelines on how to spend the limited agricultural mitigation funds that best help the agricultural community.

- **LMC / Vineyards Project:** This project involved an amendment to the approved Trilogy at The Vineyards development in order to accommodate the Los Medanos College (LMC) campus in the southeast portion of the project site. The amendment included revisions to the development agreement. Appropriate review was also conducted to ensure the project complies with the various requirements of the California Environmental Quality Act (CEQA). The amendment to the development agreement was adopted by the City Council on January 11, 2011.

- **Website, Business Incentives, Employment Centers:** This project consists of the following items: 1) create strategies to attract and retain businesses in the Brentwood region, assisting in the creation of jobs; recruitment and training; market data; financing; tours; fast track permitting; fee deferral program; small business workshops; business survey and new business welcome packets 2) partner with other County organizations to provide employment centers, developing employee recruitment and training in Brentwood. Currently, City staff has completed the re-design of the Economic Development website to provide business resources such as site location assistance;

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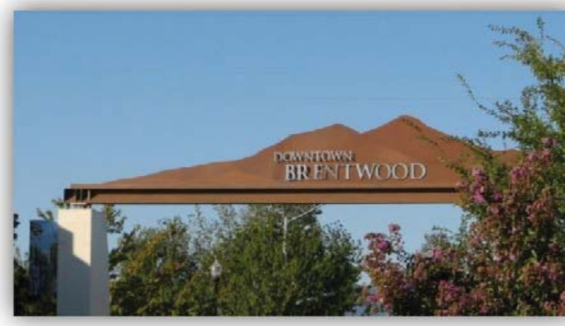
tools for success; recruitment and training; market data and programs; financing and electronic newsletters for the business community. The remaining programs mentioned are concepts on how the City can position itself to target the website, incentives and employment centers. These programs will contribute in the development of a strong business friendly Economic Development website which is a resource for the existing business community and potential businesses alike. This will develop strong programs that will be used by the business community, which can help them grow and expand their business in Brentwood. In addition, the programs will form relationships with the business community, which will help the City stay plugged into the current business environment.

Fiscal Stability **–** *Provide the City with the financial capacity to continue offering top quality public service levels.*

- **Compensation Strategy:** This initiative is to develop a fiscally responsible cost reduction and containment strategy which will allow the City to remain competitive in recruiting and retaining valuable employees while allowing for long-term fiscal sustainability for the City. The City has already implemented a second tier retirement system for non-safety employees hired after September 30, 2010, and management is currently investigating additional options to best meet the goal of reducing costs while retaining our ability to remain competitive. We expect that through the collective bargaining process the City will be able to incorporate compensations strategies for employees which will reduce the City's long-term costs while allowing the City to remain a desirable location for top employees in the region.



- **Fee Study for Planning and Police Fees:** In October of 2010 the City contracted with an outside consultant to review and analyze the City's Planning and Police fee structure to determine: 1) an appropriate fee structure which will allow the City to recover the costs of providing specific services to the public, 2) that a proposed fee structure is reasonable when compared to other local agencies, and 3) the City has established a fee for all provided services. In October 2010, the City finalized and executed an agreement with an outside consultant to perform the fee studies. The new fees were adopted by the City Council on May 24, 2011 and the planning fees went into effect on July 25, 2011.

- **Labor Negotiations:** The goal of this initiative is to develop a strategy for labor negotiations with the employee bargaining groups which will be fiscally responsible but will allow the City to remain competitive in recruiting and retaining valuable employees. The memorandums of understanding for both the public safety and non-public safety employees are set to expire on June 30, 2012. Management has prepared cost-saving options for the City Council's consideration and negotiation direction. We expect that through the collective bargaining process we will be able to incorporate compensation strategies for employees which will reduce the City's long term costs while allowing the City to remain a desirable location for top employees in the region.

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Infrastructure **–** *Strive to complete the City's Master Plan for infrastructure and public facilities.*

- **Downtown Infrastructure:** This project includes installation of new water and sewer facilities and the rehabilitation of existing infrastructure to correct current operational and maintenance constraints of the aged facilities. In addition to the updated infrastructure, the project also includes streetscape improvements. The Downtown Brentwood Road to Revitalization consists of reconfigured parking and roadway sections, pedestrian-friendly connections, wider decorative sidewalks for outdoor dining and merchandise, decorative street lights, new street trees with tree lights, street furniture, planters, landscaped medians, gateway monument and arch, new fountain and undergrounding dry utilities. This project was completed in October 2011. This project will allow the City to continue to attract and support economic development with the necessary infrastructure and create a beautiful setting for the City's historic and civic district.

- **Redevelopment Agency:** The ability of the City to continue to utilize Redevelopment as a tool to revitalize blighted areas and provide funding for much needed infrastructure projects is questionable at this time, given the State's continued threats and attempts to severely limit or eliminate Redevelopment Agencies. The State's actions are currently being litigated and most Redevelopment Agency spending has been put "on-hold" while the courts work through the legal issues.

  If Redevelopment is allowed to continue operations, the resources of the Redevelopment Agency will be focused on Brentwood Boulevard. With the State anticipated to relinquish Brentwood Boulevard to the City in the coming fiscal year, the City has established a list of significant infrastructure improvements which were to be funded with Redevelopment funds. The dissolution of the Redevelopment Agency could delay these improvements by decades.

- **Park Master Plan Review:** The City Council Park Ad Hoc committee has been established to hold a number of public meetings to accept feedback and information related to the review of the City of Brentwood Parks, Trails, and Recreation Master Plan. In addition to a number of public meetings, and meetings with the Park and Recreation Commissions, the Ad Hoc Committee has been working on recommendations related to recreation programs, use of City facilities and the use of $1,100,000 in East Bay Regional Park District Measure WW funds for the construction of Summerset Commons Park. As the City is now moving forward with a review of the General Plan, the Ad Hoc Committee is recommending the Parks, Trails, and Recreation Master Plan be incorporated as a part of the General Plan update.

- **Residential Growth Management Program:** This project involved a comprehensive review of the Residential Growth Management Program (RGMP). Staff analyzed a variety of scenarios, including a focus on infrastructure development for attracting and supporting economic growth, incorporation of employment generation opportunities for residents and alignment with the General Plan Economic Development Element jobs to housing ratio goal. City staff presented the item to the Land Use and Development Committee on April 18, 2011, and the recommendation was to temporarily suspend the RGMP, with the RGMP to be revised as part of a longer-term effort to comprehensively update the City's General Plan. This recommendation was accepted and approved by the City Council on May 10, 2011.

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- **Solid Waste Transfer Station:** A new solid waste transfer station including, but not limited to: an expanded covered transfer floor area; transfer truck loading areas; cart, bin and roll off storage; equipment parking; administrative offices and related facilities. This project will provide a facility with the ability to service the residential, commercial and industrial demands of the City through build-out while remaining in compliance with the facility's California Integrated Waste Management Board permit regulations and meeting or exceeding mandated solid waste diversion requirements.

<u>Public Safety</u>* – *Maintaining a community where people feel safe and secure.

- **Citizen Police Academy:** This is a program which provides citizens insight to the operations of the Police Department. Citizens attend one evening per week for 12 weeks. They receive training and are able to participate in fun activities. This is a great public relations tool utilized by many agencies across the country. The project is developing the curriculum, schedules and identifying participants. This will provide enhanced relations between the Police Department and the public.

- **Community Alert System:** In an effort to be more responsive to issues affecting Brentwood residents and businesses, the City is currently working on a new email alert program. This program will allow the Police Department to send broadcast e-mails to Brentwood residents and businesses when there is public safety information which needs to get to them quickly. This will provide the residents and business community with real-time crime alert information. We are currently identifying potential software programs. This will enhance the communication between the Police Department, our residents and our businesses.

- **Emergency Operations Plan – Revisions** The updating of the City's Emergency Operations Plan has been completed and is pending final approval. This project will ensure compliance with State and Federal regulations and establish an ongoing training program for City staff and community volunteers. The training will include annual Emergency Operations Center (EOC) training for staff and yearly Community Emergency Response Team (CERT) training for community members. We are finalizing the written documents and developing future training curriculum and schedules. This project will provide a completed EOC Plan, a highly trained EOC staff and increased participation in our CERT program.

- **Fire District Restructuring:** The Appointed Board assumed the leadership responsibility for the East Contra Costa Fire Protection District from the County Board of Supervisors in February 2010. The District is severely underfunded and operates under a deficit spending scenario. Expenditure and revenue projections confirm the District will require voter approval of additional taxes or assessments to provide the desired level of service for the District. Local control, restructuring of the District and financial accountability are the critical first steps in asking the voters to provide additional funding. The current structural deficit will have to be resolved either through revenue increases or expenditure decreases. With the District having already made significant budgetary reductions, including the closure

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of fire stations, it is unlikely an acceptable level of service can be achieved without an additional revenue source. As such, the District is proceeding with a June 2012 parcel tax ballot initiative which will bridge the funding shortfalls.

- **Police Benchmarks – Clearance Rates:** Clearance rates refer to the number of criminal cases the City is able to close through arrest or charges being filed. In 2009, clearance rates were below the national average in four categories - arson; burglary; theft and auto theft. In response, the Brentwood Police Department (BPD) developed a strategy to improve clearance rates in those areas. The strategy included training, community awareness and directed enforcement. Through the excellent efforts of BPD staff, the City experienced increases in clearance rates for all four categories. The clearance rate for violent crime continues to be well above the national average. In fact, the BPD improved clearance rates in all categories except for rape, where the number of incidents is so small the decline was attributable to one less case cleared for the year. The only clearance rate category still below the national average is arson, although there was an increase in the arson clearance rate for 2010.

- **Report Writer System:** This project has allowed patrol officers to write and submit their reports from their patrol car. This has eliminated wasted time driving back to the station to write reports, and it will enable officers to stay on their assigned patrol beats longer. This provides more visibility to the community and should provide faster responses to 911 calls for service. This is a software enhancement to our existing Mobile Data Terminals (MDT). Once the reports are approved by the supervisor, they will be automatically downloaded into our Records Management System (RMS) eliminating the need for manual data entry. The program has been fully implemented. All patrol officers and supervisors have been trained on how to utilize the program. This has enhanced efficiency and has streamlined the workload for patrol officers and records clerks.

- **Triad (Senior Citizens) Outreach Program:** Triad is a national model for establishing partnerships between police, social services and senior citizens living within a community. The purpose is to enhance the safety of senior citizens and decrease their exposure to criminal activity. Since the implementation of the program, the Brentwood Triad meets on a regular basis to discuss issues of mutual concern and to share ideas and strategies to improve the quality of life for the elderly population. This program has enhanced communication and coordination with our senior community.

<u>Technology</u>* – *Staying current with proven technology.

- **Detailed Telecommunications System Assessment:** The current trend of phone systems involves moving towards Voice Over Internet Protocol (VOIP). With VOIP, the phone system uses the data network for all voice traffic. In the past all voice traffic used separate phone lines. This will consolidate and standardize the network cabling and add additional functionality to the phone system. Information Systems staff hopes to implement the VOIP in fiscal year 2012/13. This technology will continue to keep the City current with state of the art technology.

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- **Development of a Citywide Network Connectivity Master Plan:** The long-term plan is to create a Fiber Optic ring around the City. The fiber optic ring will be used to connect City facilities and position the City for future technology. Due to the cost of the project, there are multiple phases. The first phase of connecting the City Data Center, located at the Police Department, to City Hall has been completed. The second phase will finish in fiscal year 2011/12 and will connect Public Works Operations to the Data Center. Future phases will include connecting the Aquatic Park/Senior Activity Center and ultimately completing the Fiber Optic ring around the City. A CIP project has been created for the second phase of the fiber optic project. The Fiber Optic network is very reliable and has enough bandwidth to push video, phone, data and any future technology that requires high bandwidth.

- **Downtown WiFi:** Downtown WiFi will provide internet service to the public in the downtown area. This will allow the public to utilize the internet for up to two hours per day while visiting downtown Brentwood and will assist businesses by giving their customers the option to browse the Internet. The project is scheduled for completion in fiscal year 2011/12.

Transportation *– Ensuring that people and goods move easily and safely throughout the region.*

- **Bypass Segment 2 – Plan B Funding Strategies**: This project has been successful in receiving funding for the majority of the project from the California Transportation Commission and Proposition 1B Transportation bonds. Work will continue with the Bypass Authority, state and regional agencies to obtain the remaining necessary funding to reduce the gap from declining development impact fees in a regional benefit approach for goods movement, job creation and economic development. The anticipated outcome of this project is a regionally coordinated approach of available funding sources allocated to the multiple East County transportation projects.

- **Bypass Segment 2 – Widening and Sand Creek Interchange:** With the award of funding at the state level and design complete, construction is anticipated to begin in Spring 2012. The project will widen the State Route 4 Bypass to four lanes from Lone Tree Way to Sand Creek Road, with an interchange at Sand Creek Road to eliminate the signalized, at-grade intersection. With the Sand Creek Road interchange funded, prioritization of available funding sources will shift to the Balfour Road interchange. The ultimate design and construction of the State Route 4 Bypass will create efficient movement of goods and people throughout the region and increased opportunities for economic development of Brentwood and the East County region while reducing pass-through traffic on local roads.

- **Highway 4 Relinquishment:** Upon completion of the State Route 4 Bypass by the Bypass Authority, CalTrans will acquire the Bypass into the State Highway system and existing State Highway 4 (Brentwood Blvd. and Main St.) will be relinquished to local jurisdictions - City of Brentwood and City of Oakley respectfully - for permanent maintenance and operation. Transfer and relinquishment is anticipated to be complete by the end of 2011. Relinquishment of Highway 4 by Caltrans to the City of Brentwood will lead to local control over the major thoroughfare and will allow the ability to assist with development of the Brentwood Boulevard corridor.

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- **Right-of-Way Transfers:** Transfer of land and rights-of-way between the Bypass Authority, CalTrans and the City necessary for the ultimate design and construction of all segments of the State Route 4 Bypass from Lone Tree Way to Marsh Creek Road, including the interchanges at Sand Creek Road and Balfour Road. Transfers have occurred between the City and the Bypass Authority for existing and widening of Segment 2, including the Sand Creek interchange, and for areas near Lone Tree Way constructed with Segment 1. Various rights-of-way for existing Segment 3 have transferred with future transfers to CalTrans, necessary for ultimate alignment, including Balfour Road interchange and sections of Old Concord Avenue, currently in the detailed design stage. Transfer of rights-of-way between the City, the Bypass Authority and CalTrans for ultimate construction of the Bypass will lead to reduced pass-through traffic on local roads. Acquisition of property by the City from the Bypass Authority will also assist the City in negotiating with surrounding property owners for local public road access.

<u>Vision and Planning</u> **–** *Proactively prepare for the growth and needs of Brentwood now and in the future.*

- **Affordable Housing Program – Restructure:** With this initiative the City will analyze and prepare options to reposition the City's Affordable Housing Ordinance which will address current and anticipated local real estate market conditions, while maintaining a certified housing element as required by the State Housing and Community Department and accommodating the City's fair-share regional housing as allocated by the Association of Bay Area Governments. The technical amendments for Planning Commission and Council are in the queue.

- **Brentwood Boulevard Specific Plan:** This project involves creating a specific plan for the Brentwood Boulevard corridor, extending from Delta Road on the north to Second Street on the south. The plan will include a comprehensive and long-term vision for development and redevelopment of the corridor and will provide all of the regulations needed to evaluate development projects. Staff has been revising the specific plan in accordance with the direction from the Ad Hoc Committee and is expected to release the draft plan and environmental document in mid-October, followed by public hearings with the Planning Commission and City Council in early 2012.

- **Citywide Zoning – Massage, Tattoo Parlors:** A City-wide ordinance was adopted in March 2011, addressing the land use regulations to appropriately site massage, tattoo and body piercing salons, as well as requiring businesses to register with the Police Department and allow on-site inspections and monitoring. The ordinance went into effect in September 2011. Current owner/operators have begun the compliance process.

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- **Civic Center:** The Civic Center project consists of a new three-story City Hall; new two-story Community Center; Civic Plaza with a fountain and gathering spaces; a 280 stall parking facility and the complete renovation of City Park. These improvements were previously budgeted to cost approximately $57.5 million.

  

  The pricing and sale of the $48 million 2009 Civic Center Lease Revenue Bonds was completed on October 16, 2009 and construction activities began in November 2009. The timing for the bidding of the Civic Center, and the issuance of the bonds, was very fortuitous for the City. Construction bids came in at 36% under the engineer's estimates allowing the City to take advantage of a competitive interest rate environment. In addition, the availability of Federal stimulus incentives allowed the City to further reduce the Civic Center's cost. After accounting for all of the bond issuance costs, and the Federal rebates, the City was able to sell the bonds at an interest rate of 4.97%. This is the lowest yield the City has ever received on any bond issuance, and was approximately 100 basis points lower than the budgeted interest rate.

  The Civic Center is designed to attract families and visitors for decades to come, and to make Downtown Brentwood the heart and soul of the community. The City Hall will house convenient services for residents and businesses. The Community Center will be available for public and private events such as weddings and receptions. The City Park will be revamped with safe walkways and an updated sound system for the Summer Concerts in the Park and other downtown events. Children will be able to play in the Tot Lot and cool off in a special water play area. Together with the completion of the streetscape improvements, the Civic Center and Downtown will become the central gathering place for the community.

- **Update Sign Ordinance:** This project involved a comprehensive update to the Municipal Code related to sign regulations. The City's sign regulations had not been significantly updated since 1987. The intent of the project was to make the regulations easier to understand and more business-friendly, while at the same time ensuring signs achieve their purpose and uphold the high design standards of the City. The project took approximately two years to complete and involved a total of 15 public meetings. One of the key new provisions prohibits A-frame signs, except in the Downtown area, and regulates the use of banner signs throughout the City. The regulations were adopted by the City Council on May 24, 2011 and went into effect on June 23, 2011.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Brentwood for its comprehensive annual financial report for the fiscal year ended June 30, 2010. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

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

The City of Brentwood has a bright future due to its committed elected leadership and the talents and ingenuity of its City employees. One of the key components in securing this future is through a well-planned, long-term fiscal strategy based upon economic development which will generate high paying, long-term employment opportunities, new and stable sales tax revenue sources and improved inter-governmental relations. City Council and staff have taken steps to plan and implement this long-term strategy. Though the challenges are great, the City is firmly committed to meeting each and every challenge that comes our way. This Comprehensive Annual Financial Report is the next step towards meeting those challenges. By continuing to follow the financial policy set forth by the City Council, the City of Brentwood will deliver the highest level of service permitted by the available resources.

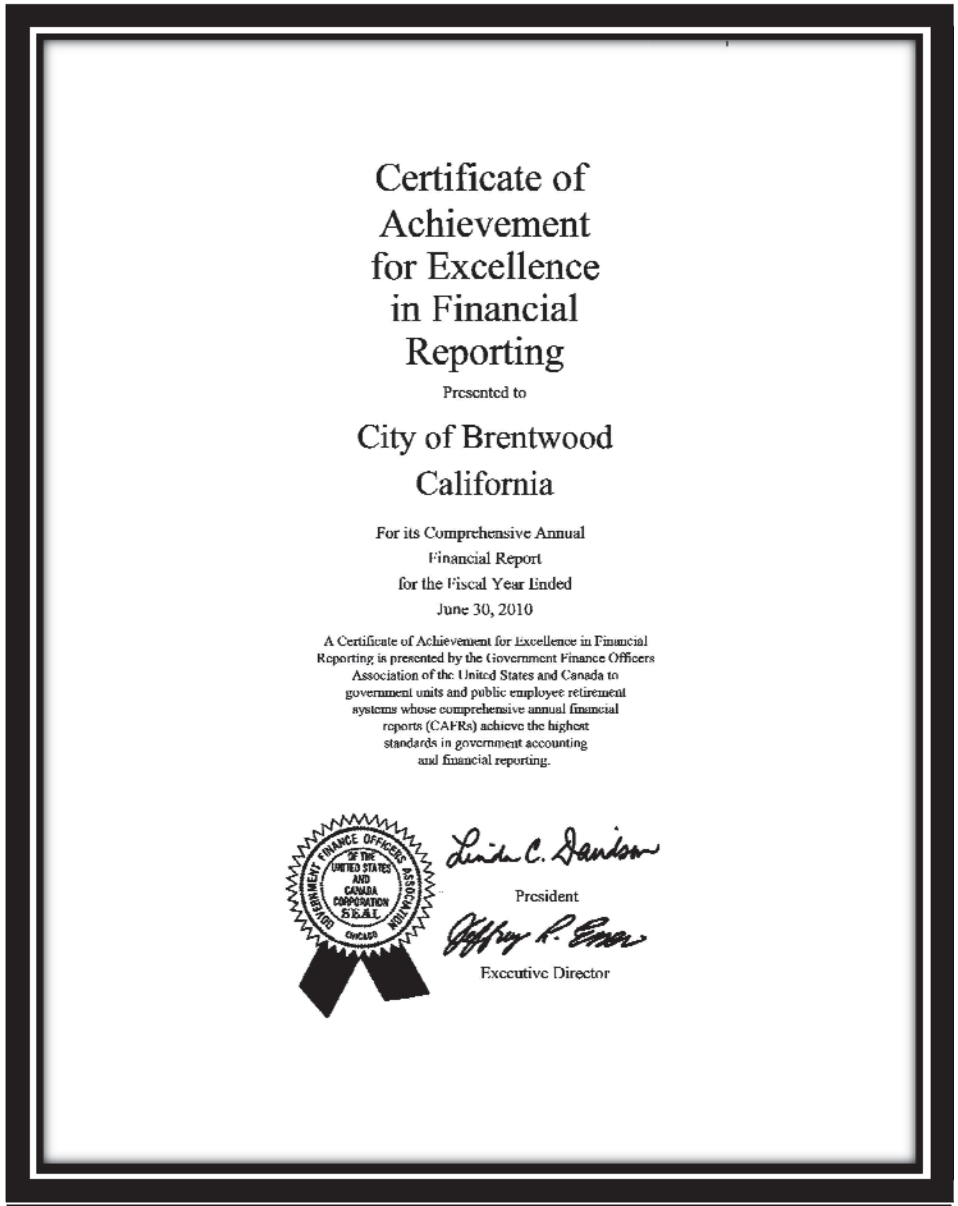
Respectfully submitted,

Donna Landeros
City Manager (Retired September 30, 2011)

Pamela Ehler
City Treasurer
Director of Finance and Information Systems

Paul R. Eldredge
City Manager (As of October 1, 2011)

Letter of Transmittal



Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Brentwood
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

Linda C. Davison

President

Jeffrey R. Esser

Executive Director

Letter of Transmittal

LIST OF PRINCIPAL OFFICIALS

(As of June 30, 2011)

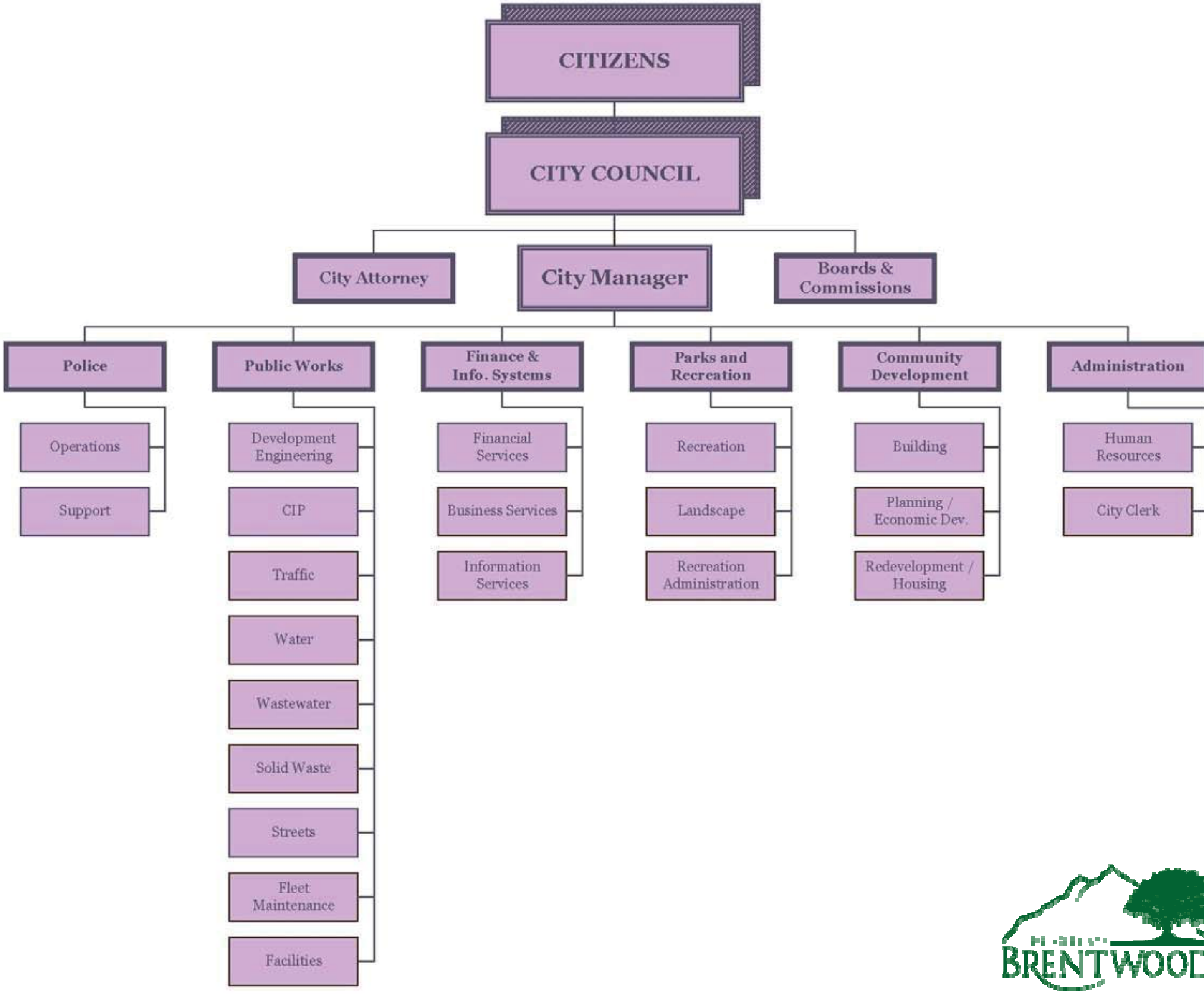
City Officials

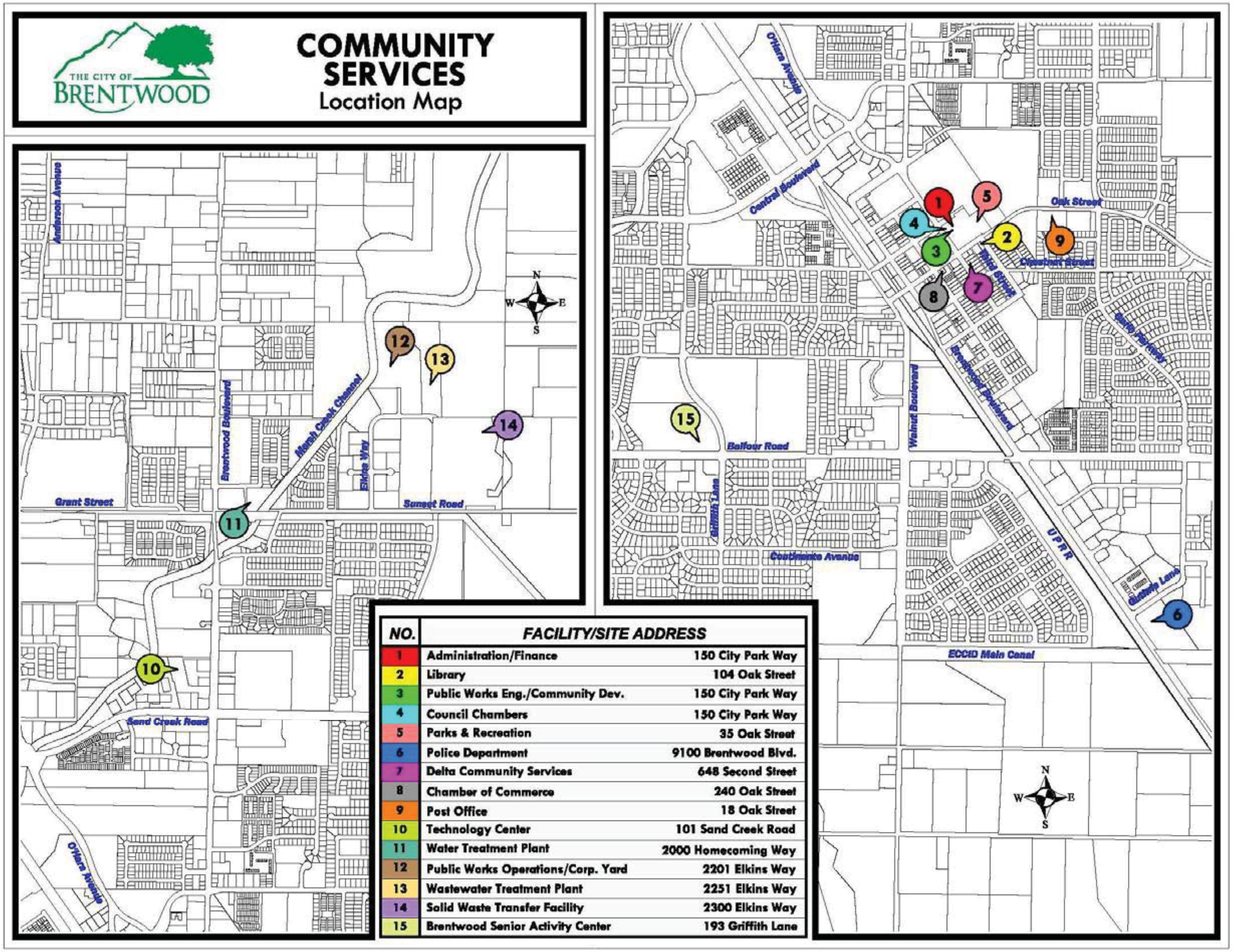
Robert Taylor	Mayor
Steve Barr	Vice-Mayor
Robert Brockman	Council Member
Joel Bryant	Council Member
Erick Stonebarger	Council Member

Executive Team

Donna Landeros	City Manager – Retired (September 30, 2011)
Paul Eldredge	Assistant City Manager / City Manager (October 1, 2011)
Damien Brower	City Attorney
Craig Bronzan	Director of Parks & Recreation
Karen Chew	Assistant City Manager
Pamela Ehler	City Treasurer / Director of Finance & Information Systems
Mark Evenson	Police Chief
Bailey Grewal	Director of Public Works / City Engineer
Casey McCann	Director of Community Development

Letter of Transmittal





NO.	FACILITY/SITE ADDRESS	
1	Administration/Finance	150 City Park Way
2	Library	104 Oak Street
3	Public Works Eng./Community Dev.	150 City Park Way
4	Council Chambers	150 City Park Way
5	Parks & Recreation	35 Oak Street
6	Police Department	9100 Brentwood Blvd.
7	Delta Community Services	648 Second Street
8	Chamber of Commerce	240 Oak Street
9	Post Office	18 Oak Street
10	Technology Center	101 Sand Creek Road
11	Water Treatment Plant	2000 Homecoming Way
12	Public Works Operations/Corp. Yard	2201 Elkins Way
13	Wastewater Treatment Plant	2251 Elkins Way
14	Solid Waste Transfer Facility	2300 Elkins Way
15	Brentwood Senior Activity Center	193 Griffith Lane

Mission Statement

Bringing Brentwood's Vision to Reality

Vision and Culture

We are an organization of dedicated professionals working together to make Brentwood the very best, preserving its rich heritage and keeping Brentwood in the hearts of the people.

Core Values

We hold these values as our core values and use them to measure everything we do:

Integrity *– uncompromising adherence to moral and ethical principles.*
Passion *– boundless enthusiasm for what we do.*
Accountability *– answerable for our actions.*
Respect *– to feel and show esteem and consideration for others openness and trust with each other.*
Quality *– the highest degree of excellence.*

AWARDS

The City prides itself on providing quality services to the community. Following is a list of awards acknowledging these achievements in quality.

For the third year in a row, the City of Brentwood was named a ***"Playful City USA"*** community by KaBOOM!, a national non-profit dedicated to bringing play back into children's lives.

The City of Brentwood was recognized as a ***"Tree City USA Community".*** The Tree City USA program is sponsored by the Arbor Day Foundation in cooperation with the USA Forest Service and the Association of State Foresters.

The Brentwood Family Aquatic Complex was once again awarded the Ellis & Associates International Aquatic Safety & Risk Management ***"Silver International Aquatic Safety Award"*** for consistently exceeding the criteria for aquatic safety certification.

The City of Brentwood received the California Park and Recreation Society's District 3 ***"Outstanding Facility"*** Showcase Award for the Brentwood Senior Activity Center.

The City was recognized by Metropolitan Transportation Commission (MTC) for having the ***"Best Bay Area Roads in 2010"***

AWARDS *(Continued)*

The City received designation as one of the **"*Top Workplaces 2011*"** by the Bay Area News Group. This designation was awarded to the top 60 workplaces in the nine-county Bay Area, based on an employee survey that was given to more than 1,200 public and private organizations.

The City received the Government Finance Officers Association (GFOA) Awards for
"Distinguished Budget Presentation for Fiscal Year 2010/11-2011/12"
and
"Excellence in Financial Reporting for Fiscal Year 2009/10"

The City received the California Society of Municipal Finance Officers (CSMFO) Awards for
"Excellence in Operational Budgeting Fiscal Years 2010/11-2011/12",
"Excellence in Capital Budgeting for Fiscal Year 2010/11", and
"Excellence in Public Communications"

MAZE & ASSOCIATES

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(925) 930-0902 · FAX (925) 930-0135
maze@mazeassociates.com
www.mazeassociates.com

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Brentwood, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brentwood, California as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, based on our audit, the basic 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 of Brentwood, California at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof 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.

As disclosed in Note 12D, the State of California adopted ABx1 26 on June 28, 2011, which suspends all new redevelopment activities except for limited specified activities as of that date and dissolves redevelopment agencies effective October 1, 2011. Prior to dissolution, any transfers of Agency assets subsequent to January 1, 2011 to the City, including those discussed in Notes 2C and 12E, that were not obligated to third parties or encumbered may be subject to the State Controller's review discussed above and required to be returned to the Agency. The State simultaneously adopted ABx1 27 which allows redevelopment agencies to avoid dissolution by opting into an "alternative voluntary redevelopment program" requiring specified substantial annual contributions to local schools and special districts. These conditions raise substantial doubt about the ability of the Brentwood Redevelopment Agency, a component unit of the City, to continue as a going concern. However, on August 11, 2011, the California Supreme Court issued a partial stay of ABx1 26 and a full stay of ABx1 27, but the partial stay did not include the section of ABx1 26 that suspends all new redevelopment activities. As a result, the accompanying financial statements have been prepared assuming that the Brentwood Redevelopment Agency will continue as a going concern. The activities of the Brentwood Redevelopment Agency are included in the Redevelopment Projects Fund, RDA Low Income Housing Fund and Redevelopment Debt Fund of the accompanying financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with Government Auditing Standards, we have also issued our report dated November 23, 2011 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical section listed in the table of contents were not audited by us and we do not express an opinion on this information.

Maner & Associates

November 23, 2011

This discussion and analysis of the City of Brentwood's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the Letter of Transmittal, the Basic Financial Statements and the accompanying Notes to the Basic Financial Statements.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $742.6 million. Of this amount, $91.6 million may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets remained virtually unchanged (increase of $8,319) as the impacts of the recession continue to minimize growth in the City.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $97.3 million, a decrease of $41.4 million in comparison to the prior year. This is primarily due to drawdown of the $48 million 2009 Civic Center Project Lease Revenue Bonds. The Civic Center Projects Fund alone saw a decrease of $27.2 million.
- Additional significant expenditures included $3.3 for agricultural deed restrictions.
- The City's total long-term debt remained virtually unchanged (decrease of $28,947) as increases of $2,871,000 in Net Other Post Employment Benefits (OPEB) Obligations were offset by annual debt service payments on remaining City debt.
- Internal Service Funds have net assets of $38.1 million at year end, which is an increase of $5.3 million from the prior year. The increase is largely attributable to the addition of $4.6 million to the Budget Stabilization Fund and $1.1 million in the Parks and LLD Replacement Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The **Government-Wide Financial Statements** present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the City, including infrastructure, as well as all liabilities, including long-term debt. Additionally, certain eliminations have occurred, as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34, in regards to interfund activity, payables and receivables.

Governmental Activities – Most of the City's basic services are reported in this category including the General Government, Public Safety, Community Development, Engineering, Public Works, Community Services and Parks and Recreation. Property and sales taxes, user fees, interest income, franchise fees and state and federal grants finance these activities.

Business-Type Activities – The City charges a fee to customers to cover all or most of the costs of certain services it provides. The City's Wastewater, Solid Waste, Water, City Rentals and Housing activities are reported in this category.

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets report information about the City as a whole. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid. In addition, these two statements report the City's net assets and changes in them. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the City's property tax base and the condition of the City's roads. The Government-Wide Financial Statements can be found on pages 15 – 16 of this report.

The **Fund Financial Statements** provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it's meeting legal responsibilities for using certain taxes, grants and other money.

The City's Fund Financial Statements are divided into three categories – Governmental Funds, Proprietary Funds and Fiduciary Funds. The Governmental Fund financials are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The Proprietary Fund financials are prepared using the economic resources measurement focus and the accrual basis of accounting. The Fiduciary Funds are agency funds which only report a balance sheet and do not have a measurement focus. The Fund Financial Statements can be found on pages 17 – 25 of this report.

Governmental Funds – Most of the City's basic services are reported in Governmental Funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The Governmental Fund statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund Financial Statements to those in the Government-Wide Financial Statements are explained in a reconciliation following each Governmental Fund Financial Statement. The Governmental Fund Financial Statements can be found on pages 17 – 20 of this report.

Proprietary Funds – When the City charges customers for services it provides, whether to outside customers or other units of the City, these monies are generally reported in Proprietary Funds. The City maintains two different types of Proprietary Funds – Enterprise Funds and Internal Service Funds. Enterprise Funds are used to report the same functions presented as business-type activities in the Government-Wide Financial Statements. Examples of Enterprise Funds include Water and Solid Waste. Internal Service Funds are used to report activities which provide supplies and services for the City's other programs and activities. Two examples are the City's Information Systems Replacement Fund and the Fleet Maintenance Services Fund. Internal Service Funds are reported with governmental activities in the Government-Wide Financial Statements, found on pages 15 – 16 of this report.

Proprietary Funds provide a more detailed version of the information provided in the Government-Wide Financial Statements. Cash flows for the Enterprise Funds and the Internal Service Funds are provided, as well as combining statements for the individual Internal Service Funds. The Proprietary Fund Financial Statements can be found on pages 21 – 23 of this report.

Fiduciary Funds – The City is the trustee, or fiduciary, for certain amounts held on behalf of developers, property owners and others. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the Government-Wide Financial Statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The Fiduciary Fund Financial Statement can be found on page 25 of this report.

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements. The Notes to the Basic Financial Statements can be found on pages 27 – 85 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain Required Supplementary Information concerning: 1) budgetary comparison schedules for the general fund and each major special revenue fund and 2) the City's progress in funding its obligation to provide pension benefits to its employees. Required Supplementary Information can be found on pages 87 – 89 of this report.

Combining and Individual Fund Statements and Schedules

Combining and Individual Fund Statements and Schedules for the following funds can be found on pages 91 – 136 of this report: Non-Major Governmental Funds, Internal Service Funds, Fiduciary Funds, General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The net assets for the City as a whole remained virtually unchanged, increasing just 1/1000th of a percent, or $8,319, with $742.6 million being reported at both June 30, 2010 and June 30, 2011. The annual change comes from the change in net assets as recorded in the Statement of Activities and which flows through the Statement of Net Assets. Invested in capital assets, net of related debt, increased $5.8 million during the year as a result of developer dedicated infrastructure. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets represent resources which are subject to external restrictions on how they may be used. This restricted amount is $105.1 million as of June 30, 2011. The remaining balance of unrestricted net assets, $91.6 million as of June 30, 2011, may be used to meet the City's ongoing obligations to citizens and creditors.

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Current Assets	$ 147,301,010	$ 178,573,618	$ 77,487,417	$ 72,291,837	$ 224,788,427	$ 250,865,455
Capital and Non-Current Assets	469,545,490	438,902,010	240,063,231	240,329,989	709,608,721	679,231,999
Total Assets	616,846,500	617,475,628	317,550,648	312,621,826	934,397,148	930,097,454
Current Liabilities	$ 17,065,584	$ 12,067,279	$ 5,471,448	$ 5,294,732	$ 22,537,032	$ 17,362,011
Long-Term Liabilities Outstanding	86,135,696	84,840,862	83,140,961	85,319,441	169,276,657	170,160,303
Total Liabilities	103,201,280	96,908,141	88,612,409	90,614,173	191,813,689	187,522,314
Net Assets:						
Invested in Capital Assets, Net of Related Debt	$ 391,780,662	$ 387,736,385	$ 154,107,936	$ 152,324,676	$ 545,888,598	$ 540,061,061
Restricted	71,281,324	90,938,293	33,796,393	31,503,932	105,077,717	122,442,225
Unrestricted	50,583,234	41,892,809	41,033,910	38,179,045	91,617,144	80,071,854
Total Net Assets	$ 513,645,220	$ 520,567,487	$ 228,938,239	$ 222,007,653	$ 742,583,459	$ 742,575,140

Governmental Activities – The City's net assets from governmental activities decreased 1.3% from $520.6 million to $513.6 million. The decrease is primarily attributable to an increase of $2.1 million in OPEB liability accruals and the expenditure of $3.3 million for agricultural deed restrictions.

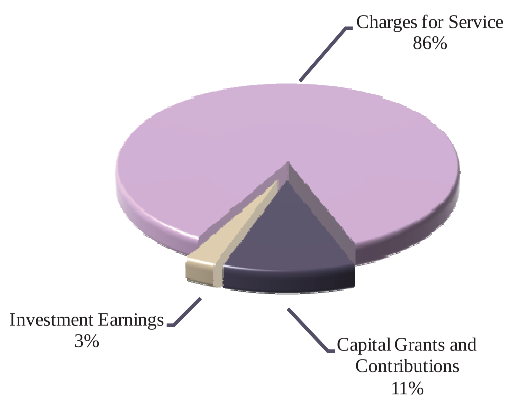
Business-Type Activities – The City's net assets from Business-Type activities increased 3.1% from $222.0 million to $228.9 million. Investment in capital assets, net of related debt, increased $1.8 million as long term debt continued to be repaid. Overall, the unrestricted net assets increased by $2.9 million.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for Services	$ 11,021,526	$ 10,699,390	$ 34,112,956	$ 33,154,932	$ 45,134,482	$ 43,854,322
Operating Grants and Revenues	12,109,521	10,547,689	-	-	12,109,521	10,547,689
Capital Grants and Contributions	13,903,165	7,393,607	4,635,461	3,996,082	18,538,626	11,389,689
General Revenues:						
Taxes:						
Property Taxes	15,684,496	16,247,076	-	-	15,684,496	16,247,076
Sales Tax	5,258,382	5,038,880	-	-	5,258,382	5,038,880
Franchise Fees	1,183,245	1,168,412	-	-	1,183,245	1,168,412
Public Service Taxes	251,092	283,407	-	-	251,092	283,407
Measure C/J, TOT	775,964	676,635	-	-	775,964	676,635
Motor Vehicle Taxes	2,925,219	2,955,583	-	-	2,925,219	2,955,583
Investment Earnings	2,256,133	3,456,502	1,072,790	1,632,413	3,328,923	5,088,915
Miscellaneous	317,681	848,732	-	-	317,681	848,732
Total Revenues	65,686,424	59,315,915	39,821,207	38,783,427	105,507,631	98,099,342
Expenses:						
General Government	21,178,861	16,337,699	-	-	21,178,861	16,337,699
Public Safety	16,444,355	18,770,435	-	-	16,444,355	18,770,435
Community Development	4,614,882	5,688,738	-	-	4,614,882	5,688,738
Engineering	2,287,863	2,195,775	-	-	2,287,863	2,195,775
Public Works	7,563,837	6,702,090	-	-	7,563,837	6,702,090
Parks and Recreation	9,831,303	9,595,992	-	-	9,831,303	9,595,992
Community Services	5,193,300	5,665,988	-	-	5,193,300	5,665,988
Other	-	-	-	-	-	-
Interest on Long-Term Debt	5,068,172	3,129,383	-	-	5,068,172	3,129,383
Wastewater	-	-	7,706,249	7,387,756	7,706,249	7,387,756
Solid Waste	-	-	7,839,662	7,530,880	7,839,662	7,530,880
Water	-	-	17,122,586	18,381,997	17,122,586	18,381,997
City Rentals	-	-	218,218	253,241	218,218	253,241
Housing	-	-	430,024	419,217	430,024	419,217
Total Expenses	72,182,573	68,086,100	33,316,739	33,973,091	105,499,312	102,059,191
Increase in Net Assets Before Transfers	(6,496,149)	(8,770,185)	6,504,468	4,810,336	8,319	(3,959,849)
Transfers	(426,118)	84,116	426,118	(84,116)	-	-
Increase in Net Assets	(6,922,267)	(8,686,069)	6,930,586	4,726,220	8,319	(3,959,849)
Net Assets 7/1	520,567,487	529,253,556	222,007,653	217,281,433	742,575,140	746,534,989
Net Assets 6/30	$ 513,645,220	$ 520,567,487	$ 228,938,239	$ 222,007,653	$ 742,583,459	$ 742,575,140

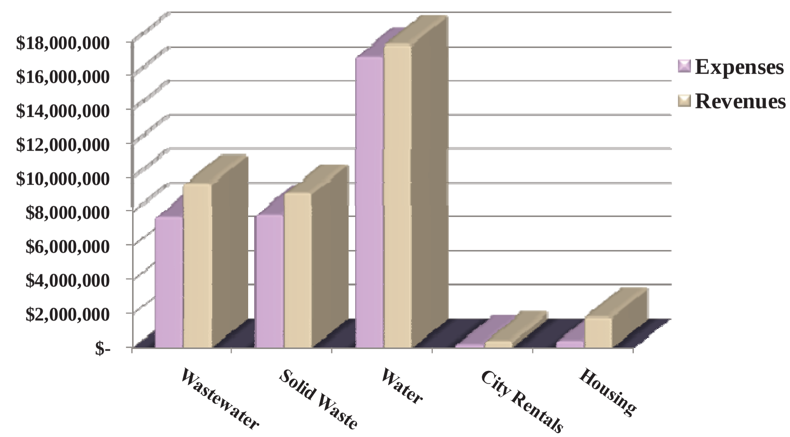
Governmental Activities – The cost of all Governmental activities this year was $72.2 million. Net expenses, as shown in the Statement of Activities, were $35.1 million. A portion of the cost for these activities was paid either by those who directly benefited from the programs ($11.0 million), by other governments and organizations that subsidized certain programs with operating grants and contributions ($12.1 million), or capital grants and contributions ($13.9 million). Overall, the City's governmental program revenues were $37.0 million.

Total resources available during the year to finance governmental operations were $585.8 million consisting of net assets at July 1, 2010 of $520.5 million, program revenues of $37.0 million and general revenues and transfers of $28.3 million. Total Governmental activities during the year were $72.2 million, thus net assets were decreased by $6.9 million to $513.6 million.

Revenues by Source



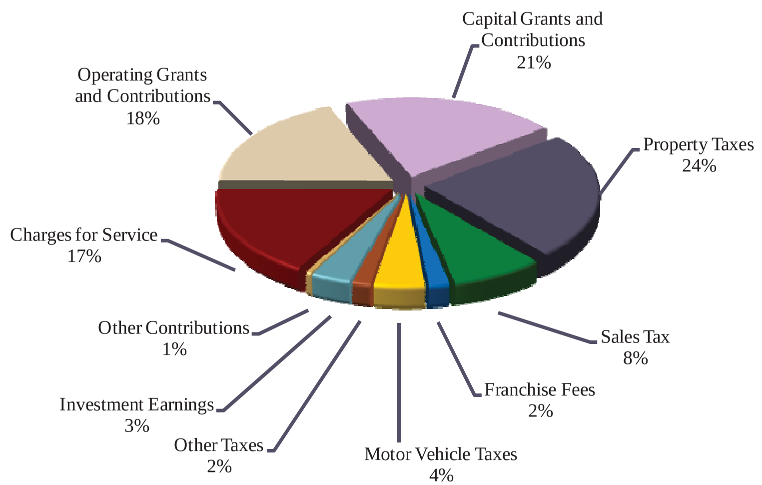
Program Revenues and Expenses



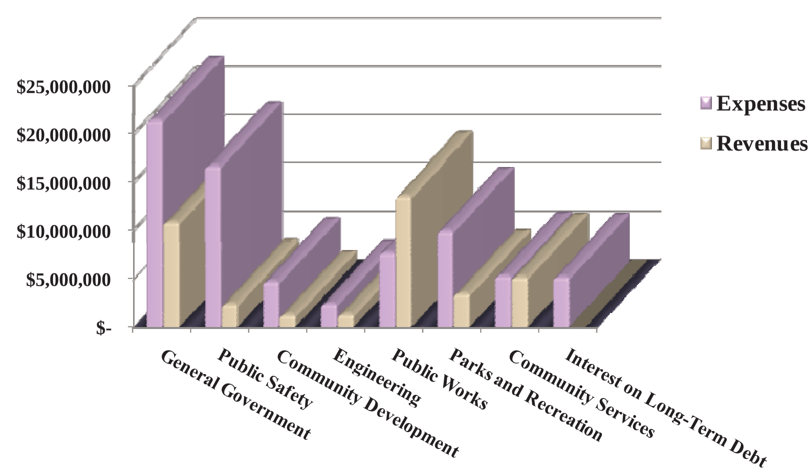
Business-Type Activities – The cost of all Business-Type activities this year was $33.3 million. As shown in the Statement of Activities and Changes in Net Assets, the amounts paid by users of the systems were $34.1 million. Capital Grants and Contributions totaled $4.6 million and Investment earnings were $1.1 million.

Total resources available during the year to finance Business-Type activities were $262.2 million consisting of net assets at July 1, 2010 of $222.0 million, charges for services of $34.1 million, capital contributions of $4.6 million and general revenues and net transfers of $1.5 million. Total Business-Type activities during the year were $33.3 million, thus net assets increased by $6.9 million to $228.9 million.

Revenues by Source



Program Revenues and Expenses



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

At year end the City's General Fund had a fund balance of $18,271,519. This is an increase of $2,937,597 compared to last year. The increase is attributable to the transfer of $7.5 million in savings from capital projects, which were partially offset by a transfer of $4.7 million to the Budget Stabilization Internal Service Fund.

Agriculture Land, which is reported as a Special Revenue fund, had a decrease in fund balance of $3,258,838. This decline was attributable to the use of $3,325,760 which was used to fund agricultural conservation deed restrictions on 334.14 acres.

Redevelopment Debt, which is reported as a Debt Service fund, had a decrease in fund balance of $8,715,054 due to the Redevelopment Agency's funding of capital projects.

Civic Center Projects Revenue Bond, which is reported as a Debt Service fund, saw a decline of $2,153,106 in fund balance. This fund accounts for debt service transactions relating to the 2009 Civic Center Revenue Bond. During FY 2010/11, a portion of capitalized interest was used to make the debt service payment. The remaining fund balance is comprised primarily of capitalized interest and debt service reserve funds.

Capital Improvement Financing Program 2005-1, which is reported as a Capital Projects fund, had a decrease in fund balance of $1,212,867. This fund accounts for transactions related to proceeds from assessment bonds and other resources and their use to acquire and construct certain capital facilities and infrastructures and by its nature will decline as proceeds are spent.

Capital Improvement Financing Program 2006-1, which is reported as a Capital Projects fund, had a decrease in fund balance of $1,158,727. This fund accounts for transactions related to proceeds from assessment bonds and other resources and their use to acquire and construct certain capital facilities and infrastructures and by its nature will decline as proceeds are spent.

Civic Center Projects, which is reported as a Capital Projects fund, had a decrease in fund balance of $27,245,974. This is a result of substantial construction of the Civic Center Projects during the fiscal year, with funding for the projects primarily occurring during the previous fiscal year.

Community Facilities Improvement Projects, which is reported as a Capital Projects fund, had an increase in fund balance of $5,748,633. This increase is attributable to funding from the Redevelopment Agency for capital projects as reported below.

Redevelopment Projects, which is reported as a Capital Projects fund, had a decrease in fund balance of $6,272,183. This decrease is attributable to funding for capital projects which is held in the Community Facilities Improvement Projects Fund, as described above.

Budget Stabilization, which is reported as an Internal Service fund, had an increase of $4,646,463. This fund was established during the 2008/09 fiscal year for the purpose of accumulating General Fund savings in good years which could then be used to help balance the budget during difficult years. The General Fund transferred $4,660,000 to this fund during the fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Comparing the fiscal year 2010/11 original budget (or adopted) General Fund expenditures and transfers out in the amount of $43,983,902, to the final budget amount of $43,983,902, reveals there were no net overall changes to the General Fund expenditure and transfers out budget. Minor expenditure adjustments were made between expenditure functions; however, these adjustments net to $0.

Beginning Balance	+	Supplemental Changes	=	Final Budget
$43,983,902		$0		$43,983,902

During the fiscal year, the total revenues and transfers in for the General Fund were $42,097,980. This was $1,042,398 less than budgeted. The total expenditures and transfers out for the General Fund were $39,160,383. This was $4,823,519 less than budgeted.

The City continued to remain vigilant in reducing costs wherever possible. This resulted in expenditure savings of $1,279,916 in the supplies and services budget and $670,807 in the personnel budget, as vacancies remained unfilled. An additional significant savings source included $2,872,796 in transfers out due to savings on capital projects.

The General Fund's revenue shortfall of $1,042,398 was entirely due to fact the General Fund did not need to make a transfer in from the Budget Stabilization Fund, as was originally budgeted. This was due to expenditure savings in the General Fund.

Supplemental changes to the FY 2010/11 General Fund budget were:

- Decrease of $25,100 for supplies and services in general governmental activities.
- Increase of $25,000 for supplies and services in community development activities.
- Increase of $100 for capital outlay related to the purchase of redevelopment land held for resale.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – The capital assets of the City are those assets which are used in the performance of the City's functions. At June 30, 2011, capital assets net of accumulated amortization and depreciation of the Governmental activities totaled $468,372,398. Capital assets net of accumulated amortization and depreciation of the Business-Type activities totaled $238,157,167. Amortization and depreciation on capital assets is recognized in the Government-Wide financial statements. Refer to Note #5, found on pages 60 – 62 of this report, for detailed information regarding capital assets. The City has elected to use the amortization and depreciation method as allowed by GASB Statement No. 34 for infrastructure reporting.

	Original Cost	Accumulated Depreciation	Book Value
Capital Assets – Governmental:			
Intangible Assets	$ 6,258,156	$ 592,413	$ 5,665,743
Land	36,449,527	-	36,449,527
Buildings	18,784,364	2,837,172	15,947,192
Infrastructure	390,861,448	59,827,774	331,033,674
Machinery and Equipment	5,508,819	2,326,911	3,181,908
Vehicles	7,761,131	4,658,086	3,103,045
Land Improvements	27,331,682	2,285,084	25,046,598
Work in Progress – CIP	47,944,711	-	47,944,711
Total Capital Assets – Governmental	$ 540,899,838	$ 72,527,440	$ 468,372,398
Capital Assets – Business-Type:			
Intangible Assets	$ 10,597,532	$ 1,851,885	$ 8,745,647
Land	2,034,202	-	2,034,202
Buildings	24,813,632	3,714,021	21,099,611
Infrastructure	218,721,129	25,958,942	192,762,187
Machinery and Equipment	1,133,200	871,492	261,708
Land Improvements	10,925,186	1,297,473	9,627,713
Work in Progress – CIP	3,626,099	-	3,626,099
Total Capital Assets – Business-Type	$ 271,850,980	$ 33,693,813	$ 238,157,167

Debt Administration – Debt, considered a liability of Governmental Activities, increased in fiscal year 2010/11 by $1,301,407 as a result of the increased Net OPEB Obligation. Per capita debt outstanding increased from $1,651 to $1,690 per capita compared to the prior fiscal year. Debt of the Business-Type activities decreased by $1,330,354 in fiscal year 2010/11 as annual debt service payments were made.

Detailed information regarding long-term debt activity can be found in Note #6 on pages 63 – 71 in this report.

	Balance June 30, 2010	Incurred or Issued	Satisfied or Matured	Balance June 30, 2011
Governmental Activities				
Bonds Payable	$ 81,424,783	$ 239,257	$ 1,010,000	$ 80,654,040
Notes Payable	75,407	-	75,407	-
Net OPEB Obligation	3,947,325	2,119,258	-	6,066,583
Accumulated Compensated Absences	1,196,884	1,561,737	1,533,438	1,225,183
Total Governmental Activities	$ 86,644,399	$ 3,920,252	$ 2,618,845	$ 87,945,806
Business-Type Activities				
Bonds Payable	$ 52,500,000	$ -	$ 300,000	$ 52,200,000
Notes Payable	33,657,143	-	1,807,912	31,849,231
Net OPEB Obligation	1,151,175	751,742	-	1,902,917
Accumulated Compensated Absences	297,585	491,572	465,756	323,401
Total Business-Type Activities	$ 87,605,903	$ 1,243,314	$ 2,573,668	$ 86,275,549

Economic Factors and Next Year's Budgets

The key assumptions in the General Fund revenue forecast for fiscal year 2011/12 are:

1. Development activity will remain slow, with approximately 100 new housing units being constructed, down from a peak of 1,400 units several years ago, yet up from the 31 units in fiscal year 2008/09.
2. The State of California will not implement additional mid-year revenue takeaways from the City.
3. Assessed valuations in the City will decline for a fourth consecutive year, resulting in property tax revenues declining as a result of the continued aggressive reductions being implemented by the Contra Costa County Assessor.
4. Lowered interest rates will cause a decline in investment income.

The City of Brentwood is feeling a significant financial impact from the slow housing market and slowdown in general building activity. The City's population, which has increased at an annual average rate of 10% during the past decade, is expected to increase by less than 2% per year over the next several years. Key budgetary impacts addressed in the fiscal year 2011/12 budget are:

- Increased pension and health care costs have been included into the adopted budget.

- The impacts from the City's phasing in of a pre-funding strategy for OPEB, where the City will fund 85% of the annual required contribution by fiscal year 2017/18, have been included.

- Property taxes and motor vehicle in-lieu revenues, which are tied to assessed property valuations, are projected to suffer minor declines.

- The City's fiscal year 2011/12 Operating Budget includes one new position, with that position being funded through the Water Enterprise.

- The impacts of labor negotiations, which include a 0% cost of living adjustment for sworn employees and the implementation of a second tiered retirement pension benefit program for non-sworn employees, has been included. Also included is a 2.5% cost of living increase for non-sworn employees, along with the savings associated with an additional 1% salary contribution by the non-sworn employees towards their retirement costs (for a total of 2%).

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. 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, located at 150 City Park Way, Brentwood, California 94513, either by phone (925) 516-5460 or e-mail dept-finance@brentwoodca.gov.

Statement of Net Assets

June 30, 2011

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Restricted Cash and Investments	30,212,556	3,975,181	34,187,737
Receivables	1,864,181	5,483,799	7,347,980
Prepaids	175,356	36,381	211,737
Land Held for Resale	1,040,359	-	1,040,359
Notes Receivable	-	1,671,115	1,671,115
Total Current Assets	147,301,010	77,487,417	224,788,427
Non-Current Assets:			
Deferred Charges	924,652	898,393	1,823,045
Long-Term Notes Receivable	100,000	1,156,111	1,256,111
Internal Balances	148,440	(148,440)	-
Capital Assets, Net of Accumulated Depreciation & Amortization:			
Intangible Assets	5,665,743	8,745,647	14,411,390
Land	36,449,527	2,034,202	38,483,729
Buildings	15,947,192	21,099,611	37,046,803
Infrastructure	331,033,674	192,762,187	523,795,861
Machinery and Equipment	3,181,908	261,708	3,443,616
Vehicles	3,103,045	-	3,103,045
Land Improvements	25,046,598	9,627,713	34,674,311
Work in Progress	47,944,711	3,626,099	51,570,810
Total Non-Current Assets	469,545,490	240,063,231	709,608,721
Total Assets	616,846,500	317,550,648	934,397,148
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	11,314,511	2,146,890	13,461,401
Unearned Revenue	629,557	117,000	746,557
Deposits Held	3,311,406	72,970	3,384,376
Long-Term Liabilities Due Within One Year	1,810,110	3,134,588	4,944,698
Total Current Liabilities	17,065,584	5,471,448	22,537,032
Non-Current Liabilities Due in More Than One Year:			
Bonds Payable	79,579,040	51,100,000	130,679,040
Notes Payable	-	30,008,684	30,008,684
Net OPEB Obligation	6,066,583	1,902,917	7,969,500
Compensated Absences Payable	490,073	129,360	619,433
Total Non-Current Liabilities	86,135,696	83,140,961	169,276,657
Total Liabilities	103,201,280	88,612,409	191,813,689
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	391,780,662	154,107,936	545,888,598
Restricted for:			
Capital Projects	47,820,106	9,645,567	57,465,673
Debt Service	7,791,465	-	7,791,465
Specific Projects and Programs	15,669,753	24,150,826	39,820,579
Unrestricted	50,583,234	41,033,910	91,617,144
Total Net Assets	$ 513,645,220	$ 228,938,239	$ 742,583,459

See Accompanying Notes to the Basic Financial Statements

Statement of Activities and Changes in Net Assets

For Year Ended June 30, 2011

		Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		
						Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Governmental Activities	Business-Type Activities	Total
General Government	$ 21,178,861	$ 7,180,354	$ 1,527,813	$ 1,880,071	$ 10,588,238	$ (10,590,623)	$ -	$ (10,590,623)
Public Safety	16,444,355	498,354	1,624,915	148,533	2,271,802	(14,172,553)	-	(14,172,553)
Community Development	4,614,882	1,112,381	-	37,386	1,149,767	(3,465,115)	-	(3,465,115)
Engineering	2,287,863	1,191,544	-	-	1,191,544	(1,096,319)	-	(1,096,319)
Public Works	7,563,837	75,927	3,898,311	9,460,489	13,434,727	5,870,890	-	5,870,890
Parks and Recreation	9,831,303	962,966	-	2,376,686	3,339,652	(6,491,651)	-	(6,491,651)
Community Services	5,193,300	-	5,058,482	-	5,058,482	(134,818)	-	(134,818)
Interest on Long-Term Debt	5,068,172	-	-	-	-	(5,068,172)	-	(5,068,172)
Total Governmental Activities	72,182,573	11,021,526	12,109,521	13,903,165	37,034,212	(35,148,361)	-	(35,148,361)
Business-Type Activities								
Wastewater	7,706,249	8,333,225	-	1,296,491	9,629,716	-	1,923,467	1,923,467
Solid Waste	7,839,662	9,045,607	-	-	9,045,607	-	1,205,945	1,205,945
Water	17,122,586	16,114,907	-	1,726,355	17,841,262	-	718,676	718,676
City Rentals	218,218	425,607	-	-	425,607	-	207,389	207,389
Housing	430,024	193,610	-	1,612,615	1,806,225	-	1,376,201	1,376,201
Total Business-Type Activities	33,316,739	34,112,956	-	4,635,461	38,748,417	-	5,431,678	5,431,678
Total Primary Government	$ 105,499,312	$ 45,134,482	$ 12,109,521	$ 18,538,626	$ 75,782,629	$ (35,148,361)	$ 5,431,678	$ (29,716,683)

	Governmental Activities	Business-Type Activities	Total
General Revenues:			
Taxes:			
Property Taxes	15,684,496	-	15,684,496
Sales Tax	5,258,382	-	5,258,382
Franchise Fees	1,183,245	-	1,183,245
Public Service Taxes	251,092	-	251,092
Measure C / J, TOT	775,964	-	775,964
Motor Vehicle Taxes	2,925,219	-	2,925,219
Investment Earnings	2,256,133	1,072,790	3,328,923
Miscellaneous	317,681	-	317,681
Transfers	(426,118)	426,118	-
Total General Revenues and Transfers	28,226,094	1,498,908	29,725,002
Change in Net Assets	(6,922,267)	6,930,586	8,319
Net Assets - Beginning of Year	520,567,487	222,007,653	742,575,140
Net Assets - End of Year	$ 513,645,220	$ 228,938,239	$ 742,583,459

See Accompanying Notes to the Basic Financial Statements

Balance Sheet
Governmental Funds
June 30, 2011

	General Fund	Debt Service Redevelopment Debt	Capital Projects Improvement Projects	Governmental Funds	Governmental Funds
ASSETS					
Current Assets:					
Cash and Investments	$ 21,970,025	$ 812,117	$ 21,679,550	$ 34,777,325	$ 79,239,017
Restricted Cash and Investments	-	-	1,966,473	28,246,083	30,212,556
Receivables	1,187,514	99	1,873	4,572,583	5,762,069
Prepaids	168,127	-	-	2,237	170,364
Due from Other Funds	-	-	996	-	996
Land Held for Resale	-	-	-	1,040,359	1,040,359
Interfund Advance Receivable	-	-	2,550,148	148,440	2,698,588
Total Assets	$ 23,325,666	$ 812,216	$ 26,199,040	$ 68,787,027	$ 119,123,949
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable and Accrued Liabilities	$ 1,119,922	$ 812,216	$ 7,542,010	$ 1,555,485	$ 11,029,633
Due to Other Funds	-	-	-	996	996
Deferred Revenue	628,669	-	-	4,280,959	4,909,628
Deposits Held	3,305,556	-	-	5,850	3,311,406
Interfund Advance Payable	-	-	-	2,550,148	2,550,148
Total Liabilities	5,054,147	812,216	7,542,010	8,393,438	21,801,811
Fund Balances:					
Nonspendable	168,127	-	-	2,237	170,364
Restricted	-	-	18,657,030	59,914,509	78,571,539
Committed	600,000	-	-	3,027,135	3,627,135
Assigned	7,667,955	-	-	-	7,667,955
Unassigned	9,835,437	-	-	(2,550,292)	7,285,145
Total Fund Balances	18,271,519	-	18,657,030	60,393,589	97,322,138
Total Liabilities and Fund Balances	$ 23,325,666	$ 812,216	$ 26,199,040	$ 68,787,027	$ 119,123,949

See Accompanying Notes to the Basic Financial Statements

Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets

June 30, 2011

Total Fund Balances - Total Governmental Funds	$	97,322,138
Capital assets used in Governmental Activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.		464,049,471
Internal Service Funds are used by management to charge costs of certain activities, such as data processing 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 Assets.		38,109,076
The long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		430,021
Governmental Funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		924,652
Long-term liabilities are not due and payable in the current period; therefore, they are not reported in the Governmental Funds Balance Sheet.		
Bonds		(80,654,040)
Net OPEB Obligation		(5,416,937)
Compensated Absences		(1,090,479)
Accrued Liabilities		(28,682)
Net Assets of Governmental Activities	$	513,645,220

See Accompanying Notes to the Basic Financial Statements

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For Year Ended June 30, 2011

	General Fund	Debt Service Redevelopment Debt	Capital Projects Improvement Projects	Governmental Funds	Governmental Funds
REVENUES					
Taxes	$ 13,583,274	$ 4,674,469	$ -	$ 3,238,831	$ 21,496,574
Licenses	486,963	-	-	-	486,963
Permits and Fines	2,695,972	-	-	-	2,695,972
Uses of Money and Property	489,917	183,775	333,663	982,976	1,990,331
Intergovernmental	3,079,656	-	-	4,617,221	7,696,877
Franchises	1,183,245	-	-	-	1,183,245
Charges for Other Services	522,681	-	-	-	522,681
Charges to Other Funds	5,887,152	-	-	-	5,887,152
Fees and Other Revenues	1,249,349	-	-	11,970,392	13,219,741
Total Revenues	29,178,209	4,858,244	333,663	20,809,420	55,179,536
EXPENDITURES					
Current:					
General Government	5,019,112	-	14,090	13,179,809	18,213,011
Public Safety	15,612,182	-	-	194,482	15,806,664
Community Development	2,941,344	1,689,136	-	28,157	4,658,637
Engineering	2,241,604	-	-	-	2,241,604
Public Works	2,687,175	-	-	-	2,687,175
Parks and Recreation	4,141,563	-	-	3,641,214	7,782,777
Community Services	549,915	-	-	4,649,168	5,199,083
Capital Outlay	100	-	27,407,214	940,670	28,347,984
Debt Service:					
Principal	75,407	485,000	-	525,000	1,085,407
Interest and Fiscal Charges	-	1,768,849	-	3,027,043	4,795,892
Total Expenditures	33,268,402	3,942,985	27,421,304	26,185,543	90,818,234
REVENUES OVER (UNDER) EXPENDITURES	(4,090,193)	915,259	(27,087,641)	(5,376,123)	(35,638,698)
OTHER FINANCING SOURCES (USES)					
Transfer of Land Held to Governmental Activities	-	-	-	(1,327,029)	(1,327,029)
Transfers In	12,919,771	888,080	40,805,806	16,398,901	71,012,558
Transfers Out	(5,891,981)	(10,518,393)	(7,969,532)	(51,021,130)	(75,401,036)
Total Other Financing Sources (Uses)	7,027,790	(9,630,313)	32,836,274	(35,949,258)	(5,715,507)
NET CHANGE IN FUND BALANCES	2,937,597	(8,715,054)	5,748,633	(41,325,381)	(41,354,205)
Fund Balance, Beginning of Year	15,333,922	8,715,054	12,908,397	101,718,970	138,676,343
Fund Balance, End of Year	$ 18,271,519	$ -	$ 18,657,030	$ 60,393,589	$ 97,322,138

See Accompanying Notes to the Basic Financial Statements

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets

For Year Ended June 30, 2011

Net Changes in Fund Balances - Total Governmental Funds	$	(41,354,205)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.		(6,898,831)
The net effect of various miscellaneous transactions involving Capital Assets (e.g. sales, trade-ins and contributions) is to increase net assets.		9,174,047
To record the net change in compensated absences in the Statement of Activities.		(23,376)
Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Assets.		
This amount represents long-term debt repayments.		1,085,407
This amount represents the increase in Net OPEB Obligations.		(1,810,550)
This amount represents accretion interest.		(239,257)
This amount represents amortized bond issuance costs and amortized bond premiums.		(33,023)
This amount represents the increase in Accrued Liabilities.		(28,682)
Revenues in the Governmental Funds which have been previously recognized in the Statement of Activities.		(399,102)
Internal Service Funds are used by management to charge the costs of certain activities, such as data processing and fleet management, to individual funds. The net revenue of the Internal Service Funds is reported with Governmental Activities.		5,257,321
Changes in Net Assets of Governmental Activities	$	(6,922,267)

See Accompanying Notes to the Basic Financial Statements

Statement of Net Assets
Proprietary Funds
June 30, 2011

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Wastewater	Solid Waste	Water	City Rentals	Housing	Totals	
ASSETS							
Current Assets:							
Cash and Investments	$ 26,741,378	$ 12,950,566	$ 19,188,255	$ 35,410	$ 7,405,332	$ 66,320,941	$ 34,769,541
Restricted Cash and Investments	-	-	3,975,181	-	-	3,975,181	-
Receivables	1,511,602	1,620,627	2,306,711	21,234	23,625	5,483,799	53,050
Prepaids	7,048	8,200	20,188	781	164	36,381	4,992
Notes Receivable	-	-	58,500	-	1,612,615	1,671,115	-
Total Current Assets	28,260,028	14,579,393	25,548,835	57,425	9,041,736	77,487,417	34,827,583
Non-Current Assets:							
Deferred Charges	-	-	898,393	-	-	898,393	-
Long-Term Notes Receivable	-	-	58,500	-	1,097,611	1,156,111	-
Interfund Advance Receivable	2,331	-	45,516	-	-	47,847	-
Capital Assets:							
Intangible Assets	-	-	10,597,532	-	-	10,597,532	-
Land	409,620	254,420	128,560	-	1,241,602	2,034,202	-
Buildings	2,895,398	14,000	20,337,687	-	1,566,547	24,813,632	-
Infrastructure	90,106,696	696,851	127,917,582	-	-	218,721,129	-
Machinery and Equipment	541,754	94,126	497,320	-	-	1,133,200	2,993,480
Vehicles	-	-	-	-	-	-	7,761,131
Land Improvements	58,494	1,000,000	9,866,692	-	-	10,925,186	-
Work in Progress	324,325	1,235,458	2,066,316	-	-	3,626,099	-
Less Accumulated Depreciation and Amortization	(13,107,558)	(867,561)	(19,575,163)	-	(143,531)	(33,693,813)	(6,431,684)
Total Capital Assets, Net of Accumulated Depreciation	81,228,729	2,427,294	151,836,526	-	2,664,618	238,157,167	4,322,927
Total Non-Current Assets	81,231,060	2,427,294	152,838,935	-	3,762,229	240,259,518	4,322,927
Total Assets	109,491,088	17,006,687	178,387,770	57,425	12,803,965	317,746,935	39,150,510
LIABILITIES AND NET ASSETS							
Current Liabilities:							
Accounts Payable and Accrued Liabilities	690,158	265,255	1,179,815	10,552	1,110	2,146,890	256,196
Unearned Revenue	-	-	117,000	-	-	117,000	888
Deposits Held	-	4,912	45,000	-	23,058	72,970	-
Long-Term Debt Due Within One Year	1,840,547	-	1,100,000	-	-	2,940,547	-
Compensated Absences Payable	46,626	69,889	74,264	-	3,262	194,041	80,823
Total Current Liabilities	2,577,331	340,056	2,516,079	10,552	27,430	5,471,448	337,907
Non-Current Liabilities Due in More Than One Year:							
Interfund Advance Payable	-	-	-	-	196,287	196,287	-
Bonds Payable	-	-	51,100,000	-	-	51,100,000	-
Notes Payable	22,576,239	-	7,432,445	-	-	30,008,684	-
Net OPEB Obligation	472,906	693,690	716,558	-	19,763	1,902,917	649,646
Compensated Absences Payable	31,084	46,593	49,509	-	2,174	129,360	53,881
Total Non-Current Liabilities	23,080,229	740,283	59,298,512	-	218,224	83,337,248	703,527
Total Liabilities	25,657,560	1,080,339	61,814,591	10,552	245,654	88,808,696	1,041,434
Net Assets:							
Invested in Capital Assets, Net of Related Debt	56,811,943	2,427,294	92,204,081	-	2,664,618	154,107,936	4,322,927
Restricted for:							
Capital Projects	6,771,866	909,790	1,963,911	-	-	9,645,567	
Special Projects and Programs	9,185,303	4,912	4,873,574	-	10,087,037	24,150,826	-
Unrestricted	11,064,416	12,584,352	17,531,613	46,873	(193,344)	41,033,910	33,786,149
Total Net Assets	$ 83,833,528	$ 15,926,348	$ 116,573,179	$ 46,873	$ 12,558,311	$ 228,938,239	$ 38,109,076

See Accompanying Notes to the Basic Financial Statements

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

For Year Ended June 30, 2011

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Wastewater	Solid Waste	Water	City Rentals	Housing	Totals	
Operating Revenues:							
Charges for Services	$ 8,168,298	$ 9,042,421	$ 15,861,108	$ 425,607	$ 193,610	$ 33,691,044	$ 8,345,197
Other Income	164,927	3,186	253,799	-	-	421,912	112,895
Total Operating Revenues	8,333,225	9,045,607	16,114,907	425,607	193,610	34,112,956	8,458,092
Operating Expenses:							
Personnel Services	2,075,403	2,904,574	3,292,377	-	115,752	8,388,106	2,906,513
Repairs and Maintenance	23,427	96,784	506,886	45,605	24,805	697,507	282,760
Materials, Supplies and Services	3,685,643	4,767,401	7,536,934	172,613	255,869	16,418,460	3,576,368
Depreciation and Amortization	1,464,398	70,903	2,883,626	-	31,331	4,450,258	858,118
Total Operating Expenses	7,248,871	7,839,662	14,219,823	218,218	427,757	29,954,331	7,623,759
Operating Income (Loss)	1,084,354	1,205,945	1,895,084	207,389	(234,147)	4,158,625	834,333
Non-Operating Revenues (Expenses):							
Interest Income	412,349	193,023	312,710	75	154,633	1,072,790	465,561
Interest Expense	(457,378)	-	(2,902,763)	-	(2,267)	(3,362,408)	-
Loss on Disposal of Capital Assets	-	-	-	-	-	-	(4,933)
Total Non-Operating Revenues (Expenses)	(45,029)	193,023	(2,590,053)	75	152,366	(2,289,618)	460,628
Income (Loss) before Contributions and Transfers	1,039,325	1,398,968	(694,969)	207,464	(81,781)	1,869,007	1,294,961
Contributions - Impact Fees and Credits	295,811	-	246,845	-	1,612,615	2,155,271	-
Capital Asset Contributions	1,000,680	-	1,479,510	-	-	2,480,190	-
Transfers In	154,977	-	1,061,882	80,000	-	1,296,859	5,058,153
Transfers Out	(181,510)	(259,843)	(139,001)	(290,387)	-	(870,741)	(1,095,793)
Change in Net Assets	2,309,283	1,139,125	1,954,267	(2,923)	1,530,834	6,930,586	5,257,321
Net Assets, Beginning of Year	81,524,245	14,787,223	114,618,912	49,796	11,027,477	222,007,653	32,851,755
Net Assets, End of Year	$ 83,833,528	$ 15,926,348	$ 116,573,179	$ 46,873	$ 12,558,311	$ 228,938,239	$ 38,109,076

See Accompanying Notes to the Basic Financial Statements

Statement of Cash Flows

Proprietary Funds

For Year Ended June 30, 2011

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Wastewater	Solid Waste	Water	City Rentals	Housing	Totals	
Cash Flows from Operating Activities							
Cash Received from Customers/Other Funds	$ 8,403,112	$ 8,962,428	$ 15,923,852	$ 478,048	$ 192,916	$ 33,960,356	$ 10,160
Cash Received from Interfund Services	-	-	-	-	-	-	8,156,101
Cash Payments to Suppliers of Goods and Services	(2,972,517)	(3,442,491)	(8,017,740)	(161,859)	(288,272)	(14,882,879)	(3,387,932)
Cash Payments to Employees for Services	(1,894,340)	(2,904,574)	(3,013,028)	-	(115,752)	(7,927,694)	(2,597,804)
Cash Payments for Interfund Services	(465,834)	(1,420,050)	(601,553)	(54,082)	(18,705)	(2,560,224)	(324,162)
Other Receipts/Payments	1,612	3,234	287,295	(16,385)	(149,056)	126,700	265,885
Net Cash Provided By (Used for) Operating Activities	3,072,033	1,198,547	4,578,826	245,722	(378,869)	8,716,259	2,122,248
Cash Flows from Non-Capital Financing Activities							
Transfers Received	154,977	-	1,061,882	80,000	-	1,296,859	5,058,153
Transfers Paid	(181,510)	(259,843)	(139,001)	(290,387)	-	(870,741)	(1,095,793)
Net Cash Provided By (Used for) Non-Capital Financing Activities	(26,533)	(259,843)	922,881	(210,387)	-	426,118	3,962,360
Cash Flows from Capital and Related Financing Activities							
Contributions - Impact Fees and Credits	295,811	-	246,844	-	-	542,655	-
Interest Paid on Debt	(457,378)	-	(2,902,763)	-	(2,267)	(3,362,408)	-
Principal Paid on Debt	(1,807,912)	-	(300,000)	-	-	(2,107,912)	-
Acquisition and Construction of Assets	(80,288)	(79,957)	(1,452,301)	-	-	(1,612,546)	(916,355)
Net Cash Provided By (Used for) Capital and Related Financing Activities	(2,049,767)	(79,957)	(4,408,220)	-	(2,267)	(6,540,211)	(916,355)
Cash Flows from Investing Activities							
Interest on Investments	412,349	193,023	312,710	75	154,633	1,072,790	465,561
Net Cash Provided By Investing Activities	412,349	193,023	312,710	75	154,633	1,072,790	465,561
Net Increase (Decrease) in Cash and Cash Equivalents	1,408,082	1,051,770	1,406,197	35,410	(226,503)	3,674,956	5,633,814
Cash and Cash Equivalents - Beginning of Year	25,333,296	11,898,796	21,757,239	-	7,631,835	66,621,166	29,135,727
Cash and Cash Equivalents - End of Year	$ 26,741,378	$ 12,950,566	$ 23,163,436	$ 35,410	$ 7,405,332	$ 70,296,122	$ 34,769,541
Reconciliation of Operating Income to Net Cash Provided By (Used for) Operating Activities:							
Operating Income (Loss)	$ 1,084,354	$ 1,205,945	$ 1,895,084	$ 207,389	$ (234,147)	$ 4,158,625	$ 834,333
Adjustments to Reconcile Operating Income to Net Cash Provided By (Used for) Operating Activities :							
Depreciation and Amortization	1,464,398	70,903	2,883,626	-	31,331	4,450,258	858,118
Change in Assets and Liabilities:							
Receivables, Net	65,973	(80,178)	63,054	66,970	(149,746)	(33,927)	(33,984)
Prepaid Items	5,528	233	522	1,482	(3)	7,762	3,666
Accounts Payable and Other Payables	451,780	7,022	(293,356)	2,277	(26,998)	140,725	460,115
Increase (Decrease) in Intergovernmental Payable	-	-	32,396	(32,396)	-	-	-
Deposits	-	(5,378)	(2,500)	-	694	(7,184)	-
Net Cash Provided By (Used for) Operating Activities	$ 3,072,033	$ 1,198,547	$ 4,578,826	$ 245,722	$ (378,869)	$ 8,716,259	$ 2,122,248
Noncash Capital Activities:							
Capital Assets Contributed Contributions from Governmental Fund	$ 1,000,680	$ -	$ 1,479,510	$ -	$ -	$ 2,480,190	$ -

See Accompanying Notes to the Basic Financial Statements

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Statement of Fiduciary Net Assets

Agency Funds

June 30, 2011

ASSETS		
Cash and Investments	$	11,085,592
Restricted Cash and Investments		6,623,864
Interest Receivable		21,314
Total Assets	$	17,730,770
LIABILITIES		
Accounts Payable and Accrued Liabilities	$	953,736
Due to Others		34,901
Due to Bondholders		16,742,133
Total Liabilities	$	17,730,770

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INDEX OF NOTES TO THE BASIC FINANCIAL STATEMENTS

INDEX OF NOTES TO THE BASIC FINANCIAL STATEMENTS *(CONTINUED)*

INDEX OF NOTES TO THE BASIC FINANCIAL STATEMENTS *(CONTINUED)*

Page

NOTE # 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE REPORTING ENTITY

The City of Brentwood is governed by a five member City Council under the Council-Manager form of government. The accompanying financial statements present the City of Brentwood, the primary government, and its component units, entities for which the primary government is considered financially accountable. The City is considered to be financially accountable for an organization if: 1) the City appoints a voting majority of said organization or 2) there is a potential for the organization to either provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if the organization is fiscally dependent (i.e. unable to adopt a budget, levy taxes, set rates or charges or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete.

In addition to reporting directly for the City operations, two component units, the Brentwood Redevelopment Agency and Brentwood Infrastructure Financing Authority, have been included in the primary reporting entity and are treated as blended component units.

- Brentwood Redevelopment Agency

  The Brentwood Redevelopment Agency (the "Agency") was established pursuant to the State of California Health and Safety Code, Section 33000, entitled "Community Redevelopment Law". On August 20, 1981 the City Council became the governing board of the Brentwood Redevelopment Agency. The Agency was formed for the purpose of preparing and carrying out plans for improvement, rehabilitation and redevelopment of blighted areas within the territorial limits of the City of Brentwood. The funds of the Agency have been included in the governmental activities in the financial statements. Separate financial statements for the Redevelopment Agency (RDA) may be obtained from the City of Brentwood Finance Department.

- Brentwood Infrastructure Financing Authority

  The Brentwood Infrastructure Financing Authority (the "Authority"), formed on March 14, 1995, is a joint powers authority organized under Section 6500 *et seq*. of the California Government Code between the City and the Agency for the purpose of acting as a vehicle for various financing activities of the City and the Agency. The Board of Directors is the Brentwood City Council. The primary purpose of the Authority is to render financial assistance to the City and the Agency by issuing debt and financing the construction of public facilities. Separate financial statements are not required for the Authority and therefore, are not issued.

NOTE # 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. The Statement of Activities and Changes in Net Assets demonstrates the degree to which direct and indirect expenses, for a given function or segment, are offset by program revenues. Direct expenses are clearly identifiable with a specific function or segment. Indirect expenses are expenses which are allocated based on the City's annual Cost Allocation Plan and Schedule of City Fees. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, 2) operating grants and contributions, including special assessments and 3) capital grants and contributions. Taxes and other items not included among program revenue are reported as general revenues.

Summaries of governmental activities, which are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges. Fiduciary activities of the City are not included in these statements.

Separate financial statements are provided for Governmental Funds, Proprietary Funds and Fiduciary Funds even though the latter are excluded from the Government-Wide Financial Statements. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the Fund Financial Statements.

Certain eliminations have been made as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities. These 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, the transactions between governmental and business-type activities, which are presented as transfers, have not been eliminated from the Statement of Activities.

C. MEASUREMENT FOCUS / BASIS OF ACCOUNTING

The Government-Wide Financial Statements and the Proprietary Fund Financial Statements are reported using an economic resources focus and the accrual basis of accounting. 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, regardless of the timing of the related cash flows.

The Governmental Fund Financial Statements are reported using a current financial resources measurement focus called the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures

NOTE # 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

of the current period. Accordingly, revenues are recorded when received in cash, except for revenues subject to accrual (generally 60 days after year-end) which are recognized when due. Expenditures are recorded in the accounting period in which the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, including property and sales taxes, and inter-governmental revenue associated with the current fiscal period are all considered to be susceptible to accrual. Only the portion of the special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

For Proprietary Funds, all assets and liabilities, whether current or non-current, are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. 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 which are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses. Proprietary Fund types include Enterprise Funds and Internal Service Funds.

Fiduciary Fund Financial Statements include a Statement of Net Assets. The City's Fiduciary Funds represent agency funds, which are custodial in nature (assets equal liabilities). Agency funds do not involve measurement of results of operations.

Financial reporting is based upon all GASB pronouncements, as well as the Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins, which were issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements. FASB Pronouncements issued after November 30, 1989 are not followed in preparation of the accompanying financial statements. Reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach of GASB Statement No. 34.

Fund Types

A *Major Fund* is a fund whose revenues, expenditures/expenses, assets or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all Governmental or Enterprise funds and at least five percent of the aggregate amount for all Governmental and

NOTE # 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Enterprise funds for the same item. The General Fund is always considered a major fund. Any other Governmental or Enterprise fund may be reported as a major fund if the government's officials believe the fund is particularly important to financial statement users.

The government reports the following major Governmental Funds: General Fund, Redevelopment Debt and Community Facilities Improvement Projects. Descriptions of the City's funds are presented below.

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

Special Revenue Funds account for specific revenues that are legally restricted to expenditures for particular purposes. There are no Special Revenue Funds included as major Governmental Funds. Below are specific descriptions of the Special Revenue Funds:

- *Thoroughfares* – This fund accounts for development fees collected for the design and construction of roadways within the City.
- *Gas Tax* – This fund accounts for monies received from the State of California under Street and Highways Code Sections 2103, 2105, 2106, 2107 and 2107.5.
- *Police Grants* – This fund accounts for all Police, Federal, State and County grants requiring segregated fund accounting.
- *Other Grants* – This fund accounts for miscellaneous Federal, State and County grants requiring segregated fund accounting.
- *Citywide Parks Districts* – This fund accounts for special benefit assessments levied on property owners for citywide park maintenance.
- *Community Facilities Districts* – This fund accounts for special benefit assessments levied on property owners for police services, fire services, joint use school facilities and the construction, acquisition and maintenance of open spaces, flood drains and storm drains.
- *Community Facilities* – This fund accounts for development fees collected for the design and construction of public facilities within the City of Brentwood.
- *Vehicle Abatement* – This fund accounts for monies which can only be used for the abatement, removal and disposal, as public nuisances, of any abandoned, wrecked, dismantled or inoperative vehicles, or parts thereof, from private or public property.
- *Infrastructure Improvements* – This fund accounts for economic development infrastructure projects and any related costs.

NOTE # 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

- *RDA Low Income Housing* – This fund accounts for the RDA's 20% tax increment set-aside. The monies are to be used to increase and improve the community's supply of low and moderate income housing within the redevelopment project area.
- *PEG Media* – This fund accounts for Public Access, Educational and Governmental (PEG) television channels provided for the citizens of Brentwood.
- *Asset Forfeiture* – This fund accounts for property or funds seized by the Police Department. After a case has been tried, and a guilty verdict is returned, the funds are considered forfeited. This fund must be used specifically for drug prevention programs.
- *Measure C / J* – This fund accounts for the local jurisdiction portions of the Local Street Maintenance Fund allocation. The monies can only be spent on local streets and roads, transit operations, growth management planning and compliance, bicycle and pedestrian trails and parking facilities.
- *Facility Fee Administration* – This fund accounts for development fees collected for the administration of the Developer Facility Fee Program.
- *Parks Advertising* – This fund accounts for funds collected and dedicated to enhancing the amenities at Sunset Athletic Complex, Brentwood Family Aquatic Complex and the Brentwood Skate Park. This fund also provides funding to publish and distribute the Parks and Recreation Activities Guide.
- *Parks and Trails* – This fund accounts for development fees collected for the design and construction of parks and trails.
- *Agriculture Administration* – This fund accounts for 20% of the Agriculture Preservation fees collected from developers. Monies are to be used for administrative purposes associated with establishing, monitoring and managing farmland conservation easements.
- *Public Art Administration* – This fund accounts for fees collected for the administration of the Public Art Program.
- *Public Art Acquisition* – This fund accounts for development fees collected for the acquisition and construction of Public Art.
- *Arts Commission* – This fund accounts for monies which are used for Arts Commission programs.
- *Fire Fees* – This fund accounts for the Fire Facilities Impact Fee. The monies are used to provide funding for the fire facilities required to serve new development in the City of Brentwood through build out of the City.
- *Agriculture Land* – This fund accounts for 80% of the Agriculture Preservation fees collected from developers. The monies are used for farmland mitigation purposes.

***NOTE # 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)*

- *Parking In Lieu* – This fund accounts for development fees collected for off street parking facilities located within the Downtown area.
- *Lighting and Landscape Districts* – This fund accounts for special benefit assessments levied on property owners for street lighting and landscape maintenance.

Debt Service Funds account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs. The Redevelopment Debt Fund is the only Debt Service Fund included as a major Governmental Fund. Below are specific descriptions of the Debt Service Funds:

- *Redevelopment Debt* – This fund accounts for transactions related to proceeds from tax allocation bonds.
- *Capital Improvement Program 2001* – This fund accounts for debt service transactions, including revenue collections and payments of principal and interest, on long-term obligations. This bond refinanced the Roadway Bonds and the Tax Allocation Bond and financed the Brentwood Technology Center.
- *2002 General Obligation Bond* – This fund accounts for tax levies from which general obligation principal and interest payments are made as the 2002 General Obligation Bond matures. This bond was used to finance the new Police Station.
- *Civic Center Projects Revenue Bond* – This fund accounts for debt service transactions relating to the 2009 Civic Center Revenue Bonds.

Capital Project Funds account for the acquisition and construction of major capital facilities and infrastructure not financed by Proprietary Funds. The Community Facilities Improvement Projects Fund is the only major Capital Project Fund included as a major Governmental Fund. Below are specific descriptions of the Capital Project Funds:

- *Capital Improvement Financing Program 2005-1* – This fund accounts for transactions related to proceeds from assessment bonds and other resources and their use to acquire and construct certain capital facilities and infrastructures.
- *Capital Improvement Financing Program 2006-1* – This fund accounts for transactions related to proceeds from assessment bonds and other resources and their use to acquire and construct certain capital facilities and infrastructures.
- *2002 Series A&B* – This fund accounts for transactions related to proceeds from assessment bonds and other resources and their use to acquire and construct certain capital facilities and infrastructures.
- *Randy Way District Improvements* – This fund accounts for transactions from assessment bonds and other resources and their use to finance infrastructure improvements within the Randy Way Assessment District.

NOTE # 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

- *City Capital Improvement Financing Program* – This fund accounts for transactions related to proceeds from assessment bonds and other resources and their use to acquire and construct public capital improvements.
- *Civic Center Projects* – This fund accounts for transactions related to proceeds from the 2009 Civic Center Bonds and other resources and their use to acquire and construct certain capital facilities and infrastructure.
- *Community Facilities Improvement Projects* – This fund accounts for various community facilities improvement projects associated with either the construction or improvement of the City's community facilities.
- *Park Improvement Projects* – This fund accounts for various park improvement projects associated with either the construction or improvement of the City's parks.
- *Drainage Improvement Projects* – This fund accounts for various drainage improvement projects associated with either the upgrade or replacement of the City's storm drain collection system.
- *Street Improvement Projects* – This fund accounts for transactions related to proceeds from assessment bonds and other resources and their use to acquire and construct certain street improvements.
- *Economic Infrastructure Projects* – This fund accounts for loans to be used for Economic Development infrastructure projects and related costs which will be repaid from another source.
- *Vineyards Projects* – This fund accounts for transactions related to proceeds from assessment bonds and other resources and their use to finance infrastructure improvements within the Vineyards assessment district.
- *Redevelopment Projects* – This fund accounts for transactions related to proceeds from bonds and other resources and their use to perform redevelopment activities within the redevelopment project area.

Proprietary Funds account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the City Council is the costs of providing goods or services to the general public, on a continuing basis, be financed or recovered primarily through user charges. The government reports the following major Proprietary Funds:

- *Wastewater Enterprise* – This fund accounts for the operation, maintenance and capital improvement projects of the wastewater system which is funded by user charges and impact fees.
- *Solid Waste Enterprise* – This fund accounts for the operation, maintenance and capital improvement projects of the solid waste system. These activities are funded by user charges.

NOTE # 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

- *Water Enterprise* – This fund accounts for the operation, maintenance and capital improvement projects of the water system. These activities are funded by user charges and impact fees.
- *City Rentals Enterprise* – This fund accounts for all the City facilities rented and maintained through this fund.
- *Housing Enterprise* – This fund accounts for the administrative and operational expenses for the Housing Division and Housing rental stock. This now includes Affordable Housing In Lieu and the First Time Homebuyers program.

Additionally, the government reports for the following fund types:

Internal Service Funds account for the financing of either goods or services provided by one department to other departments of the City on a cost reimbursement basis. Specific descriptions of these funds are as follows:

- *Emergency Preparedness* – To provide a source of funding for the City to be financially prepared for either a critical or catastrophic event.
- *Information Services* – To provide a source of funding for the development and coordination of the City's information systems' needs.
- *Equipment Replacement* – To provide a source of funding for vehicle and equipment replacement.
- *Information Systems Replacement* – To provide a source of funding for the on-going replacement of information systems such as computers and the phone system.
- *Facilities Replacement* – To provide a source of funding for repairs or the replacement of City facilities.
- *Tuition Program* – To provide a source of funding for expenditures relating to continuing education.
- *Fleet Maintenance* – To provide a source of funding for the on-going maintenance of all City vehicles, except Police.
- *Facilities Maintenance Services* – To provide a source of funding for the custodial, janitorial and maintenance needs of the City's facilities and buildings.
- *Parks and LLD Replacement* – To provide a source of funding for the replacement of landscaping, equipment and facilities in the Citywide Parks and Lighting and Landscape Districts (LLD).
- *Insurance* – To provide a source of funding for the City's property insurance costs and retiree medical benefit costs.
- *Budget Stabilization* – To provide a source of funding to help the City's General Fund weather adverse economic conditions.

NOTE # 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds account for Agency Funds which consist of:

- *Assessments* – Special obligations payable from, and secured by, specific revenue sources. The financial activities of these funds are excluded from the Government-Wide financial statements, but are presented in separate Fiduciary Fund financial statements.
- *Pass-Through Funds* – Special funds used for the collection and distribution of development fees collected on behalf of other agencies. The financial activities of these funds are excluded from the Government-Wide financial statements, but are presented in separate Fiduciary Fund financial statements.
- *Asset Seizure* – Special funds to be used exclusively to support law enforcement and prosecutorial efforts. The financial activities of these funds are excluded from the Government-Wide financial statements, but are presented in separate Fiduciary Fund financial statements.

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

i. Use of Restricted / Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

ii. Cash and Investments

The City pools idle cash from all funds for the purpose of increasing income through investment activities. In compliance with GASB Statement No. 40, the City's investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. For securities that lack readily available market quotations, reasonable estimates of fair value are used based on the market value of similar investments. The City generally holds all investments until either maturity or market values equal or exceed cost. Therefore, the reported value of securities in the investment pool does not reflect realized gains or losses but rather the fair value of those investments as of June 30, 2011.

iii. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the City considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. All cash and investments of the Proprietary Fund types are pooled with the City's pooled cash and investments.

NOTE # 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

iv. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

v. Prepaid Items and Land Held for Resale

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. In governmental funds, prepaid items are accounted for using the consumption method and a portion of fund balance equal to the prepaid items has been reserved to indicate that it is not available for appropriation. Land held for resale is valued at the lower of cost or estimated net realizable value.

vi. Capital Assets

The City's assets are capitalized at either historical cost or estimated historical cost. City policy has set the capitalization threshold for capital assets at $10,000 or more. Gifts or contributions of capital assets are recorded at fair market value when received. In accordance with GASB Statement No. 34, the City has included the value of all infrastructures in the Basic Financial Statements. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Land Improvements	20 years
Buildings and Structures	50 years
Machinery and Equipment	3 - 20 years
Vehicles	3 - 8 years
Infrastructure	65 years

The City defines infrastructure as long lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. These assets include the street system, water purification and distribution system, sewer collection and treatment system, park and recreation lands and improvement system, 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.

NOTE # 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

vii. Compensated Absences Payable

The following totals may be accumulated by employees each year:

- A total of 11 to 28 vacation days
- A total of 80 hours of management leave
- Up to either 60, 80 or 120 hours of compensatory time off, depending on employee's classification
- 12 days of sick leave

Sick leave is not paid at termination but is used for additional service credits towards retirement. Half of an employee's accrued sick leave (up to $8,000) may be cashed in when the employee retires from the City of Brentwood. Under certain restrictive circumstances, limited amounts of sick leave can be converted to vacation time. Eligible exempt employees receive forty hours of management leave at the beginning of each fiscal year. An additional forty hours may be granted to eligible employees based upon extraordinary hours worked upon approval of their Department Director or the City Manager. Vacation time and management leave are only allowed to accumulate up to one and one-half year's worth of earnings.

All employees may elect to receive a lump sum payment of up to 40 hours of accumulated vacation each March. Mid-Managers, Department Directors and the City Manager are eligible to elect payment of up to 80 hours in March. Additionally, each October employees with three years of service may elect to receive a lump sum payment of up to 40 hours of accumulated vacation time. Mid-Managers, Department Directors and the City Manager are eligible to elect payment of up to 80 hours. Liabilities for compensated absences are included as a liability in the Government-Wide Financial Statements and are paid by the fund which has recorded the liability. The long-term portion of compensated absences in Governmental-Type activities is liquidated by either the General Fund, Redevelopment Low Income Housing Fund, Redevelopment Projects Fund or the Citywide Parks District Fund.

viii. Property Tax

Property tax valuation, lien and levy for secured and unsecured property is March 1st of each year. Fifty percent of secured taxes are due on November 1 and February 1 of each fiscal year and are delinquent on December 10 and April 10, respectively. Unsecured property taxes are due on July 1 and delinquent on August 31. Contra Costa County bills and collects the City's property taxes and the remittance of them to the City is accounted for in the City's General Fund. City property tax revenues are recognized when levied, to the extent that they result in current receivables. The City receives their full assessment of property tax and the County retains all delinquent charges.

NOTE # 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ix. Deferred Compensation Plan

City employees may defer a portion of their compensation under a City sponsored deferred compensation plan created in accordance with Internal Revenue Code Section 457. Under the plan, participants are not taxed on the deferred portion of their compensation until it is distributed to them. Distribution may be made only at termination of employment, retirement, death or in an emergency as defined by the Plan. In accordance with GASB 32, the City revised the plan to no longer make the funds available to the City's general creditors and accordingly the City does not report any assets or liabilities associated with this plan in the accompanying financial statements.

x. New GASB Pronouncements

In March 2009, GASB issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement enhances the usefulness of fund balance information by providing clearer fund balance classifications, which can be more consistently applied, and by clarifying the existing governmental fund type definitions. This Statement also establishes fund balance classifications which comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. In addition, GASB Statement No. 54 provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the Notes to the Basic Financial Statements. The requirements of this Statement are effective for fiscal periods beginning after June 15, 2010; however, the City elected to implement this Statement for the presentation of the 2009/10 financial statements.

In December 2009, GASB issued GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plan.* This Statement addresses issues related to the use of the alternative measurement method, and the frequency and timing of measurements, by employers which participate in agent multiple-employer Other Post Employment Benefit (OPEB) plans. The requirements of this Statement are effective for fiscal periods beginning after June 15, 2011. The City does not anticipate Statement No. 57 will have a significant impact on its financial statements.

In June 2010, GASB issued GASB Statement No. 59, *Financial Instruments Omnibus.* This Statement updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The requirements of this Statement are effective for fiscal periods beginning after June 15, 2010 and have been implemented for the presentation of the 2010/11 financial statements, with no resulting impact.

In December 2010, GASB issued GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This Statement addresses how to account for, and report, service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. Common examples of SCAs

NOTE # 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

include long-term arrangements in which a government engages another entity to operate a major capital asset, such as a toll road, in return for the right to collect fees from users of the capital asset. The requirements of the Statement are effective for fiscal periods beginning after December 15, 2011. The City does not anticipate Statement No. 60 will have a significant impact on its financial statements.

In December 2010, GASB issued GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. This Statement improves financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* to better meet user needs and address reporting entity issues which have come to light since those Statements were issued in 1991 and 1999, respectively. Statement No. 61 improves the information presented about the financial reporting entity, which is comprised of a primary government and related entities (component units), and also amends the criteria for blending – that is, reporting component units as if they were part of the primary government. The requirements of the Statement are effective for fiscal periods beginning after June 15, 2012. The City does not anticipate Statement No. 61 will have a significant impact on its financial statements.

In December 2010, GASB issued GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement enhances the usefulness of its Codification by incorporating guidance which previously could only be found in certain FASB and American Institute of Certified Public Accountants (AICPA) pronouncements. The requirements of the Statement are effective for fiscal periods beginning after December 15, 2011. The City does not anticipate Statement No. 62 will have a significant impact on its financial statements.

xi. <u>Motor Vehicle Taxes</u>

Motor vehicle taxes are collected by the State and remitted to the City. They are not restricted.

NOTE # 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

- General Budget Policies

The City operates on a two year budget cycle. Budgets are legally enacted through passage of a resolution prior to July 1. The City Council periodically reviews the budgets and adopts supplemental appropriations (amendments) at the fund level when required. The level of budgetary control is established at the fund level and expenditures may not exceed budgeted appropriations at the fund level without City Council approval. In the financial statements, the final budget amounts include amendments to the original budget. Individual amendments were not material in relation to original appropriations.

- Budget Basis of Accounting

Budgetary comparisons are presented for the General, Special Revenue, certain Debt Service and certain Capital Project funds. The funds listed below are not legally required to adopt budgets as their appropriations are either established by: 1) the related bond documentation, 2) other legal agreements, or 3) are multi-year projects whose budget cycle exceeds one fiscal year.

Capital Project Funds

Capital Improvement Financing Program 2005-1	Community Facilities Improvement Projects
Capital Improvement Financing Program 2006-1	Park Improvement Projects
2002 Series A&B	Drainage Improvement Projects
Randy Way Assessment District Improvements	Street Improvement Projects

Debt Service Funds

Capital Improvement Program 2001
2002 General Obligation Bond
Civic Center Projects Revenue Bond

NOTE # 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. DEFICIT FUND EQUITY

The following funds have either a deficit fund or accumulated deficit balance as of June 30, 2011. The deficit in Parks and Trails is due to prefunding of parks projects in advance of receiving funding from development. The deficits in the Internal Service funds are related to OPEB liability accruals. In response to increasing OPEB liabilities, the City has adopted a long-term OPEB pre-funding strategy which ultimately calls for 85% of the actuarial required contribution (ARC) to be funded annually. The Internal Service funds will continue to maintain a positive cash balance. Coverage of these funds was also addressed in the fiscal year 2011/12 Operating Budget.

Special Revenue:

Parks and Trails	$	2,550,292

Internal Service:

Information Services	$	238,568
Fleet Maintenance	$	42,432

C. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of the "Due To / From Other Funds" balance, as of June 30, 2011, is shown below. This amount is due to timing issues and is expected to be paid during the next fiscal year.

Receivable Fund	Payable Fund	Amount
Community Facilities Improvement Projects	Civic Center Projects Revenue Bond	$ 996

NOTE # 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

The interfund advance payable from Housing Enterprise is related to development fees from the construction of housing units which have become rental units for the City's Housing Program. The development fees will be paid over the next several years from the Housing rental stream. The interfund advance payable from Parks and Trails is due to the construction of parks within the city in advance of receiving development fee revenue. Future development will reduce this obligation.

Interfund Advance

Receivable Fund	Payable Fund	Amount
Thoroughfares	Housing Enterprise	$ 97,069
Parks and Trails	Housing Enterprise	51,371
Wastewater Enterprise	Housing Enterprise	2,331
Water Enterprise	Housing Enterprise	45,516
Community Facilities Improvement Projects	Parks and Trails	2,550,148
	Total	$ 2,746,435

Interfund Transfers

Fund Description	General Fund	Redevelopment Debt Service	Community Facilities Improvement Projects	Non-Major Governmental Funds	Internal Service Funds	Wastewater Enterprise	Water Enterprise	City Rentals Enterprise	Total Transfers Out
General Fund	$ -	$ -	$ -	$ 851,981	$ 4,960,000	$ -	$ -	$ 80,000	$ 5,891,981
Redevelopment Debt Service	-	-	-	10,518,393	-	-	-	-	10,518,393
Community Facilities Improvement Projects	7,725,684	-	-	243,848	-	-	-	-	7,969,532
Non-Major Governmental Funds	4,581,103	888,080	40,143,149	4,401,090	-	2,645	1,005,063	-	51,021,130
Internal Service Funds	612,984	-	141,881	93,202	38,575	152,332	56,819	-	1,095,793
Wastewater Enterprise	-	-	181,510	-	-	-	-	-	181,510
Solid Waste Enterprise	-	-	222,758	-	37,085	-	-	-	259,843
Water Enterprise	-	-	116,508	-	22,493	-	-	-	139,001
City Rentals Enterprise	-	-	-	290,387	-	-	-	-	290,387
Total Transfers In	$ 12,919,771	$ 888,080	$ 40,805,806	$ 16,398,901	$ 5,058,153	$ 154,977	$ 1,061,882	$ 80,000	$ 77,367,570

***NOTE # 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY** (Continued)*

Transfers are indicative of funding for capital projects or debt service, subsidies of various City operations or reallocations of special revenues. The following schedule briefly summarizes the City's significant, unusual or non-consistent fund type transfer activity:

Transfer To	Amount	Purpose
General Fund	$ 1,221,342	Gas Tax revenue to subsidize the Street Maintenance Division.
General Fund	2,944,150	Provide a subsidy to cover a portion of the costs for Police Services.
Capital Projects	454,046	Provide a subsidy to cover a portion of the costs for the Pavement Management Program.
Capital Projects	338,000	Provide a subsidy to cover a portion of the costs for the Sand Creek Road Widening - Phase II project.
Capital Projects	11,153,422	Provide a subsidy to cover a portion of the costs for the New Community Center project.
Capital Projects	17,512,702	Provide a subsidy to cover a portion of the costs for the New City Hall project.
Capital Projects	275,000	Provide a subsidy to cover a portion of the costs for the Fiber Optic Link - Phase II project.
Capital Projects	724,376	Provide a subsidy to cover a portion of the costs for the City Park project.
Capital Projects	332,000	Provide a subsidy to cover a portion of the costs for the Water System Connections / Regulating project.
Capital Projects	231,000	Provide a subsidy to cover a portion of the costs for the Waste Water Treatment Plant Corrosion Control project.

The City expends funds on capital projects on behalf of the Agency and the Agency occasionally transfers the required funds to the City prior to the start of the project. Any unspent funds are returned to the Agency upon completion of the project. As of June 30, 2011, the balance of unspent project funds held by the City on behalf of the Agency totaled $5,096,846.

D. STABILIZATION ARRANGEMENTS

On April 28, 2009, the City Council adopted a resolution establishing a Budget Stabilization Fund. At the close of each fiscal year, General Fund savings in excess of the minimum Fund Balance requirements are to be transferred to the Budget Stabilization Fund. The use of the Budget Stabilization Fund is restricted to: 1) funding General Fund grant costs including local matching requirements; 2) offsetting temporary reductions in General Fund revenues from local, state or federal sources; 3) providing an alternate source of funding for General Fund debt service requirements including debt retirement; 4) providing a source of funds for General Fund legal settlements or claims against the City which would not otherwise be paid from the City's Insurance Fund; 5) providing a source of funds for General Fund one-time equipment or capital spending requirements; 6) providing a source of funds for required General Fund staff training or education or 7) providing a source of funds to mitigate the effects to the General Fund during a prolonged economic downturn. As of June 30, 2011, the City's Budget Stabilization Fund, which is reported as an Internal Service fund, had a fund balance of $10,259,239, although $2,400,000 is projected to be used to balance the General Fund in fiscal year 2011/12.

NOTE # 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

E. MINIMUM FUND BALANCE POLICIES

The City's Budget and Fiscal Policy requires the City to strive to maintain: 1) 30% of annual appropriations in the General Fund's Unassigned Fund Balance and 2) 30% cash reserves in each of the Enterprise funds. While this requirement does not mandate the 30% thresholds be attained, the City has continued to achieve the 30% General Fund reserve target on an annual basis, including for the fiscal year ended June 30, 2011. The ability of the City to maintain 30% cash reserves in the Enterprise funds depends upon the timing of infrastructure projects.

F. FUND BALANCES

The City's fund balances are classified in accordance with GASB Statement No. 54. Nonspendable fund balances are not expected to be converted to cash and are comprised of prepaid items and land held for resale by the Redevelopment Agency. Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations or enabling legislation which requires these resources be used only for a specific purpose. Committed fund balances have constraints imposed by formal action of the City Council of the City of Brentwood which may be altered only by formal action of the City Council. Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Council of the City of Brentwood and may be changed at the discretion of the City Council. Unassigned fund balance represents amounts which have not been restricted, committed or assigned.

The City considers restricted amounts to have been spent prior to unrestricted amounts when an expenditure is incurred for purposes for which both are available. Committed, assigned and unassigned amounts, in this order, are considered to be spent when an expenditure is incurred for purposes for which either is available. The City expends funds on capital projects on behalf of the Agency and the Agency occasionally transfers the required funds to the City prior to the start of the project. Any unspent funds are returned to the Agency upon completion of the project. As of June 30, 2011, the balance of unspent project funds held by the City on behalf of the Agency totaled $5,096,846. Detailed classifications of the City's Fund Balances, as of June 30, 2011, are shown on the next page.

NOTE # 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY *(Continued)*

	General Fund	Debt Service: Redevelopment Debt	Capital Projects: Community Facilities Improvement Projects	Other Governmental Funds	Total
Fund Balances:					
Nonspendable:					
Prepaid Expenses	$ 168,127	$ -	$ -	$ 2,237	$ 170,364
Total Nonspendable Fund Balances	168,127	-	-	2,237	170,364
Restricted for:					
Debt Service	-	-	-	7,791,465	7,791,465
Community Facilities Projects	-	-	18,657,030	-	18,657,030
Civic Center Projects	-	-	-	8,834,919	8,834,919
Redevelopment Low Income Housing	-	-	-	6,614,581	6,614,581
Vineyards Development Projects	-	-	-	1,609,033	1,609,033
Infrastructure Projects	-	-	-	6,484,371	6,484,371
Streets and Roadways	-	-	-	6,590,753	6,590,753
Drainage Projects	-	-	-	45,915	45,915
Parks and Trails	-	-	-	1,491,956	1,491,956
CIFP Projects	-	-	-	11,324,848	11,324,848
Sand Creek Widening - Phase II	-	-	-	400,634	400,634
Randy Way Improvements	-	-	-	4,457	4,457
Lighting and Landscaping Districts	-	-	-	4,017,120	4,017,120
Off Street Parking Facilities in Downtown	-	-	-	26,767	26,767
Agricultural/Farmland Mitigation	-	-	-	1,890,899	1,890,899
Fire Facilities	-	-	-	905,669	905,669
Arts Commission	-	-	-	6,551	6,551
Public Art	-	-	-	712,858	712,858
Developer Facility Fee Program	-	-	-	13,385	13,385
Drug Prevention Programs	-	-	-	103,296	103,296
Public Safety	-	-	-	136,374	136,374
Bicycle Safety	-	-	-	13,276	13,276
PEG Television Media	-	-	-	895,382	895,382
Total Restricted Fund Balances	-	-	18,657,030	59,914,509	78,571,539
Committed to:					
Village Community Resource Center	600,000	-	-	-	600,000
Infrastructure Projects	-	-	-	5,892	5,892
Public Nuisance Abatement	-	-	-	33,333	33,333
Community Facilities	-	-	-	567,614	567,614
Public Safety	-	-	-	16,800	16,800
Parks Maintenance	-	-	-	129,904	129,904
Streets and Roadways	-	-	-	2,273,592	2,273,592
Total Committed Fund Balances	600,000	-	-	3,027,135	3,627,135
Assigned to:					
Capital Projects	6,300,000	-	-	-	6,300,000
General Plan Update	1,000,000	-	-	-	1,000,000
Property Tax Assessment Refund	367,955	-	-	-	367,955
Total Assigned Fund Balances	7,667,955	-	-	-	7,667,955
Unassigned:	9,835,437	-	-	(2,550,292)	7,285,145
Total Fund Balances	$ 18,271,519	$ -	$ 18,657,030	$ 60,393,589	$ 97,322,138

NOTE # 3 – CASH AND INVESTMENTS

A. CASH AND DEPOSITS

The City of Brentwood maintains a cash investment pool that is available for all funds. The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by outside fiscal agents, under the provisions of bond indentures. Each fund type balance in the pool is reflected on the combined balance sheet as Cash and Investments.

The carrying amounts of the City's cash deposits were ($278,554) at June 30, 2011. The bank balance, before reconciling items, was $2,373,952. The bank balance is insured for up to $250,000 and is collateralized for up to 110%, with the collateral being held by a pledging financial institution in the City's name. The market value of the pledged securities must equal 110% as stated by California Government Code Section 53651, but the City may waive collateral requirements for cash deposits which are insured by the Federal Deposit Insurance Corporation (FDIC). The City's cash and investment balances are as follows:

Pooled Deposits:		
Demand Deposits	$	(278,554)
Petty Cash		8,290
Pooled Investments		232,496,956
Total Cash and Investments	$	232,226,692

Cash and investments appear on the financial statements as follows:

Cash and Investments		
Governmental Activities	$	114,008,558
Business-Type Activities		66,320,941
Fiduciary Funds		11,085,592
		191,415,091
Restricted Cash and Investments		
Governmental Activities		30,212,556
Business-Type Activities		3,975,181
Fiduciary Funds		6,623,864
		40,811,601
Total Cash and Investments	$	232,226,692

NOTE # 3 – CASH AND INVESTMENTS (Continued)

B. INVESTMENTS

The City apportions interest earnings to all funds based on their monthly cash balance in accordance with California Government Code Section 53635. The table below identifies the investment types authorized for the City by the City's investment policy, which is more restrictive than California Government Code 53635. The table also identifies certain provisions of the City's investment policy which address interest rate risk, credit risk and concentration of risk. This table includes permitted investments for the management of the City's cash. In addition, these guidelines are used for the investments of debt proceeds held by bond trustees, which are governed by the provision of the City's debt agreements.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	90 days	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Money Market Funds	N/A	15%	None
Mortgage Pass-Through Securities	5 years	20%	None
Local Agency Investment Fund (LAIF)	N/A	$50M/Account	$50M/Account
California Asset Management Program	N/A	N/A	N/A
Time Deposits	5 years	25%	None

* Excluding amounts held by bond trustee not subject to California Government code restrictions.

Credit Risk – The City's portfolio is comprised of the highest quality government and corporate securities. Consistent with City policy, over 79% of the rated portfolio consists of investments with Standard and Poor's two highest ratings. This percentage does not include U.S. Treasury Bonds/Notes, LAIF, Money Market Funds (MMF) or Guaranteed Investment Contracts (GICs), which are all unrated. Investments at June 30, 2011, held on behalf of the City are presented below, categorized separately to give an indication of the level of risk associated with each investment. Investments are reported at fair value.

NOTE # 3 – CASH AND INVESTMENTS *(Continued)*

	Fair Value	Credit Rating	% of Rated Portfolio
Medium Term Corporate Notes	$ 4,997,034	A	3%
Medium Term Corporate Notes	16,539,678	A+	9%
Medium Term Corporate Notes	4,409,136	AA-	2%
Medium Term Corporate Notes	2,388,778	AA	1%
Medium Term Corporate Notes	6,813,121	AA+	4%
Medium Term Corporate Notes	14,816,239	AAA	8%
Commercial Paper	10,128,468	A-1+	6%
Federal Agency Bonds / Notes	95,343,707	AAA	53%
Certificates of Deposit	4,841,318	A-1+	3%
Certificates of Deposit	4,803,662	AA-	3%
Money Market Mutual Funds	338,151	AAAm	1%
California Asset Management Program	12,931,663	AAAm	7%
Total Rated Investments	178,350,955		
U.S. Treasury Bonds / Notes	38,932,148	Not Rated	
Local Agency Investment Fund	9,944,648	Not Rated	
Money Market Funds	4,363,967	Not Rated	
Guaranteed Investment Contracts	905,238	Not Rated	
Total Unrated Investments	54,146,001		
Total Investments	$ 232,496,956		

On August 5, 2011, Standard & Poor's Ratings Services (S&P) lowered its long-term credit rating on the United States of America from AAA to AA+. At the same time, S&P affirmed its A-1+ short-term rating on the United States of America.

On August 8, 2011, S&P lowered its issuer credit ratings and related issue ratings on ten of twelve Federal Home Loan Banks (FHLBs) and the senior debt issued by the FHLB System from AAA to AA+. S&P also lowered the ratings on the senior debt issued by the Federal Farm Credit Banks (FFCB) from AAA to AA+, and lowered the senior issue ratings on Fannie Mae (FNMA) and Freddie Mac (FHLMC) from AAA to AA+. The A subordinated debt rating and the C rating on the preferred stock of these entities remained unchanged. Finally, S&P affirmed the short-term issue ratings for these entities at A-1+. As of June 30, 2011, the City's investments in these agencies that were subject to the downgrade were as follows: FHLB $2,077,714, FNMA $40,719,629 and FHLMC $52,546,364.

NOTE # 3 – CASH AND INVESTMENTS (Continued)

On August 8, 2011, S&P also lowered the ratings on 126 Federal Deposit Insurance Corporation-guaranteed debt issues from thirty financial institutions that are under the Temporary Liquidity Guarantee Program (TLGP), and four National Credit Union Association-guaranteed debt issues from two corporate credit unions under the Temporary Corporate Credit Union Guarantee Program (TCCUGP) from AAA to AA+. As of June 30, 2011, the City's investments in these institutions that were subject to the downgrade were as follows: Morgan Stanley $5,237,330 divested in July 2011and Citigroup Inc. $2,548,419 divested in August 2011.

Concentration of Credit Risk – The City's investment policy contains no limitations on the amount the City may invest in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer, other than U.S. Treasury securities, mutual funds or external investment pools, which represent 5% or more of the City's total investments, are shown below:

Issuers*	Fair Value	% of Portfolio
Federal Home Loan Mortgage Corp.	$ 52,546,364	22.60
Federal National Mortgage Association	40,719,629	17.51

* Excludes LAIF, MMMF and U.S. Treasury Securities

Investments in any one issuer, other than the U.S. Treasury securities, mutual funds or external investment pool, which represent 5% or more of non-major fund investments, are shown below:

Issuers*	Type of Investment	Fair Value
U.S. Bank N.A.	Commercial Paper	$ 10,128,468

* Excludes LAIF, MMMF and U.S. Treasury Securities

NOTE # 3 – CASH AND INVESTMENTS (Continued)

Interest Rate Risk – The City's investment policy limits the investment portfolio to maturities of less than five years as a means of limiting exposure to fair value losses arising from interest rates. Currently, 73% of the investment portfolio is concentrated in the 0 to 2 year maturity range.

Investment Maturities

	Fair Value *	0-6 mos**	6-12 mos.	1-2 years	2-3 years	% of Portfolio
U.S. Treasury Notes/Bonds/Bills	$ 38,932,148	$ -	$ 26,478,582	$ 5,712,346	$ 6,741,220	16.75
Commercial Paper	10,128,468	10,128,468	-	-	-	4.36
Medium-Term Corporate Notes	42,178,237	-	-	8,703,014	33,475,223	18.14
Federal Agency Bonds/Notes**	95,343,707	2,153,528	11,853,904	59,332,624	22,003,651	41.00
Corporate Securities (FDIC Insured)	7,785,749	-	7,785,749	-	-	3.34
Certificate of Deposit	9,644,980	4,841,318	-	4,803,662	-	4.15
Local Agency Investment Funds	9,944,648	9,944,648	-	-	-	4.28
California Asset Management Program	12,931,663	12,931,663	-	-	-	5.56
Money Market Mutual Funds	338,151	338,151	-	-	-	0.15
Money Market Funds	4,363,967	4,363,967	-	-	-	1.88
Guaranteed Investments Contracts	905,238	905,238	-	-	-	0.39
Totals	$ 232,496,956	$ 45,606,981	$ 46,118,235	$ 78,551,646	$ 62,220,094	
% of Portfolio		19.62	19.84	33.79	26.76	100.00

*Fair Value includes accrued interest

**Callable Securities are reported at either 0-6 months or the earliest call date

Custodial Credit Risk – Investments – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities which are in possession of another party. The California Government Code does not contain legal or policy requirements limiting the exposure to custodial credit risk. The City's investment policy requires the assets of the City be secured through the third party custody and safekeeping procedures. Bearer instruments shall be held only through third party institutions. Collateralized securities, such as repurchase agreements, shall be purchased using the delivery vs. payment procedure.

C. INVESTMENT IN STATE TREASURER'S POOL

LAIF is an external investment pool sponsored by the State of California authorized under Section 16429.1, 2 and 3 of the California Government code. The fund is a voluntary program, created by statute, as an investment alternative for California local governments and special districts. The fund is administered by the California State Treasurer. The City is a voluntary participant in the investment pool. The management of LAIF has indicated to the City that as of June 30, 2011, the amortized cost of the pool was $66,384,617,119. The fair value was $66,489,270,508. The City deposits excess cash in LAIF, which is not required to be categorized. The fair value for these deposits was provided by the pool sponsor.

NOTE # 3 – CASH AND INVESTMENTS (Continued)

D. CALIFORNIA ASSET MANAGEMENT PROGRAM

The City is a participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the "Trust"). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of its Participants to invest certain proceeds of debt issues and surplus funds. The Pool's investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code. The City reports its investments in CAMP at the fair market value amounts provided by CAMP, which is the same as the value of the pool share. At June 30, 2011 the fair market value approximated the City's cost.

E. CASH AND INVESTMENTS WITH FISCAL AGENT

The City has monies held by trustees or fiscal agents pledged to the payment or security of certain bonds and lease obligations, plus monies held by a third-party administrator of the City's Housing Rental Program. The City has also set up escrow bank accounts to hold retention payments due to certain contractors. These monies appear on the financial statements as Restricted Cash and Investments. The California Government Code provides that these monies, in the absence of specific statutory provisions governing the issuance of bonds, certificates or leases, may be invested by trustees or fiscal agents in accordance with the ordinances, resolutions or indentures specifying the types of investments allowed.

F. FAIR VALUE OF INVESTMENTS

Methods and assumptions used to estimate fair value:

- The City maintains investment accounting records on a cost basis and adjusts those records to "fair value" on an annual basis.
- The Fund investment custodians provide fair values on each investment instrument on a monthly basis.
- The investments held by the Fund are widely traded in the financial markets and trading values are readily available from numerous published sources.
- The Fund has elected to report its money market investments (those investments with maturities of less than one year) at amortized cost adjusted to market value on a yearly basis.

The City holds an investment in LAIF which is subject to being adjusted to "fair value". The City is required to disclose its methods and assumptions used to estimate the market value of its holdings in LAIF. The City relied upon information provided by the State Treasurer in estimating the City's fair value position of its holding in LAIF. The City had a contractual withdrawal value of $9,944,648, whose pro-rata share of fair value was estimated by the State Treasurer to be $9,960,326. The fair value change in this investment for the year came to an amount that was not material for presentation in the financial statements.

NOTE # 4 – ACCOUNTS, NOTES AND LOANS RECEIVABLE

Receivables at June 30, 2011 were comprised of the following:

	Taxes	Accounts	Inter-Governmental	Interest	Utilities	Loans	Total Receivables
Governmental Activities:							
General Fund	$ 70,266	$ 1,115,245	$ -	$ 2,003	$ -	$ -	$ 1,187,514
Internal Services	-	50,804	-	2,246	-	-	53,050
Special Revenue	-	342,810	11,316	1,592	-	3,950,938 (1)	4,306,656
Debt Service	-	-	-	129	-	-	129
Capital Projects	-	264,544	-	3,226	-	-	267,770
Total Governmental Activities	$ 70,266	$ 1,773,403	$ 11,316	$ 9,196	$ -	$ 3,950,938	$ 5,815,119
Business - Type Activities:							
Wastewater	$ -	$ 127,999	$ -	$ 2,004	$ 1,381,599	$ -	$ 1,511,602
Solid Waste	-	49,557	-	980	1,570,090	-	1,620,627
Water	-	346,537	-	1,472	1,958,702	117,000	2,423,711
City Rentals	-	21,234	-	-	-	-	21,234
Housing	-	23,058	-	567	-	4,466,226 (1)	4,489,851
Total Business-Type Actvities	$ -	$ 568,385	$ -	$ 5,023	$ 4,910,391	$ 4,583,226	$ 10,067,025

(1) Does not include reservation for Loans expected to be forgiven discussed below.

NOTE # 4 – ACCOUNTS, NOTES AND LOANS RECEIVABLE *(Continued)*

Notes and Loans Receivable at June 30, 2011 were comprised of the following:

Government - Type Activities:	
PEG Media	$ 100,000
Loans under Redevelopment Agency Programs (including interest)	3,850,938
Subtotal Governmental Funds	3,950,938
Less: Reservation for Loans Expected to be Forgiven	3,850,938
Net Notes and Loans Receivable	$ 100,000
Business - Type Activities:	
Diablo Water District	$ 117,000
Down Payment Assistance and GAP Loans	1,097,611
Loans under Affordable Housing In Lieu (including interest)	1,756,000
Vineyards Affordable Housing	1,612,615
Subtotal Business - Type Activities	4,583,226
Less: Reservation for Loans Expected to be Forgiven	1,756,000
Net Notes and Loans Receivable	$ 2,827,226

PEG Media – On February 23, 2005, the City entered into a franchise agreement with Comcast of California IV. This agreement calls for Comcast to provide the City with $850,000 of Public, Education and Government (PEG) capital funding over an eight year period. The City has received $750,000 in funding through June 30, 2011. The remaining $100,000 is due during the 2012/13 fiscal year, provided there are at least 11,000 subscribers in the City.

Diablo Water District – On October 25, 2000, the City entered into an agreement with Diablo Water District for reimbursement of the construction of facilities. The agreement calls for Diablo Water District to reimburse the City a total of $351,000, with annual payments of $58,500 beginning in fiscal year 2007/08 and the final payment due during the 2012/13 fiscal year. The remaining balance owed to the City is $117,000, with $58,500 due within one year.

Down Payment Assistance and GAP Loans – The City has established a first time homebuyers Down Payment Assistance Program (DAP) for the benefit of first time homebuyers in the City of Brentwood who earn up to 120% of the area median income. The loans are due in 30 years or upon a change in ownership of the property. The loans may be prepaid at any time without penalty. The interest rate is dependent upon the length of time the loan exists. Loans closed in less than three years accrue interest at seven percent, loans closed between three and ten years accrue interest at five percent and loans held longer than ten years accrue interest at three percent. The City has also established a first time homebuyers Gap Assistance Program (GAP) to facilitate the purchase of below market rate units from the City's Affordable Housing Program for first time

NOTE # 4 – ACCOUNTS, NOTES AND LOANS RECEIVABLE (Continued)

homebuyers. The maximum GAP loan amount is $35,000. The GAP loans are due in 30 years or upon a change in ownership of the property. The interest rate is set at three percent, simple interest. The City is currently owed $1,097,611, including interest, under the DAP and GAP loan programs.

Vineyards Affordable Housing – In June 2004, the City of Brentwood and The Vineyards at Marsh Creek, LLC (Vineyards) entered into a Development Agreement. Part of the agreement included the obligation to provide moderate and low-income dwelling units. Through a series of agreements, Brentwood Commercial assumed the obligation to provide 98 moderate-income dwelling units and 20 low-income dwelling units. Brentwood Commercial elected to pay the in lieu fees as opposed to constructing dwelling units with affordability restrictions. The receivable amount at June 30, 2011 was $1,612,615.

Loans Under the Redevelopment Agency and the City's Affordable Housing In Lieu Programs – The City and the Brentwood Redevelopment Agency ("Agency") entered into the loan programs shown below to improve the quality and availability of affordable housing. Loans under the Agency and the City's Affordable Housing In Lieu programs provide for the eventual forgiveness of the loan balances if the borrower complies with all the terms of the loan over its full term. The loans are accounted for as conditional grants in the entity-wide financial statements and provide a reserve against their eventual forgiveness. These loans were comprised of the following at June 30, 2011:

Government - Type Activities:	
Brentwood/202 Senior Housing, Inc.	$ 314,550
Christian Church Homes Sycamore II	930,345
Eden Housing	118,125
Mercy Housing	1,631,000
Brentwood Senior Commons	400,000
Brentwood Green Valley	456,918
Subtotal Loans under Redevlopment Agency Programs	3,850,938
Less: Reservation for Loans Expected to be Forgiven	3,850,938
Net Notes and Loans Receivable	$ -
Business - Type Activities:	
Eden Housing	$ 1,057,000
Mercy Housing	699,000
Subtotal Loans under Affordable Housing In Lieu	1,756,000
Less: Reservation for Loans Expected to be Forgiven	1,756,000
Net Notes and Loans Receivable	$ -

NOTE # 4 – ACCOUNTS, NOTES AND LOANS RECEIVABLE (Continued)

Brentwood/202 Senior Housing, Inc. – In April 1996, the Agency loaned Brentwood/202 Senior Housing, Inc., a California nonprofit public benefit corporation, $314,550 to assist in the financing of the construction of a 40-unit senior housing project. The principal sum of the note will not bear interest. The outstanding principal due under this note will be due and payable in full, forty years from the date of recording the Deed of Trust or upon an event of default. In the event there has been no event of default that has not been cured, the Agency shall forgive the outstanding principal balance due on the maturity date. The balance at June 30, 2011 was $314,550.

Christian Church Homes Sycamore II – In June 2003, the Agency entered into a note with Christian Church Homes of Northern California, in the amount of $530,722, to construct 40 units of very low-income senior rental housing. The note is a 3% per annum simple interest, 55-year loan. In July 2004, a new note was executed with Sycamore Place II Senior Housing Corporation which amended, superseded and replaced in its entirety the original note of $530,722. This new note, in the amount of $755,722, is secured by a Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing. The principal sum of this note will bear 3% per annum, simple interest. All principal, and all accrued and unpaid interest, shall be due and payable in full no later than June 27, 2058 or upon default. As of June 30, 2011, principal and accrued interest total $930,345. There is a reasonable expectation that this note will be forgiven upon successful completion of the terms and conditions of the note, and as such, a reservation for forgiveness of the note has been included in these financial statements.

Eden Housing – The City of Brentwood Affordable Housing and the Agency entered into two notes with Eden Housing, Inc. for the development of Brentwood City Commons, an 80-unit very-low and extremely-low income senior apartment project in the amounts of $900,000 and $100,000 respectively. The notes are secured by Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing. The notes are 3% simple interest per annum, 55-year loans unless event of default occurs. As of June 30, 2011, principal and accrued interest for both notes total $1,175,125. There is a reasonable expectation that these notes will be forgiven upon successful completion of the terms and conditions of the notes, and as such, a reservation for forgiveness of the notes has been included in these financial statements.

Mercy Housing – In May 2006, the City of Brentwood Affordable Housing and the Agency entered into two notes with Mercy Housing, Inc., in the amounts of $600,000 and $1,400,000, in order to develop 94 affordable apartments for extremely low or very low-income households at an affordable rent as set forth in the Affordable Housing Covenant. So long as Mercy Housing, Inc. owns and operates the project in compliance with the Affordable Housing Covenant, and the agreement is not in default under these notes, no payments shall be due. The entire outstanding unpaid principal and interest of the notes shall be due and payable in full upon either the earlier of the 55-years after the closing of the notes or December 31, 2063. The notes shall bear interest at 3% per annum from the date of disbursement. As of June 30, 2011, the principal and accrued interest due for both notes total $2,330,000. There is a reasonable expectation that these notes will be forgiven upon successful completion of the terms and conditions of the notes, and as such, a reservation for forgiveness of the notes has been included in these financial statements.

NOTE # 4 – ACCOUNTS, NOTES AND LOANS RECEIVABLE *(Continued)*

Brentwood Senior Commons – In November 2010, the Brentwood Redevelopment Agency entered into a Loan Agreement with Brentwood Senior Commons, L.P. in the amount of $400,000 to provide funding for a portion of elevator improvements within the Brentwood Senior Commons project. This note shall bear zero (0%) interest unless there is a default in the conditions of the note. So long as Brentwood Senior Commons owns and operates the project in compliance with the Affordable Housing Covenant no payments shall be due and the entire outstanding principal and interest, if any due to default, shall be due and payable in full on January 25, 2060. On the maturity date the Brentwood Redevelopment Agency may, in its sole discretion, forgive the repayment of all or part of the Loan. As of June 30, 2011, the principal due totaled $400,000. There is a reasonable expectation that this note will be forgiven upon successful completion of the terms and conditions of the note, and as such, a reservation for forgiveness of the note has been included in these financial statements.

Brentwood Green Valley – In January 2011, the Brentwood Redevelopment Agency entered into a Loan Agreement with Brentwood Green Valley Associates in the amount of $1,258,886 to provide funds to repair and rehabilitate Green Valley Apartments, a 28-unit, extremely-low and very-low income, multi-family project. The loan shall be disbursed in two payments in accordance with the loan agreement. As of June 30, 2011, $458,886 has been disbursed to Brentwood Green Valley Associates. This note shall bear simple interest at a rate of 3% per annum from the date of disbursement. So long as Brentwood Green Valley owns and operates the project in compliance with the Affordable Housing Covenant and the agreement and is not in default under the note, the Brentwood Redevelopment Agency shall forgive the outstanding principal balance of this note on a per annum basis, prorated for partial years, in an amount equal to 1.82% of the original principal amount of this note (55 year amortization). In addition, all accrued but unpaid interest is forgiven so long as the note is not in default. As of June 30, 2011, the principal and accrued interest due for both Notes, before the forgiveness, totaled $462,130. Per the terms of the note, $1,968 of the principal and $3,244 of the interest were forgiven at June 30, 2011. The remaining balance at June 30, 2011 totaled $456,918. There is a reasonable expectation that this note will be forgiven upon successful completion of the terms and conditions of the note, and as such, a reservation for forgiveness of the note has been included in these financial statements.

NOTE # 5 – CAPITAL ASSETS

In accordance with GASB Statement No. 34, the City has reported all capital assets, including infrastructure, in the Government-Wide Statement of Net Assets. Capital assets of the primary government as of June 30, 2011 are as follows:

	Balance July 1, 2010	Increases	Decreases	Transfers	Balance June 30, 2011
Governmental Activities:					
Capital Assets, Not Being Depreciated or Amortized:					
Land	$ 34,054,471	$ 1,327,129	$ -	$ 1,067,927	$ 36,449,527
Work in Progress - CIP	25,100,251	28,347,883	(2,470,404)	(3,033,019)	47,944,711
Total Capital Assets, Not Being Depreciated or Amortized	59,154,722	29,675,012	(2,470,404)	(1,965,092)	84,394,238
Capital Assets, Being Depreciated and Amortized:					
Intangible Assets	6,258,156	-	-	-	6,258,156
Buildings	18,696,020	-	-	88,344	18,784,364
Infrastructure	380,106,366	10,317,642	-	437,440	390,861,448
Machinery and Equipment	4,405,861	49,246	(162,889)	1,216,601	5,508,819
Vehicles	7,340,111	867,108	(446,088)	-	7,761,131
Land Improvements	27,108,975	-	-	222,707	27,331,682
Total Capital Assets Being Depreciated and Amortized	443,915,489	11,233,996	(608,977)	1,965,092	456,505,600
Less Accumulated Depreciation and Amortization for:					
Intangible Assets	496,134	96,279	-	-	592,413
Buildings	2,464,097	373,075	-	-	2,837,172
Infrastructure	53,979,984	5,847,790	-	-	59,827,774
Machinery and Equipment	2,180,209	304,439	(157,737)	-	2,326,911
Vehicles	4,481,996	622,178	(446,088)	-	4,658,086
Land Improvements	1,771,896	513,188	-	-	2,285,084
Total Accumulated Depreciation and Amortization	65,374,316	7,756,949	(603,825)	-	72,527,440
Total Capital Assets, Being Depreciated and Amortized, Net	378,541,173	3,477,047	(5,152)	1,965,092	383,978,160
Governmental Activities Capital Assets, Net	$ 437,695,895	$ 33,152,059	$ (2,475,556)	$ -	$ 468,372,398
Business-Type Activities:					
Capital Assets, Not Being Depreciated or Amortized:					
Land	$ 2,034,202	$ -	$ -	$ -	$ 2,034,202
Work in Progress - CIP	2,761,387	1,612,548	-	(747,836)	3,626,099
Total Capital Assets, Not Being Depreciated or Amortized	4,795,589	1,612,548	-	(747,836)	5,660,301
Capital Assets, Being Depreciated and Amortized:					
Intangible Assets	10,597,532	-	-	-	10,597,532
Buildings	24,813,632	-	-	-	24,813,632
Infrastructure	215,717,103	2,480,190	-	523,836	218,721,129
Machinery and Equipment	1,155,185	-	(21,985)	-	1,133,200
Land Improvements	10,701,186	-	-	224,000	10,925,186
Total Capital Assets Being Depreciated and Amortized	262,984,638	2,480,190	(21,985)	747,836	266,190,679
Less Accumulated Depreciation and Amortization for:					
Intangible Assets	1,592,692	259,193	-	-	1,851,885
Buildings	3,218,818	495,203	-	-	3,714,021
Infrastructure	22,625,592	3,333,350	-	-	25,958,942
Machinery and Equipment	812,292	81,185	(21,985)	-	871,492
Land Improvements	1,049,014	248,459	-	-	1,297,473
Total Accumulated Depreciation and Amortization	29,298,408	4,417,390	(21,985)	-	33,693,813
Total Capital Assets, Being Depreciated and Amortized, Net	233,686,230	(1,937,200)	-	747,836	232,496,866
Business-Type Activities Capital Assets, Net	$ 238,481,819	$ (324,652)	$ -	$ -	$ 238,157,167

NOTE # 5 – CAPITAL ASSETS (Continued)

For the year ended June 30, 2011, depreciation and amortization expense on capital assets was charged to the governmental function as follows:

Governmental Activities:		
General Government	$	281,982
Public Safety		326,245
Community Development		21,648
Public Works		4,916,075
Parks and Recreation		1,352,881
Internal Service		858,118
Total Depreciation and Amortization Expense - Governmental Activities	**$**	**7,756,949**
Business-Type Activities:		
Wastewater	$	1,464,398
Solid Waste		70,903
Water		2,850,758
Housing		31,331
Total Depreciation and Amortization Expense - Business-Type Activities	**$**	**4,417,390**

A. Intangible Assets

i. <u>Water Rights</u>

In an agreement between the City of Brentwood and the Contra Costa Water District (CCWD), dated February 29, 2000, the City is obligated to reimburse CCWD $597,532 as a buy-down cost per acre foot of water. The City capitalized this expenditure as of June 30, 2001 and will amortize the expense over 65 years.

In an amendatory agreement between Brentwood and CCWD, dated September 24, 2003, the City purchased the treatment capacity right of up to 3,200 acre feet of water per year, from the Randall-Bold Water Treatment Plant, for $10,000,000. The City capitalized this expenditure as of June 30, 2004 and will amortize the expense over 40 years. The capacity right doesn't confer title or ownership of the facility, but merely reserves capacity in the facility.

***NOTE # 5 – CAPITAL ASSETS** (Continued)*

ii. <u>Joint Use Facilities</u>

The governing bodies of the City, Liberty Union High School District (LUHSD) and Brentwood Union School District (BUSD) have recognized the public need for additional facilities. As a result of these cooperative efforts, the City has made contributions to these school districts relating to the joint use of these facilities. The City has capitalized these expenditures and will amortize the expense over 65 years.

- As of June 30, 1993, $513,156 for the BUSD Gym located at Bristow Middle School.
- As of June 30, 2002, $1,000,000 for the BUSD Gym located at Edna Hill Middle School.
- As of June 30, 2003, $650,000 for the LUHSD Gym located at Liberty High School.
- As of June 30, 2005, $95,000 for the LUHSD Ball Fields located at Liberty High School.
- As of June 30, 2005, $2,500,000 for the LUHSD Community Pool and Gym located at Heritage High School.
- As of June 30, 2009, $1,500,000 for the BUSD Gym located at Adams Middle School.

NOTE # 6 – LONG-TERM OBLIGATIONS

The following summarizes changes in long-term debt obligations during the year:

A. GOVERNMENTAL ACTIVITIES

	Balance June 30, 2010	Additions	Payments Adjustments	Balance June 30, 2011	Amounts Due Within One Year
Bonds					
2002 General Obligation Bonds	$ 6,534,783	$ 239,257 [1]	$ (230,000)	$ 6,544,040	$ 260,000
CIP 2001 Revenue Bonds	26,890,000	-	(780,000)	26,110,000	815,000
Civic Center Project Lease Revenue Bonds	48,000,000	-	-	48,000,000	-
Total Bonds	81,424,783	239,257	(1,010,000)	80,654,040	1,075,000
Notes Payable					
Village Community Resource Center	75,407	-	(75,407)	-	-
Total Notes Payable	75,407	-	(75,407)	-	-
Other					
Net OPEB Obligation	3,947,325	2,119,258	-	6,066,583	-
Accumulated Compensated Absences	1,196,884	1,561,737	(1,533,438)	1,225,183	735,110
Total Other	5,144,209	3,680,995	(1,533,438)	7,291,766	735,110
Total General Long-Term Debt	$ 86,644,399	$ 3,920,252	$ (2,618,845)	$ 87,945,806	$ 1,810,110

(1) Accreted Interest

NOTE # 6 – LONG-TERM OBLIGATIONS (Continued)

i. Bonds

- **2002 General Obligation Bonds**

On February 28, 2002, the City issued $5,999,976 in General Obligation Bonds, Series 2002 to finance the construction, acquisition and improvement of a new police station. Total annual debt service payments, including interest at 3.625 percent to 5.68 percent, range from $208,666 to $925,000. The 2002 General Obligation Bond shall increase in value by the accumulation of earned interest from its initial denominational (principal) amount with such interest compounded semiannually on January 1st and July 1st.

Year Ending June 30	Principal	Interest	Total
2012	$ 260,000	$ 107,825	$ 367,825
2013	290,000	94,825	384,825
2014	325,000	80,325	405,325
2015	360,000	63,262	423,262
2016	400,000	44,363	444,363
2017-2021	1,258,872	1,324,490	2,583,362
2022-2026	949,822	2,340,178	3,290,000
2027-2031	911,282	3,293,718	4,205,000
Sub-total	4,754,976	$ 7,348,986	$ 12,103,962
Accretion to date	1,789,064		
	$ 6,544,040		

NOTE # 6 – LONG-TERM OBLIGATIONS (Continued)

- **CIP 2001 Revenue Bonds**

On September 27, 2001, the Brentwood Infrastructure Financing Authority ("Authority") issued $32,080,000 in Brentwood Capital Improvement Revenue Bonds, Series 2001 to: 1) finance the refund of the CIP Bonds under a Facilities Lease, 2) refund a series of tax allocation bonds issued by the Brentwood Redevelopment Agency ("Agency") and 3) finance Redevelopment projects. Total annual debt service payments, including interest at 3.00 percent to 5.375 percent, range from $1,684,500 to $2,105,294.

The Agency has pledged future tax increment revenues, less amounts required to be set aside in the Low Income Housing Fund, for the repayment of a portion of the bonds. The pledge of future tax increment revenues ends upon repayment of $28,492,803 remaining debt service on the bonds. The repayment of the debt service is scheduled to occur in 2032. For fiscal year 2011, tax increment revenue amounted to $4,674,469, which represented coverage of 3.42 times $1,365,769 of the Agency's debt service. The remaining portion of the bonds is repayable from any source of available funds of the City.

Year Ending June 30	Principal	Interest	Total
2012	$ 815,000	$ 1,269,453	$ 2,084,453
2013	850,000	1,234,581	2,084,581
2014	880,000	1,196,719	2,076,719
2015	925,000	1,156,106	2,081,106
2016	970,000	1,113,469	2,083,469
2017-2021	5,555,000	4,795,828	10,350,828
2022-2026	7,160,000	3,168,750	10,328,750
2027-2031	7,350,000	1,314,250	8,664,250
2032	1,605,000	40,125	1,645,125
Total	$ 26,110,000	$ 15,289,281	$ 41,399,281

***NOTE # 6 – LONG-TERM OBLIGATIONS** (Continued)*

- **Civic Center Project Lease Revenue Bond**

On October 16, 2009, the Authority issued $48,000,000 in Civic Center Project Lease Revenue Bonds, Series 2009A $4,055,000 and Taxable Series 2009B $43,945,000 to finance the construction of a new City Hall, new Community Center, new Senior Center, plus library improvements and other public capital improvements. Total annual debt service payments, including interest at 3.00 percent to 7.647 percent (prior to Federal interest rebates relating to the 2009B portion of the bonds as described below), range from $3,130,976 to $4,350,204.

The Civic Center Project Lease Revenue Bonds, Series 2009A&B, are secured by a lien on and pledge of revenues under the Trust Agreement. "Revenues" means all amounts received by the Trustee as payment on principal and interest. The City's revenue sources, as described in the Official Statement, are from the Agency which has pledged payments pursuant to the reimbursement agreement, pledged payments from the Community Facilities Districts (CFD) local obligations and pledged payments from the CIFP revenues. However, should these revenue sources not be sufficient to cover the principal and interest payments due in any year, the City is obligated under the facilities lease to pay such shortfall from the General Fund.

The taxable portion of the 2009B bonds were sold as "Build America Bonds" pursuant to the American Recovery and Reinvestment Act of 2009. The interest on Build America Bonds is not tax-exempt and therefore the bonds carry a higher interest rate. However, this higher interest rate will be offset by a subsidy payable by the United States Treasury to the Authority or its designee equal to 35 percent of the interest payable on the bonds. Such subsidy will be payable on or about the date the City makes its debt service payments and the total subsidy received in fiscal year 2010/11 was $1,128,822.

Year Ending June 30	Principal	Interest	Total
2012	$ -	$ 3,374,704	$ 3,374,704
2013	625,000	3,365,329	3,990,329
2014	645,000	3,346,279	3,991,279
2015	665,000	3,323,305	3,988,305
2016	1,040,000	3,289,204	4,329,204
2017-2021	5,855,000	15,572,715	21,427,715
2022-2026	7,195,000	13,475,826	20,670,826
2027-2031	9,045,000	10,527,394	19,572,394
2032-2036	11,495,000	6,654,993	18,149,993
2037-2039	11,435,000	1,801,824	13,236,824
Total	$ 48,000,000	$ 64,731,573	$ 112,731,573

NOTE # 6 – LONG-TERM OBLIGATIONS *(Continued)*

ii. Notes Payable

- **Village Community Resource Center**

  On July 1, 2004, the City entered into an agreement with Village Community Resource Center (VCRC) whereby the City committed to a seven year funding program totaling $801,134, with an interest rate of zero percent per annum, enabling the VCRC to: 1) develop a social center and 2) help the VCRC become a self-sufficient agency. The final annual payment of $75,407 was made in fiscal year 2010/11.

iii. Net OPEB Obligation

Those individual governmental funds which provide for employee personnel costs (primarily the General Fund) will be responsible for liquidating their respective shares of the Net OPEB Obligation. Details regarding the City's Net OPEB Obligation can be found in Note 11, Post-Retirement Health Care Benefits, on pages 77 – 80.

iv. Accumulated Compensated Absences

The long-term compensated absences balances as of June 30, 2011 were:

Governmental	$ 490,073
Business-Type	$ 129,360

NOTE # 6 – LONG-TERM OBLIGATIONS *(Continued)*

B. BUSINESS-TYPE ACTIVITIES

	Balance June 30, 2010	Additions	Payments Adjustments	Balance June 30, 2011	Amounts Due Within One Year
Bonds					
Water Revenue Bond 2008	$ 52,500,000	$ -	$ (300,000)	$ 52,200,000	$ 1,100,000
Total Bonds	52,500,000	-	(300,000)	52,200,000	1,100,000
Notes Payable					
CCWD Water Connection Fee	7,432,445	-	-	7,432,445	-
State Water Resources Loan (Wastewater)	26,224,698	-	(1,807,912)	24,416,786	1,840,547
Total Notes Payable	33,657,143	-	(1,807,912)	31,849,231	1,840,547
Other					
Net OPEB Obligation	1,151,175	751,742	-	1,902,917	-
Accumulated Compensated Absences	297,585	491,572	(465,756)	323,401	194,041
Total Other	1,448,760	1,243,314	(465,756)	2,226,318	194,041
Total All Business-Type Funds	$ 87,605,903	$ 1,243,314	$ (2,573,668)	$ 86,275,549	$ 3,134,588

***NOTE # 6 – LONG-TERM OBLIGATIONS** (Continued)*

i. Bonds

- **Water Revenue Bonds**

On November 13, 2008, the City issued $53,200,000 in Water Revenue Bonds, with interest rates ranging from 4.5 to 5.5 percent, due July 1, 2038. The balance at June 30, 2011 is $52,200,000. Future payments for these bonds are as follows:

Year Ending June 30	Principal	Interest	Total
2012	$ 1,100,000	$ 2,889,262	$ 3,989,262
2013	1,145,000	2,839,763	3,984,763
2014	1,200,000	2,788,237	3,988,237
2015	1,255,000	2,728,238	3,983,238
2016	1,320,000	2,665,488	3,983,238
2017-2021	7,750,000	12,173,288	19,923,175
2022-2026	10,150,000	9,771,800	19,926,175
2027-2031	9,575,000	7,040,500	17,274,000
2032-2036	12,595,000	4,010,338	16,605,163
2037-2038	6,110,000	531,875	9,964,775
Total	$ 52,200,000	$ 47,438,789	$ 99,638,789

The City has pledged future water customer revenues, net of specified operating expenses, through 2038 to repay the Water Revenue Bonds. The bond covenants require the net water revenues to exceed 1.25 times coverage of the annual principal and interest payments on the bonds. The Water Fund's total principal and interest remaining to be paid on the bonds is $99,638,789. The Water Fund's principal and interest paid for the current year was $3,202,762 and the total customer net revenues paid for the current year was $5,081,091.

NOTE # 6 – LONG-TERM OBLIGATIONS (Continued)

ii. Notes Payable

- **CCWD – Water Connection Fee**

On February 29, 2000, the City entered into an agreement with CCWD to pay all water connection fees for Brentwood's customers residing within CCWD's Los Vaqueros Service Area. The City would pay annually for its actual and anticipated future connections for a period of 20 years. The minimum amount required per year was 239 connections, for a total of 4,780 connections, over 20 years. The established rate, at June 30, 2011, was $3,433 per connection, with an interest rate of zero percent per annum. This agreement was entered into in anticipation of the expansion of the Urban Limit Line (ULL), and thus the City limits, into the Los Vaqueros Service Area, and the resulting development of this area.

Since the 2000 agreement was approved, two major events occurred – the ULL expansion wasn't approved by voters and the unexpected downturn in the housing market – which have resulted in an uncertainty regarding when the Los Vaqueros Service Area will be developed. Due to this uncertainty, the City and CCWD decided it was in their best interest to amend the Agreement to account for this uncertainty. Therefore, on July 31, 2009, the City executed an amendment to the CCWD agreement. The primary modification is the timing and method of payment. Instead of paying for a predetermined, equal number of units annually, the City will pay for the units as they are constructed. The City and CCWD will true-up over a two year period, which will make up the difference between the number of existing residential units and the number of residential units paid for to date. The amendment agreement required the City to pay $750,000 in fiscal year 2008/09 and $842,912 in fiscal year 2009/10. There were no fees paid in fiscal year 2010/11. Forecasting the annual payments beyond 2010/11 is uncertain as any new connection fees related to the Los Vaqueros Service area will be paid as homes are built.

NOTE # 6 – LONG-TERM OBLIGATIONS (Continued)

- **State Water Resources Loan (Wastewater)**

In December 2000, the City entered into a loan contract with the State of California's State Water Resources Control Board for the purpose of financing the Wastewater Treatment Plant 5MGD Expansion project. Under the terms of the contract, the City has agreed to repay the State $45,580,886 in exchange for receiving $37,983,920 in proceeds used to fund the project. The difference between the repayment obligation and proceeds amounted to $7,596,966 upon issue and represents in-substance interest on the outstanding balance. This in-substance interest amount has been recorded as a discount on debt at an imputed yield of 1.81% per year and is being amortized over the remaining life of the contract. As of June 30, 2011, the City's gross repayment obligation totaled $27,375,540 and is being reported in the accompanying financial statement net of the unamortized discount of $2,958,754. During fiscal year 2010/11, the City repaid $1,807,912 on the obligation and amortized $473,383 of the discount which was reported as interest expense.

Year Ending June 30	Principal	Interest	Total
2012	$ 1,840,547	$ 440,748	$ 2,281,295
2013	1,873,771	407,524	2,281,295
2014	1,907,594	373,701	2,281,295
2015	1,942,028	339,267	2,281,295
2016	1,977,084	304,211	2,281,295
2017-2021	10,433,804	972,671	11,406,475
2022-2023	4,441,958	120,632	4,562,590
Total	$ 24,416,786	$ 2,958,754	$ 27,375,540

NOTE # 7 – SPECIAL ASSESSMENT DISTRICTS (No City Liability)

The following issues of Special Assessment District Bonds, issued pursuant to the Municipal Improvement Act of 1915, are not reported in long-term debt. These are special obligations payable from, and secured by, specific revenue sources described in the bond resolutions and official statements of the respective issues. The City is the collecting and paying agent for the debt issued by these districts, but neither the faith and credit nor the taxing power of the City, the State of California or any political subdivision thereof is pledged for the payment of these bonds. Debt Service for the special assessment district bonds is reported in the agency funds.

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NOTE # 7 – SPECIAL ASSESSMENT DISTRICTS *(Continued)*

Special Assessment District Bonds	Assessment District Debt
Brentwood Infrastructure Financing Authority - 1996 Reassessment Bonds, Series A and B • Dated December 20, 1996 • Annual debt service payments, including interest at 4.05 percent to 6.80 percent, range from $707,720 to $763,230 • Final payment due September 2017	$ 8,320,000
Brentwood Infrastructure Financing Authority - Infrastructure Revenue Refunding Bonds, Series 2002 A & B (Refinancing of CIFP's 98-1 and 99-1) • Dated June 20, 2002 • Annual debt service payments, including interest at 2.50 percent to 6.15 percent, range from $636,000 to $1,332,718 • Final payment due September 2029	15,467,000
Brentwood Infrastructure Financing Authority - Infrastructure Revenue Refunding Bonds, Series 2004 A & B (Refinancing of CIFP 94-1) • Dated February 12, 2004 • Annual debt service payments, including interest at 2.00 percent to 5.50 percent, range from $826,735 to $2,407,520 • Final payment due September 2029	28,150,000
Brentwood Infrastructure Financing Authority - Infrastructure Revenue Refunding Bonds, Series 2004 C (Refinancing of CIFP 2000-1) • Dated November 19, 2004 • Annual debt service payments, including interest at 2.00 percent to 4.75 percent, range from $796,706 to $818,338 • Final payment due September 2030	10,345,000
Brentwood Infrastructure Financing Authority - Infrastructure Revenue Refunding Bonds, Series 2005 A & B (Refinancing of CIFP 2002-1) • Dated June 16, 2005 • Annual debt service payments, including interest at 2.50 percent to 5.15 percent, range from $1,046,784 to $1,057,496 • Final payment due September 2032	14,187,000
Brentwood Infrastructure Financing Authority - CIFP 2005-1 Infrastructure Revenue Bonds, Series 2005 • Dated August 3, 2005 • Annual debt service payments, including interest at 3.00 percent to 5.15 percent, range from $2,616,165 to $2,621,171 • Final payment due September 2035	36,650,000
Brentwood Infrastructure Financing Authority - CIFP 2006-1 Infrastructure Revenue Bonds, Series 2006 • Dated August 16, 2006 • Annual debt service payments, including interest at 3.90 percent to 5.20 percent, range from $1,134,205 to $1,139,455 • Final payment due September 2036	15,710,000
Brentwood Infrastructure Financing Authority - Infrastructure Revenue Refunding Bonds, Series 2006 A&B (Refinancing of CIFP 2003-1 & 2004-1) • Dated January 11, 2007 • Annual debt service payments, including interest at 3.63 percent to 5.00 percent, range from $825,608 to $1,905.000 • Final payment due September 2034	33,395,000
City of Brentwood - Limited Obligation Improvement Bonds, Randy Way Sewer Line • Dated August 7, 2007 • Annual debt service payments, including interest at 3.95 percent to 5.20 percent, range from $53,123 to $58,060 • Final payment due September 2037	800,000
Total Assessment District Debt	**$ 163,024,000**

NOTE # 8 – CLASSIFICATION OF NET ASSETS

In the Government-Wide Financial Statements, net assets are classified in the following categories:

- Invested In Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt which are attributable to the acquisition, construction or improvement of these assets reduce this category.

- Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments.

- Unrestricted Net Assets – This category represents the net assets of the City, which are not restricted for any project or other purpose.

NOTE # 9 – DEFINED BENEFIT PENSION PLAN

A. PLAN DESCRIPTION

The City of Brentwood's defined benefit pension plans (Miscellaneous and Safety Plans) provide retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The Plans are part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions, as well as other requirements, is established by the State statutes within the Public Employee's Retirement Law. The City of Brentwood selects optional benefit provisions from the benefits menu by contract with CalPERS and adopts those benefits through local ordinance or resolution. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS's annual financial report may be obtained from the CalPERS Executive Office at 400 P Street, Sacramento, California 95814.

B. FUNDING POLICY

The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. For fiscal year 2010/11, active plan members, hired September 30, 2010 or prior, in the Miscellaneous Plan are required to contribute one percent of their annual covered salary with the City paying the remaining seven percent. Miscellaneous Plan employees hired after September 30, 2010, contribute their entire employee amount of seven percent (lower due to a reduced benefit level) of their annual covered salary. Active plan members in the Safety Plan do not contribute toward the nine percent employee share of their annual covered salary. An employer is also required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The required employer contribution rate for fiscal year 2010/11 was 14.482% for miscellaneous employees and 21.523% for safety employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established by, and may be amended by, CalPERS.

NOTE # 9 – DEFINED BENEFIT PENSION PLAN (Continued)

C. ANNUAL PENSION COST

For fiscal year 2010/11, the City of Brentwood's annual pension cost was $5,447,554. This amount equals the City's required and actual contributions. The required contribution for fiscal year 2010/11 was determined as part of the June 30, 2008 actuarial valuation using the entry age normal actuarial cost method, with the contributions determined as a percent of pay. The safety contribution was later updated on February 16, 2010 to reflect a lump sum payoff of the City's side fund. The actuarial assumptions included: a) 7.75 percent investment rate of return (net of administrative expenses), b) projected salary increases which vary by duration of service, age and type of employment ranging from 3.25 percent to 14.45 percent and c) payroll growth of 3.25 percent. Both (a) and (b) include an inflation component of 3.00 percent. The actuarial values of the Plan's assets were determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a 15 year period. The Plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period ends June 30, 2023 for the Safety Plan and June 30, 2037 for the Miscellaneous Plan.

D. THREE-YEAR TREND INFORMATION FOR THE PLANS

Miscellaneous:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2009	$ 3,607,586	100%	$ -
6/30/2010	$ 3,488,116	100%	$ -
6/30/2011	$ 3,452,016	100%	$ -

Additional information regarding the Miscellaneous Plan, including the actuarial accrued liability, actuarial value of assets, unfunded actuarial accrued liability, annual covered payroll and unfunded actuarial accrued liability as a percentage of covered payroll can be found in the Defined Benefit Pension Plan section of the Required Supplementary Information on page 89.

Safety:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2009	$ 2,028,573	100%	$ -
6/30/2010	$ 2,198,844	100%	$ -
6/30/2011	$ 1,995,538	100%	$ -

***NOTE # 9 – DEFINED BENEFIT PENSION PLAN** (Continued)*

E. <u>FUNDING STATUS</u>

As of the June 30, 2009 valuation date, the most recent available, the funding status of the Miscellaneous Plan is 78.6% and the Safety Plan is 82.6%. Multi-year trend information about the actuarial value of plan assets can be found in the Defined Benefit Pension Plan section of the Required Supplementary Information on page 89.

NOTE # 10 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; natural disaster; errors and omissions; injuries to employees and unemployment claims. The City, along with other Contra Costa County cities, belongs to the Municipal Pooling Authority of Northern California (MPANC). MPANC is a public entity risk pool currently operating as a common risk management and insurance program for the members. The City pays an annual premium to MPANC for the following: Liability ($29 million coverage, $10,000 deductible); Employer's Resource Management Association (ERMA) ($1 million, $50,000 deductible on employment claims); Fire and Property ($1 billion coverage, $5,000 deductible); Flood ($25 million, $100,000 to $250,000 minimum deductible per occurrence); Auto ($250,000 coverage, Police $3,000 deductible, all others $2,000); Cyber ($2,000,000 coverage, $50,000 deductible) and Workers Compensation (coverage to the statutory limit, $0 deductible). The agreement provides that MPANC will be self-sustaining through member premiums and assessments. MPANC purchases commercial insurance in excess of those amounts covered by its self-insurance pool.

MPANC was formed in June of 1977, under a "joint exercise of power agreement", to provide general liability, workers' compensation, property and employee benefits insurance coverage. It is governed by a Board of Directors composed of one appointed official from each City. Members as of June 30, 2011 were the cities of Antioch, Brentwood, Clayton, El Cerrito, Hercules, Lafayette, Manteca, Martinez, Oakley, Orinda, Pacifica, Pinole, Pittsburg, Pleasant Hill, San Pablo, San Ramon and Walnut Creek and the towns of Danville and Moraga. Audited financial information can be obtained from MPANC located at 1911 San Miguel Drive, Walnut Creek, CA 94596.

There have been no significant reductions in any of the City's areas of insurance. Settled claims have not exceeded coverage for these risks in any of the last three fiscal years. There were no outstanding claims payable at year end and the Incurred But Not Reported (IBNR) amount was calculated to be immaterial for presentation purposes.

NOTE # 11 – POST-RETIREMENT HEALTH CARE BENEFITS

A. PLAN DESCRIPTION

In addition to the pension benefits described in Note #9, the City provides certain post-retirement health care benefits. The City's Retiree Healthcare Plan ("Plan") is a single-employer defined benefit healthcare plan administered by the City. Benefit provisions are established and may be amended through agreements and memorandums of understanding between the City and its employees.

The City provides retiree medical benefits through the CalPERS healthcare program (PEMHCA). The City covers premiums, subject to caps dependent on hire date for eligible retirees, with service or disability retirement directly from the City under CalPERS. Coverage extends to dependents and surviving spouses. No dental, vision or life insurance benefits are provided.

The City has two benefit tier levels. The first tier, for employees hired prior to August 1, 2004, provides certain post-retirement health care benefits for employees who retire from the City and who meet the following criteria: 1) they retire on or after reaching age 50 and 2) they have at least five years of cumulative service credits with organizations participating in a CalPERS Defined Benefit Pension Plan. The second tier is for employees hired after August 1, 2004. These employees are subject to a 20-year vesting schedule and are eligible for benefits after: 1) five years of service with the City and 2) 10 years of cumulative service credits with organizations participating in a CalPERS Defined Benefit Pension Plan.

Coverage is also included for one employee dependent. Currently, 67 retirees are receiving these benefits. The City pays up to $1,151.19 per month for health insurance for miscellaneous retirees and up to $1,175.22 per month for safety retirees. During fiscal year 2010/11, expenditures of $690,534 and pre-funding contributions of $321,466 were recognized for post-retirement health care.

At this time there is not a separate, audited Generally Accepted Accounting Principles (GAAP)-basis post-employment benefit plan report available. The calculations used in the determination of the City's OPEB costs are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.

The City joined the California Employers' Retiree Benefit Trust (CERBT), an agent multiple-employer plan administered by CalPERS, consisting of an aggregation of single-employer plans. The CERBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the California Public Employers' Retiree Benefit Trust, CERBT, P.O. Box 942703, Sacramento, CA 94229-2703.

NOTE # 11 – POST-RETIREMENT HEALTH CARE BENEFITS *(Continued)*

B. FUNDING POLICY

The contribution requirements of the Plan participants and the City are established by, and may be amended by, the City. There is no statutory requirement for the City to pre-fund its OPEB obligation. The ARC is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The City is a phase 2 employer and was required to adopt GASB 45 beginning with the 2008/09 fiscal year.

The City chose to pay Plan benefits on a pay-as-you-go basis for fiscal years 2008/09 and 2009/10 and made its first pre-funding contributions, totaling $321,466, in fiscal year 2010/11. The City's current intention is to increase pre-funding annually until 85% of the full ARC is reached in fiscal year 2017/18. There are no employee contributions. For fiscal year 2010/11, the City paid $690,534 for pay-as-you-go retiree healthcare Plan benefits and $321,466 to pre-fund future Plan benefits.

Generally accepted accounting principles permit assets to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such assets are placed in an irrevocable trust or equivalent arrangement. Contributions to the CERBT did not begin until February 23, 2011, thus these assets were excluded from the June 30, 2010 actuarial study. The City's current year contributions, along with investment income, resulted in assets with CERBT of $322,920 as of June 30, 2011, which partially reduced the unfunded actuarial accrued liability. The schedule of funding progress for the OPEB Plan at the conclusion of Note #11 presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

C. ANNUAL OPEB COST AND NET OPEB OBLIGATION

The following table, which is based on the City's actuarial valuation as of June 30, 2010, shows: 1) the components of the City's annual OPEB cost for the year, 2) the amount actually contributed to the plan and 3) changes in the City's net OPEB obligation:

Annual Required Contribution	$ 4,079,000
Interest on Net OPEB Obligation	236,000
Adjustment to Annual Required Contribution	(432,000)
Annual OPEB Cost (Expense)	3,883,000
Contributions (Benefit Payments)	690,534
Contributions (Trust Pre-Funding)	321,466
Increase in Net OPEB Obligation	2,871,000
Net OPEB Obligation – July 1, 2010	5,098,500
Net OPEB Obligation – June 30, 2011	$ 7,969,500

NOTE # 11 – POST-RETIREMENT HEALTH CARE BENEFITS (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for the last three fiscal years, are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	$ 3,006,000	18.1%	$ 2,460,957
6/30/2010	$ 3,208,000	17.8%	$ 5,098,500
6/30/2011	$ 3,883,000	26.1%	$ 7,969,500

D. FUNDING STATUS AND FUNDING PROGRESS

The funded status of the Plan as of June 30, 2010, the Plan's most recent actuarial valuation date, is as follows:

Actuarial Accrued Liability (AAL)	$ 30,282,000
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	30,282,000
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	21,848,000
UAAL as a Percentage of Covered Payroll	139%

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments 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 in Section E below, 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.

NOTE # 11 – POST-RETIREMENT HEALTH CARE BENEFITS (*Continued*)

E. ACTUARIAL METHODS AND ASSUMPTIONS

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

In the June 30, 2010 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included select and ultimate investment rates of return equal to 4.62% for the 2010/11 fiscal year and increasing annually to 7.23% over seven years based on the City's funding policy. The method for calculating these rates used an assumed 7.75% discount rate for the portion of the full ARC pre-funded in the CalPERS OPEB Trust (CERBT) and an assumed 4.25% discount rate for the portion of the full ARC not pre-funded. Premiums were assumed to increase with a pre-Medicare medical cost increase rate of 9.50% for Health Maintenance Organizations (HMOs) and 10.00% for Preferred Provider Organizations (PPOs) for 2012 premiums over 2011 premiums, both grading down to 5.00% annual increases for calendar year 2020 and thereafter. The general inflation assumption is a 3.00% annual increase. The Unfunded Actuarial Accrued Liability (UAAL) is being amortized as a level percentage of projected payroll over 28 years on a closed basis, from June 30, 2010.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded Actuarial Accrued Liability As a % of Covered Payroll ((b-a)/c)
6/30/2008	$ -	$ 22,885,000	$ 22,885,000	0%	$ 21,546,000	106%
6/30/2010	$ -	$ 30,282,000	$ 30,282,000	0%	$ 21,848,000	139%

NOTE # 12 – BRENTWOOD REDEVELOPMENT AGENCY

A. TAX SHARING AGREEMENTS

The Brentwood Redevelopment Agency ("Agency") entered into tax sharing agreements for the North Brentwood Redevelopment Project Area with the following entities: East Diablo Fire District; Brentwood Union School District; Liberty Union High School District; Oakley School District; Knightsen School District; Byron Elementary School District; the Contra Costa Mosquito Abatement District and the Contra Costa County Office of Education. The agreements call for a pass-through of their negotiated share of the tax increment revenue. The pass-through amounts from these agreements are not currently subordinated to other Agency debt. All payments due to date have been paid annually.

The Agency entered into tax-sharing agreements for the North Brentwood Redevelopment Project Area with the Contra Costa Community College District, the East Bay Regional Park District and the Byron/Brentwood/Knightsen Union Cemetery District. The agreements call for a pass-through of their negotiated share of the tax increment revenue. The pass-through amounts from these agreements are currently subordinated to other Agency debt. All payments due to date have been paid annually.

The Agency entered into tax sharing agreements with Contra Costa County, Contra Costa Library and the Contra Costa Flood Control District for the North Brentwood Redevelopment Project Area. The agreements call for a pass-through of a portion of the general tax levy. Under these agreements, a part of the pass-through amount owed by the Agency to the taxing agencies was deferred for the first twelve years. The accrued deferred amounts, interest and the pass-through of the annual tax increment were paid over a four-year period with the entire deferred portion of the pass-throughs being repaid in full by fiscal year 2006/07. From this point forward, the agreements provide for pass-through of 100% of the tax increment which would have been allocated to these taxing agencies but for the adoption of the North Brentwood Redevelopment Project.

The Agency has entered into a tax-sharing agreement with the East Bay Regional Park District for the North Brentwood Redevelopment Project Area. The agreement calls for a pass-through of their negotiated share of tax increment revenue and the voter approved Measure AA tax levy. The Agency passes through both amounts each year based on increment allocation factors and annual Measure AA tax rate as provided by the Contra Costa County Auditor's office.

The Agency paid a total of $968,000 in negotiated pass-through payments for the 2010/11 fiscal year.

NOTE # 12 – BRENTWOOD REDEVELOPMENT AGENCY (Continued)

B. PASS-THROUGH PAYMENTS

Assembly Bill 1290 (AB1290), passed in 1994, provided for statutory pass-through payments to taxing agencies when redevelopment agencies amend their plans. In 2000, the Brentwood Redevelopment Agency amended the Brentwood and North Brentwood Redevelopment Plans to financially merge the two project areas. Consequently, the 2000 Merger Amendment triggered statutory pass-through payments to taxing entities from the Brentwood ("Downtown") Project Area in fiscal year 2002/03. All payments due to date have been paid to the appropriate taxing entities and payments will continue in accordance with the provisions of AB1290.

In 2001, the Agency amended The Merged Redevelopment Plan by adding territory in the North Brentwood Redevelopment Area. This amendment triggered statutory pass-through payments to taxing entities from the added territory starting in fiscal year 2005/06. All payments due to date have been paid to the appropriate taxing entities and payments will continue in accordance with the provisions of AB1290.

The Agency paid a total of $180,221 in statutory pass-through payments for the 2010/11 fiscal year.

C. SUPPLEMENTAL EDUCATIONAL REVENUE AUGMENTATION FUND (SERAF)

In August 2009, the Governor signed budget bill AB x4 26 which calls for California Redevelopment Agencies to pay a total of $2.05 billion to the County Supplemental Educational Revenue Augmentation Fund (SERAF). These payments are to be made over two fiscal years, with $1.7 billion paid in 2009/10 and $350 million being paid in 2010/11. The Agency's portion was $2,627,299 in fiscal year 2009/10 and $540,915 in fiscal year 2010/11. The State Department of Finance determines each agency's SERAF payment by November 15th of each year, with payments due by May 10th of the applicable year. The obligation to make the SERAF payment is subordinate to obligations to repay bonds; however, if the Agency fails to make the SERAF payment the Agency may not encumber or expend future funds other than to pay pre-existing indebtedness, contractual obligations and 75% of the amount expended on Agency administration for the preceding fiscal year until the SERAF is paid in full. The California Redevelopment Association has filed for an appeal against the SERAF payments mandated by AB x4 26. The outcome of the appeal is uncertain at this time.

D. PROPOSED DISSOLUTION OF REDEVELOPMENT

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, which suspends all new redevelopment activities except for limited specified activities as of that date and dissolves redevelopment agencies effective October 1, 2011. The State simultaneously adopted ABx1 27 which allows redevelopment agencies to avoid dissolution by the City opting into an "alternative voluntary redevelopment program" requiring specified substantial annual contributions to local schools and special districts. Concurrently with these

***NOTE # 12 – BRENTWOOD REDEVELOPMENT AGENCY** (Continued)*

two measures, the State passed various budget and trailer bills that are related and collectively constitute the Redevelopment Restructuring Acts. If all sponsoring communities were to opt-in to the voluntary program, these contributions amount to an estimated $1.7 billion for fiscal year 2012 and an estimated $400 million in each succeeding year. If the City fails to make the voluntary program payment, the Agency would become subject to the dissolution provisions of ABx1 26.

On July 18, 2011, the California Redevelopment Association, the League of California Cities and others challenged the validity and constitutionality of ABx1 26 and 27 to the California Supreme Court on numerous grounds, including that the acts violate certain provisions of the California Constitution. On August 11, 2011, as modified on August 17, 2011, the California Supreme Court agreed to hear the case and issued a partial stay of ABx1 26 and a full stay of ABx1 27, but the stay did not include the section of ABx1 26 that suspends all new redevelopment activities. It is anticipated that the Court will render its decision before January 15, 2012, the date the first voluntary program payment is due.

The suspension provisions of ABx1 26 prohibit all redevelopment agencies from a wide range of activities, including incurring new indebtedness or obligations, entering into or modifying agreements or contracts, acquiring or disposing of real property, taking actions to adopt or amend redevelopment plans and other similar actions, except actions required by law or to carry out existing enforceable obligations, as defined in ABx1 26. During the suspension period, an agency is required to prepare an Enforceable Obligation Payment Schedule no later than August 29, 2011, that allows it to continue to pay certain obligations. The Agency adopted its Enforceable Obligation Payment Schedule on August 23, 2011.

In addition, the suspension provisions require the State Controller to review the activities of all redevelopment agencies to determine whether an asset transfer between an agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the State Controller is required to order the asset returned to the redevelopment agency. The State Controller's Office has not yet provided any information about the timing or the process for this statewide asset transfer review.

The Agency is currently subject to the suspension provisions as described above. These facts indicate that there is more than a remote possibility the Agency may not continue as a going concern beyond October 1, 2011. The continuation of the Agency beyond October 1, 2011 will initially depend upon whether the Supreme Court rules in favor of the petitioners. There are three possible consequences to the Agency from a decision of the Supreme Court, when it is rendered:

NOTE # 12 – BRENTWOOD REDEVELOPMENT AGENCY (Continued)

1. If the Supreme Court determines that both ABx1 26 and ABx1 27 are valid, then the City will consider whether it will enact an ordinance to opt-in to the alternative voluntary redevelopment program. If enacted, the City would be required to make annual payments to the County Auditor-Controller and the Agency would no longer be subject to the suspension provisions. It is anticipated that the City's annual remittances would be reimbursed by the Agency from tax increment revenues. After the City appealed the initial calculation, the State Department of Finance calculated the City's Voluntary Program payment for fiscal year 2012 to be $2,726,958.

2. If the Supreme Court determines that both ABx1 26 and ABx1 27 are valid and the City decides not to participate in the alternative voluntary redevelopment program, or if the Supreme Court determines that ABx1 26 is valid, but ABx1 27 is not valid, the Agency will continue to be subject to the suspension provisions and would be dissolved in accordance with certain provisions of ABx1 26. Prior to dissolution, any transfers of Agency assets subsequent to January 1, 2011 to the City that were not obligated to third parties or encumbered may be subject to the State Controller's review discussed above and required to be returned to the Agency. Upon dissolution, all assets and obligations of the Agency would be transferred to a successor agency.

If the Supreme Court determines that both ABx1 26 and ABx1 27 are invalid, the Agency would no longer be subject to the suspension provisions and would continue in existence under California Redevelopment Law as it existed prior to the enactment of ABx1 26 and ABx1 27.

As of November 23, 2011, the Supreme Court has not ruled on the case and the Agency is subject to the suspension provisions as discussed above.

E. TRANSFER OF LAND HELD FOR REDEVELOPMENT

On February 22, 2011, the Agency entered into an option agreement with the City for real property owned by the Agency. This real property consisted of nine parcels that had been recorded as property held for resale with a book value of $1,327,129. The option agreement, which was executed on March 4, 2011 consummated he purchase of the nine parcels at the price of $10 per parcel.

NOTE # 13 – CONTINGENT LIABILITIES

A. LITIGATION

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney, there is no filed litigation as of June 30, 2011 which is likely to have a material adverse affect on the financial position of the City.

NOTE # 13 – CONTINGENT LIABILITIES (Continued)

B. FEDERAL GRANTS

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

C. DEVELOPER FEE CREDITS

The City entered into several agreements with various developers and merchant builders who are developing residential and commercial projects throughout the City. The City agreed to grant the developer's impact fee credits since the developers constructed certain improvements beyond what was needed to serve their specific projects. The value of credits does not increase for inflation nor do they accrue interest. Any unused credits may be used by the developers on other projects located elsewhere in the City. The value of the credits as of June 30, 2011 was $27,288,345, after a total of $1,751,946 was used as credits through fiscal year 2010/11. The accounting for the amounts due are not recorded as indebtedness since the payments (use of the credits) are contingent upon the collection of development fees from building growth which has not yet occurred.

D. CONSTRUCTION COMMITMENTS

As of June 30, 2011, the City had the following commitments with respect to unfinished capital projects:

Project Name	Outstanding Commitment
Civic Center Plaza	$ 712,242
New Community Center	4,699,497
New City Hall	8,576,565
Civic Center Parking Facility	2,282,230
City Park	1,049,044
Downtown Streetscape	2,850,776
Downtown Infrastructure	525,129
	$ 20,695,483

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Budgetary Comparison Schedule, General Fund

For Year Ended June 30, 2011

	Budget Amounts			
	Original Budget	Final Budget	Actual	Variance
REVENUES				
Taxes	$ 13,139,908	$ 13,359,908	$ 13,583,274	$ 223,366
Licenses	490,414	470,414	486,963	16,549
Permits and Fines	2,731,694	2,675,149	2,695,972	20,823
Uses of Money and Property	876,600	626,600	489,917	(136,683)
Intergovernmental	2,862,038	3,032,038	3,079,656	47,618
Franchises	1,200,000	1,200,000	1,183,245	(16,755)
Charges for Other Services	365,701	365,701	522,681	156,980
Charges to Other Funds	5,909,988	5,846,533	5,887,152	40,619
Fees and Other Revenues	1,454,679	1,454,679	1,249,349	(205,330)
Total Revenues	29,031,022	29,031,022	29,178,209	147,187
EXPENDITURES				
Current:				
General Government	5,731,235	5,706,135	5,019,112	687,023
Public Safety	15,994,991	15,994,991	15,612,182	382,809
Community Development	2,951,404	2,976,404	2,941,344	35,060
Engineering	2,728,415	2,728,415	2,241,604	486,811
Public Works	2,709,592	2,709,592	2,687,175	22,417
Parks and Recreation	4,459,830	4,459,830	4,141,563	318,267
Community Services	568,250	568,250	549,915	18,335
Capital Outlay	-	100	100	-
Debt Service:				
Principal	75,408	75,408	75,407	1
Total Expenditures	35,219,125	35,219,125	33,268,402	1,950,723
REVENUES OVER (UNDER) EXPENDITURES	(6,188,103)	(6,188,103)	(4,090,193)	2,097,910
OTHER FINANCING SOURCES (USES)				
Transfers In	14,039,353	14,109,356	12,919,771	(1,189,585)
Transfers Out	(8,764,777)	(8,764,777)	(5,891,981)	2,872,796
Total Other Financing Sources (Uses)	5,274,576	5,344,579	7,027,790	1,683,211
Net Change in Fund Balances	$ (913,527)	$ (843,524)	2,937,597	$ 3,781,121
Fund Balance, Beginning of Year			15,333,922	
Fund Balance, End of Year			$ 18,271,519	

See Accompanying Note to the Required Supplementary Information

NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION

Budgets for governmental funds are prepared in accordance with GAAP for the United States of America. Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities. The annual budget, which covers the period from July 1 to June 30, establishes the foundation for effective financial planning by providing resource planning, performance measures and controls which permit the evaluation and adjustment of the City's performance.

The City's budget is prepared and based on three expenditure categories: personnel, supplies and services, and capital outlay. These are considered operational in nature and reflect recurring costs. Capital improvement projects include asset acquisitions, facilities, systems and infrastructure improvements typically over $10,000 and/or those items "outside" of the normal operational budget. These reflect one-time costs.

The City collects and records revenue and expenditures for Governmental Funds and Proprietary Funds. The City's budget reflects an organization whose top priorities continue to be:

- *Community and Neighborhood Improvement* – Commitment to maintain friendly, clean, safe neighborhoods.
- *Customer Service* – Serve our customers as we want to be served, providing efficient and friendly professional service to our internal and external customers.
- *Economic Development* – Attract, retain and expand jobs, goods, services, sales tax revenues and property values.
- *Fiscal Stability* – Provide the City with the financial capacity to continue offering top quality public service levels.
- *Infrastructure* – Strive to complete the City's master plan for infrastructure and public facilities.
- *Public Safety* – Maintaining a community where people feel safe and secure.
- *Technology* – Staying current with proven technology.
- *Transportation* – Ensuring that people and goods move easily and safely throughout the region.
- *Vision and Planning* – Proactively prepare for the growth and needs of Brentwood now and in the future.

DEFINED BENEFIT PENSION PLAN

Funded Status of Plans

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is either increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Miscellaneous:

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status	Annual Covered Payroll	Unfunded Actuarial Accrued Liability As a % of Payroll
6/30/2007	$ 43,082,548	$ 35,656,589	$ 7,425,959	82.8%	$ 16,918,597	43.9%
6/30/2008	$ 49,977,718	$ 41,409,270	$ 8,568,448	82.9%	$ 16,346,454	52.4%
6/30/2009	$ 59,231,285	$ 46,529,379	$ 12,701,906	78.6%	$ 15,815,781	80.3%

Safety:

As required by State law, effective July 1, 2005, the City's Safety Plan was terminated and the employees in the plan were required by CalPERS to join a State-wide pool. CalPERS' latest available actuarial value (which differs from market value) and funding progress for the State-wide pool is shown below:

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Overfunded)	Funded Status	Annual Covered Payroll	Unfunded Actuarial Accrued Liability As a % of Payroll
6/30/2007	$ 7,986,055,176	$ 6,826,599,459	$ 1,159,455,717	85.5%	$ 831,607,658	139.4%
6/30/2008	$ 8,700,467,733	$ 7,464,927,716	$ 1,235,540,017	85.8%	$ 914,840,596	135.1%
6/30/2009	$ 9,721,675,347	$ 8,027,158,724	$ 1,694,516,623	82.6%	$ 973,814,168	174.0%

The City's Safety Plan represents approximately 0.61%, 0.63% and 0.62% of the State-wide pool for the years ended June 30, 2009, 2008 and 2007 respectively, based on covered payroll of $5,998,667, $5,724,198 and $5,161,651 for those years.

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Combining Balance Sheet

Non-Major Governmental Funds

June 30, 2011

	Special Revenue Funds							
	Thoroughfares	Gas Tax	Police Grants	Other Grants	Citywide Parks Districts	Community Facilities Districts	Community Facilities	Vehicle Abatement
ASSETS								
Current Assets:								
Cash and Investments	$ 2,125,948	$ 20,495	$ 147,606	$ 13,275	$ 285,269	$ 20,176	$ 570,131	$ 33,334
Restricted Cash and Investments	-	-	-	-	-	-	-	-
Receivables	270,950	6	11,326	1	168	4	35,320	3
Prepaids	-	-	-	-	821	-	-	-
Land Held for Resale	-	-	-	-	-	-	-	-
Interfund Advance Receivable	97,069	-	-	-	-	-	-	-
Total Assets	$ 2,493,967	$ 20,501	$ 158,932	$ 13,276	$ 286,258	$ 20,180	$ 605,451	$ 33,337
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts Payable and Accrued Liabilities	$ 1,569	$ -	$ 22,558	$ -	$ 168,459	$ 3,380	$ 2,557	$ 4
Due to Other Funds	-	-	-	-	-	-	-	-
Deferred Revenue	218,806	-	-	-	-	-	35,280	-
Deposits Held	-	-	-	-	-	-	-	-
Interfund Advance Payable	-	-	-	-	-	-	-	-
Total Liabilities	220,375	-	22,558	-	168,459	3,380	37,837	4
Fund Balances:								
Nonspendable	-	-	-	-	821	-	-	-
Restricted	-	20,501	136,374	13,276	-	-	-	-
Committed	2,273,592	-	-	-	116,978	16,800	567,614	33,333
Unassigned	-	-	-	-	-	-	-	-
Total Fund Balances	2,273,592	20,501	136,374	13,276	117,799	16,800	567,614	33,333
Total Liabilities and Fund Balances	$ 2,493,967	$ 20,501	$ 158,932	$ 13,276	$ 286,258	$ 20,180	$ 605,451	$ 33,337

Continued

Combining Balance Sheet

Non-Major Governmental Funds (Continued)

June 30, 2011

	Special Revenue Funds *(Continued)*							
	Infrastructure Improvements	RDA Low Income Housing	PEG Media	Asset Forfeiture	Measure C / J	Facility Fee Administration	Parks Advertising	Parks and Trails
ASSETS								
Current Assets:								
Cash and Investments	$ 5,892	$ 5,584,612	$ 895,405	$ 104,784	$ 142,735	$ 13,386	$ 5,126	$ -
Restricted Cash and Investments	-	-	-	-	-	-	-	-
Receivables	-	3,851,360	100,068	8	15	9,260	7,800	-
Prepaids	-	261	-	-	-	-	-	-
Land Held for Resale	-	1,040,359	-	-	-	-	-	-
Interfund Advance Receivable	-	-	-	-	-	-	-	51,371
Total Assets	$ 5,892	$ 10,476,592	$ 995,473	$ 104,792	$ 142,750	$ 22,646	$ 12,926	$ 51,371
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts Payable and Accrued Liabilities	$ -	$ 10,812	$ 91	$ 1,496	$ 20	$ 3	$ -	$ 144
Due to Other Funds	-	-	-	-	-	-	-	-
Deferred Revenue	-	3,850,938	100,000	-	-	9,258	-	51,371
Deposits Held	-	-	-	-	-	-	-	-
Interfund Advance Payable	-	-	-	-	-	-	-	2,550,148
Total Liabilities	-	3,861,750	100,091	1,496	20	9,261	-	2,601,663
Fund Balances:								
Nonspendable	-	261	-	-	-	-	-	-
Restricted	-	6,614,581	895,382	103,296	142,730	13,385	-	-
Committed	5,892	-	-	-	-	-	12,926	-
Unassigned	-	-	-	-	-	-	-	(2,550,292)
Total Fund Balances	5,892	6,614,842	895,382	103,296	142,730	13,385	12,926	(2,550,292)
Total Liabilities and Fund Balances	$ 5,892	$ 10,476,592	$ 995,473	$ 104,792	$ 142,750	$ 22,646	$ 12,926	$ 51,371

Continued

Combining Balance Sheet

Non-Major Governmental Funds (Continued)

June 30, 2011

	Special Revenue Funds *(Continued)*							
	Agriculture Administration	**Public Art Administration**	**Public Art Acquisition**	**Arts Commission**	**Fire Fees**	**Agriculture Land**	**Parking In Lieu**	**Lighting and Landscape Districts**
ASSETS								
Current Assets:								
Cash and Investments	$ 556,868	$ 57,209	$ 655,668	$ 27,052	$ 905,692	$ 1,334,773	$ 26,768	$ 4,324,331
Restricted Cash and Investments	-	-	-	-	-	-	-	-
Receivables	4,421	4	49	2	6,774	153	2	8,962
Prepaids	-	-	-	-	-	-	-	-
Land Held for Resale	-	-	-	-	-	-	-	-
Interfund Advance Receivable	-	-	-	-	-	-	-	-
Total Assets	$ 561,289	$ 57,213	$ 655,717	$ 27,054	$ 912,466	$ 1,334,926	$ 26,770	$ 4,333,293
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts Payable and Accrued Liabilities	$ 5,111	$ 6	$ 66	$ 20,503	$ 91	$ 205	$ 3	$ 307,573
Due to Other Funds	-	-	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	6,706	-	-	8,600
Deposits Held	-	-	-	-	-	-	-	-
Interfund Advance Payable	-	-	-	-	-	-	-	-
Total Liabilities	5,111	6	66	20,503	6,797	205	3	316,173
Fund Balances:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	556,178	57,207	655,651	6,551	905,669	1,334,721	26,767	4,017,120
Committed	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total Fund Balances	556,178	57,207	655,651	6,551	905,669	1,334,721	26,767	4,017,120
Total Liabilities and Fund Balances	$ 561,289	$ 57,213	$ 655,717	$ 27,054	$ 912,466	$ 1,334,926	$ 26,770	$ 4,333,293

Continued

Combining Balance Sheet

Non-Major Governmental Funds (Continued)

June 30, 2011

	Debt Service Funds			Capital Project Funds				
	Capital Improvement Program 2001	2002 General Obligation Bond	Civic Center Projects Revenue Bond	Capital Improvement Financing Program 2005-1	Capital Improvement Financing Program 2006-1	2002 Series A & B	Randy Way District Improvements	City Capital Improvement Financing Program
ASSETS								
Current Assets:								
Cash and Investments	$ 86,262	$ 329,311	$ -	$ -	$ -	$ -	$ -	$ -
Restricted Cash and Investments	2,195,478	-	5,471,083	7,550,571	2,578,877	400,634	4,457	1,195,431
Receivables	6	24	-	-	-	-	-	92
Prepaids	-	-	-	-	-	-	-	-
Land Held for Resale	-	-	-	-	-	-	-	-
Interfund Advance Receivable	-	-	-	-	-	-	-	-
Total Assets	$ 2,281,746	$ 329,335	$ 5,471,083	$ 7,550,571	$ 2,578,877	$ 400,634	$ 4,457	$ 1,195,523
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts Payable and Accrued Liabilities	$ 8	$ 289,695	$ -	$ -	$ -	$ -	$ -	$ 123
Due to Other Funds	-	-	996	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-	-	-
Deposits Held	-	-	-	-	-	-	-	-
Interfund Advance Payable	-	-	-	-	-	-	-	-
Total Liabilities	8	289,695	996	-	-	-	-	123
Fund Balances:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	2,281,738	39,640	5,470,087	7,550,571	2,578,877	400,634	4,457	1,195,400
Committed	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total Fund Balances	2,281,738	39,640	5,470,087	7,550,571	2,578,877	400,634	4,457	1,195,400
Total Liabilities and Fund Balances	$ 2,281,746	$ 329,335	$ 5,471,083	$ 7,550,571	$ 2,578,877	$ 400,634	$ 4,457	$ 1,195,523

Continued

Combining Balance Sheet

Non-Major Governmental Funds (Continued)

June 30, 2011

Capital Project Funds *(Continued)*

	Civic Center Projects	Park Improvement Projects	Drainage Improvement Projects	Street Improvement Projects	Economic Infrastructure Projects	Vineyards Projects	Redevelopment Projects	Total Non-Major Governmental Funds
ASSETS								
Current Assets:								
Cash and Investments	$ -	$ 1,492,345	$ 45,911	$ 6,863,660	$ 6,483,880	$ 1,609,084	$ 10,337	$ 34,777,325
Restricted Cash and Investments	8,834,919	14,633	-	-	-	-	-	28,246,083
Receivables	1	243,184	4	19,978	491	147	2,000	4,572,583
Prepaids	-	-	-	-	-	-	1,155	2,237
Land Held for Resale	-	-	-	-	-	-	-	1,040,359
Interfund Advance Receivable	-	-	-	-	-	-	-	148,440
Total Assets	$ 8,834,920	$ 1,750,162	$ 45,915	$ 6,883,638	$ 6,484,371	$ 1,609,231	$ 13,492	$ 68,787,027
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts Payable and Accrued Liabilities	$ 1	$ 258,206	$ -	$ 456,116	$ -	$ 198	$ 6,487	$ 1,555,485
Due to Other Funds	-	-	-	-	-	-	-	996
Deferred Revenue	-	-	-	-	-	-	-	4,280,959
Deposits Held	-	-	-	-	-	-	5,850	5,850
Interfund Advance Payable	-	-	-	-	-	-	-	2,550,148
Total Liabilities	1	258,206	-	456,116	-	198	12,337	8,393,438
Fund Balances:								
Nonspendable	-	-	-	-	-	-	1,155	2,237
Restricted	8,834,919	1,491,956	45,915	6,427,522	6,484,371	1,609,033	-	59,914,509
Committed	-	-	-	-	-	-	-	3,027,135
Unassigned	-	-	-	-	-	-	-	(2,550,292)
Total Fund Balances	8,834,919	1,491,956	45,915	6,427,522	6,484,371	1,609,033	1,155	60,393,589
Total Liabilities and Fund Balances	$ 8,834,920	$ 1,750,162	$ 45,915	$ 6,883,638	$ 6,484,371	$ 1,609,231	$ 13,492	$ 68,787,027

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Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds

For Year Ended June 30, 2011

	Special Revenue Funds							
	Throughfares	Gas Tax	Police Grants	Other Grants	Citywide Parks Districts	Community Facilities Districts	Community Facilities	Vehicle Abatement
REVENUES								
Taxes	$ -	$ -	$ -	$ -	$ 1,720,945	$ -	$ -	$ -
Uses of Money and Property	38,565	1,304	2,486	63	3,816	7,051	8,178	495
Intergovernmental	-	1,235,985	127,533	21,000	-	-	-	-
Fees and Other Revenues	1,347,298	-	-	-	29,390	2,954,547	421,464	69,227
Total Revenues	1,385,863	1,237,289	130,019	21,063	1,754,151	2,961,598	429,642	69,722
EXPENDITURES								
Current:								
General Government	1,316,364	-	-	21,000	-	-	21,526	-
Public Safety	-	-	194,456	-	-	-	-	26
Community Development	-	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	2,588,039	-	-	-
Community Services	-	-	-	-	-	28,798	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service:								
Principal	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
Total Expenditures	1,316,364	-	194,456	21,000	2,588,039	28,798	21,526	26
REVENUES OVER (UNDER) EXPENDITURES	69,499	1,237,289	(64,437)	63	(833,888)	2,932,800	408,116	69,696
OTHER FINANCING SOURCES (USES)								
Transfer of Land Held to Governmental Activities	-	-	-	-	-	-	-	-
Transfers In	78,497	-	-	-	591,079	-	243,848	-
Transfers Out	(900,721)	(1,221,342)	-	-	-	(2,949,098)	(1,100,000)	(73,191)
Total Other Financing Sources (Uses)	(822,224)	(1,221,342)	-	-	591,079	(2,949,098)	(856,152)	(73,191)
Net Change in Fund Balances	(752,725)	15,947	(64,437)	63	(242,809)	(16,298)	(448,036)	(3,495)
Fund Balance, Beginning of Year	3,026,317	4,554	200,811	13,213	360,608	33,098	1,015,650	36,828
Fund Balance, End of Year	$ 2,273,592	$ 20,501	$ 136,374	$ 13,276	$ 117,799	$ 16,800	$ 567,614	$ 33,333

Continued

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds (Continued)

For Year Ended June 30, 2011

	Special Revenue Funds *(Continued)*							
	Infrastructure Improvements	RDA Low Income Housing	PEG Media	Asset Forfeiture	Measure C / J	Facility Fee Administration	Parks Advertising	Parks and Trails
REVENUES								
Taxes	$ -	$ 1,168,617	$ -	$ -	$ -	$ -	$ -	$ -
Uses of Money and Property	93	87,154	14,119	1,774	5,454	1,033	20	-
Intergovernmental	-	-	-	-	570,377	-	-	-
Fees and Other Revenues	-	-	-	28,806	-	68,079	19,790	757,738
Total Revenues	93	1,255,771	14,119	30,580	575,831	69,112	19,810	757,738
EXPENDITURES								
Current:								
General Government	-	1,350,294	897	34,704	2,090	150,063	-	-
Public Safety	-	-	-	-	-	-	-	-
Community Development	6	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	-	6,884	1,046,291
Community Services	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service:								
Principal	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
Total Expenditures	6	1,350,294	897	34,704	2,090	150,063	6,884	1,046,291
REVENUES OVER (UNDER) EXPENDITURES	87	(94,523)	13,222	(4,124)	573,741	(80,951)	12,926	(288,553)
OTHER FINANCING SOURCES (USES)								
Transfer of Land Held to Governmental Activities	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	325,244
Transfers Out	-	-	-	-	(454,046)	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	(454,046)	-	-	325,244
Net Change in Fund Balances	87	(94,523)	13,222	(4,124)	119,695	(80,951)	12,926	36,691
Fund Balance, Beginning of Year	5,805	6,709,365	882,160	107,420	23,035	94,336	-	(2,586,983)
Fund Balance, End of Year	$ 5,892	$ 6,614,842	$ 895,382	$ 103,296	$ 142,730	$ 13,385	$ 12,926	$ (2,550,292)

Continued

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds (Continued)

For Year Ended June 30, 2011

	Special Revenue Funds (Continued)							
	Agriculture Administration	Public Art Administration	Public Art Acquisition	Arts Commission	Fire Fees	Agriculture Land	Parking In Lieu	Lighting and Landscape Districts
REVENUES								
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Uses of Money and Property	10,716	769	9,848	497	13,557	61,961	422	54,929
Intergovernmental	-	-	-	-	-	-	-	-
Fees and Other Revenues	7,477	16,332	45,027	-	53,560	29,909	-	5,065,839
Total Revenues	18,193	17,101	54,875	497	67,117	91,870	422	5,120,768
EXPENDITURES								
Current:								
General Government	220,980	44	430	27,408	600	3,350,708	27	-
Public Safety	-	-	-	-	-	-	-	-
Community Development	-	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	-	-	-
Community Services	-	-	-	-	-	-	-	4,620,370
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service:								
Principal	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
Total Expenditures	220,980	44	430	27,408	600	3,350,708	27	4,620,370
REVENUES OVER (UNDER) EXPENDITURES	(202,787)	17,057	54,445	(26,911)	66,517	(3,258,838)	395	500,398
OTHER FINANCING SOURCES (USES)								
Transfer of Land Held to Governmental Activities	-	-	-	-	-	-	-	-
Transfers In	-	-	-	1,200	-	-	-	-
Transfers Out	-	-	(5,077)	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	(5,077)	1,200	-	-	-	-
Net Change in Fund Balances	(202,787)	17,057	49,368	(25,711)	66,517	(3,258,838)	395	500,398
Fund Balance, Beginning of Year	758,965	40,150	606,283	32,262	839,152	4,593,559	26,372	3,516,722
Fund Balance, End of Year	$ 556,178	$ 57,207	$ 655,651	$ 6,551	$ 905,669	$ 1,334,721	$ 26,767	$ 4,017,120

Continued

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds (Continued)

For Year Ended June 30, 2011

	Debt Service Funds			Capital Project Funds				
	Capital Improvement Program 2001	2002 General Obligation Bond	Civic Center Projects Revenue Bond	Capital Improvement Financing Program 2005-1	Capital Improvement Financing Program 2006-1	2002 Series A & B	Randy Way District Improvements	City Capital Improvement Financing Program
REVENUES								
Taxes	$ -	$ 349,269	$ -	$ -	$ -	$ -	$ -	$ -
Uses of Money and Property	87,818	1,831	92,777	4,633	1,457	742	70	15,135
Intergovernmental	-	-	1,128,821	-	-	-	-	-
Fees and Other Revenues	-	-	-	-	-	-	-	1,055,909
Total Revenues	87,818	351,100	1,221,598	4,633	1,457	742	70	1,071,044
EXPENDITURES								
Current:								
General Government	-	-	-	1,217,500	1,160,213	-	-	649
Public Safety	-	-	-	-	-	-	-	-
Community Development	10,424	5,977	11,750	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	-	-	-
Community Services	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service:								
Principal	295,000	230,000	-	-	-	-	-	-
Interest and Fiscal Charges	421,094	119,325	2,486,624	-	-	-	-	-
Total Expenditures	726,518	355,302	2,498,374	1,217,500	1,160,213	-	-	649
REVENUES OVER (UNDER) EXPENDITURES	(638,700)	(4,202)	(1,276,776)	(1,212,867)	(1,158,756)	742	70	1,070,395
OTHER FINANCING SOURCES (USES)								
Transfer of Land Held to Governmental Activities	-	-	-	-	-	-	-	-
Transfers In	678,057	-	11,750	-	29	-	-	1,100,000
Transfers Out	-	-	(888,080)	-	-	-	-	(1,003,711)
Total Other Financing Sources (Uses)	678,057	-	(876,330)	-	29	-	-	96,289
Net Change in Fund Balances	39,357	(4,202)	(2,153,106)	(1,212,867)	(1,158,727)	742	70	1,166,684
Fund Balance, Beginning of Year	2,242,381	43,842	7,623,193	8,763,438	3,737,604	399,892	4,387	28,716
Fund Balance, End of Year	$ 2,281,738	$ 39,640	$ 5,470,087	$ 7,550,571	$ 2,578,877	$ 400,634	$ 4,457	$ 1,195,400

Continued

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds (Continued)

For Year Ended June 30, 2011

	Capital Project Funds (Continued)							
	Civic Center Projects	Park Improvement Projects	Drainage Improvement Projects	Street Improvement Projects	Economic Infrastructure Projects	Vineyards Projects	Redevelopment Projects	Total Non-Major Governmental Funds
REVENUES								
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,238,831
Uses of Money and Property	113,248	24,956	2,645	104,812	102,177	30,698	75,673	982,976
Intergovernmental	-	992,531	-	540,974	-	-	-	4,617,221
Fees and Other Revenues	-	-	-	-	-	-	-	11,970,392
Total Revenues	113,248	1,017,487	2,645	645,786	102,177	30,698	75,673	20,809,420
EXPENDITURES								
Current:								
General Government	641	1,540,100	-	1,108,597	-	1,989	1,652,985	13,179,809
Public Safety	-	-	-	-	-	-	-	194,482
Community Development	-	-	-	-	-	-	-	28,157
Parks and Recreation	-	-	-	-	-	-	-	3,641,214
Community Services	-	-	-	-	-	-	-	4,649,168
Capital Outlay	-	731,023	2,491	207,156	-	-	-	940,670
Debt Service:								
Principal	-	-	-	-	-	-	-	525,000
Interest and Fiscal Charges	-	-	-	-	-	-	-	3,027,043
Total Expenditures	641	2,271,123	2,491	1,315,753	-	1,989	1,652,985	26,185,543
REVENUES OVER (UNDER) EXPENDITURES	112,607	(1,253,636)	154	(669,967)	102,177	28,709	(1,577,312)	(5,376,123)
OTHER FINANCING SOURCES (USES)								
Transfer of Land Held to Governmental Activities	-	-	-	-	-	-	(1,327,029)	(1,327,029)
Transfers In	-	1,514,002	79,434	1,040,460	-	-	10,735,301	16,398,901
Transfers Out	(27,358,581)	(325,245)	(222,645)	(78,526)	-	(337,724)	(14,103,143)	(51,021,130)
Total Other Financing Sources (Uses)	(27,358,581)	1,188,757	(143,211)	961,934	-	(337,724)	(4,694,871)	(35,949,258)
Net Change in Fund Balances	(27,245,974)	(64,879)	(143,057)	291,967	102,177	(309,015)	(6,272,183)	(41,325,381)
Fund Balance, Beginning of Year	36,080,893	1,556,835	188,972	6,135,555	6,382,194	1,918,048	6,273,338	101,718,970
Fund Balance, End of Year	$ 8,834,919	$ 1,491,956	$ 45,915	$ 6,427,522	$ 6,484,371	$ 1,609,033	$ 1,155	$ 60,393,589

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Combining Statement of Net Assets

All Internal Service Funds

June 30, 2011

	Emergency Preparedness	Information Services	Equipment Replacement	Information Systems Replacement	Facilities Replacement	Tuition Program	Fleet Maintenance	Facilities Maintenance Services	Parks and LLD Replacement	Insurance	Budget Stabilization	Totals
ASSETS												
Current Assets:												
Cash and Investments	$ 3,229,846	$ 190,536	$ 8,194,274	$ 1,141,973	$ 1,567,623	$ 22,632	$ 146,228	$ 493,586	$ 4,718,416	$ 4,805,612	$ 10,258,815	$ 34,769,541
Receivables	245	10	50,530	85	117	2	897	35	337	368	424	53,050
Prepaids	-	2,003	-	-	-	-	1,561	1,428	-	-	-	4,992
Total Current Assets	3,230,091	192,549	8,244,804	1,142,058	1,567,740	22,634	148,686	495,049	4,718,753	4,805,980	10,259,239	34,827,583
Non-Current Assets:												
Capital Assets:												
Machinery and Equipment	-	-	2,765,662	227,818	-	-	-	-	-	-	-	2,993,480
Vehicles	-	-	7,761,131	-	-	-	-	-	-	-	-	7,761,131
Less Accumulated Depreciation	-	-	(6,203,866)	(227,818)	-	-	-	-	-	-	-	(6,431,684)
Total Capital Assets, Net of Accumulated Depreciation	-	-	4,322,927	-	-	-	-	-	-	-	-	4,322,927
Total Non-Current Assets	-	-	4,322,927	-	-	-	-	-	-	-	-	4,322,927
Total Assets	3,230,091	192,549	12,567,731	1,142,058	1,567,740	22,634	148,686	495,049	4,718,753	4,805,980	10,259,239	39,150,510
LIABILITIES AND NET ASSETS												
Current Liabilities:												
Accounts Payable and Accrued Liabilities	13,124	49,217	23,961	5,962	158	2	38,047	51,545	70,841	3,339	-	256,196
Unearned Revenue	-	-	-	-	-	-	888	-	-	-	-	888
Compensated Absences Payable	-	45,342	-	-	-	-	15,419	20,062	-	-	-	80,823
Total Current Liabilities	13,124	94,559	23,961	5,962	158	2	54,354	71,607	70,841	3,339	-	337,907
Non-Current Liabilities Due in More Than One Year:												
Net OPEB Obligation	-	306,330	-	-	-	-	126,485	216,831	-	-	-	649,646
Compensated Absences Payable	-	30,228	-	-	-	-	10,279	13,374	-	-	-	53,881
Total Non-Current Liabilities	-	336,558	-	-	-	-	136,764	230,205	-	-	-	703,527
Total Liabilities	13,124	431,117	23,961	5,962	158	2	191,118	301,812	70,841	3,339	-	1,041,434
Net Assets:												
Invested in Capital Assets	-	-	4,322,927	-	-	-	-	-	-	-	-	4,322,927
Unrestricted	3,216,967	(238,568)	8,220,843	1,136,096	1,567,582	22,632	(42,432)	193,237	4,647,912	4,802,641	10,259,239	33,786,149
Total Net Assets	$ 3,216,967	$ (238,568)	$ 12,543,770	$ 1,136,096	$ 1,567,582	$ 22,632	$ (42,432)	$ 193,237	$ 4,647,912	$ 4,802,641	$ 10,259,239	$ 38,109,076

Combining Statement of Activities and Changes in Net Assets
All Internal Service Funds
For Year Ended June 30, 2011

	Emergency Preparedness	Information Services	Equipment Replacement	Information Systems Replacement	Facilities Replacement	Tuition Program	Fleet Maintenance	Facilities Maintenance Services	Parks and LLD Replacement	Insurance	Budget Stabilization	Totals
Operating Revenues:												
Charges for Services	$ -	$ 1,934,996	$ 1,390,399	$ 396,373	$ 139,462	$ 32,001	$ 1,087,591	$ 1,178,251	$ 1,047,970	$ 1,138,154	$ -	$ 8,345,197
Other Income	-	-	92,818	815	75	-	199	267	-	18,721	-	112,895
Total Operating Revenues	-	1,934,996	1,483,217	397,188	139,537	32,001	1,087,790	1,178,518	1,047,970	1,156,875	-	8,458,092
Operating Expenses:												
Personnel Services	-	1,527,718	-	-	-	-	570,788	808,007	-	-	-	2,906,513
Repairs and Maintenance	-	57	-	-	-	-	10,193	79,544	192,966	-	-	282,760
Materials, Supplies and Services	21,604	528,151	78,050	223,175	104,460	17,947	541,430	371,959	19,604	1,669,988	-	3,576,368
Depreciation and Amortization	-	-	855,308	2,810	-	-	-	-	-	-	-	858,118
Total Operating Expenses	21,604	2,055,926	933,358	225,985	104,460	17,947	1,122,411	1,259,510	212,570	1,669,988	-	7,623,759
Operating Income (Loss)	(21,604)	(120,930)	549,859	171,203	35,077	14,054	(34,621)	(80,992)	835,400	(513,113)	-	834,333
Non-Operating Revenue (Expenses):												
Interest Income	51,558	3,060	129,379	16,969	24,773	238	2,082	7,920	62,334	78,093	89,155	465,561
Loss on Disposal of Capital Assets	-	-	(4,933)	-	-	-	-	-	-	-	-	(4,933)
Total Non-Operating Revenues (Expenses)	51,558	3,060	124,446	16,969	24,773	238	2,082	7,920	62,334	78,093	89,155	460,628
Income (Loss) before Contributions and Transfers	29,954	(117,870)	674,305	188,172	59,850	14,292	(32,539)	(73,072)	897,734	(435,020)	89,155	1,294,961
Transfers In	-	15,621	62,805	-	-	-	9,098	10,629	300,000	-	4,660,000	5,058,153
Transfers Out	(51,558)	-	(711,890)	(133,000)	(4,989)	-	-	(3,227)	(88,437)	-	(102,692)	(1,095,793)
Change in Net Assets	(21,604)	(102,249)	25,220	55,172	54,861	14,292	(23,441)	(65,670)	1,109,297	(435,020)	4,646,463	5,257,321
Net Assets, Beginning of Year	3,238,571	(136,319)	12,518,550	1,080,924	1,512,721	8,340	(18,991)	258,907	3,538,615	5,237,661	5,612,776	32,851,755
Net Assets, End of Year	$ 3,216,967	$ (238,568)	$ 12,543,770	$ 1,136,096	$ 1,567,582	$ 22,632	$ (42,432)	$ 193,237	$ 4,647,912	$ 4,802,641	$ 10,259,239	$ 38,109,076

Combining Statement of Cash Flows
All Internal Service Funds
For Year Ended June 30, 2011

	Emergency Preparedness	Information Services	Equipment Replacement	Information Systems Replacement	Facilities Replacement	Tuition Program	Fleet Maintenance	Facilities Maintenance Services	Parks and LLD Replacement	Insurance	Budget Stabilization	Totals
Cash Flows from Operating Activities												
Cash Received from Customers/Other Funds	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,538	$ 3,622	$ -	$ -	$ -	$ 10,160
Cash Received from Interfund Services	-	1,934,996	1,390,399	396,373	139,462	32,001	1,081,053	1,174,896	1,047,970	958,951	-	8,156,101
Cash Payments to Suppliers of Goods and Services	(8,535)	(317,985)	(57,619)	(221,751)	(104,574)	(17,949)	(471,449)	(365,500)	(155,048)	(1,667,522)	-	(3,387,932)
Cash Payments to Employees for Services	-	(1,394,781)	-	-	-	-	(527,038)	(675,985)	-	-	-	(2,597,804)
Cash Payments for Interfund Services	-	(178,262)	-	-	-	-	(70,633)	(75,267)	-	-	-	(324,162)
Other Receipts/Payments	82	569	43,117	4,374	1,024	-	(3,374)	11,054	-	209,250	(211)	265,885
Net Cash Provided By (Used for) Operating Activities	(8,453)	44,537	1,375,897	178,996	35,912	14,052	15,097	72,820	892,922	(499,321)	(211)	2,122,248
Cash Flows from Non-Capital Financing Activities												
Transfers Received	-	15,621	62,805	-	-	-	9,098	10,629	300,000	-	4,660,000	5,058,153
Transfers Paid	(51,558)	-	(711,890)	(133,000)	(4,989)	-	-	(3,227)	(88,437)	-	(102,692)	(1,095,793)
Net Cash Provided By (Used for) Non-Capital Financing Activities	(51,558)	15,621	(649,085)	(133,000)	(4,989)	-	9,098	7,402	211,563	-	4,557,308	3,962,360
Cash Flows from Capital and Related Financing Activities												
Acquisition and Construction of Assets	-	-	(916,355)	-	-	-	-	-	-	-	-	(916,355)
Net Cash Provided By (Used for) Capital and Related Financing Activities	-	-	(916,355)	-	-	-	-	-	-	-	-	(916,355)
Cash Flows from Investing Activities												
Interest on Investments	51,558	3,060	129,379	16,969	24,773	238	2,082	7,920	62,334	78,093	89,155	465,561
Net Cash Provided By Investing Activities	51,558	3,060	129,379	16,969	24,773	238	2,082	7,920	62,334	78,093	89,155	465,561
Net Increase (Decrease) in Cash and Cash Equivalents	(8,453)	63,218	(60,164)	62,965	55,696	14,290	26,277	88,142	1,166,819	(421,228)	4,646,252	5,633,814
Cash and Cash Equivalents - Beginning of Year	3,238,299	127,318	8,254,438	1,079,008	1,511,927	8,342	119,951	405,444	3,551,597	5,226,840	5,612,563	29,135,727
Cash and Cash Equivalents - End of Year	$ 3,229,846	$ 190,536	$ 8,194,274	$ 1,141,973	$ 1,567,623	$ 22,632	$ 146,228	$ 493,586	$ 4,718,416	$ 4,805,612	$ 10,258,815	$ 34,769,541
Reconciliation of Operating Income to Net Cash Provided By (Used for) Operating Activities:												
Operating Income (Loss)	$ (21,604)	$ (120,930)	$ 549,859	$ 171,203	$ 35,077	$ 14,054	$ (34,621)	$ (80,992)	$ 835,400	$ (513,113)	$ -	$ 834,333
Adjustments to Reconcile Operating Income to Net Cash Provided By (Used for) Operating Activities:												
Depreciation	-	-	855,308	2,810	-	-	-	-	-	-	-	858,118
Change in Assets and Liabilities:												
Receivables, Net	82	3	(49,701)	3,558	949	-	4	6	-	11,326	(211)	(33,984)
Prepaid Items	-	566	-	-	-	-	3,729	(629)	-	-	-	3,666
Accounts Payable and Other Payables	13,069	164,898	20,431	1,425	(114)	(2)	45,985	154,435	57,522	2,466	-	460,115
Net Cash Provided By (Used for) Operating Activities	$ (8,453)	$ 44,537	$ 1,375,897	$ 178,996	$ 35,912	$ 14,052	$ 15,097	$ 72,820	$ 892,922	$ (499,321)	$ (211)	$ 2,122,248

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Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2011

	Assessments	Pass-Through Funds	Asset Seizure	Total
ASSETS				
Cash and Investments	$ 10,097,999	$ 952,695	$ 34,898	$ 11,085,592
Restricted Cash and Investments	6,623,864	-	-	6,623,864
Interest Receivable	21,246	65	3	21,314
Total Assets	$ 16,743,109	$ 952,760	$ 34,901	$ 17,730,770
LIABILITIES				
Accounts Payable and Accrued Liabilities	$ 976	$ 952,760	$ -	$ 953,736
Due to Others	-	-	34,901	34,901
Due to Bondholders	16,742,133	-	-	16,742,133
Total Liabilities	$ 16,743,109	$ 952,760	$ 34,901	$ 17,730,770

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Assessments				
ASSETS				
Cash and Investments	$ 10,140,179	$ 19,782,932	$ 19,825,112	$ 10,097,999
Restricted Cash and Investments	6,622,876	1,198,764	1,197,776	6,623,864
Interest Receivable	21,493	66,206	66,453	21,246
Total Assets	$ 16,784,548	$ 21,047,902	$ 21,089,341	$ 16,743,109
LIABILITIES				
Accounts Payable and Accrued Liabilities	$ 1,006	$ 14,609,633	$ 14,609,663	$ 976
Due to Bondholders	16,783,542	18,758,090	18,799,499	16,742,133
Total Liabilities	$ 16,784,548	$ 33,367,723	$ 33,409,162	$ 16,743,109
Pass-Through Funds				
ASSETS				
Cash and Investments	$ 869,858	$ 1,600,574	$ 1,517,737	$ 952,695
Interest Receivable	91	65	91	65
Total Assets	$ 869,949	$ 1,600,639	$ 1,517,828	$ 952,760
LIABILITIES				
Accounts Payable and Accrued Liabilities	$ 834,595	$ 1,605,114	$ 1,486,949	$ 952,760
Due to Others	35,354	15,470	50,824	-
Total Liabilities	$ 869,949	$ 1,620,584	$ 1,537,773	$ 952,760
Asset Seizure				
ASSETS				
Cash and Investments	$ 34,347	$ 665	$ 114	$ 34,898
Interest Receivable	3	3	3	3
Total Assets	$ 34,350	$ 668	$ 117	$ 34,901
LIABILITIES				
Due to Others	$ 34,350	$ 665	$ 114	$ 34,901
Total Liabilities	$ 34,350	$ 665	$ 114	$ 34,901
Total - All Agency Funds				
ASSETS				
Cash and Investments	$ 11,044,384	$ 21,384,171	$ 21,342,963	$ 11,085,592
Restricted Cash and Investments	6,622,876	1,198,764	1,197,776	6,623,864
Interest Receivable	21,587	66,274	66,547	21,314
Total Assets	$ 17,688,847	$ 22,649,209	$ 22,607,286	$ 17,730,770
LIABILITIES				
Accounts Payable and Accrued Liabilities	$ 835,601	$ 16,214,747	$ 16,096,612	$ 953,736
Due to Others	69,704	16,135	50,938	34,901
Due to Bondholders	16,783,542	18,758,090	18,799,499	16,742,133
Total Liabilities	$ 17,688,847	$ 34,988,972	$ 34,947,049	$ 17,730,770

Balance Sheet

General Fund

June 30, 2011

		General Fund
ASSETS		
Current Assets:		
Cash and Investments	$	21,970,025
Receivables		1,187,514
Prepaids		168,127
Total Assets	$	23,325,666
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	$	1,119,922
Deferred Revenue		628,669
Deposits Held		3,305,556
Total Liabilities		5,054,147
Fund Balances:		
Nonspendable		168,127
Committed		600,000
Assigned		7,667,955
Unassigned		9,835,437
Total Fund Balances		18,271,519
Total Liabilities and Fund Balances	$	23,325,666

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

General Fund

For Year Ended June 30, 2011

	Budget	Actual	Variance
REVENUES			
Taxes	$ 13,359,908	$ 13,583,274	$ 223,366
Licenses	470,414	486,963	16,549
Permits and Fines	2,675,149	2,695,972	20,823
Uses of Money and Property	626,600	489,917	(136,683)
Intergovernmental	3,032,038	3,079,656	47,618
Franchises	1,200,000	1,183,245	(16,755)
Charges for Other Services	365,701	522,681	156,980
Charges to Other Funds	5,846,533	5,887,152	40,619
Fees and Other Revenues	1,454,679	1,249,349	(205,330)
Total Revenues	29,031,022	29,178,209	147,187
EXPENDITURES			
Current:			
General Government	5,706,135	5,019,112	687,023
Public Safety	15,994,991	15,612,182	382,809
Community Development	2,976,404	2,941,344	35,060
Engineering	2,728,415	2,241,604	486,811
Public Works	2,709,592	2,687,175	22,417
Parks and Recreation	4,459,830	4,141,563	318,267
Community Services	568,250	549,915	18,335
Capital Outlay	100	100	-
Debt Service:			
Principal	75,408	75,407	1
Total Expenditures	35,219,125	33,268,402	1,950,723
REVENUES OVER (UNDER) EXPENDITURES	(6,188,103)	(4,090,193)	2,097,910
OTHER FINANCING SOURCES (USES)			
Transfers In	14,109,356	12,919,771	(1,189,585)
Transfers Out	(8,764,777)	(5,891,981)	2,872,796
Total Other Financing Sources (Uses)	5,344,579	7,027,790	1,683,211
NET CHANGE IN FUND BALANCES	$ (843,524)	2,937,597	$ 3,781,121
Fund Balance, Beginning of Year		15,333,922	
Fund Balance, End of Year		$ 18,271,519	

Combining Balance Sheet
All Special Revenue Funds
June 30, 2011

	Thoroughfares	Gas Tax	Police Grants	Other Grants	Citywide Parks Districts	Community Facilities Districts	Community Facilities	Vehicle Abatement
ASSETS								
Current Assets:								
Cash and Investments	$ 2,125,948	$ 20,495	$ 147,606	$ 13,275	$ 285,269	$ 20,176	$ 570,131	$ 33,334
Receivables	270,950	6	11,326	1	168	4	35,320	3
Prepaids	-	-	-	-	821	-	-	-
Land Held for Resale	-	-	-	-	-	-	-	-
Interfund Advance Receivable	97,069	-	-	-	-	-	-	-
Total Assets	$ 2,493,967	$ 20,501	$ 158,932	$ 13,276	$ 286,258	$ 20,180	$ 605,451	$ 33,337
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts Payable and Accrued Liabilities	$ 1,569	$ -	$ 22,558	$ -	$ 168,459	$ 3,380	$ 2,557	$ 4
Due to Other Funds	-	-	-	-	-	-	-	-
Deferred Revenue	218,806	-	-	-	-	-	35,280	-
Interfund Advance Payable	-	-	-	-	-	-	-	-
Total Liabilities	220,375	-	22,558	-	168,459	3,380	37,837	4
Fund Balances:								
Nonspendable	-	-	-	-	821	-	-	-
Restricted	-	20,501	136,374	13,276	-	-	-	-
Committed	2,273,592	-	-	-	116,978	16,800	567,614	33,333
Unassigned	-	-	-	-	-	-	-	-
Total Fund Balances	2,273,592	20,501	136,374	13,276	117,799	16,800	567,614	33,333
Total Liabilities and Fund Balances	$ 2,493,967	$ 20,501	$ 158,932	$ 13,276	$ 286,258	$ 20,180	$ 605,451	$ 33,337

Continued

Combining Balance Sheet

All Special Revenue Funds (Continued)

June 30, 2011

	Infrastructure Improvements	RDA Low Income Housing	PEG Media	Asset Forfeiture	Measure C / J	Facility Fee Administration	Parks Advertising	Parks and Trails
ASSETS								
Current Assets:								
Cash and Investments	$ 5,892	$ 5,584,612	$ 895,405	$ 104,784	$ 142,735	$ 13,386	$ 5,126	$ -
Receivables	-	3,851,360	100,068	8	15	9,260	7,800	-
Prepaids	-	261	-	-	-	-	-	-
Land Held for Resale	-	1,040,359	-	-	-	-	-	-
Interfund Advance Receivable	-	-	-	-	-	-	-	51,371
Total Assets	$ 5,892	$ 10,476,592	$ 995,473	$ 104,792	$ 142,750	$ 22,646	$ 12,926	$ 51,371
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts Payable and Accrued Liabilities	$ -	$ 10,812	$ 91	$ 1,496	$ 20	$ 3	$ -	$ 144
Due to Other Funds	-	-	-	-	-	-	-	-
Deferred Revenue	-	3,850,938	100,000	-	-	9,258	-	51,371
Interfund Advance Payable	-	-	-	-	-	-	-	2,550,148
Total Liabilities	-	3,861,750	100,091	1,496	20	9,261	-	2,601,663
Fund Balances:								
Nonspendable	-	261	-	-	-	-	-	-
Restricted	-	6,614,581	895,382	103,296	142,730	13,385	-	-
Committed	5,892	-	-	-	-	-	12,926	-
Unassigned	-	-	-	-	-	-	-	(2,550,292)
Total Fund Balances	5,892	6,614,842	895,382	103,296	142,730	13,385	12,926	(2,550,292)
Total Liabilities and Fund Balances	$ 5,892	$ 10,476,592	$ 995,473	$ 104,792	$ 142,750	$ 22,646	$ 12,926	$ 51,371

Continued

Combining Balance Sheet

All Special Revenue Funds (Continued)

June 30, 2011

	Agriculture Administration	Public Art Administration	Public Art Acquisition	Arts Commission	Fire Fees	Agriculture Land	Parking In Lieu	Lighting and Landscape Districts	Totals
ASSETS									
Current Assets:									
Cash and Investments	$ 556,868	$ 57,209	$ 655,668	$ 27,052	$ 905,692	$ 1,334,773	$ 26,768	$ 4,324,331	$ 17,856,535
Receivables	4,421	4	49	2	6,774	153	2	8,962	4,306,656
Prepaids	-	-	-	-	-	-	-	-	1,082
Land Held for Resale	-	-	-	-	-	-	-	-	1,040,359
Interfund Advance Receivable	-	-	-	-	-	-	-	-	148,440
Total Assets	$ 561,289	$ 57,213	$ 655,717	$ 27,054	$ 912,466	$ 1,334,926	$ 26,770	$ 4,333,293	$ 23,353,072
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts Payable and Accrued Liabilities	$ 5,111	$ 6	$ 66	$ 20,503	$ 91	$ 205	$ 3	$ 307,573	$ 544,651
Due to Other Funds	-	-	-	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	6,706	-	-	8,600	4,280,959
Interfund Advance Payable	-	-	-	-	-	-	-	-	2,550,148
Total Liabilities	5,111	6	66	20,503	6,797	205	3	316,173	7,375,758
Fund Balances:									
Nonspendable	-	-	-	-	-	-	-	-	1,082
Restricted	556,178	57,207	655,651	6,551	905,669	1,334,721	26,767	4,017,120	15,499,389
Committed	-	-	-	-	-	-	-	-	3,027,135
Unassigned	-	-	-	-	-	-	-	-	(2,550,292)
Total Fund Balances	556,178	57,207	655,651	6,551	905,669	1,334,721	26,767	4,017,120	15,977,314
Total Liabilities and Fund Balances	$ 561,289	$ 57,213	$ 655,717	$ 27,054	$ 912,466	$ 1,334,926	$ 26,770	$ 4,333,293	$ 23,353,072

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Combining Statement of Revenues, Expenditures and Changes in Fund Balances

All Special Revenue Funds

For Year Ended June 30, 2011

	Thoroughfares	Gas Tax	Police Grants	Other Grants	Citywide Parks Districts	Community Facilities Districts	Community Facilities	Vehicle Abatement
REVENUES								
Taxes	$ -	$ -	$ -	$ -	$ 1,720,945	$ -	$ -	$ -
Uses of Money and Property	38,565	1,304	2,486	63	3,816	7,051	8,178	495
Intergovernmental	-	1,235,985	127,533	21,000	-	-	-	-
Fees and Other Revenues	1,347,298	-	-	-	29,390	2,954,547	421,464	69,227
Total Revenues	1,385,863	1,237,289	130,019	21,063	1,754,151	2,961,598	429,642	69,722
EXPENDITURES								
Current:								
General Government	1,316,364	-	-	21,000	-	-	21,526	-
Public Safety	-	-	194,456	-	-	-	-	26
Community Development	-	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	2,588,039	-	-	-
Community Services	-	-	-	-	-	28,798	-	-
Total Expenditures	1,316,364	-	194,456	21,000	2,588,039	28,798	21,526	26
REVENUES OVER (UNDER) EXPENDITURES	69,499	1,237,289	(64,437)	63	(833,888)	2,932,800	408,116	69,696
OTHER FINANCING SOURCES (USES)								
Transfers In	78,497	-	-	-	591,079	-	243,848	-
Transfers Out	(900,721)	(1,221,342)	-	-	-	(2,949,098)	(1,100,000)	(73,191)
Total Other Financing Sources (Uses)	(822,224)	(1,221,342)	-	-	591,079	(2,949,098)	(856,152)	(73,191)
Net Change in Fund Balances	(752,725)	15,947	(64,437)	63	(242,809)	(16,298)	(448,036)	(3,495)
Fund Balance, Beginning of Year	3,026,317	4,554	200,811	13,213	360,608	33,098	1,015,650	36,828
Fund Balance, End of Year	$ 2,273,592	$ 20,501	$ 136,374	$ 13,276	$ 117,799	$ 16,800	$ 567,614	$ 33,333

Continued

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

All Special Revenue Funds (Continued)

For Year Ended June 30, 2011

	Infrastructure Improvements	RDA Low Income Housing	PEG Media	Asset Forfeiture	Measure C / J	Facility Fee Administration	Parks Advertising	Parks and Trails
REVENUES								
Taxes	$ -	$ 1,168,617	$ -	$ -	$ -	$ -	$ -	$ -
Uses of Money and Property	93	87,154	14,119	1,774	5,454	1,033	20	-
Intergovernmental	-	-	-	-	570,377	-	-	-
Fees and Other Revenues	-	-	-	28,806	-	68,079	19,790	757,738
Total Revenues	93	1,255,771	14,119	30,580	575,831	69,112	19,810	757,738
EXPENDITURES								
Current:								
General Government	-	1,350,294	897	34,704	2,090	150,063	-	-
Public Safety	-	-	-	-	-	-	-	-
Community Development	6	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	-	6,884	1,046,291
Community Services	-	-	-	-	-	-	-	-
Total Expenditures	6	1,350,294	897	34,704	2,090	150,063	6,884	1,046,291
REVENUES OVER (UNDER) EXPENDITURES	87	(94,523)	13,222	(4,124)	573,741	(80,951)	12,926	(288,553)
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	-	325,244
Transfers Out	-	-	-	-	(454,046)	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	(454,046)	-	-	325,244
Net Change in Fund Balances	87	(94,523)	13,222	(4,124)	119,695	(80,951)	12,926	36,691
Fund Balance, Beginning of Year	5,805	6,709,365	882,160	107,420	23,035	94,336	-	(2,586,983)
Fund Balance, End of Year	$ 5,892	$ 6,614,842	$ 895,382	$ 103,296	$ 142,730	$ 13,385	$ 12,926	$ (2,550,292)

Continued

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

All Special Revenue Funds (Continued)

For Year Ended June 30, 2011

	Agriculture Administration	Public Art Administration	Public Art Acquisition	Arts Commission	Fire Fees	Agriculture Land	Parking In Lieu	Lighting and Landscape Districts	Totals
REVENUES									
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,889,562
Uses of Money and Property	10,716	769	9,848	497	13,557	61,961	422	54,929	324,304
Intergovernmental	-	-	-	-	-	-	-	-	1,954,895
Fees and Other Revenues	7,477	16,332	45,027	-	53,560	29,909	-	5,065,839	10,914,483
Total Revenues	18,193	17,101	54,875	497	67,117	91,870	422	5,120,768	16,083,244
EXPENDITURES									
Current:									
General Government	220,980	44	430	27,408	600	3,350,708	27	-	6,497,135
Public Safety	-	-	-	-	-	-	-	-	194,482
Community Development	-	-	-	-	-	-	-	-	6
Parks and Recreation	-	-	-	-	-	-	-	-	3,641,214
Community Services	-	-	-	-	-	-	-	4,620,370	4,649,168
Total Expenditures	220,980	44	430	27,408	600	3,350,708	27	4,620,370	14,982,005
REVENUES OVER (UNDER) EXPENDITURES	(202,787)	17,057	54,445	(26,911)	66,517	(3,258,838)	395	500,398	1,101,239
OTHER FINANCING SOURCES (USES)									
Transfers In	-	-	-	1,200	-	-	-	-	1,239,868
Transfers Out	-	-	(5,077)	-	-	-	-	-	(6,703,475)
Total Other Financing Sources (Uses)	-	-	(5,077)	1,200	-	-	-	-	(5,463,607)
Net Change in Fund Balances	(202,787)	17,057	49,368	(25,711)	66,517	(3,258,838)	395	500,398	(4,362,368)
Fund Balance, Beginning of Year	758,965	40,150	606,283	32,262	839,152	4,593,559	26,372	3,516,722	20,339,682
Fund Balance, End of Year	$ 556,178	$ 57,207	$ 655,651	$ 6,551	$ 905,669	$ 1,334,721	$ 26,767	$ 4,017,120	$ 15,977,314

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Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Special Revenue Funds
For Year Ended June 30, 2011

	Thoroughfares			Gas Tax			Police Grants		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES									
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Uses of Money and Property	68,503	38,565	(29,938)	-	1,304	1,304	3,200	2,486	(714)
Intergovernmental	-	-	-	1,349,569	1,235,985	(113,584)	197,466	127,533	(69,933)
Fees and Other Revenues	1,165,089	1,347,298	182,209	-	-	-	-	-	-
Total Revenues	1,233,592	1,385,863	152,271	1,349,569	1,237,289	(112,280)	200,666	130,019	(70,647)
EXPENDITURES									
Current:									
General Government	1,733,138	1,316,364	416,774	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	272,465	194,456	78,009
Community Development	-	-	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	-	-	-	-
Community Services	-	-	-	-	-	-	-	-	-
Total Expenditures	1,733,138	1,316,364	416,774	-	-	-	272,465	194,456	78,009
REVENUES OVER (UNDER) EXPENDITURES	(499,546)	69,499	569,045	1,349,569	1,237,289	(112,280)	(71,799)	(64,437)	7,362
OTHER FINANCING SOURCES (USES)									
Transfers In	-	78,497	78,497	-	-	-	-	-	-
Transfers Out	(1,961,619)	(900,721)	1,060,898	(1,349,569)	(1,221,342)	128,227	-	-	-
Total Other Financing Sources (Uses)	(1,961,619)	(822,224)	1,139,395	(1,349,569)	(1,221,342)	128,227	-	-	-
Net Change in Fund Balances	$ (2,461,165)	(752,725)	$ 1,708,440	$ -	15,947	$ 15,947	$ (71,799)	(64,437)	$ 7,362
Fund Balance, Beginning of Year		3,026,317			4,554			200,811	
Fund Balance, End of Year		$ 2,273,592			$ 20,501			$ 136,374	

Continued

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Special Revenue Funds (Continued)
For Year Ended June 30, 2011

	Other Grants			Citywide Parks Districts			Community Facilities Districts		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES									
Taxes	$ -	$ -	$ -	$ 1,714,052	$ 1,720,945	$ 6,893	$ -	$ -	$ -
Uses of Money and Property	160	63	(97)	6,000	3,816	(2,184)	2,730	7,051	4,321
Intergovernmental	67,000	21,000	(46,000)	-	-	-	-	-	-
Fees and Other Revenues	-	-	-	38,000	29,390	(8,610)	3,031,436	2,954,547	(76,889)
Total Revenues	67,160	21,063	(46,097)	1,758,052	1,754,151	(3,901)	3,034,166	2,961,598	(72,568)
EXPENDITURES									
Current:									
General Government	78,751	21,000	57,751	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-
Community Development	-	-	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	2,588,040	2,588,039	1	-	-	-
Community Services	-	-	-	-	-	-	36,500	28,798	7,702
Total Expenditures	78,751	21,000	57,751	2,588,040	2,588,039	1	36,500	28,798	7,702
REVENUES OVER (UNDER) EXPENDITURES	(11,591)	63	11,654	(829,988)	(833,888)	(3,900)	2,997,666	2,932,800	(64,866)
OTHER FINANCING SOURCES (USES)									
Transfers In	-	-	-	591,079	591,079	-	-	-	-
Transfers Out	-	-	-	-	-	-	(3,000,000)	(2,949,098)	50,902
Total Other Financing Sources (Uses)	-	-	-	591,079	591,079	-	(3,000,000)	(2,949,098)	50,902
Net Change in Fund Balances	$ (11,591)	63	$ 11,654	$ (238,909)	(242,809)	$ (3,900)	$ (2,334)	(16,298)	$ (13,964)
Fund Balance, Beginning of Year		13,213			360,608			33,098	
Fund Balance, End of Year		$ 13,276			$ 117,799			$ 16,800	

Continued

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Special Revenue Funds (Continued)
For Year Ended June 30, 2011

	Community Facilities			Vehicle Abatement			Infrastructure Improvements		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES									
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Uses of Money and Property	172,159	8,178	(163,981)	200	495	295	110	93	(17)
Intergovernmental	-	-	-	-	-	-	-	-	-
Fees and Other Revenues	465,887	421,464	(44,423)	40,000	69,227	29,227	19,160	-	(19,160)
Total Revenues	638,046	429,642	(208,404)	40,200	69,722	29,522	19,270	93	(19,177)
EXPENDITURES									
Current:									
General Government	21,526	21,526	-	-	-	-	-	-	-
Public Safety	-	-	-	200	26	174	-	-	-
Community Development	-	-	-	-	-	-	25,020	6	25,014
Parks and Recreation	-	-	-	-	-	-	-	-	-
Community Services	-	-	-	-	-	-	-	-	-
Total Expenditures	21,526	21,526	-	200	26	174	25,020	6	25,014
REVENUES OVER (UNDER) EXPENDITURES	616,520	408,116	(208,404)	40,000	69,696	29,696	(5,750)	87	5,837
OTHER FINANCING SOURCES (USES)									
Transfers In	-	243,848	243,848	-	-	-	-	-	-
Transfers Out	(11,544,233)	(1,100,000)	10,444,233	(73,191)	(73,191)	-	-	-	-
Total Other Financing Sources (Uses)	(11,544,233)	(856,152)	10,688,081	(73,191)	(73,191)	-	-	-	-
Net Change in Fund Balances	$ (10,927,713)	(448,036)	$ 10,479,677	$ (33,191)	(3,495)	$ 29,696	$ (5,750)	87	$ 5,837
Fund Balance, Beginning of Year		1,015,650			36,828			5,805	
Fund Balance, End of Year		$ 567,614			$ 33,333			$ 5,892	

Continued

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual

Special Revenue Funds (Continued)

For Year Ended June 30, 2011

	RDA Low Income Housing			PEG Media			Asset Forfeiture		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES									
Taxes	$ 1,139,307	$ 1,168,617	$ 29,310	$ -	$ -	$ -	$ -	$ -	$ -
Uses of Money and Property	95,000	87,154	(7,846)	14,100	14,119	19	450	1,774	1,324
Intergovernmental	-	-	-	-	-	-	-	-	-
Fees and Other Revenues	-	-	-	-	-	-	10,000	28,806	18,806
Total Revenues	1,234,307	1,255,771	21,464	14,100	14,119	19	10,450	30,580	20,130
EXPENDITURES									
Current:									
General Government	2,177,007	1,350,294	826,713	2,250	897	1,353	42,565	34,704	7,861
Public Safety	-	-	-	-	-	-	-	-	-
Community Development	-	-	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	-	-	-	-
Community Services	-	-	-	-	-	-	-	-	-
Total Expenditures	2,177,007	1,350,294	826,713	2,250	897	1,353	42,565	34,704	7,861
REVENUES OVER (UNDER) EXPENDITURES	(942,700)	(94,523)	848,177	11,850	13,222	1,372	(32,115)	(4,124)	27,991
OTHER FINANCING SOURCES (USES)									
Transfers In	-	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-
Net Change in Fund Balances	$ (942,700)	(94,523)	$ 848,177	$ 11,850	13,222	$ 1,372	$ (32,115)	(4,124)	$ 27,991
Fund Balance, Beginning of Year		6,709,365			882,160			107,420	
Fund Balance, End of Year		$ 6,614,842			$ 895,382			$ 103,296	

Continued

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Special Revenue Funds (Continued)
For Year Ended June 30, 2011

	Measure C / J			Facility Fee Administration			Parks Advertising		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES									
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Uses of Money and Property	4,000	5,454	1,454	250	1,033	783	-	20	20
Intergovernmental	436,086	570,377	134,291	-	-	-	-	-	-
Fees and Other Revenues		-	-	71,376	68,079	(3,297)	-	19,790	19,790
Total Revenues	440,086	575,831	135,745	71,626	69,112	(2,514)	-	19,810	19,810
EXPENDITURES									
Current:									
General Government	5,832	2,090	3,742	152,575	150,063	2,512	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-
Community Development	-	-	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	-	10,000	6,884	3,116
Community Services	-	-	-	-	-	-	-	-	-
Total Expenditures	5,832	2,090	3,742	152,575	150,063	2,512	10,000	6,884	3,116
REVENUES OVER (UNDER) EXPENDITURES	434,254	573,741	139,487	(80,949)	(80,951)	(2)	(10,000)	12,926	22,926
OTHER FINANCING SOURCES (USES)									
Transfers In	-	-	-	-	-	-	-	-	-
Transfers Out	(454,046)	(454,046)	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(454,046)	(454,046)	-	-	-	-	-	-	-
Net Change in Fund Balances	$ (19,792)	119,695	$ 139,487	$ (80,949)	(80,951)	$ (2)	$ (10,000)	12,926	$ 22,926
Fund Balance, Beginning of Year		23,035			94,336			-	
Fund Balance, End of Year		$ 142,730			$ 13,385			$ 12,926	

Continued

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Special Revenue Funds (Continued)
For Year Ended June 30, 2011

	Parks and Trails			Agriculture Administration			Public Art Administration		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES									
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Uses of Money and Property	-	-	-	18,000	10,716	(7,284)	550	769	219
Intergovernmental	-	-	-	-	-	-	-	-	-
Fees and Other Revenues	583,000	757,738	174,738	-	7,477	7,477	26,800	16,332	(10,468)
Total Revenues	583,000	757,738	174,738	18,000	18,193	193	27,350	17,101	(10,249)
EXPENDITURES									
Current:									
General Government	-	-	-	260,072	220,980	39,092	250	44	206
Public Safety	-	-	-	-	-	-	-	-	-
Community Development	-	-	-	-	-	-	-	-	-
Parks and Recreation	1,078,024	1,046,291	31,733	-	-	-	-	-	-
Community Services	-	-	-	-	-	-	-	-	-
Total Expenditures	1,078,024	1,046,291	31,733	260,072	220,980	39,092	250	44	206
REVENUES OVER (UNDER) EXPENDITURES	(495,024)	(288,553)	206,471	(242,072)	(202,787)	39,285	27,100	17,057	(10,043)
OTHER FINANCING SOURCES (USES)									
Transfers In	-	325,244	325,244	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	325,244	325,244	-	-	-	-	-	-
Net Change in Fund Balances	$ (495,024)	36,691	$ 531,715	$ (242,072)	(202,787)	$ 39,285	$ 27,100	17,057	$ (10,043)
Fund Balance, Beginning of Year		(2,586,983)			758,965			40,150	
Fund Balance, End of Year		$ (2,550,292)			$ 556,178			$ 57,207	

Continued

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Special Revenue Funds (Continued)
For Year Ended June 30, 2011

	Public Art Acquisition			Arts Commission			Fire Fees		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES									
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Uses of Money and Property	20,000	9,848	(10,152)	400	497	97	20,050	13,557	(6,493)
Intergovernmental	-	-	-	-	-	-	-	-	-
Fees and Other Revenues	107,200	45,027	(62,173)	-	-	-	50,408	53,560	3,152
Total Revenues	127,200	54,875	(72,325)	400	497	97	70,458	67,117	(3,341)
EXPENDITURES									
Current:									
General Government	430	430	-	31,800	27,408	4,392	600	600	-
Public Safety	-	-	-	-	-	-	-	-	-
Community Development	-	-	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	-	-	-	-
Community Services	-	-	-	-	-	-	-	-	-
Total Expenditures	430	430	-	31,800	27,408	4,392	600	600	-
REVENUES OVER (UNDER) EXPENDITURES	126,770	54,445	(72,325)	(31,400)	(26,911)	4,489	69,858	66,517	(3,341)
OTHER FINANCING SOURCES (USES)									
Transfers In	-	-	-	1,200	1,200	-	-	-	-
Transfers Out	(5,077)	(5,077)	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(5,077)	(5,077)	-	1,200	1,200	-	-	-	-
Net Change in Fund Balances	$ 121,693	49,368	$ (72,325)	$ (30,200)	(25,711)	$ 4,489	$ 69,858	66,517	$ (3,341)
Fund Balance, Beginning of Year		606,283			32,262			839,152	
Fund Balance, End of Year		$ 655,651			$ 6,551			$ 905,669	

Continued

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Special Revenue Funds (Continued)
For Year Ended June 30, 2011

	Agriculture Land			Parking In Lieu			Lighting and Landscape Districts			Totals		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES												
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,853,359	$ 2,889,562	$ 36,203
Uses of Money and Property	125,000	61,961	(63,039)	510	422	(88)	-	54,929	54,929	551,372	324,304	(227,068)
Intergovernmental	-	-	-	-	-	-	-	-	-	2,050,121	1,954,895	(95,226)
Fees and Other Revenues	-	29,909	29,909	-	-	-	5,125,867	5,065,839	(60,028)	10,734,223	10,914,483	180,260
Total Revenues	125,000	91,870	(33,130)	510	422	(88)	5,125,867	5,120,768	(5,099)	16,189,075	16,083,244	(105,831)
EXPENDITURES												
Current:												
General Government	3,396,507	3,350,708	45,799	40	27	13	-	-	-	7,903,343	6,497,135	1,406,208
Public Safety	-	-	-	-	-	-	-	-	-	272,665	194,482	78,183
Community Development	-	-	-	-	-	-	-	-	-	25,020	6	25,014
Parks and Recreation	-	-	-	-	-	-	-	-	-	3,676,064	3,641,214	34,850
Community Services	-	-	-	-	-	-	5,740,309	4,620,370	1,119,939	5,776,809	4,649,168	1,127,641
Total Expenditures	3,396,507	3,350,708	45,799	40	27	13	5,740,309	4,620,370	1,119,939	17,653,901	14,982,005	2,671,896
REVENUES OVER (UNDER) EXPENDITURES	(3,271,507)	(3,258,838)	12,669	470	395	(101)	(614,442)	500,398	1,114,840	(1,464,826)	1,101,239	2,566,065
OTHER FINANCING SOURCES (USES)												
Transfers In	-	-	-	-	-	-	-	-	-	592,279	1,239,868	647,589
Transfers Out	-	-	-	-	-	-	-	-	-	(18,387,735)	(6,703,475)	11,684,260
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	(17,795,456)	(5,463,607)	12,331,849
Net Change in Fund Balances	$ (3,271,507)	(3,258,838)	$ 12,669	$ 470	395	$ (101)	$ (614,442)	500,398	$ 1,114,840	$ (19,260,282)	(4,362,368)	$ 14,897,914
Fund Balance, Beginning of Year		4,593,559			26,372			3,516,722			20,339,682	
Fund Balance, End of Year		$ 1,334,721			$ 26,767			$ 4,017,120			$ 15,977,314	

Combining Balance Sheet
All Debt Service Funds
June 30, 2011

	Redevelopment Debt	Capital Improvement Program 2001	2002 General Obligation Bond	Civic Center Projects Revenue Bond	Totals
ASSETS					
Current Assets:					
Cash and Investments	$ 812,117	$ 86,262	$ 329,311	$ -	$ 1,227,690
Restricted Cash and Investments	-	2,195,478	-	5,471,083	7,666,561
Receivables	99	6	24	-	129
Total Assets	$ 812,216	$ 2,281,746	$ 329,335	$ 5,471,083	$ 8,894,380
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable and Accrued Liabilities	$ 812,216	$ 8	$ 289,695	$ -	$ 1,101,919
Due to Other Funds	-	-	-	996	996
Total Liabilities	812,216	8	289,695	996	1,102,915
Fund Balances:					
Restricted	-	2,281,738	39,640	5,470,087	7,791,465
Total Fund Balances	-	2,281,738	39,640	5,470,087	7,791,465
Total Liabilities and Fund Balances	$ 812,216	$ 2,281,746	$ 329,335	$ 5,471,083	$ 8,894,380

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

All Debt Service Funds

For Year Ended June 30, 2011

	Redevelopment Debt	Capital Improvement Program 2001	2002 General Obligation Bond	Civic Center Projects Revenue Bond	Totals
REVENUES					
Taxes	$ 4,674,469	$ -	$ 349,269	$ -	$ 5,023,738
Uses of Money and Property	183,775	87,818	1,831	92,777	366,201
Intergovernmental	-	-	-	1,128,821	1,128,821
Total Revenues	4,858,244	87,818	351,100	1,221,598	6,518,760
EXPENDITURES					
Current:					
Community Development	1,689,136	10,424	5,977	11,750	1,717,287
Debt Service:					
Principal	485,000	295,000	230,000	-	1,010,000
Interest and Fiscal Charges	1,768,849	421,094	119,325	2,486,624	4,795,892
Total Expenditures	3,942,985	726,518	355,302	2,498,374	7,523,179
REVENUES OVER (UNDER) EXPENDITURES	915,259	(638,700)	(4,202)	(1,276,776)	(1,004,419)
OTHER FINANCING SOURCES (USES)					
Transfers In	888,080	678,057	-	11,750	1,577,887
Transfers Out	(10,518,393)	-	-	(888,080)	(11,406,473)
Total Other Financing Sources (Uses)	(9,630,313)	678,057	-	(876,330)	(9,828,586)
Net Change in Fund Balances	(8,715,054)	39,357	(4,202)	(2,153,106)	(10,833,005)
Fund Balance, Beginning of Year	8,715,054	2,242,381	43,842	7,623,193	18,624,470
Fund Balance, End of Year	$ -	$ 2,281,738	$ 39,640	$ 5,470,087	$ 7,791,465

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Certain Debt Service Funds
For Year Ended June 30, 2011

	Redevelopment Debt		
	Budget	Actual	Variance
REVENUES			
Taxes	$ 4,557,547	$ 4,674,469	$ 116,922
Uses of Money and Property	248,500	183,775	(64,725)
Total Revenues	4,806,047	4,858,244	52,197
EXPENDITURES			
Current:			
Community Development	1,790,397	1,689,136	101,261
Debt Service:			
Principal	485,000	485,000	-
Interest and Fiscal Charges	1,768,850	1,768,849	1
Total Expenditures	4,044,247	3,942,985	101,262
REVENUES OVER (UNDER) EXPENDITURES	761,800	915,259	153,459
OTHER FINANCING SOURCES (USES)			
Transfers In	888,080	888,080	-
Transfers Out	(16,645,112)	(10,518,393)	6,126,719
Total Other Financing Sources (Uses)	(15,757,032)	(9,630,313)	6,126,719
Net Change in Fund Balances	$ (14,995,232)	(8,715,054)	$ 6,280,178
Fund Balance, Beginning of Year		8,715,054	
Fund Balance, End of Year		$ -	

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Combining Balance Sheet
All Capital Project Funds
June 30, 2011

	Capital Improvement Financing Program 2005-1	Capital Improvement Financing Program 2006-1	2002 Series A & B	Randy Way District Improvements	City Capital Improvement Financing Program	Civic Center Projects	Community Facilities Improvement Projects
ASSETS							
Current Assets:							
Cash and Investments	$ -	$ -	$ -	$ -	$ -	$ -	$ 21,679,550
Restricted Cash and Investments	7,550,571	2,578,877	400,634	4,457	1,195,431	8,834,919	1,966,473
Receivables	-	-	-	-	92	1	1,873
Prepaids	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	996
Interfund Advance Receivable	-	-	-	-	-	-	2,550,148
Total Assets	$ 7,550,571	$ 2,578,877	$ 400,634	$ 4,457	$ 1,195,523	$ 8,834,920	$ 26,199,040
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable and Accrued Liabilities	$ -	$ -	$ -	$ -	$ 123	$ 1	$ 7,542,010
Deposits Held	-	-	-	-	-	-	-
Total Liabilities	-	-	-	-	123	1	7,542,010
Fund Balances:							
Nonspendable	-	-	-	-	-	-	-
Restricted	7,550,571	2,578,877	400,634	4,457	1,195,400	8,834,919	18,657,030
Total Fund Balances	7,550,571	2,578,877	400,634	4,457	1,195,400	8,834,919	18,657,030
Total Liabilities and Fund Balances	$ 7,550,571	$ 2,578,877	$ 400,634	$ 4,457	$ 1,195,523	$ 8,834,920	$ 26,199,040

Continued

Combining Balance Sheet

All Capital Project Funds (Continued)

June 30, 2011

	Park Improvement Projects	Drainage Improvement Projects	Street Improvement Projects	Economic Infrastructure Projects	Vineyards Projects	Redevelopment Projects	Totals
ASSETS							
Current Assets:							
Cash and Investments	$ 1,492,345	$ 45,911	$ 6,863,660	$ 6,483,880	$ 1,609,084	$ 10,337	$ 38,184,767
Restricted Cash and Investments	14,633	-	-	-	-	-	22,545,995
Receivables	243,184	4	19,978	491	147	2,000	267,770
Prepaids	-	-	-	-	-	1,155	1,155
Due from Other Funds	-	-	-	-	-	-	996
Interfund Advance Receivable	-	-	-	-	-	-	2,550,148
Total Assets	$ 1,750,162	$ 45,915	$ 6,883,638	$ 6,484,371	$ 1,609,231	$ 13,492	$ 63,550,831
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable and Accrued Liabilities	$ 258,206	$ -	$ 456,116	$ -	$ 198	$ 6,487	$ 8,263,141
Deposits Held	-	-	-	-	-	5,850	5,850
Total Liabilities	258,206	-	456,116	-	198	12,337	8,268,991
Fund Balances:							
Nonspendable	-	-	-	-	-	1,155	1,155
Restricted	1,491,956	45,915	6,427,522	6,484,371	1,609,033	-	55,280,685
Total Fund Balances	1,491,956	45,915	6,427,522	6,484,371	1,609,033	1,155	55,281,840
Total Liabilities and Fund Balances	$ 1,750,162	$ 45,915	$ 6,883,638	$ 6,484,371	$ 1,609,231	$ 13,492	$ 63,550,831

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

All Capital Project Funds

For Year Ended June 30, 2011

	Capital Improvement Financing Program 2005-1	Capital Improvement Financing Program 2006-1	2002 Series A & B	Randy Way District Improvements	City Capital Improvement Financing Program	Civic Center Projects	Community Facilities Improvement Projects
REVENUES							
Uses of Money and Property	$ 4,633	$ 1,457	$ 742	$ 70	$ 15,135	$ 113,248	$ 333,663
Intergovernmental	-	-	-	-	-	-	-
Fees and Other Revenues	-	-	-	-	1,055,909	-	-
Total Revenues	4,633	1,457	742	70	1,071,044	113,248	333,663
EXPENDITURES							
Current:							
General Government	1,217,500	1,160,213	-	-	649	641	14,090
Capital Outlay	-	-	-	-	-	-	27,407,214
Total Expenditures	1,217,500	1,160,213	-	-	649	641	27,421,304
REVENUES OVER (UNDER) EXPENDITURES	(1,212,867)	(1,158,756)	742	70	1,070,395	112,607	(27,087,641)
OTHER FINANCING SOURCES (USES)							
Transfer of Land Held to Governmental Activities	-	-	-	-	-	-	-
Transfers In	-	29	-	-	1,100,000	-	40,805,806
Transfers Out	-	-	-	-	(1,003,711)	(27,358,581)	(7,969,532)
Total Other Financing Sources (Uses)	-	29	-	-	96,289	(27,358,581)	32,836,274
Net Change in Fund Balances	(1,212,867)	(1,158,727)	742	70	1,166,684	(27,245,974)	5,748,633
Fund Balance, Beginning of Year	8,763,438	3,737,604	399,892	4,387	28,716	36,080,893	12,908,397
Fund Balance, End of Year	$ 7,550,571	$ 2,578,877	$ 400,634	$ 4,457	$ 1,195,400	$ 8,834,919	$ 18,657,030

Continued

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Capital Project Funds (Continued)
For Year Ended June 30, 2011

	Park Improvement Projects	Drainage Improvement Projects	Street Improvement Projects	Economic Infrastructure Projects	Vineyards Projects	Redevelopment Projects	Totals
REVENUES							
Uses of Money and Property	$ 24,956	$ 2,645	$ 104,812	$ 102,177	$ 30,698	$ 75,673	$ 809,909
Intergovernmental	992,531	-	540,974	-	-	-	1,533,505
Fees and Other Revenues	-	-	-	-	-	-	1,055,909
Total Revenues	1,017,487	2,645	645,786	102,177	30,698	75,673	3,399,323
EXPENDITURES							
Current:							
General Government	1,540,100	-	1,108,597	-	1,989	1,652,985	6,696,764
Capital Outlay	731,023	2,491	207,156	-	-	-	28,347,884
Total Expenditures	2,271,123	2,491	1,315,753	-	1,989	1,652,985	35,044,648
REVENUES OVER (UNDER) EXPENDITURES	(1,253,636)	154	(669,967)	102,177	28,709	(1,577,312)	(31,645,325)
OTHER FINANCING SOURCES (USES)							
Transfer of Land Held to Governmental Activities	-	-	-	-	-	(1,327,029)	(1,327,029)
Transfers In	1,514,002	79,434	1,040,460	-	-	10,735,301	55,275,032
Transfers Out	(325,245)	(222,645)	(78,526)	-	(337,724)	(14,103,143)	(51,399,107)
Total Other Financing Sources (Uses)	1,188,757	(143,211)	961,934	-	(337,724)	(4,694,871)	2,548,896
Net Change in Fund Balances	(64,879)	(143,057)	291,967	102,177	(309,015)	(6,272,183)	(29,096,429)
Fund Balance, Beginning of Year	1,556,835	188,972	6,135,555	6,382,194	1,918,048	6,273,338	84,378,269
Fund Balance, End of Year	$ 1,491,956	$ 45,915	$ 6,427,522	$ 6,484,371	$ 1,609,033	$ 1,155	$ 55,281,840

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Certain Capital Project Funds
For Year Ended June 30, 2011

	City Capital Improvement Financing Program			Civic Center Projects			Economic Infrastructure Projects		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES									
Uses of Money and Property	$ 18,500	$ 15,135	$ (3,365)	$ 60,000	$ 113,248	$ 53,248	$ -	$ 102,177	$ 102,177
Fees and Other Revenues	1,067,418	1,055,909	(11,509)		-	-	-	-	-
Total Revenues	1,085,918	1,071,044	(14,874)	60,000	113,248	53,248	-	102,177	102,177
EXPENDITURES									
Current:									
General Government	1,289	649	640	7,500	641	6,859	28,000	-	28,000
Total Expenditures	1,289	649	640	7,500	641	6,859	28,000	-	28,000
REVENUES OVER (UNDER) EXPENDITURES	1,084,629	1,070,395	(14,234)	52,500	112,607	60,107	(28,000)	102,177	130,177
OTHER FINANCING SOURCES (USES)									
Transfer of Land Held to Governmental Activities	-	-	-	-	-	-	-	-	-
Transfers In	1,455,000	1,100,000	(355,000)	-	-	-	-	-	-
Transfers Out	(1,003,711)	(1,003,711)	-	(29,277,070)	(27,358,581)	1,918,489	(2,350,000)	-	2,350,000
Total Other Financing Sources (Uses)	451,289	96,289	(355,000)	(29,277,070)	(27,358,581)	1,918,489	(2,350,000)	-	2,350,000
Net Change in Fund Balances	$ 1,535,918	1,166,684	$ (369,234)	$ (29,224,570)	(27,245,974)	$ 1,978,596	$ (2,378,000)	102,177	$ 2,480,177
Fund Balance, Beginning of Year		28,716			36,080,893			6,382,194	
Fund Balance, End of Year		$ 1,195,400			$ 8,834,919			$ 6,484,371	

Continued

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Certain Capital Projects Fund (Continued)
For Year Ended June 30, 2011

	Vineyards Projects			Redevelopment Projects			Totals		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES									
Uses of Money and Property	$ 57,500	$ 30,698	$ (26,802)	$ 119,600	$ 75,673	$ (43,927)	$ 255,600	$ 336,931	$ 81,331
Fees and Other Revenues	-	-	-	-	-	-	1,067,418	1,055,909	(11,509)
Total Revenues	57,500	30,698	(26,802)	119,600	75,673	(43,927)	1,323,018	1,392,840	69,822
EXPENDITURES									
Current:									
General Government	2,500	1,989	511	2,088,554	1,652,985	435,569	2,127,843	1,656,264	471,579
Total Expenditures	2,500	1,989	511	2,088,554	1,652,985	435,569	2,127,843	1,656,264	471,579
REVENUES OVER (UNDER) EXPENDITURES	55,000	28,709	(26,291)	(1,968,954)	(1,577,312)	391,642	(804,825)	(263,424)	(401,757)
OTHER FINANCING SOURCES (USES)									
Transfer of Land Held to Governmental Activities	-	-	-	(1,327,029)	(1,327,029)	-	(1,327,029)	(1,327,029)	-
Transfers In	-	-	-	16,645,112	10,735,301	(5,909,811)	18,100,112	11,835,301	(6,264,811)
Transfers Out	(337,724)	(337,724)	-	(15,479,529)	(14,103,143)	1,376,386	(48,448,034)	(42,803,159)	5,644,875
Total Other Financing Sources (Uses)	(337,724)	(337,724)	-	(161,446)	(4,694,871)	(4,533,425)	(31,674,951)	(32,294,887)	(619,936)
Net Change in Fund Balances	$ (282,724)	(309,015)	$ (26,291)	$ (2,130,400)	(6,272,183)	$ (4,141,783)	$ (32,479,776)	$ (32,558,311)	$ (1,021,693)
Fund Balance, Beginning of Year		1,918,048			6,273,338			50,683,189	
Fund Balance, End of Year		$ 1,609,033			$ 1,155			$ 18,124,878	

STATISTICAL SECTION CONTENTS

Sources: Unless otherwise noted, the information in these schedules is derived from the City's relevant Comprehensive Annual Financial Reports.

City of Brentwood

NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(Unaudited)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	$ 107,356,555	$ 144,428,668	$ 197,015,674	$ 215,720,615	$ 294,803,288	$ 339,857,455	$ 372,951,683	$ 396,500,516	$ 387,736,385	$ 391,780,662
Restricted	47,295,121	43,163,510	48,177,025	34,678,623	81,395,898	79,233,723	80,452,738	84,103,392	90,938,293	71,281,324
Unrestricted	28,983,536	37,800,917	27,120,013	53,776,481	53,977,292	59,130,425	54,508,073	48,649,648	41,892,809	50,583,234
Total Governmental Activities Net Assets	$ 183,635,212	$ 225,393,095	$ 272,312,712	$ 304,175,719	$ 430,176,478	$ 478,221,603	$ 507,912,494	$ 529,253,556	$ 520,567,487	$ 513,645,220
Business-Type Activities										
Invested in Capital Assets, Net of Related Debt	$ 68,499,556	$ 98,061,398	$ 134,896,047	$ 144,514,270	$ 104,790,118	$ 124,783,446	$ 137,697,679	$ 151,887,435	$ 152,324,676	$ 154,107,936
Restricted	27,949,628	34,664,252	12,359,754	27,021,249	30,182,173	31,204,635	28,721,075	26,202,644	31,503,932	33,796,393
Unrestricted	512,510	5,787,062	(5,426,178)	14,373,836	14,140,500	22,052,908	33,177,282	39,191,354	38,179,045	41,033,910
Total Business-Type Activities Net Assets	$ 96,961,694	$ 138,512,712	$ 141,829,623	$ 185,909,355	$ 149,112,791	$ 178,040,989	$ 199,596,036	$ 217,281,433	$ 222,007,653	$ 228,938,239
Primary Government										
Invested in Capital Assets, Net of Related Debt	$ 175,856,111	$ 242,490,066	$ 331,911,721	$ 360,234,885	$ 399,593,406	$ 464,640,901	$ 510,649,362	$ 548,387,951	$ 540,061,061	$ 545,888,598
Restricted	75,244,749	77,827,762	60,536,779	61,699,872	111,578,071	110,438,358	109,173,813	110,306,036	122,442,225	105,077,717
Unrestricted	29,496,046	43,587,979	21,693,835	68,150,317	68,117,792	81,183,333	87,685,355	87,841,002	80,071,854	91,617,144
Total Primary Government Net Assets	$ 280,596,906	$ 363,905,807	$ 414,142,335	$ 490,085,074	$ 579,289,269	$ 656,262,592	$ 707,508,530	$ 746,534,989	$ 742,575,140	$ 742,583,459

City of Brentwood

CHANGES IN NET ASSETS - GOVERNMENTAL ACTIVITIES
LAST TEN FISCAL YEARS
(Accural Basis of Accounting)

(Unaudited)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities:										
Expenses										
General Government	$ 5,331,756	$ 18,329,899	$ 19,799,793	$ 22,019,514	$ 17,927,800	$ 26,103,080	$ 26,566,890	$ 14,258,630	$ 16,337,699	$ 21,178,861
Public Safety	5,681,464	6,750,947	9,970,436	9,563,065	10,952,967	12,768,274	13,770,801	15,024,872	18,770,435	16,444,355
Community Development	2,944,722	2,886,102	4,804,009	5,103,462	3,960,793	5,704,796	5,581,469	4,871,191	5,688,738	4,614,882
Engineering	1,577,558	1,618,876	2,469,775	3,821,479	4,063,792	2,332,730	2,420,953	2,500,979	2,195,775	2,287,863
Public Works	2,783,123	2,942,088	3,491,159	1,796,006	1,815,288	4,967,567	5,441,455	6,417,940	6,702,090	7,563,837
Parks and Recreation	744,725	806,336	1,613,411	2,442,686	6,965,572	8,129,353	9,312,868	8,721,904	9,595,992	9,831,303
Community Services	581,152	314,293	226,732	237,458	2,059,834	3,402,377	3,728,537	4,771,816	5,665,988	5,193,300
Other	2,805,061	1,158,986	512,952	1,008,158	2,918,908	-	-	-	-	-
Interest on Long-Term Debt	2,789,903	2,018,870	1,883,951	1,949,670	1,766,038	1,839,058	1,557,776	1,729,621	3,129,383	5,068,172
Total Expenses	25,239,464	36,826,397	44,772,218	47,941,498	52,430,992	65,247,235	68,380,749	58,296,953	68,086,100	72,182,573
Program Revenues										
Charges for Services:										
General Government	2,931,381	2,938,053	4,120,088	4,707,870	3,803,913	5,050,422	4,832,281	5,374,316	6,137,929	7,180,354
Public Safety	371,995	396,267	391,286	417,939	463,693	563,191	611,166	512,853	555,434	498,354
Community Development	4,851,821	6,071,912	7,048,216	7,541,354	5,992,652	3,371,910	2,021,118	870,595	1,204,973	1,112,381
Engineering	3,969,265	4,451,413	4,642,625	4,842,578	4,088,577	3,499,111	2,218,835	1,549,735	1,760,861	1,191,544
Public Works	6,650	4,861	15,953	20,260	36,618	53,474	87,670	84,910	119,960	75,927
Parks and Recreation	-	-	-	-	1,804,256	1,687,292	1,128,180	936,023	920,233	962,966
Operating Grants and Contributions	698,207	226,570	165,107	114,791	200,915	6,443,633	9,868,672	9,594,707	10,547,689	12,109,521
Capital Grants and Contributions	163,450	132,575	128,384	166,951	212,611	50,529,249	35,633,756	21,356,537	7,393,607	13,903,165
Total Program Revenues	12,992,769	14,221,651	16,511,659	17,811,743	16,603,235	71,198,282	56,401,678	40,279,676	28,640,686	37,034,212
Total Governmental Activities Net Expense	(12,246,695)	(22,604,746)	(28,260,559)	(30,129,755)	(35,827,757)	5,951,047	(11,979,071)	(18,017,277)	(39,445,414)	(35,148,361)
General Revenues and Other Changes in Net Assets										
Taxes:										
Property Taxes	5,423,132	6,933,900	7,990,595	9,932,342	14,887,469	19,676,078	20,802,069	19,580,300	16,247,078	15,684,496
Sales Tax	2,661,107	2,998,922	3,644,368	4,442,764	5,411,724	4,661,529	4,827,706	4,803,716	5,038,880	5,258,382
Franchise Fees	498,202	668,657	738,525	851,237	1,021,258	1,230,265	1,362,484	1,057,537	1,168,412	1,183,245
Public Service Taxes	391,088	589,266	743,890	914,426	1,000,573	527,766	342,627	298,911	283,407	251,092
Measure C / J, TOT	449,654	448,498	457,883	480,838	532,035	598,358	635,411	674,000	676,635	775,964
Motor Vehicle Taxes	1,423,128	1,702,280	1,508,664	2,198,750	3,502,237	3,597,495	3,942,089	3,570,432	2,955,583	2,925,219
Other Taxes	-	-	-	-	188,636	260,577	-	-	-	-
Investment Earnings	3,122,319	2,777,909	3,312,556	3,185,671	3,639,789	8,960,696	8,191,379	6,821,377	3,456,502	2,256,133
Contributions - Impact Fees and Credits	10,729,361	21,965,625	28,218,482	29,584,350	31,600,393	-	-	-	-	-
Capital Contributions	20,450,758	9,572,626	(931,403)	3,592,176	33,424,231	-	-	-	-	-
Capital Assets Contributed to/from Other Funds	1,971,847	2,885,000	12,868,344	126,356	-	-	-	-	-	-
Intergovernmental	-	-	-	862,624	1,151,837	42,737	-	-	-	-
Interfund Services	-	-	-	3,570,121	4,627,478	48,484	-	-	-	-
Miscellaneous	-	6,470,739	12,817,467	4,098,758	3,328,605	2,726,006	1,421,715	906,456	848,732	317,681
Transfers	(870,776)	7,349,207	3,810,805	(1,847,651)	57,512,251	2,111,311	144,482	1,645,610	84,116	(426,118)
Total General Revenues and Other Changes in Net Assets	46,249,820	64,362,629	75,180,176	61,992,762	161,828,516	44,441,302	41,669,962	39,358,339	30,759,345	28,226,094
Total Governmental Activities Change in Net Assets	$ 34,003,125	$ 41,757,883	$ 46,919,617	$ 31,863,007	$ 126,000,759	$ 50,392,349	$ 29,690,891	$ 21,341,062	$ (8,686,069)	$ (6,922,267)

City of Brentwood

CHANGES IN NET ASSETS - BUSINESS-TYPE ACTIVITIES

LAST TEN FISCAL YEARS

(Accural Basis of Accounting)

(Unaudited)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Business-Type Activities:										
Expenses										
Wastewater	$ 2,813,091	$ 3,405,073	$ 8,461,336	$ 5,713,763	$ 5,995,237	$ 6,264,947	$ 6,734,960	$ 6,956,281	$ 7,387,756	$ 7,706,249
Solid Waste	2,703,827	3,060,101	3,833,171	4,266,665	6,018,649	6,259,740	6,620,638	6,870,616	7,530,880	7,839,662
Water	6,394,410	6,779,073	7,395,878	8,594,319	12,073,423	11,181,295	12,304,859	15,721,076	18,381,997	17,122,586
Parks and Recreation	2,749,011	2,891,809	3,647,580	3,854,606	-	-	-	-	-	-
City Rentals	396,025	429,833	436,287	434,243	728,604	729,754	654,428	248,505	253,241	218,218
Housing	-	-	7,504	1,022,306	1,215,548	1,481,274	792,055	307,298	419,217	430,024
Total Expenses	15,056,364	16,565,889	23,781,756	23,885,902	26,031,461	25,917,010	27,106,940	30,103,776	33,973,091	33,316,739
Program Revenues										
Charges for Services:										
Wastewater	2,764,158	3,618,959	4,214,471	4,549,961	5,979,653	6,441,711	6,966,204	7,666,143	7,936,737	8,333,225
Solid Waste	3,725,346	4,243,126	5,102,561	6,236,643	8,025,919	8,826,499	9,284,062	9,119,685	8,856,687	9,045,607
Water	5,414,427	6,528,611	9,406,429	10,231,960	12,264,649	15,348,469	16,279,479	16,201,887	15,760,490	16,114,907
Parks and Recreation	626,179	668,503	776,465	1,443,029	-	-	-	-	-	-
City Rentals	216,841	660,367	740,110	778,437	767,270	717,539	467,271	421,957	425,832	425,607
Housing	-	-	-	1,000	30,290	117,601	174,368	188,137	175,186	193,610
Capital Grants and Contributions	-	-	-	-	6,287,482	22,969,310	11,971,155	12,590,057	3,996,082	4,635,461
Total Program Revenues	12,746,951	15,719,566	20,240,036	23,241,030	33,355,263	54,421,129	45,142,539	46,187,866	37,151,014	38,748,417
Total Business-Type Activities Net Expense	(2,309,413)	(846,323)	(3,541,720)	(644,872)	7,323,802	28,504,119	18,035,599	16,084,090	3,177,923	5,431,678
General Revenues and Other Changes in Net Assets										
Taxes:										
Property Taxes	532,571	680,375	868,369	1,073,421	-	-	-	-	-	-
Connection Fees Paid	-	-	(11,305,768)	-	-	-	-	-	-	-
Grants and Contributions Not Restricted to Specific Program	-	-	-	177,600	-	-	-	-	-	-
Investment Earnings	1,247,935	1,710,954	1,284,161	534,586	1,199,763	2,535,390	3,663,930	3,246,917	1,632,413	1,072,790
Contributions - Impact Fees and Credits	11,453,897	20,286,877	20,104,810	17,844,231	11,381,912	-	-	-	-	-
Capital Contributions	8,876,407	17,848,980	(432,136)	21,325,932	-	-	-	-	-	-
Capital Assets Contributed to/from Other Funds	-	-	-	(126,356)	-	-	-	-	-	-
Miscellaneous	3,788	5,375	150,000	-	-	-	-	-	-	-
Transfers	870,776	(7,349,207)	(3,810,805)	1,847,651	(57,512,251)	(2,111,311)	(144,482)	(1,645,610)	(84,116)	426,118
Total General Revenues and Other Changes in Net Assets	22,985,374	33,183,354	6,858,631	42,677,065	(44,930,576)	424,079	3,519,448	1,601,307	1,548,297	1,498,908
Total Business-Type Activities Change in Net Assets	20,675,961	32,337,031	3,316,911	42,032,193	(37,606,774)	28,928,198	21,555,047	17,685,397	4,726,220	6,930,586
Total Primary Government Change in Net Assets	$ 54,679,086	$ 74,094,914	$ 50,236,528	$ 73,895,200	$ 88,393,985	$ 79,320,547	$ 51,245,938	$ 39,026,459	$ (3,959,849)	$ 8,319

FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(Unaudited)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Reserved	$ 4,343,805	$ 454,599	$ 728,885	$ 122,935	$ 204,076	$ 124,588	$ 69,008	$ 115,603	$ -	$ -
Unreserved	4,616,741	18,847,893	22,101,506	19,377,628	22,310,261	25,274,977	23,942,011	15,469,215	-	-
Nonspendable*	-	-	-	-	-	-	-	-	69,383	168,127
Restricted*	-	-	-	-	-	-	-	-	-	-
Committed*	-	-	-	-	-	-	-	-	600,000	600,000
Assigned*	-	-	-	-	-	-	-	-	2,200,000	7,667,955
Unassigned*	-	-	-	-	-	-	-	-	12,464,539	9,835,437
Total General Fund	$ 8,960,546	$ 19,302,492	$ 22,830,391	$ 19,500,563	$ 22,514,337	$ 25,399,565	$ 24,011,019	$ 15,584,818	$ 15,333,922	$ 18,271,519
All Other Governmental Funds										
Reserved	$ 42,951,316	$ 42,708,911	$ 47,445,393	$ 46,924,689	$ 93,318,376	$ 94,569,236	$ 81,456,062	$ 86,822,877	$ -	$ -
Unreserved, Reported In:										
Special Revenue Funds	19,920,393	8,429,955	(1,872,055)	5,640,986	3,657,471	(2,292,254)	6,156,567	8,180,937	-	-
Capital Project Funds	-	-	-	-	-	(35,867)	(59,329)	(3,705,510)	-	-
Nonspendable*	-	-	-	-	-	-	-	-	2,371,064	2,237
Restricted*	-	-	-	-	-	-	-	-	119,080,851	78,571,539
Committed*	-	-	-	-	-	-	-	-	4,477,489	3,027,135
Assigned*	-	-	-	-	-	-	-	-	-	-
Unassigned*	-	-	-	-	-	-	-	-	(2,586,983)	(2,550,292)
Total All Other Governmental Funds	$ 62,871,709	$ 51,138,866	$ 45,573,338	$ 52,565,675	$ 96,975,847	$ 92,241,115	$ 87,553,300	$ 91,298,304	$ 123,342,421	$ 79,050,619

* The City of Brentwood implemented GASB 54 in the fiscal year ended June 30, 2010. Historical data has not been converted.

City of Brentwood

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

(Unaudited)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
REVENUES										
Taxes	$ 8,587,358	$ 10,640,420	$ 12,489,155	$ 15,405,971	$ 21,606,946	$ 25,842,811	$ 26,218,592	$ 24,965,670	$ 21,892,844	$ 21,496,574
Licenses	66,810	124,823	325,143	405,246	471,668	509,618	454,678	530,025	494,958	486,963
Permits and Fines	7,041,625	9,354,198	10,184,552	11,361,424	9,647,761	6,130,221	3,311,232	1,699,070	2,419,184	2,695,972
Uses of Money and Property	3,091,109	2,561,745	3,022,093	4,156,725	3,381,068	8,263,044	7,820,815	5,714,526	2,939,018	1,990,331
Intergovernmental	2,629,058	2,396,451	4,339,487	3,727,774	5,537,709	5,022,850	8,072,443	6,559,025	6,491,361	7,696,877
Franchises	338,692	428,731	584,868	672,172	808,389	965,066	1,018,540	1,057,537	1,168,412	1,183,245
Charges for Other Services	825,618	531,791	570,455	546,251	1,580,198	776,584	515,471	407,429	437,338	522,681
Charges to Other Funds	4,203,653	3,922,881	5,073,565	5,161,708	5,506,136	5,590,646	5,293,754	5,507,561	6,101,449	5,887,152
Fees and Other Revenues	11,542,069	26,343,210	26,807,306	27,280,529	52,281,640	21,786,740	16,301,455	12,630,551	12,772,501	13,219,741
Total Revenues	38,325,992	56,304,250	63,396,624	68,717,800	100,821,515	74,887,580	69,006,980	59,071,394	54,717,065	55,179,536
EXPENDITURES										
Current:										
General Government	4,083,505	14,826,709	16,407,013	18,411,773	12,505,987	26,029,125	24,471,337	13,876,807	13,903,858	18,213,011
Public Safety	6,110,676	7,536,431	10,781,506	10,697,057	12,774,097	14,129,475	14,343,676	14,277,133	15,029,062	15,806,664
Community Development	3,131,617	3,644,373	5,074,939	5,418,378	4,415,273	6,092,241	5,756,412	4,803,810	6,530,394	4,658,637
Engineering	1,687,754	1,767,688	2,656,493	2,166,280	2,476,437	2,532,147	2,574,651	2,523,897	2,124,818	2,241,604
Public Works	1,398,012	1,305,993	1,821,818	2,208,201	2,292,826	2,486,963	2,676,479	2,385,896	2,342,121	2,687,175
Parks and Recreation	773,284	839,368	1,658,400	1,838,817	7,634,708	7,924,624	8,191,336	7,039,392	7,387,946	7,782,777
Community Services	581,152	314,293	226,732	237,458	2,073,780	3,414,448	3,739,616	4,777,007	5,668,438	5,199,083
Other	2,916,275	1,158,986	512,952	1,008,158	2,918,908	-	-	-	-	-
Capital Outlay	25,341,961	31,860,143	29,822,905	17,688,834	9,166,838	11,367,755	11,795,273	11,417,725	9,534,182	28,347,984
Debt Service:										
Principal	294,847	808,325	1,933,865	1,655,889	1,817,780	832,754	967,369	1,003,379	2,412,705	1,085,407
Interest and Fiscal Charges	2,776,146	1,810,808	1,715,358	1,684,978	1,671,308	1,647,122	1,354,955	1,515,337	2,902,943	4,795,892
Total Expenditures	49,095,229	65,873,117	72,611,981	63,015,823	59,747,942	76,456,654	75,871,104	63,620,383	67,836,467	90,818,234
REVENUES OVER (UNDER) EXPENDITURES	(10,769,237)	(9,568,867)	(9,215,357)	5,701,977	41,073,573	(1,569,074)	(6,864,124)	(4,548,989)	(13,119,402)	(35,638,698)
OTHER FINANCING SOURCES (USES)										
Issuance of Debt	38,079,976	-	4,245,101	-	-	-	-	-	48,000,000	-
Refunding Bonds Issued	(8,560,000)	-	-	-	-	-	-	-	-	-
Premium on Bonds Issued	-	-	-	-	-	-	-	-	129,172	-
Capital Contributions	2,856,369	4,657,010	-	-	-	-	-	-	-	-
Transfer of Land Held to Governmental Activities	-	-	-	-	-	-	-	-	-	(1,327,029)
Transfers In	54,392,877	56,598,410	31,537,600	22,122,072	30,346,807	27,208,242	19,712,817	19,833,305	89,614,732	71,012,558
Transfers Out	(57,213,652)	(53,077,450)	(28,604,973)	(24,161,540)	(23,996,434)	(25,128,377)	(19,053,054)	(19,965,513)	(92,831,281)	(75,401,036)
Total Other Financing Sources (Uses)	29,555,570	8,177,970	7,177,728	(2,039,468)	6,350,373	2,079,865	659,763	(132,208)	44,912,623	(5,715,507)
Net Change in Fund Balances	$ 18,786,333	$ (1,390,897)	$ (2,037,629)	$ 3,662,509	$ 47,423,946	$ 510,791	$ (6,204,361)	$ (4,681,197)	$ 31,793,221	$ (41,354,205)
Debt Service as a Percentage of Noncapital Expenditures	12.93%	7.70%	8.53%	7.37%	6.90%	3.81%	3.62%	4.82%	9.12%	9.41%

City of Brentwood

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN TAX YEARS

(Unaudited)

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Other Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2002	$ 1,721,900,377	$ 132,608,274	$ 41,585,860	$ 349,876,930	$ 51,909,880	$ 2,194,061,561	1.0000%
2003	2,287,079,944	165,902,523	44,072,038	412,113,848	62,211,396	2,846,956,957	1.0095%
2004	3,042,749,265	186,451,612	36,523,807	386,365,328	80,350,496	3,571,739,516	1.0063%
2005	3,515,069,389	287,458,470	40,651,651	736,390,251	82,710,234	4,496,859,527	1.0051%
2006	4,154,730,562	349,720,006	36,479,015	1,151,608,684	93,209,265	5,599,329,002	1.0040%
2007	6,113,626,591	470,049,609	59,128,465	626,092,781	96,882,748	7,172,014,698	1.0038%
2008	6,846,457,166	523,981,184	72,172,090	783,572,929	107,975,826	8,118,207,543	1.0032%
2009	6,028,251,325	653,859,546	117,670,976	717,049,367	112,118,379	7,404,712,835	1.0039%
2010	4,785,876,213	786,006,109	85,597,901	333,871,740	118,631,364	6,109,983,327	1.0054%
2011	4,660,132,845	723,838,787	50,993,755	302,157,802	122,763,045	5,859,886,234	1.0060%

Source: Contra Costa County Auditor / Controller

Note: General property taxes are calculated at 1% of total assessed value less local exemptions.

DIRECT AND OVERLAPPING PROPERTY TAXES

LAST TEN TAX YEARS

(Rate Per $1,000 of Assessed Value)

(Unaudited)

	City Direct Rates			Overlapping Rates [1]		
Fiscal Year	Basic Rate	General Obligation Debt Service	Total Direct Tax Rate	Liberty Union High School District	Brentwood Union School District	Other Districts
2002	1.00%	0.0000%	1.0000%	0.0478%	0.0577%	0.0072%
2003	1.00%	0.0095%	1.0095%	0.0510%	0.0465%	0.0105%
2004	1.00%	0.0063%	1.0063%	0.0405%	0.0405%	0.0095%
2005	1.00%	0.0051%	1.0051%	0.0489%	0.0517%	0.0099%
2006	1.00%	0.0040%	1.0040%	0.0379%	0.0519%	0.0152%
2007	1.00%	0.0038%	1.0038%	0.0331%	0.0444%	0.0178%
2008	1.00%	0.0032%	1.0032%	0.0276%	0.0470%	0.0264%
2009	1.00%	0.0039%	1.0039%	0.0289%	0.0587%	0.0256%
2010	1.00%	0.0054%	1.0054%	0.0376%	0.0682%	0.0291%
2011	1.00%	0.0060%	1.0060%	0.0390%	0.0715%	0.0248%

Source: HdL Coren & Cone, Contra Costa County Auditor / Controller

Note: General property taxes are calculated at 1% of total assessed value less local exemptions.

(1) Overlapping rates are those of local and county governments that apply to property owners within the City of Brentwood.
Not all overlapping rates apply to all Brentwood property owners.

PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

	Fiscal Year 2011			Fiscal Year 2002		
Taxpayer	**Taxable Assessed Value**	**Rank**	**Percent of City's Total Taxable Value**	**Taxable Assessed Value**	**Rank**	**Percent of City's Total Taxable Value**
Brentwood Specialty Center LLC	$ 107,477,530	1	1.83%	$ -		0.00%
Trilogy Vineyards LLC	49,388,189	2	0.84%	-		0.00%
Sand Creek Crossing LLC	41,285,400	3	0.70%	-		0.00%
John Muir Mt Diablo Health	36,275,782	4	0.62%	-		0.00%
DS Lone Tree Plaza LLC	33,651,362	5	0.57%	-		0.00%
Towncentre Professional LP	25,724,856	6	0.44%	-		0.00%
WK LLC	25,460,087	7	0.43%	-		0.00%
Festival Retail Fund Brentwood	23,277,184	8	0.40%	-		0.00%
Discovery Builders Inc.	21,777,852	9	0.37%	-		0.00%
Brentwood Arbor Ridge LP	20,965,383	10	0.36%	-		0.00%
Pulte Home Corporation	-		0.00%	44,604,499	1	2.03%
Brookfield Brentwood Lakes Inc.	-		0.00%	44,344,558	2	2.02%
California Sun Properties	-		0.00%	23,948,863	3	1.09%
Len-Brentwood II LLC	-		0.00%	23,258,195	4	1.06%
HPH Properties	-		0.00%	21,528,671	5	0.98%
Signature Properties Inc.	-		0.00%	20,438,147	6	0.93%
US Print Corporation	-		0.00%	17,025,596	7	0.78%
Shea Homes LP	-		0.00%	14,264,999	8	0.65%
Centex Homes	-		0.00%	12,887,217	9	0.59%
Beck Properties	-		0.00%	12,316,563	10	0.56%
Total	$ 385,283,625		6.57%	$ 234,617,308		10.69%

Source: HdL Coren & Cone, Contra Costa County Assessor

City of Brentwood

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN TAX YEARS

(Unaudited)

Fiscal Year Ended June 30,	Taxes Levied For The Fiscal Year [1]	Collected Within the Fiscal Year of the Levy [2]	
		Amount	Percentage of Levy
2002	$ 5,423,132	$ 5,423,132	100.00%
2003	6,933,900	6,933,900	100.00%
2004	7,990,595	7,990,595	100.00%
2005	9,932,342	9,932,342	100.00%
2006	14,887,469	14,887,469	100.00%
2007	19,676,078	19,676,078	100.00%
2008	20,802,069	20,802,069	100.00%
2009	19,580,300	19,580,300	100.00%
2010	16,247,076	16,247,076	100.00%
2011	15,684,496	15,684,496	100.00%

Source: Contra Costa County Auditor / Controller

(1) General property taxes are calculated at 1% of total assessed value less local exemptions. The City's portion is determined by the individual tax rate areas in the City.

(2) Tax assessments collected are the same as the amount levied, because Contra Costa County follows California's alternate method of apportionment (the Teeter Plan). Under the Teeter Plan, all amounts levied are apportioned to agencies regardless of whether they are collected in the current year or not. A tax loss reserve fund insures losses resulting when a property is sold for taxes and the proceeds are insufficient to pay the outstanding amounts due.

City of Brentwood

TAXABLE SALES BY CATEGORY
LAST TEN CALENDAR YEARS
(In Thousands of Dollars)
(Unaudited)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Apparel Stores	$ 948	$ 4,230	$ 13,172	$ 21,115	$ 30,140	$ 32,314	$ 32,851	$ 37,472	$ 53,285	$ 56,132
General Merchandise	107	113	136	246	295	813	1,961	1,896	2,325	2,698
Food Stores	21,742	23,799	27,556	33,424	36,433	39,462	40,428	41,738	44,421	43,179
Eating & Drinking Establishments	20,509	22,476	25,885	29,466	39,548	44,538	49,947	51,701	59,586	63,983
Building Materials	21,534	19,074	19,551	57,860	72,917	64,761	59,947	53,098	47,014	51,066
Auto Dealers and Supplies	55,192	51,653	47,542	48,377	57,165	62,226	57,138	33,031	39,622	43,685
Service Stations	31,014	33,403	40,419	51,259	62,580	73,906	84,455	103,129	77,188	85,337
Other Retail Stores	20,150	24,860	33,388	39,931	55,263	57,824	73,833	87,720	94,401	96,000
All Other Outlets	52,971	57,504	59,426	90,820	95,745	97,382	93,793	87,977	86,599	94,031
Total	$ 224,167	$ 237,112	$ 267,075	$ 372,498	$ 450,086	$ 473,226	$ 494,353	$ 497,762	$ 504,441	$ 536,111
City Direct Sales Tax Rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

Source: State of California Board of Equalization and HdL Coren & Cone.

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the City's revenue.

DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	City Direct Rate	Contra Costa County	State [1]	Total
2002	1.00%	1.25%	6.00%	8.25%
2003	1.00%	1.25%	6.00%	8.25%
2004	1.00%	1.25%	6.00%	8.25%
2005	1.00%	1.25%	6.00%	8.25%
2006	1.00%	1.25%	6.00%	8.25%
2007	1.00%	1.25%	6.00%	8.25%
2008	1.00%	1.25%	6.00%	8.25%
2009	1.00%	1.25%	7.00%	9.25%
2010	1.00%	1.25%	7.00%	9.25%
2011	1.00%	1.25%	7.00%	9.25%

Source: State Board of Equalization

Note: The City's sales tax rate may be changed only with approval of the State Legislature.

(1) April 1, 2009 the State increased the State Rate 1%; Expires July 1, 2011

City of Brentwood

TOP 25 SALES TAX PRODUCERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

2011		2002	
Tax Remitter [1]	**Business Category**	**Tax Remitter [1]**	**Business Category**
Arco AM PM	Service Stations	1st Stop Automart	Service Stations
AT&T Mobility	Electronics/Appliance Store	Ace Hardware	Hardware Stores
Best Buy	Electronics/Appliance Store	Albertsons	Grocery Stores - Liquor
Big B Lumber	Lumber/Building Materials	Auto Brokers Unlimited	Used Automotive Dealers
Bill Brandt Ford	New Motor Vehicle Dealers	Big B Lumber	Lumber/Building Materials
Brentwood Service Station	Service Stations	Bill Brandt Ford	New Motor Vehicle Dealers
Chevron	Service Stations	Brentwood Auto Parts	Automotive Supply Stores
CVS Pharmacy	Drug Stores	Brentwood Dodge Chrysler Plymouth	New Motor Vehicle Dealers
Dallas Shanks Services	Service Stations	Brentwood Ready Mix	Contractors
Home Depot	Lumber/Building Materials	Bunkers Grille	Restaurants - Liquor
Home Goods	Home Furnishings	Burger King	Restaurants - No Alcohol
Kohls	Family Apparel	Centro Mart	Grocery Stores - Liquor
Michaels	Florist Shops	Chevron	Service Stations
Quik Stop - Gasoline Sales	Service Stations	Dallas Shanks Services	Service Stations
Raleys	Grocery Stores - Liquor	Golden Gate Petroleum	Petroleum Prod/Equipment
Ross	Family Apparel	Longs	Drug Stores
Safeway	Grocery Stores - Liquor	McDonalds	Restaurants - No Alcohol
Save Mart Supermarkets	Grocery Stores - Liquor	Mt Diablo Supply	Lumber/Building Materials
TJ Maxx	Family Apparel	Pee Wee Muldoons	Restaurants - Liquor
Tower Mart	Service Stations	Quick Stop Markets	Service Stations
Tri City Auto Plaza	Service Stations	Safeway	Grocery Stores - Liquor
Vintners Distributors	Service Stations	Savers Fuel Mart	Service Stations
Walgreens	Drug Stores	Technipure	Light Industrial/Printers
Whybuynewautos Com	Used Automotive Dealers	Tower Mart	Service Stations
Winco Foods	Grocery Stores - Liquor	Ultramart	Service Stations
Percent of Fiscal Year Total Paid by Top 25 Accounts = 51.14%		**Percent of Fiscal Year Total Paid by Top 25 Accounts = 68.72%**	

Source: HdL Coren & Cone

(1) Firms listed alphabetically because taxable sales figures for individual businesses are confidential and cannot legally be disclosed.

WATER USE REVENUE BY CUSTOMER TYPE
LAST SIX FISCAL YEARS
(Unaudited)

	2006	2007	2008	2009	2010	2011
Type of Customer						
Residential	$ 6,618,564	$ 8,037,936	$ 7,967,434	$ 7,771,514	$ 7,298,520	$ 7,559,361
Commercial	1,243,223	1,588,280	1,535,388	1,353,079	1,243,055	1,270,571
Industrial	86,581	104,434	308,275	594,218	474,029	502,181
Government	379,228	596,973	828,672	1,062,688	1,129,991	1,000,586
Total	$ 8,327,596	$ 10,327,622	$ 10,639,768	$ 10,781,499	$ 10,145,595	$ 10,332,699

Source: City of Brentwood Finance Department, Utility Billing

Note: Information prior to 2006 is not available.

WATER RATES
LAST TEN FISCAL YEARS
(Unaudited)

	2002[1]	2003[1]	2004	2005	2006	2007	2008	2009	2010	2011
Monthly Base Rate										
5/8" or 3/4" meter	$ 11.66	$ 12.20	$ 14.00	$ 14.59	$ 15.24	$ 15.98	$ 16.46	$ 16.95	$ 17.46	$ 17.99
l" meter	17.57	18.38	21.09	21.98	22.96	24.07	24.69	25.43	26.19	26.98
1 l/2" meter	34.90	36.51	41.90	43.68	45.62	47.84	49.38	50.86	52.39	53.96
2" meter	58.21	60.89	69.89	72.85	76.09	79.79	82.30	84.77	87.31	89.93
3" meter	97.03	101.50	116.50	120.60	125.96	132.08	148.13	152.58	157.16	161.87
4" meter	155.24	162.39	186.39	194.30	202.94	212.80	213.97	220.39	227.00	233.81
6" meter	310.57	324.86	372.87	388.70	405.99	425.70	444.40	457.74	471.47	485.61
Consumption Charge (per 1,000 gallons = 1 unit)										
Residential Tiers										
Tier 1: Units 1-10	$ 1.81	$ 1.89	$ 2.19	$ 2.28	$ 2.38	$ 2.50	$ 2.58	$ 2.65	$ 2.73	$ 2.81
Tier 2: Units 11-20	N/A	N/A	2.61	2.72	2.84	2.98	3.07	3.16	3.26	3.35
Tier 3: Units 21-30	N/A	N/A	3.13	3.26	3.41	3.57	3.68	3.79	3.90	4.02
Tier 4: Units 31+	N/A	N/A	3.65	3.80	3.97	4.16	4.28	4.41	4.55	4.68
Non Residential Tiers										
Tier 1: Units 1-10	N/A	N/A	$ 2.19	$ 2.28	$ 2.38	$ 2.50	$ 2.58	$ 2.65	$ 2.73	$ 2.81
Tier 2: Units 11+	N/A	N/A	2.61	2.72	2.84	2.98	3.07	3.16	3.26	3.35
Non Potable										
Tier 1: Units 1+	N/A	N/A	N/A	N/A	N/A	N/A	$ 0.95	$ 0.98	$ 1.01	$ 1.04

Source: City of Brentwood Finance Department, Utility Billing

(1) The Residential & Commercial Tiers were implemented in 2004; therefore, there was only a Consumption Charge per 1,000 gallons.

City of Brentwood

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Governmental Activities: General Obligation Bonds [1]	2001 CIP Revenue Bonds	Civic Center Project Lease Revenue Bonds	COP Bonds	Notes Payable	Capital Leases (Internal Service)	Capital Leases (Governmental)
2002	$ 5,999,976	$ 32,080,000	$ -	$ 595,000	$ -	$ 178,104	$ -
2003	6,198,082	31,635,000	-	305,000	-	100,703	271,775
2004	6,255,771	31,025,000	-	-	-	69,108	206,930
2005	6,411,571	30,390,000	-	-	2,355,868	35,500	140,061
2006	6,384,302	29,740,000	-	-	1,867,208	-	17,754
2007	6,436,238	29,065,000	-	-	1,738,860	-	-
2008	6,479,059	28,370,000	-	-	1,626,491	-	-
2009	6,513,343	27,645,000	-	-	1,528,112	-	-
2010	6,534,783	26,890,000	48,000,000	-	75,407	-	-
2011	6,544,040	26,110,000	48,000,000	-	-	-	-

Fiscal Year	Business-Type Activities: 2008 Water Revenue Bonds	Water Revenue Bonds	1994 Water Revenue Bonds	Wastewater Revenue Bonds	Capital Leases	State Water Resources Loan (Wastewater)	Notes Payable	Total Primary Government	Percentage of Personal Income [2]	Per Capita [2]
2002	$ -	$ 8,989,150	$ 1,030,000	$ 2,310,850	$ 1,042,984	$ 33,439,743	$ 13,337,845	$ 99,003,652	14.60%	$ 3,944
2003	-	8,794,253	965,000	2,260,748	848,688	37,713,566	12,506,962	101,599,777	13.02%	3,431
2004	-	8,587,423	-	2,207,578	642,764	36,188,841	16,611,959	101,795,374	11.03%	3,087
2005	-	8,372,637	-	2,152,363	423,675	34,574,866	10,711,564	95,568,105	8.52%	2,566
2006	-	8,145,920	-	2,094,080	190,955	32,931,790	9,799,478	91,171,487	6.93%	2,168
2007	-	7,911,248	-	2,033,752	-	31,458,362	9,082,956	87,726,416	5.56%	1,908
2008	-	7,664,643	-	1,970,357	-	29,744,923	8,441,719	84,297,192	4.74%	1,732
2009	52,780,000	-	-	-	-	28,000,554	7,691,719	124,158,728	6.63%	2,455
2010	52,500,000	-	-	-	-	26,224,698	7,432,445	167,657,333	9.09%	3,227
2011	52,200,000	-	-	-	-	24,416,786	7,432,445	164,703,271	10.62%	3,205

Note: Details regarding the City's outstanding debt can be found in Note #6, found on pages 63 - 71 of this report.

(1) The City issued $6 million of debt for the Police Station project on February 22, 2002.

(2) See Schedule 19 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	General Obligation Bonds	Total	Percentage of Actual Taxable Value of Property	Per Capita
2002	$ 5,999,976	$ 5,999,976	0.27%	$ 203
2003	6,198,082	6,198,082	0.22%	188
2004	6,255,771	6,255,771	0.18%	168
2005	6,411,571	6,411,571	0.14%	152
2006	6,384,302	6,384,302	0.11%	139
2007	6,436,238	6,436,238	0.09%	132
2008	6,479,059	6,479,059	0.08%	128
2009	6,513,343	6,513,343	0.09%	125
2010	6,534,783	6,534,783	0.11%	127
2011	6,544,040	6,544,040	0.11%	126

Note: Details regarding the City's outstanding debt can be found in Note #6, found on pages 63 - 71 of this report.
The General Obligation Bond was issued in Fiscal Year 2002.

Source: City of Brentwood Finance Department

City of Brentwood

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of June 30, 2011

(Unaudited)

2010-11 Assessed Valuation:	$ 5,859,886,234
Redevelopment Incremental Valuation:	560,758,033
Adjusted Assessed Valuation:	$ 5,299,128,201

	Total Debt 6/30/11	Percentage Applicable [1]	City's Share of Debt 6/30/11
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:			
Bay Area Rapid Transit	$ 413,865,000	1.218%	$ 5,040,876
Contra Costa Community College District	237,095,000	4.246%	10,067,054
Liberty Union High School District	59,830,000	49.690%	29,729,527
Brentwood Union School District	53,840,289	91.706%	49,374,775
Oakley Union School District	23,035,000	0.003%	691
City of Brentwood	**6,544,040** [2]	**100.000%**	**6,544,040**
City of Brentwood 1915 Act Bonds	165,281,849	100.000%	165,281,849
California Statewide Communities Development Authority Assessment District No. 04-1& 05-1	9,450,981	100.000%	9,450,981
East Bay Regional Park District	153,990,000	1.887%	2,905,791
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	$ 1,122,932,159		$ 278,395,584
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:			
Contra Costa County General Fund Obligations	$ 319,867,903	4.228%	$ 13,524,015
Contra Costa County Pension Obligations	399,840,000	4.228%	16,905,235
Contra Costa Community College District Certificates of Participation	925,000	4.246%	39,276
Brentwood Union School District Certificates of Participation	2,940,000	91.706%	2,696,156
City of Brentwood General Fund Obligations	**56,450,000**	**100.000%**	**56,450,000**
GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT	780,022,903		$ 89,614,682
Less: Contra Costa Obligations Supported From Revenue Funds			5,126,454
NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			$ 84,488,228
TOTAL DIRECT DEBT			**$ 62,994,040**
TOTAL GROSS OVERLAPPING DEBT			$ 305,016,226
TOTAL NET OVERLAPPING DEBT			$ 299,889,772
GROSS COMBINED TOTAL DEBT			$ 368,010,266 [3]
NET COMBINED TOTAL DEBT			$ 362,883,812

Ratios to Adjusted Assessed Valuation:

Total Direct Debt ($62,994,040) ……………………………..	**1.19%**
Net Combined Total Debt ……………………………………	6.94%
Gross Combined Total Debt ………………………………….	6.85%

Source: California Municipal Statistics, Inc.

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

(2) Includes $1,789,064 accreted value.

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

City of Brentwood

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt Limit	$ 82,277,309	$ 106,760,886	$ 133,940,232	$ 168,632,232	$ 209,974,838	$ 268,950,551	$ 304,432,783	$ 277,676,731	$ 229,124,375	$ 219,745,734
Total Net Debt Applicable to Limit	5,999,976	6,198,082	6,255,771	6,411,571	6,384,302	6,436,238	6,479,059	6,513,343	6,534,783	6,544,040
Legal Debt Margin	$ 76,277,333	$ 100,562,804	$ 127,684,461	$ 162,220,661	$ 203,590,536	$ 262,514,313	$ 297,953,724	$ 271,163,388	$ 222,589,592	$ 213,201,694
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	7.29%	5.81%	4.67%	3.80%	3.04%	2.39%	2.13%	2.35%	2.85%	2.98%

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed Value [1]	$5,859,886,234
Debt Limit (3.75% of Assessed Value) [2]	219,745,734
Debt Applicable to Limit:	
General Obligation Bonds	6,544,040
Total Net Debt Applicable to Limit	6,544,040
Legal Debt Margin	$ 213,201,694

Source: Contra Costa County Assessor

(1) Contra Costa County Auditor / Controller
(2) State of California Government Code 25 and 43605

PLEDGED REVENUE COVERAGE
LAST THREE FISCAL YEARS
(Unaudited)

Water Revenue Bonds, Series 2008

Fiscal Year	Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2009*	$ 17,234,772	$ 11,356,551	$ 5,878,221	$ 420,000	$ 1,858,366	2.58
2010	16,216,949	11,876,489	4,340,460	280,000	2,915,363	1.36
2011	16,427,617	11,336,197	5,091,420	300,000	2,902,763	1.59

Source: City of Brentwood Finance Department

Note: Details regarding the City's outstanding debt can be found in Note #6, found on pages 63 - 71 of this report. Operating revenues do not include developer connection fees. Operating expenses do not include depreciation or amortization expenses.

* The Water Revenue Bonds were issued in October 2008; therefore, fiscal year 2009 is the first reportable year.
The obligation of the City to make such payments is a special obligation of the City payable solely from Net Water Revenues.

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS
(Unaudited)

Calendar Year	Population[1]	Personal Income (In Thousands)[2]	Per Capita Personal Income	Median Age[3]	School Enrollment[4]	Unemployment Rate[5]
2001	25,104	$ 678,007	$ 27,008	36.8	4,390	3.6%
2002	29,608	780,456	26,360	37.0	8,984	5.1%
2003	32,975	922,703	27,982	37.4	10,510	5.4%
2004	37,246	1,121,457	30,109	31.1	10,645	4.8%
2005	42,050	1,315,334	31,280	32.7	11,949	4.3%
2006	45,974	1,576,491	34,291	32.8	14,003	3.8%
2007	48,677	1,777,197	36,510	33.0	14,982	4.1%
2008	50,584	1,871,658	37,001	32.8	15,196	5.4%
2009	51,950	1,844,650	35,508	32.0	15,615	9.2%
2010	51,394	1,550,929	30,177	35.1	15,744	10.0%

Sources:

(1) California Department of Finance, data is as of January 1 of each year.
(2) US Census Bureau; based on last available Census and projected post census trends.
(3) Demographic Data is totaled from Census Block Groups that overlap City boundaries.
(4) Brentwood Union School District (2000 - 2001); Liberty Union High School and Brentwood Union School Districts (2002 - present).
(5) Employment Development Department.

Note:

2001-2009 – Income, Age and Economic Data are based on the last available census. Projections are developed by incorporating all of the prior census data released to date.

2010 – Income, Age and Economic Data is based on the most recent American Community Survey, US Census Bureau.

PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

	2011			2002		
Employer	**Employees**	**Rank**	**Percent of Total City Employment**	**Employees**	**Rank**	**Percent of Total City Employment**
Brentwood Union School District	900-1,000	1	13.49%	300-400	1	7.48%
Liberty Union High School District	200-300	2	3.00%	200-300	2	4.99%
City of Brentwood	200-300	3	3.00%	200-300	3	4.99%
Safeway Stores, Inc.	200-300	4	3.00%	50-100	8	1.25%
Winco Foods, Inc.	150-200	5	2.25%	-		
Kohl's	150-200	6	2.25%	-		
Precision Cabinets	100-150	7	1.50%	200-300	4	4.99%
Raleys Super Markets	100-150	8	1.50%	-		
Home Depot	100-150	9	1.50%	-		
John Muir	50-100	10	0.75%	-		
Albertsons	-			100-200	5	2.49%
US Print	-			50-100	6	1.25%
Lucky Stores, Inc.	-			50-100	7	1.25%
Brentwood Dodge Chrysler Plymouth	-			25-50	9	0.62%
Longs Drugs Stores	-			25-50	10	0.62%
Total	2,150-2,850		32.24%	1,200-1,900		29.93%

Source: City of Brentwood Community Development Department

AUTHORIZED FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(Unaudited)

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government	23	27	29	33	35	39	39	39	37	37
Public Safety	48	66	71	78	77	77	78	78	79	79
Community Development	26	31	34	37	38	39	29	27	26	26
Engineering	33	34	37	35	32	31	20	12	12	13
Public Works	12	14	15	19	19	19	20	20	20	23
Parks and Recreation	24	26	26	32	32	33	29	27	27	24
Wastewater	10	14	14	15	16	16	16	17	17	17
Solid Waste	12	14	18	20	20	22	23	23	23	24
Water	15	17	17	21	21	22	23	25	25	25
City Rentals	1	2	2	2	2	2	2	-	-	-
Housing	-	-	-	3	3	3	2	1	1	1
	204	245	263	295	295	303	281	269	267	269

Source: City of Brentwood Finance Department

OPERATING INDICATORS BY FUNCTION / PROGRAM

LAST TEN FISCAL YEARS

(Unaudited)

Function / Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government										
Building Permits Issued	1,157	1,400	1,421	1,452	978	404	129	31	136	109
Accounts Payable Invoices Processed	14,872	15,224	15,855	15,357	15,686	15,255	15,093	13,695	12,085	10,272
Purchase Orders Issued [1]	476	413	487	581	526	414	382	319	238	280
Checks Issued	13,721	14,710	16,624	17,215	18,058	17,628	16,968	15,043	14,328	14,366
Public Works										
Street Miles Swept	N/A	6,313	18,481	22,488	21,715	20,869	20,308	18,031	17,885	17,237
Debris Collected (tons)	N/A	608	1,987	2,265	2,215	2,215	2,017	2,047	1,832	2,226
Streetlights Maintenance Requests	N/A	235	656	576	438	570	834	871	760	806
Police										
Physical Arrests (est.)	1,100	1,086	1,202	1,339	1,314	1,500	1,852	1,603	1,625	1,448
Calls for Service (est.) [2]	16,386	19,197	21,190	22,491	23,553	26,000	27,953	32,608	38,922	35,168
Case Files Taken (est.)	4,480	5,032	5,367	5,449	5,571	6,000	6,162	5,941	6,117	5,450
Parks and Recreation										
Total Programs Offered (est.)	699	972	1,214	1,464	1,975	2,123	2,231	945	832	986
Total Participants and Spectators at Events	N/A	334,177	539,276	640,137	980,300	1,071,658	937,187	749,922	642,612	729,046
Refuse Collection										
Refuse Collected (tons per day)	40	45	52	64	71	82	99	96	95	90
Yard Waste (tons per day)	10	12	14	17	18	23	29	29	31	32
Recyclables Collected (tons per day)	11	13	15	18	19	21	25	22	22	22
Residential Services	9,310	10,807	12,303	13,540	14,489	15,183	14,893	15,263	15,469	15,562
Commercial Services	425	525	624	541	546	475	463	453	459	468
Water										
New Connections	1,421	1,531	1,800	961	900	536	225	39	113	117
Average Daily Consumption (millions of gallons)	5	5	5	8	9	11	11	10	10	9
Peak Daily Consumption (millions of gallons)	10	10	14	15	15	17	17	16	16	16
Number of Utility Customers	9,644	11,022	12,581	13,995	15,289	16,078	16,324	16,442	16,769	16,827
Wastewater										
New Connections	1,400	1,500	1,916	886	830	1,049	225	39	113	119
Average Daily Sewage Treatment (millions of gallons)	2	3	3	3	3	4	4	4	3	3

Source: Various City Departments

[1] Beginning in fiscal year 2007 change orders were no longer included in the total number of purchase orders.

[2] Beginning in fiscal year 2010 calls for service figures include pedestian and vehicle stops. There were 11,542 of these stops reported in the 2010 figures.

City of Brentwood

CAPITAL ASSET STATISTICS BY FUNCTION / PROGRAM

LAST TEN FISCAL YEARS

(Unaudited)

Function / Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Substations	-	-	-	-	-	-	-	1	1	1
Patrol Vehicles	27	29	33	36	40	52	52	50	50	51
Parks and Recreation										
Neighborhood Park Acreage	76	95	148	171	194	228	256	256	256	256
Play Areas	20	22	25	32	40	40	43	43	45	45
Multi-Use Trails (miles)	N/A	N/A	13	15	15	15	16	16	16	16
Multi-Use Ball and Soccer Fields	14	14	17	20	23	23	23	23	23	23
Picnic Areas/Tables (1)	23	23	23	25	214	253	276	276	276	276
Refuse Collection										
Collection Trucks	8	9	12	12	13	14	14	14	14	14
Water										
Water Mains (miles)	100	120	149	164	173	173	173	173	184	191
Fire Hydrants	1,323	1,323	1,397	1,521	1,628	1,628	1,869	1,910	1,940	1,945
Number of Wells	7	8	8	9	10	10	9	9	9	9
Number of Reservoirs	4	4	4	5	5	6	6	6	6	6
Storage Capacity (millions of gallons)	11	11	11	15	15	19	19	19	19	19
Wastewater										
Sanitary Sewers (miles)	67	67	92	101	138	150	150	150	150	152
Lift Stations	4	4	3	3	3	2	3	2	2	2
Other Public Works										
Streets (miles)	119	119	145	161	168	168	168	190	190	190
Street Lights	2,858	2,858	3,614	3,873	3,882	4,255	5,299	5,836	5,836	5,836

Source: Various City Departments

(1) Beginning with FY 2006, the number shown is for picnic tables, not picnic areas.

City of Brentwood

General Information
(Unaudited)

Date of Incorporation:	January 19, 1948
Forms of Government:	General Law
	Council-Manager
Fiscal Year Begins:	July 1
Area of City:	14.83 Sq Miles
Population as of January 2011:	52,029

Number of Full-time Equivalent Positions	Year End
268.75	2011
267.25	2010
269.25	2009
281.25	2008
302.75	2007
294.75	2006
294.75	2005
263.45	2004
245.14	2003
203.80	2002

Public Schools	
Elementary	7
Intermediate	3
High School	2
Alternative High Schools	2

Miles of Streets	
Miles of Streets	190
Miles of Sanitary Sewers	150
Miles of Water Mains	191
Number of Street Lights	5,836

Municipal Wastewater System	
Number of Lift Stations	2
Sanitary	3
Storm	1
Number of Connections	15,679
Average Daily Flow	3.2 MGD

Municipal Water System	
Number of Wells	9
Number of Reservoirs	6
Storage Capacity (gallons)	19 MG
Average Daily Consumption	9.2 MGD
Peak Daily Consumption	16.1 MGD
Number of Fire Hydrants	1,945
Number of Connections	16,827

Municipal Solid Waste	
Number of Residential Services	15,562
Number of Commercial Services	468

Parks and Recreation	
Neighborhood Parks	256 acres
Aquatic Complex	7.5 Acres
Skate Park	.50 acres
Play Areas	45
Sunset Park Athletic Complex	38 acres
Veterans Park	10.5 acres

Parks Facilities	
Multi-Use Trails	16 miles
Multi-Use Ball and Soccer Fields	23
Tennis Courts	2
Basketball Courts	13
Bocce Ball Courts	6
Volleyball Courts	3
Horseshoe Courts	2
Gazebos	2
Picnic Areas/Tables	276
BBQ Areas	19
Restrooms (Permanent)	8

Police Protection	
Sworn Officers	62
Non-Sworn	17
Reserves	0
Vehicles	51
Motorcycles	6

East Diablo Fire District	
Stations Located in Brentwood	2
Firefighters in Brentwood	18

Source: Various City Departments

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APPENDIX C

AGENCY AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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Brentwood Redevelopment Agency
Financial Statements

A Component Unit of the City of Brentwood

Fiscal Year Ended June 30, 2011

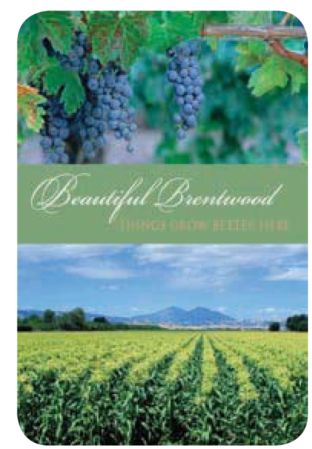
City of Brentwood
150 City Park Way Brentwood, CA 94513

With Independent Auditor's Report Thereon

THE CITY OF BRENTWOOD

HERITAGE ▪ VISION ▪ OPPORTUNITY

Every year the City selects a theme for the covers of its major financial documents - the Capital Improvement Program (CIP), the Fiscal Model, the Operating Budget, the Cost Allocation Plan, the Comprehensive Annual Financial Report (CAFR) and the Public Facilities Fee Report. ***This year each of the covers showcases an aspect of "Beautiful Brentwood."***



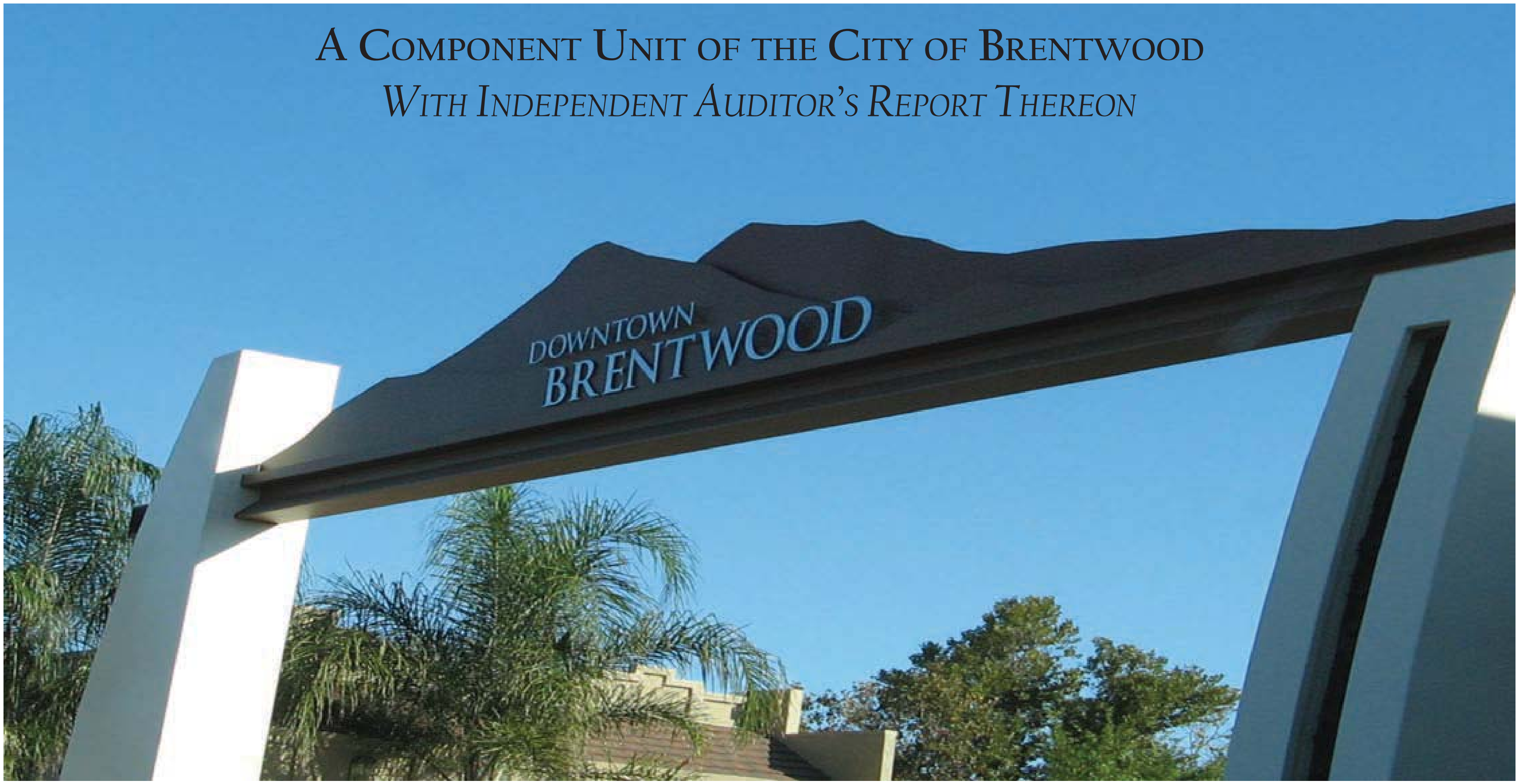
This year the City of Brentwood is one of sixty-five companies chosen by The Bay Area News Group to receive the Top Workplaces Award for 2011. This award recognizes the best places to work in the Bay Area and is based upon feedback from employees.

TOP WORK PLACES 2011

BayAreaNewsGroup

Brentwood Redevelopment Agency
Financial Statements

A Component Unit of the City of Brentwood
With Independent Auditor's Report Thereon



Prepared by:
Finance Department
City of Brentwood
150 City Park Way
Brentwood, California 94513

Fiscal Year Ended
June 30, 2011

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For Fiscal Year Ended June 30, 2011

TABLE OF CONTENTS

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MAZE & ASSOCIATES

ACCOUNTANCY CORPORATION
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www.mazeassociates.com

INDEPENDENT AUDITOR'S REPORT

Members of the Governing Board
Brentwood Redevelopment Agency
Brentwood, California

We have audited the accompanying component unit financial statements of the governmental activities and each major fund of the Brentwood Redevelopment Agency, a component unit of the City of Brentwood, California, for the year ended June 30, 2011, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These component unit financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the component unit financial statements referred to above present only the Agency and are not intended to present the financial position of the City of Brentwood and the results of its operations in conformity with generally accepted accounting principles of the United States of America.

In our opinion, the component unit financial statements referred to above present fairly in all material respects the financial position of the governmental activities, each major fund of the Brentwood Redevelopment Agency as of June 30, 2011 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles of the United States of America.

As disclosed in Note 7D, the State of California adopted ABx1 26 on June 28, 2011, which suspends all new redevelopment activities except for limited specified activities as of that date and dissolves redevelopment agencies effective October 1, 2011. Prior to dissolution, any transfers of Agency assets subsequent to January 1, 2011 to the City, including those discussed in Note 5 and project funding transfers during the fiscal year, that were not obligated to third parties or encumbered may be subject to the State Controller's review discussed above and required to be returned to the Agency. The State simultaneously adopted ABx1 27 which allows redevelopment agencies to avoid dissolution by opting into an "alternative voluntary redevelopment program" requiring specified substantial annual contributions to local schools and special districts. These conditions raise substantial doubt about the Agency's ability to continue as a going concern. However, on August 11, 2011, the California Supreme Court issued a partial stay of ABx1 26 and a full stay of ABx1 27, but the partial stay did not include the section of ABx1 26 that suspends all new redevelopment activities. As a result, the accompanying financial statements have been prepared assuming that the Agency will continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2011 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the component unit financial statements taken as a whole. The supplemental information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the component unit financial statements of the Brentwood Redevelopment Agency. Such information has been subjected to the auditing procedures applied in our audit of the component unit financial statements, and in our opinion is fairly stated in all material respects in relation to the component unit financial statements taken as a whole.

Maze & Associates

November 23, 2011

This discussion and analysis of the City of Brentwood Redevelopment Agency's, herein referred to as "Agency," financial performance provides an overview of the Agency's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the Basic Financial Statements and the accompanying Notes to the Basic Financial Statements.

FINANCIAL HIGHLIGHTS

- The liabilities of the Agency exceeded its assets at the close of the most recent fiscal year by $23,483,913.
- The Agency's total net assets decreased by $14,507,827. This decrease is attributable to the construction of various projects.
- The total revenues from all sources were $17,813,079, as compared to the total cost for all Agency programs of $32,894,839, including transfers in and transfers out.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements are comprised of three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements and 3) Notes to the Basic Financial Statements.

The **Government-Wide Financial Statements** present the financial picture of the Agency from the economic resources measurement focus using the accrual basis of accounting.

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets report information about the Agency as a whole. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid. In addition, these two statements report the Agency's net assets and changes in them. Over time, increases or decreases in the Agency's net assets are one indicator of whether its financial health is improving or deteriorating. The Government-Wide Financial Statements, which include only the Agency itself, can be found on pages 11 - 12 of this report.

The **Fund Financial Statements** provide detailed information about the most significant funds, not the Agency as a whole. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund Financial Statements are divided into three categories – Governmental Funds, Proprietary Funds and Fiduciary Funds. The Agency uses only Governmental Funds which are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

Governmental Funds – All of the Agency's basic services are reported in Governmental Funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The Governmental Fund statements provide a detailed, short-term view of the Agency's general government operations and the basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's programs. The differences of results in the Governmental Fund Financial Statements to those in the Government-Wide Financial Statements are explained in a reconciliation following each Governmental Fund Financial Statement. The Governmental Fund Financial Statements can be found on pages 13 – 16 of this report.

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to obtain a full understanding of the data provided in the Government-Wide and Fund Financial Statements. The Notes to the Basic Financial Statements are found beginning on page 17 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Agency's total net assets for fiscal year ended June 30, 2011 decreased $14,507,827 compared to the prior year. The decrease in net assets is attributable to the construction of various projects. The Agency's total net assets are ($23,483,913). The Agency would typically have a negative net asset balance as they incur debt to fund projects.

The net assets are a deficit balance because long-term debt is in excess of capital assets owned by the Agency. The Agency issues debt for construction and/or acquisition of assets. Upon completion of construction or acquisition, the capital assets are either turned over to the City or to private parties within the redevelopment project area. The debt will be repaid with future property tax increment revenue.

	Governmental Activities	
	2011	**2010**
Current and Other Assets	$ 6,411,003	$ 20,355,772
Assets Held for Resale	1,040,359	2,367,488
Non-Current Assets	243,329	252,020
Total Assets	7,694,691	22,975,280
Current Liabilities	1,368,945	1,536,509
Long-Term Liabilities Outstanding	29,809,659	30,414,857
Total Liabilities	31,178,604	31,951,366
Net Assets:		
Restricted	-	8,715,054
Unrestricted	(23,483,913)	(17,691,140)
Total Net Assets (Deficit)	$(23,483,913)	$ (8,976,086)

During the current fiscal year, the Agency's total revenue decreased by 10.0% compared to the prior year. The decrease was primarily due to a decrease of $313,715 in investment earnings due to low interest rates and a decrease of $377,893 in property taxes, which was to due to the County's reassessment of property values. The Agency's General Government expenses increased $1,707,913, primarily due to the loss on the sale of land to the City in the amount of $1,327,039. The decrease in the Pass-Through to County and Other Agencies is due to the difference in the amount paid for the Supplemental Educational Revenue Augmentation Fund in 2009/10 of $2,627,299 and 2010/11 of $540,915.

	Governmental Activities	
	2011	**2010**
Revenues:		
General Revenues:		
Taxes:		
Property Taxes	$ 5,843,086	$ 6,220,979
Investment Earnings	346,602	660,317
Fees and Other Revenues	10	-
Total Revenues	6,189,698	6,881,296
Expenses:		
General Government	4,241,385	2,533,562
Pass-Through to County and Other Agencies	1,689,136	3,836,188
Interest on Long-Term Debt	1,768,849	899,869
Total Expenses	7,699,370	7,269,619
Increase in Net Assets Before Transfers	(1,509,672)	(388,323)
Transfers	(12,998,155)	(14,900,145)
Increase (decrease) in Net Assets	(14,507,827)	(15,288,468)
Net Assets 7/1	(8,976,086)	6,312,382
Net Assets (Deficit) 6/30	$(23,483,913)	$ (8,976,086)

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds reported combined ending fund balances of $6,615,997 as of June 30, 2011. This is a decrease of $15,081,760 for the fiscal year. All of the fund balances are considered restricted or non-spendable fund balances. The balance in the RDA Low Income Housing Fund is legally restricted for low and moderate income housing purposes.

The Agency has three major funds: 1) RDA Low Income Housing, 2) Redevelopment Debt and 3) Redevelopment Projects. Refer to Note #1C, found on pages 18 – 19, for specific descriptions of the funds. At the end of the current fiscal year, the restricted and non-spendable fund balance of the Redevelopment Agency funds was $6,615,997. During the current fiscal year, the fund balance of the Redevelopment Agency funds decreased by $15,081,760. The key factor contributing to this decrease was an increase in transfers out to the City associated with capital projects. Total revenues decreased by 10.0%, while total cost of all programs and services increased by 5.9%. The increase in transfers out was due to the construction of the Civic Center project. Fund balance represents 95.3% of the total Redevelopment Agency funds operating expenditures.

BUDGETARY HIGHLIGHTS

Comparing the fiscal year 2010/11 original budget (or adopted) expenditures and transfers out in the amount of $10,397,133, to the final budget amount of $25,116,366 shows a net increase of $14,719,233.

Beginning Balance	+	Supplemental Changes	=	Final Budget
$10,397,133		$14,719,233		$25,116,366

Supplemental budget changes include the following:

- $11,553,760 increase in expenditure for the Civic Center project.
- $1,724,792 increase in expenditure for the Parks CIP project.
- $375,000 increase in Grant program funding.
- $888,081 increase in debt service interest.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The Agency has no capital assets.

Debt Administration - The Brentwood Redevelopment Agency's Debt, considered a liability of governmental activities, decreased in fiscal year 2010/11 by $485,000 for the CIP 2001 Revenue Bonds. Detailed information regarding long-term debt activity can be found in Note #6 on pages 26 – 29 in this report.

Governmental Activities	Balance June 30, 2010	Incurred or Issued	Satisfied or Matured	Balance June 30, 2011
CIP 2001 Revenue Bonds	$ 18,145,000	$ -	$ (485,000)	$ 17,660,000
Civic Center Project Lease Revenue Bonds	12,631,578	-	-	12,631,578
Total Governmental Activities	$ 30,776,578	$ -	$ (485,000)	$ 30,291,578

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The key assumptions in the forecast for fiscal year 2011/12 are:

- On-going diminishing assessed property values will result in an anticipated decrease of 2.3% in tax increment revenues for 2011/12 from 2010/11.
- Deflationary trends are reflective of the cautious nature of the real estate market and the recession.
- Pass-through payments to other taxing agencies, in accordance with negotiated and statutory pass-through agreements, were reduced from 2010/11 as a direct result of reduced tax increment revenues.
- Approximately $2.3M of the Agency's $3.4M 2011/12 Admin and Projects budget is directly related to capital improvement projects which are coordinated and identified in the City's 2011/12-2014/15 Capital Improvement Program.
- General non-housing operational expenses decreased due to cuts associated with the State's plan to eliminate Redevelopment.
- General housing operational expenses increased from 2010/11 due to reassignment of personnel associated with the State's plan to eliminate Redevelopment.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES *(Continued)*

Items specifically addressed in the 2011/12 budget are:

- Community Remittance payment to the State in 2011/12 in the amount of $2,771,432.
- Participate in the creation, preservation and improvement of housing opportunities within the Redevelopment Project Areas and the City.
- Fund the second and final portion of $800,000 of housing set-aside funds to participate with Mercy Housing in the rehabilitation of the existing Green Valley Apartments.
- Reservation of Low/Moderate funds for a multi-family housing project for Meta Housing, The Grove at Sunset Court, in the amount of $3.95M.
- Continue the Downtown Façade Improvement Program and commence the Brentwood Boulevard Façade Improvement Program when the Brentwood Boulevard Corridor Specific Plan is adopted.
- Continue the Health and Safety Grant Improvement Program.
- Continue the Home Rehabilitation and Preservation Program.
- Continue clean-up investigation of under-utilized parcels in the Downtown.
- Fund various capital improvement projects such as the new Community Center, restoration of the City Park and Downtown Streetscape and Infrastructure.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report, or need any additional financial information, contact the Finance Department, located at 150 City Park Way, Brentwood, California 94513, either by phone (925) 516-5460 or e-mail dept-finance@brentwoodca.gov.

Statement of Net Assets

June 30, 2011

	Governmental Activities
ASSETS	
Current Assets:	
Cash and Investments	$ 6,407,066
Receivables	2,521
Prepaids	1,416
Land Held for Resale	1,040,359
Non-Current Assets:	
Deferred Charges	243,329
Total Assets	7,694,691
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	829,515
Deposits Held	5,850
Long-Term Liabilities Due Within One Year	533,580
Total Current Liabilities	1,368,945
Non-Current Liabilities Due in More Than One Year:	
Bonds Payable	29,786,578
Net OPEB Obligation	4,029
Compensated Absences Payable	19,052
Total Non-Current Liabilities	29,809,659
Total Liabilities	31,178,604
NET ASSETS	
Unrestricted	(23,483,913)
Total Net Assets	$ (23,483,913)

Statement of Activities and Changes in Net Assets

For Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Service	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Program Revenues: Total	Net (Expenses) Revenues and Changes in Net Assets
Primary Government:						
Government Activities						
General Government	$ 4,241,385	$ -	$ -	$ -	$ -	$ (4,241,385)
Pass Through to County and Other Agencies	1,689,136	-	-	-	-	(1,689,136)
Interest on Long-Term Debt	1,768,849	-	-	-	-	(1,768,849)
Total Governmental Activities	$ 7,699,370	$ -	$ -	$ -	$ -	$ (7,699,370)

General Revenues:	
Taxes:	
Property Taxes	5,843,086
Investment Earnings	346,602
Fees and Other Revenues	10
Transfers to the City	(12,998,155)
Total General Revenues and Transfers	(6,808,457)
Change in Net Assets	(14,507,827)
Net Assets - Beginning of Year	(8,976,086)
Net Assets (Deficit) - End of Year	$ (23,483,913)

See Accompanying Notes to the Basic Financial Statements

Balance Sheet

Governmental Funds

June 30, 2011

	RDA Low Income Housing	Redevelopment Debt	Redevelopment Projects	Totals
ASSETS				
Current Assets:				
Cash and Investments	$ 5,584,612	$ 812,117	$ 10,337	$ 6,407,066
Receivables	3,851,360	99	2,000	3,853,459
Prepaids	261	-	1,155	1,416
Land Held for Resale	1,040,359	-	-	1,040,359
Total Assets	$ 10,476,592	$ 812,216	$ 13,492	$ 11,302,300
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	$ 10,812	$ 812,216	$ 6,487	$ 829,515
Deferred Revenue	3,850,938	-	-	3,850,938
Deposits Held	-	-	5,850	5,850
Total Liabilities	3,861,750	812,216	12,337	4,686,303
Fund Balances:				
Nonspendable	261	-	1,155	1,416
Restricted	6,614,581	-	-	6,614,581
Total Fund Balances	6,614,842	-	1,155	6,615,997
Total Liabilities and Fund Balances	$ 10,476,592	$ 812,216	$ 13,492	$ 11,302,300

See Accompanying Notes to the Basic Financial Statements

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2011

Fund Balances of Governmental Funds	$	6,615,997
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:		
Governmental Funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		243,329
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.		
Bonds		(30,291,578)
Net OPEB Obligation		(4,029)
Compensated Absences		(47,632)
Net Assets of Governmental Activities	$	(23,483,913)

See Accompanying Notes to the Basic Financial Statements

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For Year Ended June 30, 2011

	RDA Low Income Housing	Redevelopment Debt	Redevelopment Projects	Totals
REVENUES				
Taxes	$ 1,168,617	$ 4,674,469	$ -	$ 5,843,086
Uses of Money and Property	87,154	183,775	75,673	346,602
Fees and Other Revenues	-	-	10	10
Total Revenues	1,255,771	4,858,244	75,683	6,189,698
EXPENDITURES				
Current:				
General Government	1,350,294	-	1,652,985	3,003,279
Pass-Through to County and Other Agencies	-	1,689,136	-	1,689,136
Debt Service:				
Principal	-	485,000	-	485,000
Interest and Fiscal Charges	-	1,768,849	-	1,768,849
Total Expenditures	1,350,294	3,942,985	1,652,985	6,946,264
REVENUES OVER (UNDER) EXPENDITURES	(94,523)	915,259	(1,577,302)	(756,566)
OTHER FINANCING SOURCES (USES)				
Loss on Sale of Land Held for Resale	-	-	(1,327,039)	(1,327,039)
Transfers In	-	888,080	10,735,301	11,623,381
Transfers Out	-	(10,518,393)	(14,103,143)	(24,621,536)
Total Other Financing Sources (Uses)	-	(9,630,313)	(4,694,881)	(14,325,194)
NET CHANGE IN FUND BALANCES	(94,523)	(8,715,054)	(6,272,183)	(15,081,760)
Fund Balance, Beginning of Year	6,709,365	8,715,054	6,273,338	21,697,757
Fund Balance, End of Year	$ 6,614,842	$ -	$ 1,155	$ 6,615,997

See Accompanying Notes to the Basic Financial Statements

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities and Changes in Net Assets

For Year Ended June 30, 2011

Net Changes in Fund Balances - Total Governmental Funds	$	(15,081,760)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of bond principal is an expenditure in Government Funds, but the repayment reduced long-term liabilites in the Government-Wide Statement of Net Assets.		
This amount represents long-term debt repayments.		485,000
This amount represents the decrease in Net OPEB Obligations		101,912
This amount represents deferred bond issuance costs and unamortized bond premiums		(8,691)
To record the net change in compensated absences in the Statement of Activities		(4,288)
Changes in Net Assets of Governmental Activities	$	(14,507,827)

See Accompanying Notes to the Basic Financial Statements

NOTE # 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE REPORTING ENTITY

The Brentwood Redevelopment Agency (the "Agency") was established pursuant to the State of California Health and Safety Code, Section 33000, entitled "Community Redevelopment Law". On August 20, 1981 the City Council became the governing board of the Brentwood Redevelopment Agency. The Agency was formed for the purpose of preparing and carrying out plans for improvement, rehabilitation and redevelopment of blighted areas within the territorial limits of the City of Brentwood. The Agency is a component unit of the City of Brentwood, the primary government, and the funds of the Agency have been included in the governmental activities in the City's financial statements.

Prior to July 1, 2000, the Agency consisted of two project areas known as the Brentwood Downtown Project and the North Brentwood Project. The Brentwood Downtown Project plan was adopted July 13, 1982 and amended November 29, 1983. The North Brentwood Project plan was adopted June 25, 1991. These plans are designed to alleviate existing conditions within the designated project areas in accordance with Redevelopment law.

As of July 1, 2000, the Agency has amended the Redevelopment Plans for the Brentwood and North Brentwood Redevelopment Projects to merge the two project areas and provide authority to construct additional public facilities within the merged project area. Merging the two project areas per the amendments allows the Agency to establish a single unified tax increment limit applicable to both project areas, which will give the Agency greater flexibility for future financing.

California Health and Safety Code section 33080.1(g) requires that the Agency's annual report include a list of the fiscal years the Agency expects each of the following time limits to expire:

- The time limit for the commencement for eminent domain proceedings to acquire property within the project area – 2014
- The time limit for the establishment of loans, advances and indebtedness to finance the redevelopment project – 2017
- The time limit for the effectiveness of the Redevelopment Plan – 2031
- The time limit to repay the indebtedness with the proceeds of property taxes –2041

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. The Statement of Activities and Changes in Net Assets demonstrates the degree to which direct and indirect expenses, for a given function or segment, are offset by program revenues. Direct expenses are clearly identifiable with a specific function or segment. Indirect expenses are

***NOTE # 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)*

expenses which are allocated based on the City's annual Cost Allocation Plan and Schedule of City Fees. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, 2) operating grants and contributions, including special assessments and 3) capital grants and contributions. Taxes and other items not properly included among program revenue are reported as general revenues. The Agency currently has no program revenues.

C. MEASUREMENT FOCUS / BASIS OF ACCOUNTING

The Government-Wide Financial Statements are reported using an economic resources focus and the accrual basis of accounting. 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, regardless of the timing of the related cash flows.

The Governmental Fund Financial Statements are reported using a current financial resources measurement focus called the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except for revenues subject to accrual (generally 60 days after year-end) which are recognized when due. Expenditures are recorded in the accounting period in which the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, including property and sales taxes, and inter-governmental revenue associated with the current fiscal period are all considered to be susceptible to accrual. Only the portion of the special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Agency.

Fund Types

The Agency reports the following major Governmental Funds: Special Revenue Funds, Debt Service Funds and Capital Project Funds. Descriptions of the Agency's funds are presented below.

***NOTE # 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)*

Special Revenue Funds account for specific revenues that are legally restricted to expenditures for particular purposes. Below are specific descriptions of the Special Revenue Funds:

- *RDA Low Income Housing* – This fund accounts for the RDA's 20% tax increment set-aside. The monies are to be used to increase and improve the community's supply of low and moderate income housing in the redevelopment project area.

Debt Service Funds account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs. Specific descriptions of these funds are as follows:

- *Redevelopment Debt* – This fund accounts for transactions related to proceeds from tax allocation bonds.

Capital Project Funds account for the acquisition and construction of major capital facilities and infrastructure. Below are specific descriptions of the Capital Project Funds:

- *Redevelopment Projects* – This fund accounts for transactions related to proceeds from bonds and other resources and their use to perform redevelopment activities within the redevelopment project area.

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

i. Use of Restricted / Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Agency's policy is to apply restricted net assets first.

ii. Cash and Investments

The Agency pools all of its cash and investments with the City of Brentwood. The City pools idle cash from all funds for the purpose of increasing income through investment activities. In compliance with Governmental Accounting Standards Board (GASB) Statement No. 40, the City's investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. For securities that lack readily available market quotations, reasonable estimates of fair value

***NOTE # 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)*

are used based on the market value of similar investments. The City generally holds all investments until maturity or until market values equal or exceed cost. Therefore, the reported value of securities in the investment pool does not reflect realized gains or losses but rather the fair value of those investments as of June 30, 2011. Interest income earned on pooled cash and investments is allocated to the Agency based on month-end cash balances.

iii. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

iv. Tax Increment Revenues

The Agency's primary source of revenue is incremental property taxes. Property taxes allocated to the Agency are computed in the following manner:

a. The assessed valuation of all property within the Project Areas was frozen on the date of adoption of the Redevelopment Plan.

b. Property taxes related to any incremental increase in assessed values after the adoption of the Redevelopment Plan are allocated to the Agency. All taxes on the "frozen" assessed valuation of the property are allocated to the City and other taxing authorities receiving taxes from the Project Areas.

The Agency has no power to levy and collect taxes and any legislative property tax reduction would lower the amount of tax revenues that would otherwise be available to pay the principal and interest on bonds or loans from the City. Conversely, any increase in the tax rate or assessed valuation, or any elimination of present exemptions, would increase the amount of tax revenues that would be available to pay principal and interest on bonds or loans from the City. The Agency is also authorized to finance the Redevelopment Plan from other sources including: assistance from the City, the State and Federal governments, interest income or the issuance of Agency debt.

NOTE # 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

- General Budget Policies

  Prior to July 1, the budget is legally enacted through passage of a resolution. The Agency Board periodically reviews the budgets and adopts supplemental appropriations (amendments) at the fund level when required. The level of budgetary control is established at the fund level and expenditures may not exceed budgeted appropriations at the fund level without Agency Board approval. In the financial statements, the final budget amounts include amendments to the original budget. Individual amendments were not material in relation to original appropriations.

- Budget Basis of Accounting

  Budgetary comparisons are presented for the Special Revenue, Debt Service and Capital Project funds.

B. FUND BALANCES

The Agency's fund balances are classified in accordance with GASB Number 54. Non-spendable fund balances are not expected to be converted to cash and are comprised of prepaid items and land held for resale by the Agency. Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations or enabling legislation which requires that these resources be used only for a specific purpose. Committed fund balances have constraints imposed by formal action of the Agency Board which may be altered only by formal action of the Agency Board. Assigned fund balances are amounts constrained by the Agency's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the Agency Board and may be changed at the discretion of the Agency Board. Unassigned fund balance represents amounts that have not been restricted, committed, or assigned.

The Agency considers restricted amounts to have been spent prior to unrestricted amounts when an expenditure is incurred for purposes for which both are available. Committed, assigned and unassigned amounts, in this order, are considered to be spent when an expenditure is incurred for purposes for which either is available.

***NOTE # 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY** (Continued)*

Detailed classifications of the Agency's Fund Balances, as of June 30, 2011, are shown below.

	RDA Low Income Housing	Redevelopment Debt	Redevelopment Projects	Total
Fund Balances:				
Nonspendable:				
Prepaid Expenses	$ 261	$ -	$ 1,155	$ 1,416
Total Nonspendable Fund Balances	261	-	1,155	1,416
Restricted for:				
Redevelopment Low Income Housing	6,614,581	-	-	6,614,581
Total Restricted Fund Balances	6,614,581	-	-	6,614,581
Total Fund Balances	$ 6,614,842	$ -	$ 1,155	$ 6,615,997

In addition to the balances noted above, the City expends funds on capital projects on behalf of the Agency and the Agency occasionally transfers the required funds to the City prior to the start of the project. Any unspent funds are returned to the Agency upon completion of the project. As of June 30, 2011 the balance of unspent project funds held by the City on behalf of the Agency totaled $5,916,489.

NOTE # 3 – CASH AND INVESTMENTS

A. CASH AND DEPOSITS

The City of Brentwood maintains a cash investment pool that is available for all funds, including the funds of the Agency. The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by outside fiscal agents, under the provisions of bond indentures. Each fund type balance in the pool is reflected on the combined balance sheet as Cash and Investments. The Agency's total cash and investments as of June 30, 2011 is $6,407,066.

NOTE # 3 – CASH AND INVESTMENTS (Continued)

B. INVESTMENTS

The Agency's funds are invested as a component of pooled cash in accordance with the City's investment policy. The Agency apportions interest earnings to all funds based on their monthly cash balance in accordance with California Government Code Section 53635. The table below identifies the investment types authorized for the Agency by the City's investment policy, which is more restrictive than California Government Code 53635. The table also identifies certain provisions of the City's investment policy which address interest rate risk, credit risk and concentration of risk. This table does not address investments of debt proceeds, held by bond trustee, which are governed by the provisions of debt agreements of the City rather than the general provisions of the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	90 days	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Money Market Funds	N/A	15%	None
Mortgage Pass-Through Securities	5 years	20%	None
Local Agency Investment Fund (LAIF)	N/A	$50M/Account	$50M/Account
California Asset Management Program	N/A	N/A	N/A
Time Deposits	5 years	25%	None

* Excluding amounts held by bond trustee not subject to California Government code restrictions.

Credit Risk – The City's portfolio is comprised of the highest quality government and corporate securities. Consistent with City policy, over 79% of the City's pooled investment portfolio consists of investments with Standard and Poor's two highest ratings. This percentage does not include U.S. Treasury Bonds / Notes, LAIF or Money Market Mutual Funds (MMMF) which are all unrated. Investments at June 30, 2011, held on behalf of the Brentwood Redevelopment Agency, are presented below, categorized separately to give an indication of the level of risk associated with each investment.

***NOTE # 3 – CASH AND INVESTMENTS** (Continued)*

Investments are reported at fair value and were available upon demand at June 30, 2011.

	Fair Value	Credit Rating
City of Brentwood's Pooled Investments	$ 6,407,066	Unrated

Custodial Credit Risk** – **Investments – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities which are in possession of another party. The California Government Code does not contain legal or policy requirements limiting the exposure to custodial credit risk. The City's investment policy requires the assets of the City be secured through the third party custody and safekeeping procedures. Bearer instruments shall be held only through third party institutions. Collateralized securities, such as repurchase agreements, shall be purchased using the delivery vs. payment procedure.

C. FAIR VALUE OF INVESTMENTS

Methods and assumptions used to estimate fair value:

- The Agency maintains investment accounting records on a cost basis and adjusts those records to "fair value" on an annual basis
- The Fund investment custodians provide fair values on each investment instrument on a monthly basis
- The investments held by the Fund are widely traded in the financial markets and trading values are readily available from numerous published sources.
- The Fund has elected to report its money market investments (those investments with maturities of less than one year) at amortized cost adjusted to market value on a yearly basis.

NOTE # 4 – ACCOUNTS, NOTES AND LOANS RECEIVABLE

Loans Under Redevelopment Agency Programs – The Agency engages in programs designed to encourage either construction or improvements to low-to-moderate income housing or other projects. Under these programs, grants or loans are provided under favorable terms to either homeowners or developers who agree to spend these funds in accordance with the Agency's terms. These balances have been offset by deferred revenue as they are not expected to be repaid during the next fiscal year. A total of $3,850,938 is owed to the Redevelopment Agency under these programs as shown below:

Brentwood/202 Senior Housing, Inc.	$ 314,550
Christian Church Homes Sycamore II	930,345
Eden Housing	118,125
Mercy Housing	1,631,000
Brentwood Senior Commons	400,000
Brentwood Green Valley	456,918
Subtotal Loans under Redevlopment Agency Programs	3,850,938
Less: Reservation for Loans Expected to be Forgiven	3,850,938
Net Notes and Loans Receivable	$ -

Reservation for Loans Expected to be Forgiven – The loans under Agency programs provide for the eventual forgiveness of the loan balances if the borrower complies with all the terms of the loan over its full term. The Agency accounts for these loans as conditional grants in the entity-wide financial statements and provides a reserve against their eventual forgiveness. The balance as of June 30, 2011 is $3,850,938.

Brentwood/202 Senior Housing, Inc. – In April 1996, the Agency loaned Brentwood/202 Senior Housing, Inc., a California nonprofit public benefit corporation, $314,550 to assist in the financing of the construction of a 40-unit senior housing project. The principal sum of the note will not bear interest. The outstanding principal due under this note will be due and payable in full, forty years from the date of recording the Deed of Trust or upon an event of default. In the event there has been no event of default that has not been cured, the Agency shall forgive the outstanding principal balance due on the maturity date. The balance at June 30, 2011 was $314,550.

Christian Church Homes Sycamore II – In June 2003, the Agency entered into a note with Christian Church Homes of Northern California, in the amount of $530,722, to construct 40 units of very low-income senior rental housing. The note is a 3% per annum simple interest, 55-year loan. In July 2004, a new note was executed with Sycamore Place II Senior Housing Corporation which amended, superseded and replaced in its entirety the original note of $530,722. This new note, in the amount of $755,722, is secured by a Deed of Trust, Assignment of Rents, Security

NOTE # 4 – ACCOUNTS, NOTES AND LOANS RECEIVABLE *(Continued)*

Agreement and Fixture Filing. The principal sum of this note will bear 3% per annum, simple interest. All principal, and all accrued and unpaid interest, shall be due and payable in full no later than June 27, 2058 or upon default. As of June 30, 2011, principal and accrued interest total $930,345. There is a reasonable expectation that this note will be forgiven upon successful completion of the terms and conditions of the note, and as such, a reservation for forgiveness of the note has been included in these financial statements.

Eden Housing – The City of Brentwood Affordable Housing and the Agency entered into two notes with Eden Housing, Inc. for the development of Brentwood City Commons, an 80-unit very-low and extremely-low income senior apartment project in the amounts of $900,000 and $100,000 respectively. The notes are secured by Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing. The notes are 3% simple interest per annum, 55-year loans unless event of default occurs. As of June 30, 2011, principal and accrued interest for both notes total $1,175,125. The Agency's balance at June 30, 2011 was $118,125. There is a reasonable expectation that these notes will be forgiven upon successful completion of the terms and conditions of the notes, and as such, a reservation for forgiveness of the notes has been included in these financial statements.

Mercy Housing – In May 2006, the City of Brentwood Affordable Housing and the Agency entered into two notes with Mercy Housing, Inc., in the amounts of $600,000 and $1,400,000, in order to develop 94 affordable apartments for extremely low or very low-income households at an affordable rent as set forth in the Affordable Housing Covenant. So long as Mercy Housing, Inc. owns and operates the project in compliance with the Affordable Housing Covenant, and the agreement is not in default under these notes, no payments shall be due. The entire outstanding unpaid principal and interest of the notes shall be due and payable in full upon either the earlier of the 55-years after the closing of the notes or December 31, 2063. The notes shall bear interest at 3% per annum from the date of disbursement. As of June 30, 2011, the principal and accrued interest due for both notes total $2,330,000. The Agency's balance at June 30, 2011 was $1,631,000. There is a reasonable expectation that these notes will be forgiven upon successful completion of the terms and conditions of the notes, and as such, a reservation for forgiveness of the notes has been included in these financial statements.

Brentwood Senior Commons – In November 2010, the Brentwood Redevelopment Agency entered into a Loan Agreement with Brentwood Senior Commons, L.P. in the amount of $400,000 to provide funding for a portion of elevator improvements within the Brentwood Senior Commons project. This note shall bear zero (0%) interest unless there is a default in the conditions of the note. So long as Brentwood Senior Commons owns and operates the project in compliance with the Affordable Housing Covenant no payments shall be due and the entire outstanding principal and interest, if any due to default, shall be due and payable in full on January 25, 2060. On the maturity date the Brentwood Redevelopment Agency may, in its sole discretion, forgive the repayment of all or part of the Loan. As of June 30, 2011, the principal due totaled $400,000. There is a reasonable expectation that this note will be forgiven upon successful completion of the terms and conditions of the note, and as such, a reservation for forgiveness of the note has been included in these financial statements.

NOTE # 4 – ACCOUNTS, NOTES AND LOANS RECEIVABLE (Continued)

Brentwood Green Valley – In January 2011, the Brentwood Redevelopment Agency entered into a Loan Agreement with Brentwood Green Valley Associates in the amount of $1,258,886 to provide funds to repair and rehabilitate Green Valley Apartments, a 28-unit, extremely-low and very-low income, multi-family project. The loan shall be disbursed in two payments in accordance with the loan agreement. As of June 30, 2011, $458,886 has been disbursed to Brentwood Green Valley Associates. This note shall bear simple interest at a rate of 3% per annum from the date of disbursement. So long as Brentwood Green Valley owns and operates the project in compliance with the Affordable Housing Covenant and the agreement and is not in default under the note, the Brentwood Redevelopment Agency shall forgive the outstanding principal balance of this note on a per annum basis, prorated for partial years, in an amount equal to 1.82% of the original principal amount of this note (55 year amortization). In addition, all accrued but unpaid interest is forgiven so long as the note is not in default. As of June 30, 2011, the principal and accrued interest due for both Notes, before the forgiveness, totaled $462,130. Per the terms of the note, $1,968 of the principal and $3,244 of the interest were forgiven at June 30, 2011. The remaining balance at June 30, 2011 totaled $456,918. There is a reasonable expectation that this note will be forgiven upon successful completion of the terms and conditions of the note, and as such, a reservation for forgiveness of the note has been included in these financial statements.

NOTE # 5 – LAND HELD FOR RESALE

The Agency has purchased parcels of land as part of its efforts to develop or redevelop blighted properties within the Redevelopment areas. Such land parcels are accounted for at: 1) the lower of cost, 2) net realizable value or 3) agreed-upon sales price if a disposition agreement has been made with a developer. On February 22, 2011, under the provisions of Health and Safety Code Section 33220, the Agency entered into an option agreement with the City for real property owned by the Agency. This real property consisted of nine parcels that had been recorded as land held for resale with a book value of $1,327,129. The option agreement, which was executed on March 4, 2011, consummated the purchase of the nine parcels at the price of $10 per parcel. At June 30, 2011, the RDA Low Income Housing Fund held three properties with a total book value of $1,040,359.

NOTE # 6 – LONG-TERM OBLIGATIONS

The following summarizes changes in long-term debt obligations during the year:

	Balance June 30, 2010	Additions	Payments Adjustments	Balance June 30, 2011	Amounts Due Within One Year
CIP 2001 Revenue Bonds	$ 18,145,000	$ -	$ (485,000)	$ 17,660,000	$ 505,000
Civic Center Project Lease Revenue Bonds	12,631,578	-	-	12,631,578	-
Net OPEB Obligation	105,941	96,018	(197,930)	4,029	-
Accumulated Compensated Absences	43,344	68,667	(64,379)	47,632	28,580
	$ 30,925,863	$ 164,685	$ (747,309)	$ 30,343,239	$ 533,580

NOTE # 6 – LONG-TERM OBLIGATIONS *(Continued)*

A. BONDS

i. CIP 2001 Revenue Bonds

The Agency issued Tax Allocation Bonds, dated October 1, 2001, to finance Redevelopment projects. Interest is payable semi-annually on May 1 and November 1. Interest rates range from 3.0 percent to 5.375 percent annually. As of June 30, 2011, the outstanding principal balance of bonds is $17,660,000. The Agency has pledged future tax increment revenues, less amounts required to be set aside in the Low Income Housing Fund, for the repayment of the Tax Allocation Bonds. The pledge of future tax increment revenues ends upon repayment of $28,492,803 remaining debt service on the bonds. The repayment of the debt service is scheduled to occur in 2032. Projected tax increment revenues are expected to provide coverage over debt service of 363% over the life of the bonds. For fiscal year 2011, tax increment revenue amounted to $4,674,469, which represented coverage of 3.42 times $1,365,769 of debt service. The following schedule illustrates the debt service requirements to maturity for bonds outstanding as of June 30, 2011:

Year Ending June 30,	Principal	Interest	Total
2012	$ 505,000	$ 860,653	$ 1,365,653
2013	525,000	839,081	1,364,081
2014	550,000	815,550	1,365,550
2015	575,000	790,238	1,365,238
2016	605,000	763,687	1,368,687
2017-2021	3,455,000	3,338,469	6,793,469
2022-2026	4,450,000	2,326,750	6,776,750
2027-2031	5,685,000	1,065,625	6,750,625
2032	1,310,000	32,750	1,342,750
Total	$ 17,660,000	$ 10,832,803	$ 28,492,803

NOTE # 6 – LONG-TERM OBLIGATIONS *(Continued)*

ii. Civic Center Project Lease Revenue Bond

On October 16, 2009, the Brentwood Infrastructure Financing Authority issued $48,000,000 in Civic Center Project Lease Revenue Bonds, Series 2009A $4,055,000 and Taxable Series 2009B $43,945,000, to finance the construction of a new City Hall, Community Center, Senior Center, library improvements and other public capital improvements.

The Agency entered into a Reimbursement agreement with the Brentwood Infrastructure Financing Authority that indicates the Agency will pay a proportional amount of the City's Base Rental Payments for specific and allowable projects that the Agency has agreed to fund. The Civic Center Project Lease Revenue Bonds generated $12,631,578 for allowable Agency projects.

Interest is payable semi-annually on April 1 and October 1. Interest rates range from 3.0 percent to 7.647 percent annually. As of June 30, 2011, the Agency's portion of the outstanding principal balance of the bonds is $12,631,578. The pledge of future tax increment revenues ends upon repayment of $29,666,203 remaining debt service on the bonds. The repayment of the debt service is scheduled to occur in 2040.

For fiscal year 2010/11, the Agency did not have to fund a payment due to capitalized interest. Debt service payments against principal will not commence until fiscal year 2012/13. The following schedule illustrates the debt service requirements to maturity for bonds outstanding as of June 30, 2011:

Year Ending June 30	Principal	Interest	Total
2012	$ -	$ 888,080	$ 888,080
2013	164,474	885,613	1,050,087
2014	169,737	880,600	1,050,337
2015	175,000	874,554	1,049,554
2016	273,684	865,580	1,139,264
2017-2021	1,540,789	4,098,083	5,638,872
2022-2026	1,893,421	3,546,270	5,439,691
2027-2031	2,380,263	2,770,367	5,150,630
2032-2036	3,025,000	1,636,257	4,661,257
2037-2040	3,009,210	589,221	3,598,431
	$ 12,631,578	$ 17,034,625	$ 29,666,203

NOTE # 6 – LONG-TERM OBLIGATIONS (Continued)

The taxable portion of the bonds were sold as "Build America Bonds" pursuant to the American Recovery and Reinvestment Act of 2009. The interest on Build America Bonds is not tax-exempt and therefore the bonds carry a higher interest rate. However, this higher interest rate will be offset by a subsidy payable by the United States Treasury to Brentwood Infrastructure Financing Authority or its designee equal to 35% of the interest payable on the bonds. Such subsidy will be payable on or about the date that the Agency makes its debt service payments.

B. NET OPEB OBLIGATION

The Redevelopment Agency provides certain post-retirement health care benefits. In accordance with GASB 45, the Agency's net Other Post-Employment Benefits (OPEB) obligation of $4,029 has been included in these financial statements. Further information can be found in the City's Comprehensive Annual Financial Report (CAFR).

C. ACCUMULATED COMPENSATED ABSENCES

The long-term compensated absences balance at June 30, 2011, is:

Governmental	$19,052

NOTE # 7 –TAX SHARING AGREEMENTS, PASS-THROUGH PAYMENTS, SERAF AND PROPOSED DISSOLUTION OF REDEVELOPMENT

A. TAX SHARING AGREEMENTS

The Brentwood Redevelopment Agency entered into tax sharing agreements for the North Brentwood Redevelopment Project Area with the following entities: East Diablo Fire District; Brentwood Union School District; Liberty Union High School District; Oakley School District; Knightsen School District; Byron Elementary School District; the Contra Costa Mosquito Abatement District and the Contra Costa County Office of Education. The agreements call for a pass-through of their negotiated share of the tax increment revenue. The pass-through amounts from these agreements are not currently subordinated to other Agency debt. All payments due to date have been paid annually.

The Brentwood Redevelopment Agency entered into tax-sharing agreements for the North Brentwood Redevelopment Project Area with the Contra Costa Community College District, the East Bay Regional Park District and the Byron/Brentwood/Knightsen Union Cemetery District. The agreements call for a pass-through of their negotiated share of the tax increment revenue. The pass-through amounts from these agreements are currently subordinated to other Agency debt. All payments due to date have been paid annually.

NOTE # 7 –TAX SHARING AGREEMENTS, PASS-THROUGH PAYMENTS, SERAF AND PROPOSED DISSOLUTION OF REDEVELOPMENT (Continued)

The Brentwood Redevelopment Agency entered into tax sharing agreements with Contra Costa County, Contra Costa Library and the Contra Costa Flood Control District for the North Brentwood Redevelopment Project Area. The agreements call for a pass-through of a portion of the general tax levy. Under these agreements, a part of the pass-through amount owed by the Redevelopment Agency to the taxing agencies was deferred for the first twelve years. The accrued deferred amounts, interest and the pass-through of the annual tax increment were paid over a four-year period with the entire deferred portion of the pass-throughs being repaid in full by fiscal year 2006/07. From this point forward, the agreements provide for pass-through of 100% of the tax increment which would have been allocated to these taxing agencies but for the adoption of the North Brentwood Redevelopment Project.

The Brentwood Redevelopment Agency has entered into a tax-sharing agreement with the East Bay Regional Park District for the North Brentwood Redevelopment Project Area. The agreement calls for a pass-through of their negotiated share of tax increment revenue and the voter approved Measure AA tax levy. The Agency accurately and timely passes through both amounts each year based on increment allocation factors and annual Measure AA tax rate as provided by the Contra Costa County Auditor’s office.

The Brentwood Redevelopment Agency paid a total of $968,000 in negotiated pass-through payments for the 2010/11 fiscal year.

B. PASS-THROUGH PAYMENTS

Assembly Bill 1290 (AB1290), passed in 1994, provided for statutory pass-through payments to taxing agencies when redevelopment agencies amend their plans. In 2000, the Brentwood Redevelopment Agency amended the Brentwood and North Brentwood Redevelopment Plans to financially merge the two project areas. Consequently, the 2000 Merger Amendment triggered statutory pass-through payments to taxing entities from the Brentwood ("Downtown") Project Area in 2002/03. All payments due to date have been paid to the appropriate taxing entities and payments will continue in accordance with the provisions of AB1290.

In 2001, the Brentwood Redevelopment Agency amended The Merged Redevelopment Plan by adding territory in the North Brentwood Redevelopment Area. This amendment triggered statutory pass-through payments to taxing entities from the added territory starting in fiscal year 2005/06. All payments due to date have been paid to the appropriate taxing entities and payments will continue in accordance with the provisions of AB1290.

The Brentwood Redevelopment Agency paid a total of $180,221 in statutory pass-through payments for the 2010/11 fiscal year.

NOTE # 7 –TAX SHARING AGREEMENTS, PASS-THROUGH PAYMENTS, SERAF AND PROPOSED DISSOLUTION OF REDEVELOPMENT (Continued)

C. SUPPLEMENTAL EDUCATIONAL REVENUE AUGMENTATION FUND (SERAF)

In August 2009, the Governor signed budget bill AB x4 26 which calls for California Redevelopment Agencies to pay a total of $2.05 billion to the County Supplemental Educational Revenue Augmentation Fund (SERAF). The State Department of Finance determines each agency's SERAF payment by November 15th of each year, with payments due by May 10th of the applicable year. The obligation to make the SERAF payment is subordinate to obligations to repay bonds; however, if the Agency fails to make the SERAF payment the Agency may not encumber or expend future funds other than to pay pre-existing indebtedness, contractual obligations and 75% of the amount expended on Agency administration for the preceding fiscal year until the SERAF is paid in full. These payments were to be made over two fiscal years, with $1.7 billion paid in 2009/10 and $350 million being paid in 2010/11. The Agency's portion was $2,627,299 in fiscal year 2009/10 and $540,915 in fiscal year 2010/11. The California Redevelopment Association has filed for an appeal against the SERAF payments mandated by AB x4 26. The outcome of the appeal is uncertain at this time.

D. PROPOSED DISSOLUTION OF REDEVELOPMENT

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, which suspends all new redevelopment activities, except for limited specified activities as of that date, and dissolves redevelopment agencies effective October 1, 2011. The State simultaneously adopted ABx1 27 which allows redevelopment agencies to avoid dissolution by the City opting into an "alternative voluntary redevelopment program" requiring specified substantial annual contributions to local schools and special districts. Concurrently with these two measures, the State passed various budget and trailer bills that are related and collectively constitute the Redevelopment Restructuring Acts. If all sponsoring communities were to opt-in to the voluntary program, these contributions amount to an estimated $1.7 billion for fiscal year 2012 and an estimated $400 million in each succeeding year. If the City fails to make the voluntary program payment, the Agency would become subject to the dissolution provisions of ABx1 26.

On July 18, 2011, the California Redevelopment Association, the League of California Cities and others challenged the validity and constitutionality of AB1x 26 and 27 to the California Supreme Court on numerous grounds, including that the acts violate certain provisions of the California Constitution. On August 11, 2011, as modified on August 17, 2011, the California Supreme Court agreed to hear the case and issued a partial stay of ABx1 26 and a full stay of ABx1 27, but the stay did not include the section of ABx1 26 that suspends all new redevelopment activities. It is anticipated that the Court will render its decision before January 15, 2012, the date the first voluntary program payment is due.

NOTE # 7 –TAX SHARING AGREEMENTS, PASS-THROUGH PAYMENTS, SERAF AND PROPOSED DISSOLUTION OF REDEVELOPMENT *(Continued)*

The suspension provisions of ABx1 26 prohibit all redevelopment agencies from a wide range of activities including: incurring new indebtedness or obligations; entering into or modifying agreements or contracts; acquiring or disposing of real property; taking actions to adopt or amend redevelopment plans and other similar actions, except actions required by law or to carry out existing enforceable obligations, as defined in ABx1 26. During the suspension period, an agency is required to prepare an Enforceable Obligation Payment Schedule no later than August 29, 2011, that allows it to continue to pay certain obligations. The Agency adopted its Enforceable Obligation Payment Schedule on August 23, 2011.

In addition, the suspension provisions require the State Controller to review the activities of all redevelopment agencies to determine whether an asset transfer between an agency, and any public agency, occurred on or after January 1, 2011. If an asset transfer did occur, and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the State Controller is required to order the asset returned to the redevelopment agency. The State Controller's Office has not yet provided any information about the timing or the process for this statewide asset transfer review.

The Agency is currently subject to the suspension provisions as described above. These facts indicate that there is more than a remote possibility the Agency may not continue as a going concern beyond October 1, 2011. The continuation of the Agency beyond October 1, 2011 will initially depend upon whether the Supreme Court rules in favor of the petitioners. There are three possible consequences to the Agency from a decision of the Supreme Court, when it is rendered:

1. If the Supreme Court determines that both ABx1 26 and ABx1 27 are valid, then the City will consider whether it will enact an ordinance to opt-in to the alternative voluntary redevelopment program. If enacted, the City would be required to make annual payments to the County Auditor-Controller and the Agency would no longer be subject to the suspension provisions. It is anticipated that the City's annual remittances would be reimbursed by the Agency from tax increment revenues. After the City appealed the initial calculation, the State Department of Finance calculated the City's Voluntary Program payment for fiscal year 2012 to be $2,726,958.

2. If the Supreme Court determines that both ABx1 26 and ABx1 27 are valid, and the City decides not to participate in the alternative voluntary redevelopment program, or if the Supreme Court determines that ABx1 26 is valid, but ABx1 27 is not valid, the Agency will continue to be subject to the suspension provisions and would be dissolved in accordance with certain provisions of ABx1 26. Prior to dissolution, any transfers of Agency assets to the City subsequent to January 1, 2011 that were not obligated to third parties or encumbered may be subject to the State Controller's review discussed above and required to be returned to the Agency. Upon dissolution, all assets and obligations of the Agency would be transferred to a successor agency.

NOTE # 7 –TAX SHARING AGREEMENTS, PASS-THROUGH PAYMENTS, SERAF AND PROPOSED DISSOLUTION OF REDEVELOPMENT *(Continued)*

3. If the Supreme Court determines that both ABx1 26 and ABx1 27 are invalid, the Agency would no longer be subject to the suspension provisions and would continue in existence under California Redevelopment Law as it existed prior to the enactment of ABx1 26 and ABx1 27.

As of November 23, 2011, the Supreme Court has not ruled on the case and the Agency is subject to the suspension provisions as discussed above.

NOTE # 8 – EXCESS SURPLUS CALCULATION

Excess surplus is defined in Health and Safety Code Section 33334.12(b) as any unexpended and unencumbered amount in an Agency's Low and Moderate Income Housing Fund that exceeds the greater of $1,000,000 or the aggregate amount deposited into the Low and Moderate Housing Fund during the preceding four fiscal years, as of the beginning of the fiscal year.

If excess surplus exists, the Agency must lawfully spend the excess or transfer it to a housing authority or other public agency in the following fiscal year, expend or encumber in the next two fiscal years or face sanctions. Essentially, agencies have a three-year window to expend, encumber or transfer the excess surplus.

The table below calculates the Agency's Low and Moderate Income Housing Funds, all project areas, excess surplus as of July 1, 2010:

Opening Fund Balance -- July 1, 2010		$ 6,709,365
Less Unavailable Amounts:		
Land held for resale	$ (1,040,359)	
Subtoal Unavailable Amounts		(1,040,359)
Net Available Funds		$ 5,669,006
Limitation		
Set-Aside for last four fiscal years ended:		
June 30, 2010	1,244,196	
June 30, 2009	1,533,920	
June 30, 2008	1,567,568	
June 30, 2007	1,477,295	
Total Set Aside	$ 5,822,979	
Greater amount ($ 1,000,000 or Total Set-Aside)		$ 5,822,979
Computed Excess Surplus - July 1, 2010		None

NOTE # 9 – CONTINGENCIES

A. <u>LITIGATION</u>

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management there is no pending litigation which is likely to have a material adverse affect on the financial position of the Agency.

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Special Revenue Fund

For Year Ended June 30, 2011

	RDA Low Income Housing			
	Original Budget	**Final Budget**	**Actual**	**Variance**
REVENUES				
Taxes	$ 1,155,307	$ 1,139,307	$ 1,168,617	$ 29,310
Uses of Money and Property	95,000	95,000	87,154	(7,846)
Total Revenues	1,250,307	1,234,307	1,255,771	21,464
EXPENDITURES				
Current:				
General Government	1,802,007	2,177,007	1,350,294	826,713
Total Expenditures	1,802,007	2,177,007	1,350,294	826,713
REVENUES OVER (UNDER) EXPENDITURES	(551,700)	(942,700)	(94,523)	848,177
Net Change in Fund Balances	$ (551,700)	$ (942,700)	(94,523)	$ 848,177
Fund Balance, Beginning of Year			6,709,365	
Fund Balance, End of Year			$ 6,614,842	

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Debt Service Fund

For Year Ended June 30, 2011

	Redevelopment Debt			
	Original Budget	**Final Budget**	**Actual**	**Variance**
REVENUES				
Taxes	$ 4,621,547	$ 4,557,547	$ 4,674,469	$ 116,922
Uses of Money and Property	248,500	248,500	183,775	(64,725)
Total Revenues	4,870,047	4,806,047	4,858,244	52,197
EXPENDITURES				
Current:				
Pass-Through to County and Other Agencies	1,790,397	1,790,397	1,689,136	101,261
Debt Service:				
Principal	485,000	485,000	485,000	-
Interest and Fiscal Charges	880,769	1,768,850	1,768,849	1
Total Expenditures	3,156,166	4,044,247	3,942,985	101,262
REVENUES OVER (UNDER) EXPENDITURES	1,713,881	761,800	915,259	153,459
OTHER FINANCING SOURCES (USES)				
Transfers In	-	888,080	888,080	-
Transfers Out	(2,088,554)	(16,645,112)	(10,518,393)	6,126,719
Total other Financing Sources (Uses)	(2,088,554)	(15,757,032)	(9,630,313)	6,126,719
Net Change in Fund Balances	$ (374,673)	$ (14,995,232)	(8,715,054)	$ 6,280,178
Fund Balance, Beginning of Year			8,715,054	
Fund Balance, End of Year			$ -	

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Capital Projects Fund

For Year Ended June 30, 2011

	Redevelopment Projects			
	Original Budget	Final Budget	Actual	Variance
REVENUES				
Uses of Money and Property	$ 119,600	$ 119,600	$ 75,673	$ (43,927)
Fees and Other Revenues	-	-	10	10
Total Revenues	119,600	119,600	75,683	(43,917)
EXPENDITURES				
Current:				
General Government	2,088,554	2,088,554	1,652,985	435,569
Total Expenditures	2,088,554	2,088,554	1,652,985	435,569
REVENUES OVER (UNDER) EXPENDITURES	(1,968,954)	(1,968,954)	(1,577,302)	391,652
OTHER FINANCING SOURCES (USES)				
Loss on Sale of Land Held for Resale	-	-	(1,327,039)	(1,327,039)
Transfers In	2,088,554	16,645,112	10,735,301	(5,909,811)
Transfers Out	(3,350,406)	(16,806,558)	(14,103,143)	2,703,415
Total other Financing Sources (Uses)	(1,261,852)	(161,446)	(4,694,881)	(4,533,435)
Net Change in Fund Balances	$ (3,230,806)	$ (2,130,400)	(6,272,183)	$ (4,141,783)
Fund Balance, Beginning of Year			6,273,338	
Fund Balance, End of Year			$ 1,155	

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MAZE & ASSOCIATES

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INDEPENDENT AUDITOR'S 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*

Members of the Governing Board
Brentwood Redevelopment Agency
Brentwood, California

We have audited the financial statements of Brentwood Redevelopment Agency as of and for the year ended June 30, 2011, and have issued our report thereon dated November 23, 2011. The report included a special emphasis paragraph concerning proposed redevelopment dissolution. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards which are described in our separately issued Memorandum on Internal Control dated November 23, 2011.

As part of our audit, we prepared and issued our separate Memorandum on Internal Control dated November 23, 2011, which is an integral part of our audit and should be read in conjunction with this report.

This report is intended solely for the information and use of management, Agency Board, others within the Agency, the State Controller's Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Maze & Associates

November 23, 2011

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INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON
INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE
CALIFORNIA HEALTH AND SAFETY CODE
AS REQUIRED BY SECTION 33080.1

Members of the Governing Board of
Brentwood Redevelopment Agency
Brentwood, California

Compliance

We have audited Brentwood Redevelopment Agency's compliance with the California Health and Safety Code as required by Section 33080.1 for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Guidelines for Compliance Audits of California Redevelopment Agencies, June 2011*, issued by the State Controller.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the Agency has occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Agency's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the compliance requirements referred to above that are applicable for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Agency's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, 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 Agency's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance 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 compliance requirement 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 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 that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance.

We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Agency Board, others within the Agency, the State Controller's Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Maze & Associates

November 23, 2011

APPENDIX D

ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF BRENTWOOD

The following information concerning the City and surrounding areas are included only for the purpose of supplying general information regarding the community. The Local Obligations and the Bonds are not a debt of the City, the State, or any of its political subdivisions and neither said City, said State, nor any of its political subdivisions is liable therefor. See the section herein entitled "SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR."

The City is located in eastern Contra Costa County (the "County") across the San Francisco Bay approximately 45 miles northeast of San Francisco, 65 miles southwest of Sacramento and borders the City of Antioch on the northwest. The City contains approximately 14.83 square miles in total area and has a population which has increased significantly in recent years to its present level of approximately 52,029 persons.

The City was first settled by farmers in 1878. Until the past decade, the City has retained its agricultural orientation. Over the past two decades, new residential subdivisions have transformed the City into a more suburban environment, as evidenced by its rapid population growth. Land uses in and around the City are characterized by older farming districts and an original downtown area, contrasted with expanding residential neighborhoods in the peripheral areas of the City.

The City enjoys close proximity to major regional employment areas, including San Francisco and the northern Bay Area, Walnut Creek and the San Ramon corridor in Contra Costa County, the Livermore and Pleasanton corridor in Alameda County to the south and the Stockton and central San Joaquin Valley area to the east. The City also enjoys close proximity to major regional recreation areas, including Mt. Diablo State Park approximately 15 miles to the west, the Sierra Nevada Mountains 90 miles to the east and the Sacramento Delta waterway to the north. Interstate Highways 580 and 680 are within a half hour's drive from the City's downtown area. A bypass connects the City's main roads directly with California Highway 4 which provides convenient access to the City. The City is also served by the Southern Pacific Railroad.

Municipal Government

The City was incorporated in 1948 as a general law city. The City government is made up of council members elected at large to serve four-year overlapping terms, at elections held every two years. The mayor is directly elected to serve a four-year term. A city manager is appointed by the council and mayor to administer daily affairs of the City and to implement policies established by the council.

Municipal functions include police protection, water service, highways and streets, sanitation, solid waste disposal services, youth services, public improvements, parks and recreation services, community development and general administrative services. The City has approximately 268 employees.

Population

The City is located in the eastern portion of the County. The City's population as of January 1, 2011 was 52,029, as estimated by the State Department of Finance.

Set forth below is comparative historical and projected population data for the City and County, respectively.

HISTORICAL CITY, COUNTY AND STATE POPULATION DATA

Year	City of Brentwood	Percent Change	Contra Costa County	Percent Change	State of California	Percent Change
2000	22,230	--	948,816	--	33,873,086	--
2001	25,104	12.9	966,012	1.8	34,430,970	1.6
2002	29,608	17.9	981,536	1.6	35,063,959	1.8
2003	32,975	11.4	993,668	1.2	35,652,700	1.7
2004	37,246	13.0	1,005,590	1.2	36,199,342	1.5
2005	42,050	12.9	1,016,304	1.1	36,675,346	1.3
2006	45,974	9.3	1,026,234	1.0	37,114,598	1.2
2007	48,677	5.9	1,037,580	1.1	37,559,440	1.2
2008	50,584	3.9	1,051,674	1.4	38,049,462	1.3
2009	51,908	2.6	1,060,435	0.8	38,292,687	0.6
2010	51,481	-0.8	1,049,025	-1.1	37,253,956	-2.7
2011	52,029	1.1	1,056,064	0.7	37,510,766	0.7

Sources: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-2010, with 2000 & 2010 Census Count, Sacramento, California, August 2011 and E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2010 and 2011, Sacramento, California, May 2011.

Prior to the 1970's, the City's growth lagged behind growth in the County as a whole because development was centered in the western portion of the County. As development activity moved eastward during the 1970's, population in the City began to grow sharply, outpacing growth in the County. The City experienced a population increase of approximately 132% from 2000 to 2010.

Employment

The following table lists some of the major employers in Contra Costa County in alphabetical order:

CONTRA COSTA COUNTY
Major Employers

Employer Name	Location	Industry
Bayer Health Care Phrmctcls	Richmond	Laboratories-Pharmaceutical
Bio-Rad Laboratories Inc.	Hercules	Laboratory Analytical Instruments
Chevron Corp	San Ramon	Petroleum Products-Manufacturers
Chevron Global Downstream LLC	San Ramon	Petroleum Products
Concord Naval Weapons Station	Concord	Federal Government-National Security
Contra-Costa Regional Med Ctr.	Martinez	Hospitals
Department Of Veterans Affairs	Martinez	Physicians & Surgeons
Doctor's Medical Ctr.	San Pablo	Hospitals
John Muir Medical Ctr,	Walnut Creek	Hospitals
John Muir Medical Ctr.	Concord	Hospitals
John Muir Physical Rehab	Concord	Rehabilitation Services
Kaiser Permanente	Walnut Creek	Hospitals
Kaiser Permanente Medical Ctr.	Martinez	Clinics
La Raza Market	Richmond	Grocers-Retail
Muirlab	Walnut Creek	Laboratories-Medical
PMI Group Inc.	Walnut Creek	Insurance-Bonds
Richmond City Offices	Richmond	Government Offices-City, Village & TWP
San Ramon Regional Medical Ctr.	San Ramon	Hospitals
Shell Oil Products Co.	Martinez	Oil Refiners
St. Mary's	Moraga	Schools-Universities & Colleges
St. Mary's College Of Ca.	Moraga	Schools-Universities & Colleges Academic
Sutter Delta Medical Ctr.	Antioch	Hospitals
Tesoro Golden Eagle Refinery	Pacheco	Oil Refiners
USS-Posco Industries	Pittsburg	Steel Mills

Source: California Employment Development Department, extracted from the America's Labor Market Information System (ALMIS) Employer Database, 2011 1st Edition.

Contra Costa County and Alameda County comprise the Oakland-Freemont-Hayward Metropolitan Statistical Area. The civilian labor force, employment and unemployment for the Oakland-Fremont-Hayward Metropolitan Statistical Area is outlined in the following table.

OAKLAND-FREMONT-HAYWARD METROPOLITAN STATISTICAL AREA
(Alameda and Contra Costa Counties)
Employment and Unemployment of
Industry Employment and Labor Force (1)

	2006	2007	2008	2009	2010
Civilian Labor Force	1,247,300	1,262,000	1,281,300	1,285,800	1,277,900
Employment	1,192,800	1,202,900	1,202,600	1,152,300	1,133,700
Unemployment	54,500	59,000	78,700	133,500	144,200
Civil Unemployment Rate:					
Oakland-Fremont-Hayward MSA	4.4%	4.7%	6.1%	10.4%	11.3%
State of California	4.9%	5.4%	7.2%	11.3%	12.4%

(1) Annual averages
Source: Employment Development Department, State of California Labor Market Information Division, March 2010 Benchmark.

The Oakland-Fremont-Hayward Metropolitan Statistical Area comprises the Contra Costa County and Alameda County. A breakdown of the labor force by industry in the Oakland Metropolitan Statistical Area is set forth in the following table.

OAKLAND-FREMONT-HAYWARD METROPOLITAN STATISTICAL AREA
Wage And Salary Workers By Industry
Annual Averages

	2006	2007	2008	2009	2010
Total Farm	1,500	1,500	1,400	1,400	1,500
Mining and Logging	1,200	1,200	1,200	1,200	1,200
Construction	73,300	71,700	64,900	53,500	47,600
Manufacturing	95,800	94,400	93,100	82,800	78,600
Wholesale Trade	48,800	48,700	47,600	43,700	42,100
Retail Trade	113,300	113,300	109,400	102,100	99,900
Transportation. Warehousing & Utilities	35,000	37,300	35,900	33,200	31,900
Information	30,100	29,000	27,800	25,300	23,900
Finance & Insurance	45,400	41,100	36,200	32,500	33,100
Real Estate & Rental & Leasing	18,200	17,000	16,500	15,500	15,300
Professional & Business Services	155,100	158,200	162,400	148,700	148,000
Education & Health Services	124,800	128,300	133,000	137,200	139,700
Leisure & Hospitality	85,600	88,000	89,100	85,100	85,600
Other Services	35,900	36,200	36,100	34,700	34,600
Government	182,000	183,900	177,200	172,500	167,100
Total All Industries*	1,046,100	1,049,700	1,031,800	969,400	949,800

* Total may not be precise due to independent rounding.
Source: Employment Development Department, State of California Labor Market Information Division, March 2010 Benchmark

Construction

Between 2006 and 2010, the City issued building permits valued at more than $298 million. Of this total, new residential construction accounted for approximately 83.7 percent, and new commercial/industrial projects represented approximately 16.3 percent.

During this five-year period, residential permits in the City included approximately 1,223 new dwelling units, 1,123 of which were single-family homes. Set forth below are building permit valuations for the City during the five-year period from 2006 through 2010.

CITY OF BRENTWOOD
Building Permit Valuation
2006 through 2010

	2006	2007	2008	2009	2010
Valuation:					
New Residential	$112,141,517	$ 77,461,325	$ 7,512,358	$ 18,696,401	$33,748,246
New Commercial/Industrial	7,468,348	26,986,303	10,373,374	3,771,607	0
Total Value	$119,609,865	$104,447,628	$17,885,732	22,468,008	33,748,246
Number of New Housing Units:					
Single	475	357	37	87	167
Multiple	100	0	0	0	0
Total Units	575	357	37	87	167

Source: Construction Industry Research Board.

The following table shows residential building permit data for the County for the last five years.

COUNTY OF CONTRA COSTA
New Residential Building Permits
2006 through 2010

Year	Single Family Units	Single Family Percent of Total	Multi-Family Units	Multi-Family Percent of Total
2006	3,310	74	1,178	26
2007	2,698	75	909	25
2008	985	52	909	48
2009	1038	86	163	14
2010	809	48	890	52

Source: Construction Industry Research Board.

Utilities

Gas and electric service in the City is provided by Pacific Gas & Electric. Telephone service is provided by Pacific Bell. Water is supplied by City wells and the East Bay Municipal

Utility District through the City water lines and filtration plant. Sewer service is supplied by the City.

Education

The City is part of the Brentwood and Liberty Union School Districts which provide K-12 public education needs. There are four high schools, three middle schools, and seven elementary schools located in the City.

Near the City are four colleges, Los Medanos Community College in Pittsburg, Diablo Valley Community College in Concord, San Joaquin Delta Community College and University of the Pacific in Stockton. Los Medanos Community College also has an extension campus located in the City.

Transportation

The City, located near the Cities of Antioch and Stockton, is in close proximity to a highly developed transportation network. A bypass connects the City's main roads with State Highway 4 which intersects with Interstate 680 near Martinez and Interstate 80 in Hercules. To the east, Highway 4 leads to Stockton where it intersects with Interstate 5. The highways provide the City with access to major regional workplace and recreation areas. The City is close to both regional and international airports — Concord Airport, Stockton Airport and Oakland International Airport.

Proximity to Major Urban Centers

Proximity	Distance	Time
Antioch to Brentwood	5 miles	15 minutes
Concord to Brentwood	26 miles	30 minutes
Livermore to Brentwood	24 miles	30 minutes
Oakland to Brentwood	46 miles	50 minutes
Stockton to Brentwood	37 miles	40 minutes
San Francisco to Brentwood	54 miles	80 minutes
Sacramento to Brentwood	75 miles	90 minutes

Source: City of Brentwood

The City is also served by bus lines and railroads. Bay Area Rapid Transit ("BART") provides a bus service from Antioch connecting to the Concord BART station. Tri Delta Transit Express Route 300 provides limited-stop service between Brentwood and the Pittsburg BART station. BART serves cities in San Francisco and the East Bay, including service to and from the San Francisco International Airport. A shuttle bus also provides service between the Oakland Coliseum BART station and the Oakland International Airport.

APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Brentwood Infrastructure Financing Authority
Brentwood, California

Brentwood Infrastructure Financing Authority
Capital Improvement Revenue Refunding Bonds, Series 2012
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Brentwood Infrastructure Financing Authority (the "Issuer") in connection with the issuance of $24,060,000 aggregate principal amount of Brentwood Infrastructure Financing Authority Capital Improvement Revenue Refunding Bonds, Series 2012 (the "Bonds"), issued pursuant to an amended and restated trust agreement, dated as of February 1, 2012 (the "Trust Agreement"), between the Issuer and U.S. Bank National Association, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

In such connection, we have reviewed the Trust Agreement; an amended and restated site lease, dated as of February 1, 2012 (the "Site Lease"), between the City of Brentwood (the "City") and the Issuer; an amended and restated facilities lease, dated as of February 1, 2012 (the "Facilities Lease"), between the Issuer and the City; the Indenture of Trust, dated as of October 1, 2001 (the "2001 Agency Indenture"), between the Redevelopment Agency of the City of Brentwood (the "Agency") and U.S. Bank National Association, as trustee; the Tax Certificate relating to the Bonds, dated the date hereof (the "Tax Certificate"); opinions of counsel to the Issuer, the Trustee, the City and the Agency; certificates of the Issuer, the Trustee, the City, the Agency and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer and the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement, the Site Lease, the Facilities Lease, the 2001 Agency Indenture and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Trust Agreement, the Site Lease, the Facilities Lease, the 2001 Agency Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against joint powers authorities, cities and redevelopment agencies in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Trust Agreement, the Site Lease, the Facilities Lease or the 2001 Agency Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated January 11, 2012 or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Issuer.

2. The Trust Agreement has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer. The Trust Agreement creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Trust Estate, except the Rebate Fund, subject to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement.

3. The Site Lease and the Facilities Lease have been duly executed and delivered by, and constitute valid and binding obligations of, the Issuer and the City and the obligation of the City to make the Base Rental Payments (as defined in the Facilities Lease) during the term of the Facilities Lease constitutes a valid and binding obligation of the City, payable from funds of the City lawfully available therefor.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

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APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the CITY OF BRENTWOOD, California (the "City"), and U.S. BANK NATIONAL ASSOCIATION, as trustee (the "Trustee") and as dissemination agent (the "Dissemination Agent") in connection with the issuance by the Brentwood Infrastructure Financing Authority (the "Authority") of $24,060,000 aggregate principal amount of its Capital Improvement Revenue Refunding Bonds, Series 2012 (the "Bonds"). The Bonds are being issued pursuant to an Amended and Restated Trust Agreement, dated as of February 1, 2012, between the Authority and the Trustee (the "Trust Agreement"). Pursuant to the Facilities Lease, dated as of February 1, 2012 (the "Facilities Lease"), the City has covenanted to comply with its obligations hereunder and to assume all obligations for Continuing Disclosure with respect to the Bonds. The City, the Trustee and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of this Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City, the Trustee and the Dissemination Agent 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 in the Trust Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning the ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Disclosure Representative" shall mean the City Manager or such other officer or employee as the City shall designate in writing to the Trustee from time to time.

"Dissemination Agent" shall mean the Trustee, or any successor Dissemination Agent which may be designated in writing by the City and which has filed with the Trustee a written acceptance of such designation.

"EMMA" shall mean the MSRB's Electronic Municipal Market Access system.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Participating Underwriter" shall mean any of the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the City’s Fiscal Year (presently June 30), commencing with the report for the 2010-2011 Fiscal Year, provide to the MSRB through EMMA, in an electronic format and accompanied by such identifying information as is prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the City shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent); provided, however, that the City may distribute the Annual Report itself after providing written notice to the Trustee and the Dissemination Agent. If by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the City and the Dissemination Agent to determine if the City is in compliance with the first sentence of this subsection (b).

(c) If the Trustee is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Trustee shall file a notice with the MSRB through EMMA in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the applicable electronic format for filings through EMMA; and

(ii) to the extent the City has provided the Annual Report to the Dissemination Agent, file a report with the City and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided.

SECTION 4. Content of Annual Reports. The City’s Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the City for the prior Fiscal Year and, to the extent available, the audited financial statements of the Redevelopment Agency of the City of Brentwood (the “Agency”) for the prior fiscal year, each 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 City’s or the Agency’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), 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) To the extent not presented in the audited financial statements, updated (through the most recent Fiscal Year) operating and financial data of the City and the Agency of the type contained in the Official Statement relating to the Bonds under the following captions:

(i) Under the caption "CITY OF BRENTWOOD FINANCES – General Fund Financial Summary," the tables entitled "City of Brentwood General Fund Balance Sheet" and "General Fund Summary of Revenues and Expenditures";

(ii) Under the caption "CITY OF BRENTWOOD FINANCES – Tax Receipts," the table entitled "City of Brentwood Tax Revenues By Source";

(iii) Under the caption "CITY OF BRENTWOOD FINANCES – Sales Taxes," the table entitled "City of Brentwood Taxable Transactions";

(iv) Under the caption "CITY OF BRENTWOOD FINANCES – Property Taxes," the tables entitled "City of Brentwood Assessed Valuation" and "City of Brentwood Property Tax Levies;"

(v) Under the caption "THE MERGED PROJECT AREA – Present Condition," the table entitled "Merged Project Area Assessed Value by Land Use";

(vi) Any changes to the information concerning financial time limits for the Merged Project Area or the information under "THE MERGED PROJECT AREA – Merger of Former Project Areas";

(vii) Under the caption "MERGED PROJECT AREA REVENUES – Merged Project Area Highlights," the tables entitled "Assessed Valuation" and "Historical Tax Increment Revenues";

(viii) Description of pending and successful assessment appeals, but only if the total amount in dispute (for pending appeals) or reduced assessment value (for successful appeals) exceeds 5% of the total assessed value in the Merged Project Area; and

(ix) For the Merged Project Area in the most recent fiscal year tax increment, net tax increment, debt service on indebtedness payable from tax increment revenues and debt service coverage, substantially in the format presented in the table entitled "Merged Project Area Projected Incremental Tax Revenue" under the caption "MERGED PROJECT AREA REVENUES – Debt Service Coverage and Projected Tax Increment Revenues."

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 City or related public entities, which are available to the public from the MSRB's internet website or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events not later than ten (10) business days after the occurrence of the event:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults, if material;

(3) unscheduled draws on any applicable debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancement reflecting financial difficulties;

(5) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events adversely affecting the tax status of the Bonds;

(6) modifications to rights of bondholders, if material;

(7) substitution of credit or liquidity providers, or their failure to perform;

(8) optional, contingent or unscheduled bond calls, if material, and tender offers;

(9) defeasances;

(10) release, substitution or sale of property securing repayment of the Bonds, if material;

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of the Authority, the City or the Agency;

(13) the consummation of a merger, consolidation, or acquisition involving the Authority, the City or the Agency or the sale of all or substantially all of the assets of the Authority, the City or the Agency, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement

relating to any such actions, other than pursuant to its terms, if material; and

(14) appointment of a successor or additional Trustee or the change of name of the Trustee, if material.

For the purpose of the event identified in Section 5(a)(12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Authority, the City or the Agency in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, the City or the Agency, or if such jurisdiction has been assumed by leaving the existing governmental 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 Authority, the City or the Agency.

(b) The Trustee shall, promptly upon obtaining actual knowledge at its office as specified in Section 12 hereof of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the City promptly notify the Trustee in writing whether or not to report the event pursuant to subsection (f); provided that, failure by the Trustee to so notify the Disclosure Representative and make such request shall not relieve the City of its duty to report Listed Events as required by this Section 5.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Trustee pursuant to subsection (b) or otherwise, the City shall as soon as possible determine if such event is required to be reported pursuant to this Section 5.

(d) If the City has determined that knowledge of the occurrence of a Listed Event is required to be reported pursuant to this Section 5, the City shall promptly notify the Trustee in writing. Such notice shall instruct the Trustee to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the City determines that the Listed Event is not required to be reported pursuant to this Section 5, the City shall so notify the Trustee in writing and instruct the Trustee not to report the occurrence.

(f) If the Trustee has been instructed by the City to report the occurrence of a Listed Event, the Trustee shall file a notice of such occurrence with the MSRB through EMMA in an electronic format and accompanied by such identifying information as is prescribed by the MSRB.

(g) The Trustee may conclusively rely on an opinion of counsel that the City's instructions to the Trustee under this Section 5 comply with the requirements of the Rule.

SECTION 6. Termination of Reporting Obligation. Each party's obligations under this Disclosure Agreement shall terminate (a) upon the legal defeasance, prior redemption or payment in full of all of the Bonds or (b) if, in the opinion of nationally recognized bond counsel, the City ceases to be an "obligated person" (within the meaning of the Rule) with respect to the Bonds or the Bonds otherwise cease to be subject to the requirements of the Rule. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5.

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be U.S. Bank National Association. The Dissemination Agent may resign by providing thirty days written notice to the City and the Trustee. The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with the schedule of fees agreed upon by the City, as amended from time to time, and all reasonable expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City, the Trustee and the Dissemination Agent may amend this Disclosure Agreement, (and the Trustee and the Dissemination Agent shall agree to any amendment so requested by the City provided such amendment does not impose any greater duties, nor risk of liability, on the Trustee or the Dissemination Agent, as the case may be), and any provision of this Disclosure Agreement 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 the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement 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.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement 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 Agreement. If the City 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 Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the City, the Trustee or the Dissemination Agent to comply with any provision of this Disclosure Agreement, 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 City, the Trustee or the Dissemination Agent to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the City, the Trustee or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. The Dissemination Agent and the Trustee shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City, to the extent permitted by law, agrees to indemnify and save the Dissemination Agent, the Trustee, and their 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 their 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 or the Trustee's negligence or willful misconduct, respectively. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and the Trustee, respectively, and payment of the Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the City:	City of Brentwood 150 City Park Way Brentwood, CA 94513 Attention: City Manager Telephone: (925) 516-5440 Fax: (925) 516-5441
If to the Trustee:	U.S. Bank National Association One California Street, Suite 1000 San Francisco, CA 94111 Attention: Corporate Trust Services Telephone: (415) 273-4540 Fax: (415) 273-4590
To the Dissemination Agent:	U.S. Bank National Association One California Street, Suite 1000 San Francisco, CA 94111 Attention: Corporate Trust Services Telephone: (415) 273-4540 Fax: (415) 273-4590

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and 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 Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: February 14, 2012

CITY OF BRENTWOOD

By ______________________________

Authorized Representative

U.S. BANK TRUST NATIONAL ASSOCIATION,
as Trustee and Dissemination Agent

By ______________________________

Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Person:	City of Brentwood
Name of Issue:	Brentwood Infrastructure Financing Authority Capital Improvement Revenue Refunding Bonds, Series 2012
Date of Issuance:	February 14, 2012

NOTICE IS HEREBY GIVEN that the City of Brentwood has not provided an Annual Report with respect to the above-named Bonds as required by Section 8.12 of the Amended and Restated Facilities Lease, dated as of February 1, 2012, between the Brentwood Infrastructure Financing Authority and the City. [The City anticipates that the Annual Report will be filed by ____________.]

Dated:_____________

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By ___________________________________

Title _________________________________

APPENDIX G

THE BOOK-ENTRY SYSTEM

The information in this appendix concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such maturity.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, 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 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.

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

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue 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 Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer 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 and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority, on payable date in accordance with its 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, its nominee, the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority, 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 Bonds at any time by giving reasonable notice to the Authority. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

The Authority, the City, the Agency and the Underwriter cannot and do not give any assurances that DTC will distribute to Participants, or that Participants or others will distribute to the Beneficial Owners, payments of principal of and interest and premium, if any, on the Bonds paid or any redemption or other notices or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The Authority, the City, the Agency and the Underwriter are not responsible or liable for the failure of DTC or any Direct Participant or Indirect Participant to make any payments or give any notice to a Beneficial Owner with respect to the Bonds or any error or delay relating thereto.

The foregoing description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest and other payments with respect to the Bonds to Direct Participants, Indirect Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in such Bonds and other related transactions by and between DTC, the Direct Participants, the Indirect Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the Direct Participants, the Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the Participants, as the case may be.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE HOLDERS SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

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APPENDIX H

FORM OF MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: $ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

APPENDIX I

FORM OF MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY

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EXHIBIT A

ASSURED GUARANTY® MUNICIPAL

MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY

ISSUER:

Policy No.:

BONDS:

Effective Date:

Premium: $

Termination Date:

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") as set forth in the documentation (the "Bond Document") providing for the issuance of and securing the Bonds, for the benefit of the Owners, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

AGM will make payment as provided in this Policy to the Trustee or Paying Agent on the later of the Business Day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, in a form reasonably satisfactory to it. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Issuer, as appropriate, who may submit an amended Notice of Nonpayment. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy. Upon such payment, AGM shall become entitled to reimbursement of the amount so paid (together with interest and expenses) pursuant to the Insurance Agreement.

The amount available under this Policy for payment shall not exceed the Policy Limit. The amount available at any particular time to be paid to the Trustee or Paying Agent under the terms of this Policy shall automatically be reduced by any payment under this Policy. However, after such payment, the amount available under this Policy shall be reinstated in full or in part, but only up to the Policy Limit, to the extent of the reimbursement of such payment (exclusive of interest and expenses) to AGM by or on behalf of the Issuer. Within three Business Days of such reimbursement, AGM shall provide the Trustee, the Paying Agent and the Issuer with notice of the reimbursement and reinstatement.

Payment under this Policy shall not be available with respect to (a) any Nonpayment that occurs prior to the Effective Date or after the Termination Date of this Policy or (b) Bonds that are not outstanding under the Bond Document. If the amount payable under this Policy is also payable under another insurance policy or surety bond insuring the Bonds, payment first shall be made under this Policy to the extent of the amount available under this Policy up to the Policy Limit. In no event shall AGM incur duplicate liability for the same amounts owing with respect to the Bonds that are covered under this Policy and any other insurance policy or surety bond that AGM has issued.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York are, or the Insurer's Fiscal Agent is, authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Insurance Agreement" means the Insurance Agreement dated as of the effective date hereof in respect of this Policy, as the same may be amended or supplemented from time to time. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer that has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from the Issuer, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment of principal or interest thereunder, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds. "Policy Limit" shall be the dollar amount of the debt service reserve fund required to be maintained for the Bonds by the Bond Document from time to time (the "Debt Service Reserve Requirement"), but in no event shall the Policy Limit exceed $. The Policy Limit shall automatically and irrevocably be reduced from time to time by the amount of each reduction in the Debt Service Reserve Requirement, as provided in the Bond Document.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be cancelled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

(212) 826-0100