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Tracy, Ca. 95376
209 835-7162

Subject: City of Tracy Modified EIR for the Ellis Project State Clearinghouse # 2012022023

Dear Mr. Dean,

These are my comments on the Modified Ellis Project EIR. Please make sure that all correspondence goes to the address listed above. Thank you for your consideration.

The Environmental Baseline has changed since 2008 and the 2008 analysis no longer represent existing environmental conditions.

The modified EIR is built upon analysis conducted in 2006 and 2007 which is over 6 years old. The baseline environmental conditions in the City have changed since that time. For example the 2008 Ellis EIR states that, "The South County Fire Authority has 65 professional firefighters and 30 reserve firefighters who cover three shifts."[1] Actually the current makeup of the fire department is 67 fire fighters and 9 reserves.[2] The 2012 EIR does not update current environmental conditions in the city. Another example is the traffic analysis which is from 2006. In response to public criticism the EIR conducts some minor updates from one day of traffic monitoring on a Thursday the slowest traffic day of the week at two intersections. This entire traffic analysis must be updated to reflect current baseline conditions.

The EIR is piecemeal.

The Modified Ellis EIR is a piecemeal analysis of the proposed project. The Modified Ellis EIR is a combination of over 20 documents totaling 3,570 pages[3] spanning from 2008 to 2012.[4] It is impossible for the public or decision makers to follow the

[1] http://www.ci.tracy.ca.us/documents/Ellis_Specific_Plan_Draft_EIR_April_2008.pdf Page 3B9.1
[2] http://www.ci.tracy.ca.us/documents/FY_2011_to_2012_Annual_Department_Report.pdf Page 3
[3] Title 14 Chapter 10 Section 15141 of the CEQA guidelines states, "The text of draft EIRs should normally be less than 150 pages and for proposals of unusual scope or complexity should normally be less than 300 pages.
[4] http://www.ci.tracy.ca.us/?navid=595,

convoluted analysis spanning 6 years with only a portion of the analysis updated to 2012. For example the June 2012 Modified Ellis EIR incorporates the 2008 DEIR and the 2008 FEIR and expects the public and decision makers to disseminate two different EIR analyses that reach different conclusions on dated and obsolete information. The list of documents and their page size are listed below.

- Ellis Specific Plan - December 2008 199 Pages
- Ellis Specific Plan Initial Study - August 2006 43 Pages
- Ellis Specific Plan Draft EIR - April 2008 578 Pages
- Ellis Specific Plan Final EIR - December 2008 487 Pages
- Ellis FEIR Cover to Agency responses 1 to 9 80 pages
- Ellis FEIR General Public responses 10 to 17 158 Pages
- Ellis FEIR General Public response 18 pg 1 to 100 100 Pages
- Ellis FEIR General Public response 18 pg 101 to 200 99 Pages
- Ellis FEIR General Public response 18 pg 201 to 294 93 Pages
- Ellis FEIR General Public responses 19 to 22 147 Pages
- Ellis FEIR Interest Group responses 23 to 26 100 Pages
- Ellis FEIR Revisions to DREIR and Appendices 94 Pages
- Notice of Availability Ellis Project July 2012 2 Pages
- Modified Ellis Specific Plan Dec 2012 174 Pages
- Ellis Pattern Book Dec 2012 226 Pages
- Proposed General Plan Amendment July 2012 3 Pages
- Amended Tracy Ellis Development Agreement Terms 1 Page
- Modified ESP Draft Revised EIR Vol 1 408 Pages
- Modified ESP Draft Revised EIR Vol 2 538 Pages

- Ellis Amended and Restated Development Agreement 40 Pages

AIR Quality

Air Quality Impacts

The proposed ESP would be located far from the city's core, downtown and shopping centers. Adequate land is available closer to the cities core services and shopping. The Final EIR notes that The Modified ESP would result in an overall increase in the local and regional pollutant load due to direct impacts from vehicle emissions and indirect impacts from area sources and electricity consumption. Due to the ESP site's exceedances of SJVAPCD's air quality standards, future development within the ESP site would not be consistent with the most recent Air Quality Management Plan. Implementation of the Modified Project could impact regional air quality levels on a cumulatively considerable basis." While making these admissions the EIR fails to identify one feasible mitigation measure that would reduce these impacts to air quality. That is to locate the project closer to the city core services and shopping. Several urban reserves are available for developments that are much closer to the city core and shopping. The project does not conform to Air quality Objective AQ-1.1 which provides that the City should improve air quality and reduce greenhouse gas emissions through land use planning decisions. Air quality Policy P1. Requires that the City shall promote land use patterns that reduce the number and length of motor vehicle trips. The Ellis Project is at a minimum .8 miles further from the city core than the next closest analyzed alternative the Plan B/ Moitoso property. Locating the project at that site would eliminate thousands of miles of vehicle miles traveled per day. The Alvarez alternative is even closer to the city core. The project does not comply with Objective AQ-1.2 Promote development that minimizes air pollutant and greenhouse gas emissions and their impact on sensitive receptors as a result of indirect and stationary sources.[5]

[5] See also Air quality policies P1. The City shall assess air quality impacts using the latest version of the CEQA Guidelines and guidelines prepared by the San Joaquin Valley Air Pollution Control District.
P2. The City shall assess through the CEQA process any air quality impacts of development projects that may be insignificant by themselves, but cumulatively significant.

Emission Estimates

The EIR does not contain enough information to verify what the actual air quality impacts of the project are. There is no illustration of the calculations used to arrive at the air quality emissions of the projects. The EIR states that, "The CalEEMod model outputs are provided in Appendix B." Appendix B is not available in the planning documents on the city's website.

Cumulative impacts

The majority of land uses in the vicinity of the Modified ESP area are industrial and agricultural. Large-scale aggregate mining and concrete production industries are located to the south, active agricultural lands are present to the north, and Tracy Municipal Airport operates to the southeast.[6] To the west Tracy major industrial facilities are located. This includes the Owens Brockway Glass Plant, The Tracy combined cycle project and the Tracy Biomass Plant. The development is surrounded by industrial sources but no cumulative impact assessment is presented in the EIR. CEQA requires that an EIR must analyze cumulative impacts whenever a proposed project's individual impacts have the potential to combine with related impacts from other projects to compound environmental harm. The purpose of analyzing cumulative environmental impacts is to assess adverse environmental change "as a whole greater than the sum of its parts." *[Environmental Protection Information Center v. Johnson* [(1985) 170 Cal. App. 3d 604,625,216 Cal. Rptr. 502].] By evaluating the incremental impacts of a proposed project, in connection with other projects causing related impacts, agencies may avoid the environmental harm that comes from considering projects "in a vacuum." *[Whitman v. Board of Supervisors* [(1979) 88 Cal. App. 3d 397, 408, 151 Cal. Rptr. 866 *(Whitman)].]* The Guidelines define "cumulative impacts" as "two or more individual effects which, when considered together, are considerable or compound or increase other environmental impacts" [Guidelines § 15355J] . According to the draft EIR the ESP will emit quantities of criteria pollutants which exceed the SJVAPCD levels of significance. The ESP emissions must be analyzed in combination with the industrial and farming sources to determine whether the projects impacts in conjunction with other industrial

[6] Modified ESP Draft EIR Page 3-3

sources are a threat to the health of sensitive receptors in and around the development or crearte a violation of an air quality standard. The EIR fails to provide such a cumulative analysis.

PM 2.5

The Draft Revised EIR states that, "The SJVAPCD requires the analysis of ROG, NOX, PM10, and CO. This is no longer true. The SJVAPCD now utilizes PM 2.5 in its planning for particulate matter. The air quality analysis fails to quantify PM 2.5 emission from the project or model their impact. The air quality analysis fails to analyze consistency with the 2012 San Joaquin Valley air pollution control district PM 2.5 plan.[7]

CO Hotspots

In addition to the tons per year thresholds cited above, the SJVAPCD has thresholds applicable to CO emissions that require projects to perform localized CO modeling. These thresholds include the following: Project traffic would impact intersections or roadway links operating at level of service (LOS) D, E, or F or would cause LOS to decline to D, E, or F. Project traffic would increase traffic volumes on nearby roadways by 10 percent or more. Project would contribute to CO concentrations exceeding CAAQS of 9 parts per million (ppm) averaged over 8 hours and 20 ppm for one hour.

According to the original study prepared by Fehr and Peers (and updated/validated by RBF Consulting in April 2012), the Modified ESP would implement traffic mitigation measures. With implementation of the required traffic mitigation, no roadway intersections would operate at LOS E or LOS F. Therefore, based upon the SJVAPCD guidelines, the Modified ESP would not result in a CO hotspot. Impacts therefore would be less than significant.[8] This statement ignores the inadequate analysis of the Coral / Hollow/ Valpico intersection which consisted of a one day count

[7] Modified ESP Draft EIR Page 4.3-1, The PM 2.5 plan is available at http://www.valleyair.org/Air_Quality_Plans/PM25Plans2012.htm
[8] Modified ESP Draft EIR Page 4.3-18

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[7] Modified ESP Draft EIR Page 4.3-1, The PM 2.5 plan is available at http://www.valleyair.org/Air_Quality_Plans/PM25Plans2012.htm
[8] Modified ESP Draft EIR Page 4.3-18

of traffic on a Thursday in September 2012 which does not capture the increased traffic form the two large churches on Valpico Road who hold services on Saturdays and Sundays which causes a large amount of traffic congestion and wait times. A proper analysis would include a couple of weeks of monitoring traffic and at least one Sunday since the traffic impacts from the St Bernard Holy Center occurs on weekends. After that proper analysis the impacts could be assessed and then determine if a CO hotspot analysis is warranted.

GREENHOUSE GAS EMISSIONS

The EIR states that, "*As seen in Table 4.6-2, implementation of design features and SAP measures required by Mitigation Measure 4.6-1a would result in a decrease in GHG emissions of 10,589.29 MTCO2eq/yr, which would equate to a 26.07 percent reduction from the "business as usual" condition. Therefore, the Modified Project would not achieve the SJVAPCD's 29 percent GHG significance threshold. Thus, even with implementation of Mitigation Measure 4.6-1a, GHG impacts would be significant. As the proposed uses within the Modified ESP are primarily residential and the majority of GHG emissions (70 percent) are attributable to mobile sources, there are no other feasible mitigation measures that could reduce Modified ESP GHG emissions by the required 29 percent (it should be noted that the CalEEMod model inherently accounts for regulatory measures such as the Low Carbon Fuel Standard, Pavley, etc.). Approximately 69% of the Greenhouse Gas emissions from the project are generated by mobile sources.*"[9] Locating the project at other urban reserves closer to city services and shopping could drastically reduce the mobile source GHG emissions from the project by reducing Vehicle miles traveled. As the Draft revised EIR admits, "Land use planning decisions, such as creating mixed-use development, discouraging **leap-frog development**, and creating favorable jobs to housing ratios can significantly reduce VMT and the associated GHG emissions.[10] Utilizing vacant land that is contiguous to other existing development in the city limits would also allow finance and implementation

[9] Modified Ellis Revised EIR TABLE 4.6-1 BUSINESS AS USUAL GREENHOUSE GAS EMISSIONS
[10] Modified Ellis Revised EIR

plans to be completed and improve congested intersections and roads which would lower GHG emissions citywide. The projects location on Corral Hollow Road prevents bicycle lanes from being installed to the city core or shopping because of the leap frog development pattern there are stretches of county road that have not been improved with bike lanes or sidewalks limiting bicycle and pedestrian access to the cities core. The city's leapfrog development policies and the growth management ordinance prevents the timely completion of finance and implementation plans since all RGA's are prioritized to the Tracy Hill and Ellis Project which are the two urban reserves farthest form the cities core services, shopping and entertainment.

Another strategy that is not proposed as mitigation is solar panels and solar water heating devices which could potentially reduce the projects energy use to achieve the desired 29% reduction target.

The EIR claims that the project is consistent with the Cities sustainable action plan which also sets a target of 29% reduction GHG emissions.[11] But the project even with mitigation is expected to achieve only a 22-28% reduction in GHG emissions so it is not compliant with the Cities Sustainable Action Plan.

Hazardous materials

In order to assure that energy implications are considered in project decisions, the California Environmental Quality Act requires that EIRs include a discussion of the potential energy impacts of proposed projects. (see Public Resources Code Section 21100 (b) (3)) The project will have a significant impact on energy supplies and natural gas transmission costs. According to the revised EIR, *"PG&E has indicated that a waiver for the Modified ESP would not be requested so the Line 401 pipe traversing the Modified ESP area would be replaced. The City of Tracy has met with PG&E on several occasions to confirm PG&E's protocol (per Federal Regulations identified in 49 CFR 192) as well as their intent to replace this line should the Modified Project be approved and ultimately constructed."*[12] The project will have an impact on rates for natural gas, and will also trigger a curtailment of gas on the important L-401 backbone pipeline. This

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12 Modified Draft Revised EIR Page 4.7-27

significant impact is not analyzed or addressed in the EIR for the project. Who pays for these upgrades and how the curtailment will affect customers is not addressed in the EIR.

The pipeline analysis has very little information on the dangerous Chevron pipeline because according to the EIR Chevron refused to discuss the details of the pipeline because of national security reasons.[13] The Final Reports assessment of Chevron's crude oil pipeline propensity for leaks is based primarily on the premise that Chevron is required to regularly assess the crude oil pipeline's integrity in conformance with Federal and California regulatory requirements.[14] The EIR notes the various threats to the line including its dated somastic coating and its ERW seams. Significant information on the degraded pipeline is already contained in the 2008 Final EIR for the ESP and is ignored in the pipeline safety analysis and the 2012 EIR. The pipe is made of Grade X35 ERW pipe installed in 1945. On March 3, 2003 the Maximum Operating Pressure (MOP) on the line was reduced to 635 psi to 960 psi because significant dents in the pipeline could not be repaired in accordance with 49 CFR Part 195452 (h) (1).[15]

The 2008 Final EIR and response to comments also contain incident reports of reportable leaks on the Chevron line in the Tracy Area. .[16] One leak reported was at 23577 Mountain House Parkway at the Charles Spatafore Ranch on December 4, 2003 releasing 700 barrels of crude Oil. The incident report indicates that in addition to the puncture there were ten other scrapes in the 255 foot section of pipe.[17]

On December 4, 1997 a pinhole leak on the chevron Line occurred due to external corrosion.[18] Just 7 months prior to that spill a hydrostatic test had been performed on the line and it had successfully held pressure at 180 psi for 4 hours.[19] Two months before the leak occurred and in line inspection also was performed on the pipe. It still developed a leak two months later.

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[13] http://www.ci.tracy.ca.us/documents/Modified_ESP_Draft_Revised_EIR_Vol_1.pdf Page 4.7-15

[14] http://www.ci.tracy.ca.us/documents/Modified_ESP_Draft_Revised_EIR_Vol_2_Appendices.pdf Page 262 of 258

[15] http://www.ci.tracy.ca.us/documents/Ellis_Specific_Plan_Final_EIR_December_2008.pdf Page 183

[16] Ellis specific Plan final EIR Pages 167-
http://www.ci.tracy.ca.us/documents/Ellis_Specific_Plan_Final_EIR_December_2008.pdf

[17] http://www.ci.tracy.ca.us/documents/Ellis_Specific_Plan_Final_EIR_December_2008.pdf Page 186

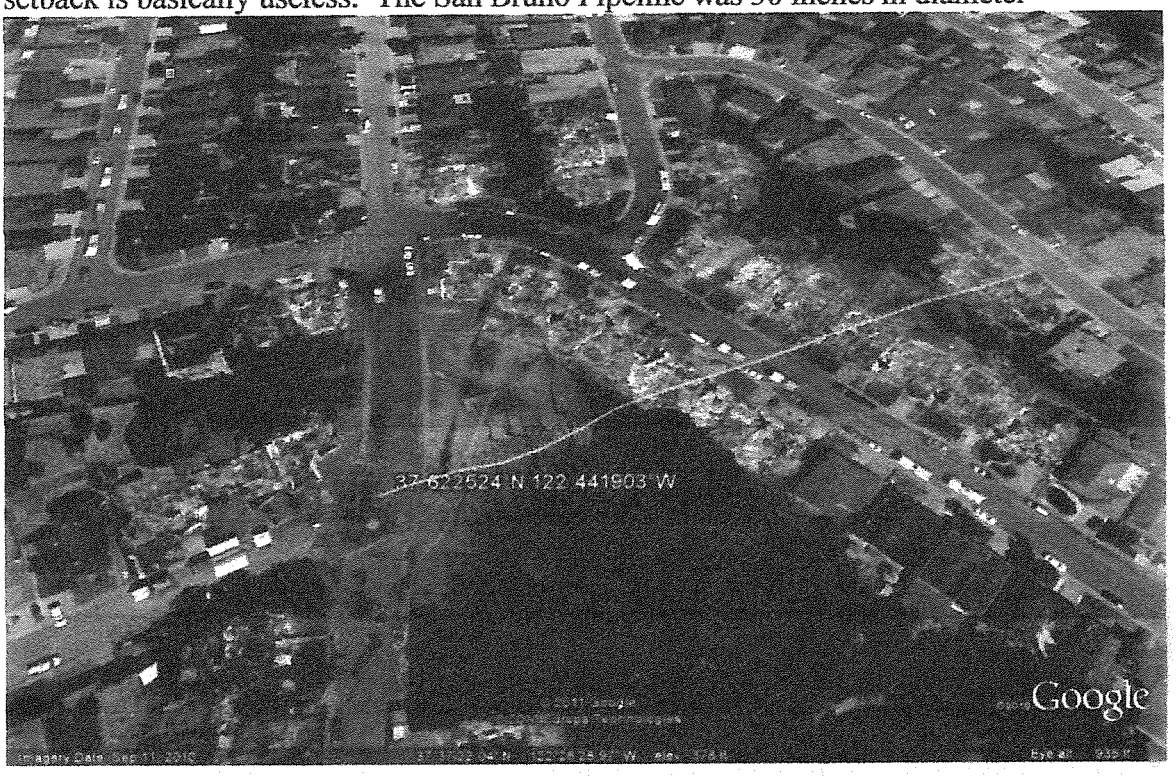
[18] http://www.ci.tracy.ca.us/documents/Ellis_Specific_Plan_Final_EIR_December_2008.pdf Page 186

[19] http://www.ci.tracy.ca.us/documents/Ellis_Specific_Plan_Final_EIR_December_2008.pdf Page 187

On December 5, 1997 one day later another leak occurred on the line in Fresno and it was suspected that the two leaks could be related to overpressure of the line.[20] Subsequent investigation found no relation in the two leaks,

On December 20, 1985 the Chevron line was ripped by a bulldozer right near the project south of the Tracy Airport by Granite construction.[21] The spill released 2,889 barrels of crude oil. Coverage over the piplein in some areas was less than 2 feet.[22]

Below is a picture of the San Bruno incident from google earth indicating that a 100 foot setback is basically useless. The San Bruno Pipeline was 30 inches in diameter



As the ESP EIR states, "No recommendation for a specific setback is made, but any increase from the standard 25 feet reduces risks associated with that specific integrity threat."[23]

Pipeline Notification

[20] http://www.ci.tracy.ca.us/documents/Ellis_Specific_Plan_Final_EIR_December_2008.pdf Page 188
[21] http://www.ci.tracy.ca.us/documents/Ellis_Specific_Plan_Final_EIR_December_2008.pdf Page 192
[22] http://www.ci.tracy.ca.us/documents/Ellis_Specific_Plan_Final_EIR_December_2008.pdf Page 198
[23] http://www.ci.tracy.ca.us/documents/Modified_ESP_Draft_Revised_EIR_Vol_I.pdf page 4.7-33

The pipeline notification procedure is inadequate. It only requires that, "Every contract for the sale of residential real property entered into on or after July 1, 2013, shall contain. in not less than 8-point type, a notice as specified below:

NOTICE REGARDING GAS AND HAZARDOUS LIQUID TRANSMISSION PIPELINES This notice is being provided simply to inform you that information about the general location of gas and hazardous liquid transmission pipelines is available to the public via the National Pipeline Mapping System (NPMS) Internet Web site maintained by the United States Department of Transportation at http://www.npms.phmsa.dot.gov/. To seek further information about possible transmission pipelines near the property, you may contact your local gas utility or other pipeline operators in the area. Contact information for pipeline operators is searchable by ZIP Code and county on the NPMS Internet Web site.

(b) Upon delivery of the notice to the transferee of the real property, the seller or broker is not required to provide information in addition to that contained in the notice regarding gas and hazardous liquid transmission pipelines in subdivision (a). The information in the notice shall be deemed to be adequate to inform the transferee about the existence of a statewide database of the locations of gas and hazardous liquid transmission pipelines and information from the database regarding those locations.

Land USE

The EIR states that, "The Modified ESP would result in no conflicts with the City's 2011 General Plan land use strategy, goals, or policies." This is not true. The modified ESP runs a foul of General Plan Objective OSC-2.1: which requires Tracy to, "Support San Joaquin County efforts to preserve existing agricultural lands in the Planning Area and outside of the Sphere of Influence." The objective includes two polices that the ESP violates Policy (P3): The City shall support the preservation of Williamson Act lands and Farmland Security Zone lands within the Tracy Planning Area and Policy (P4): The City shall encourage the continued agricultural use of land within the Planning Area and outside the Sphere of Influence that is currently being farmed.

The ESP also violates General Plan Objective OSC-2.2: Minimize Conflicts between agricultural and urban uses. In particular Policy (P2): Land uses allowed near agricultural operations should be limited to those not negatively impacted by dust, noise and odors.

Traffic and Transportation

Corral Hollow/ Valpico Road

One of the major intersections which has been determined to have significant impacts from the Ellis Project is Corral Hollow and Valpico Road. Since 2006 St. Bernard's Catholic Church has constructed its Holy Family Center which serves the Saint Bernard Parish of more than 5,00 parishioners. The traffic and Transportation analysis relies on a 2006 traffic study. The study has been updated by a one day traffic study conducted on September 27, 2012. September 27, 2012 was Thursday a day when the St Bernards Parish holds no services.[24] The updated study is not representative of the current conditions at the intersection. Failure to properly define the impact leads to a failure of the analysis and appropriate mitigation cannot be recommended if the impact is not clearly quantified. The presence of the new church center has created greatly increased traffic which is not captured in the 2006 study or in the September 27, 2012 study.

As mitigation the EIR proposes to have the developers of the individual projects within Ellis to pay their fair share of proposed road improvements. As the EIR states, "The intersection of Corral Hollow Road / Valpico Road is located within the San Joaquin County's jurisdiction outside the existing City limits. However, the proposed intersection mitigations are included in the City CIP (Project #72PP-053) and are scheduled for completion when this intersection is annexed in to the City limits. The project applicant will pay a fair share towards this improvement.[25] The EIR is contradictory as in some places it states the applicant will fund the mitigation upon triggering the impact while other section of the EIR admit this is a county intersection and it must be annexed to implement improvements.

County Roadway Segments

[24] http://www.st-bernards.org/index.cfm?active=1

[25] http://www.ci.tracy.ca.us/documents/Ellis_FEIR_Interest_Group_responses_23_to_26.pdf Page 721

The EIR analysis is evolves around the wait times at various intersections throughout the city. The EIR fails to identify or mitigate the significant impacts to residents and motorists that occur from the city's creation of county islands. The San Joaquin County Department of public works sent a letter on November 13, 2012 identifying the impact to rural residents and motorists of the city's actions creating short roadway segments between the City and county.[26] The letter states, " The county is concerned with the impacts to the north-south connector roadways: Corral Hollow and Lammers Road, which are two lane segments in the County jurisdiction bounded by city segments of 4-6 lanes creating a bottleneck." The EIR claims, "Insofar as the commenter asserts potential "bottleneck" on roadway segments lying in the unincorporated County may constitute significant unanalyzed or unmitigated traffic impacts of the project, these assertions do not appear to account for the existing expert analysis in the Draft Revised EIR, are not supported by any technical analysis."[27]

First it should be noted that the draft EIR fails to even mention must less analyze significant impacts from one of the areas most dangerous intersections in Tracy Paradise and Corral Hollow Road. Corral Hollow Road narrows from 4 lanes to two lanes right at Paradise road. This funnels southbound traffic into a metal guard rail right next to the intersection of Corral hollow and Paradise Road. Below is a picture of one of the many accidents that has occurred at the intersection of Corral hollow and Paradise Road.

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[26] http://www.ci.tracy.ca.us/documents/Ellis_FEIR_Interest_Group_responses_23_to_26.pdf Page 771
[27] http://www.ci.tracy.ca.us/documents/Ellis_FEIR_Interest_Group_responses_23_to_26.pdf Page 773

The landowner has subsequently placed large boulders behind the metal guardrail to prevent cars form crashing into his home. The intersection improvements cannot be implemented until the finance and implementation plans have been funded. The development pattern common on Corral Hollow Road prevents the funding of individual road segment and intersection improvements. The GMO allocates the majority of RGA's for the next 25 years to Ellis and Tracy Hills which could prevent the development of the Corral Hollow/ Paradise Road intersection.

Just before that intersection is the intersection of Corral hollow and Old Schulte Road. The EIR mentions the intersection but provides no analysis or recommends any mitigation. Old Schulte Road dead ends into Corral Hollow Road right at the train tracks. Motorists frequently turn right on Corral Hollow and then immediately perform an illegal U-turn right after the train signal. This location is another example of a dangerous roadway that has experienced numerous accidents caused by inefficient land use planning. Traffic counts are not conducted and no safety assessment of the intersection is contained in the EIR and supporting documents.

After these two intersections is a stretch of Corral Hollow Road that is in the County's jurisdiction lies between paradise Road and Midway Road. The stretch of Road has no sidewalks bike lanes or street lights. I have lived there for over 20 years. In the

last several years two bicyclists and one pedestrian have been struck by cars directly across form my driveway. My neighbors had her fence destroyed as a truck plowed through her front yard and into my fence.[28]

My nephew was rear ended coming into my driveway several years ago. Our family and our neighbors have been placed in danger by the city's growth policies and the Ellis Subdivision. According to the EIR the Ellis Project "would generate 1,535 vehicle trips in the AM peak hour and 3,393 vehicle trips in the PM peak hour. Due to the mix of residential and commercial uses envisioned for the specific plan, 9 percent of AM trips and 18 percent of PM trips are expected to stay within the Modified ESP site. An additional 57 percent AM peak-hour and 67 percent PM peak-hour trips would travel to/from other parts of the City of Tracy planning area."[29] General Plan Objective CIR-1.6 calls for the city to "Maximize traffic safety for automobile, transit, bicycle users, and pedestrians. Policy P1. Requires that, The City shall design streets using context-sensitive design principles that enhance safety for all modes of travel.

The Grantline Road/ Byron Highway intersection is considered to have significant traffic impacts from the proposed project. Since the 2006 traffic study was conducted additional retail stores like Winco and additional restaurants and shops have been constructed which are not accounted for in the 2006 traffic study. Future additions to the area like the Super Wall Mart project are not considered in the traffic analysis. The two lane section of Grantline Road between Costco and Byron highway is also impacted without any significant analysis or appropriate mitigation measures including the Lammers Road/Grantline Road intersection which has already taken lives due to the city's propensity to build first and provide infrastructure later.

Alternatives

The EIR fails to provide CEQA equivalent alternatives analysis. CEQA requires that the environmental analysis examine alternatives that would lessen or eliminate the significant impacts to the environment of the proposed project. For example the Alvarez/UR1 or the Plan B/ Motoiso alternatives would eliminate the significant train

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[28] See Appendix A for pictures

[29] http://www.ci.tracy.ca.us/documents/Modified_ESP_Draft_Revised_EIR_Vol_1.pdf 4.13-8

noise impacts. These alternatives would lessen the identified significant and un mitigated air quality impact because the two alternatives are located closer to the city core shopping and services. Instead of complying with CEQA requirements to weigh the environmental impacts of the alternatives the EIR merely defines its objectives so narrowly as to preclude a reasonable range of alternatives and eliminates alternatives based on discretionary approvals that have been made after 2008 when the judge ruled the EIR inadequate.

The EIR rejects the Moitoso/ Plan B alternative as a viable alternative to the project. The EIR states that since the project owner does not own or control the property it cannot be considered as an alternative. There is no the requirement that the project owner own or control a parcel for it to be considered an alternative under CEQA. The requirement of CEQA is that the land be available for development. The Plan B/ Moitoso property has already offered their land to the city for sports park development and the parcel is currently for sale. This makes this parcel a viable alternatives to the proposed project.

The EIR seeks to also disqualify the property as alternative based on zoning and land use designations in the General plan. The fact is the Ellis property has not even been annexed into the city yet. The city has altered in General Plan, Zoning Ordinances, and its growth management ordinance since 2008 to accommodate the inclusion of the Ellis Project in its planning. The city can after public review and comment entitle the Moitoso property and modify its zoning ordinances and GMO to accommodate the Plan B property as viable alternative to the Ellis Property. Finally the EIR disqualifies the Plan B/ Moitosos property because they are by, "selecting the Moitoso/Plan B area for the Modified ESP would result in a failure to meet one of the City's primary objectives of implementing the General Plan's policies and vision for TR-Ellis, as this objective **can only be achieved by implementing the Modified ESP on the Project site.**"[30] The EIR has defined its objectives so narrowly as to preclude a reasonable range of alternatives. While it is true that a project's objectives should guide the selection of alternative sites for analysis, when objectives are defined too narrowly, the analysis of alternative sites

[30] http://www.ci.tracy.ca.us/documents/Modified_ESP_Draft_Revised_EIR_Vol_I.pdf Page 6-20

may be inadequate. This is clearly an impermissible narrowing of alternatives under CEQA.

The Alvarez/ UR1 site is also a victim of defining the project objectives so narrowly as to preclude a reasonable range of alternatives. The EIR rejects the Alvarez property because, " it is not in the Secondary Residential Growth Area; it is not under the control of the Project Applicant; it fails to meet basic objectives of the Modified Project as stated above and in Chapter 3 (Project Description); and, it is already contemplated by the General Plan for other uses; thus, it would likely be developed in addition to Ellis, and therefore should not be presumed to be an alternative location." Much like the Moitoso property the Alvarez family has offered the city 50 acres for use for sports facilities. The land is available for sale and can be purchased by the project applicant. The fact that the project is not in a secondary growth area is due to a discretional land use decision by the city council which can be modified after public review and comment.[31] Or the city can offer a development agreement which makes the property eligible for development under the general plan. The fact that it is contemplated in the general plan for other uses is irrelevant in the alternatives analysis.

Fire Services

The 2012 ESP EIR fails to update the analysis of fire service impacts. For example the 2008 Ellis EIR states that, "The South County Fire Authority has 65 professional firefighters and 30 reserve firefighters who cover three shifts."[32] Actually the current makeup of the fire department is 67 fire fighters and 9 reserves.[33] Just like the police department the number of available personnel has declined over the last five years since the original ESP analyses was conducted. This is another example of why the 2012 ESP EIR is deficient because it relies on analyses conducted in 2008 which are outdated.

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[31] "Since the preparation of the Original Ellis EIR, the City updated its General Plan. The City approved the update to the General Plan on February 1, 2011.[31] The ESP area land use designation has changed since the preparation of the Original Ellis EIR. At the time of the preparation of the Original Ellis EIR, the General Plan designated the ESP area as Urban Reserve 10 (UR 10). Based on the General Plan Update that has occurred since this time, the ESP area is now designated as Traditional Residential-Ellis (TR-Ellis).[31]

[32] http://www.ci.tracy.ca.us/documents/Ellis_Specific_Plan_Draft_EIR_April_2008.pdf Page 3B9.1

[33] http://www.ci.tracy.ca.us/documents/FY_2011_to_2012_Annual_Department_Report.pdf Page 3

The EIR recognizes that the ESP will have impacts to fire services in the project area. According to the South County Fire Authority, implementation of the proposed ESP might affect service delivery capabilities, although at this time, the South County Fire Authority cannot conclude to what degree service would be affected.[34] The EIR concludes that the fire department will not meet its response time standards to the ESP.

This approach in the EIR fails to provide a credible analysis of what the impact of the ESP are to fire services. It fails to provide a mechanism to mitigate the deficiency as only a subsequent analysis will identify problems but the funding for staffing the possible new fire station is not identified. In fact the EIR admits, *"Additionally, land and funding may not be available within the time frame of initiating the development of the ESP site."* The City of Tracy has been unable to increase the number of fire stations in the last twenty years despite more than a doubling of its population. The number of available personnel is down since 2008. The EIR fails to provide an analysis that demonstrates that the ESP will provide enough money for construction and staffing of a new station which would be a significant impact. The mitigation provided calls for the applicant to work with the South County Fire Department to identify a new site but as history has shown the city does not have the resources to open and staff a new fire station. The other mitigation measure proposed is, "the Project FIP shall include a Public Buildings Fee." What the amount of money is needed to construct and staff the fire station is not analyzed in the EIR and the public building fee is not earmarked for a fire station at the ESP.

Police Services

The EIR states that according to the Police Department, the approximate response time (for emergency and non emergency calls) to the ESP site is currently 9 minutes. This exceeds the City's goal of a 5-minute response time for Priority 1 calls (life threatening situations). Therefore, implementation of the proposed ESP would exacerbate an existing problem, not create a deficiency. Also, the resulting increase in traffic congestion (as identified in Section 3B.3, Transportation) from implementation of the ESP could inhibit the Police Department's ability to meet its response time goals.

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[34] http://www.ci.tracy.ca.us/documents/Ellis_FEIR_Interest_Group_responses_23_to_26.pdf Page 725,726

According to the General Plan, "the City would continue to provide law enforcement for property within the City limits, which would eventually adjust to include land annexed from the Sphere of Influence in preparation for development. To continue to provide the current level of police service, approximately 35 additional sworn officers would eventually need to be added to the Tracy Police Department in the Sphere of Influence. This is based on the current staffing level of approximately one sworn officer per 1,000 residents, which is a level deemed appropriate for the City by the Police Department. The proposed ESP would require additional police staff and potentially more building space for those staff to meet the City's goal for police protection services. The City requires the payment of Public Facilities Impact fees to offset the cost of additional facilities. In addition, Mitigation Measure 3B.9-4 of the Original Ellis EIR states that individual project applicants within the ESP site shall consult with the Police Department during preliminary stages of site design to review safety features, determine their adequacy, and suggest design and/or physical improvements to the proposed site plan and/or to police facilities and equipment to ensure adequate service is maintained."[35]

The Tracy police department is contracting the number of sworn officers has declined by 10.5 % from 2010 to 2011.[36] The impact to police services is not quantified in the EIR and the only mitigation is review of safety features and a public building impact fee of an unspecified amount. The EIR does not identify what the size of the public buildings fee is or if it is adequate to mitigate the impact.

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[35] http://www.ci.tracy.ca.us/documents/Ellis_FEIR_Interest_Group_responses_23_to_26.pdf page 727
[36] http://www.ci.tracy.ca.us/documents/2011_TPD_Annual_Report.pdf Page 6

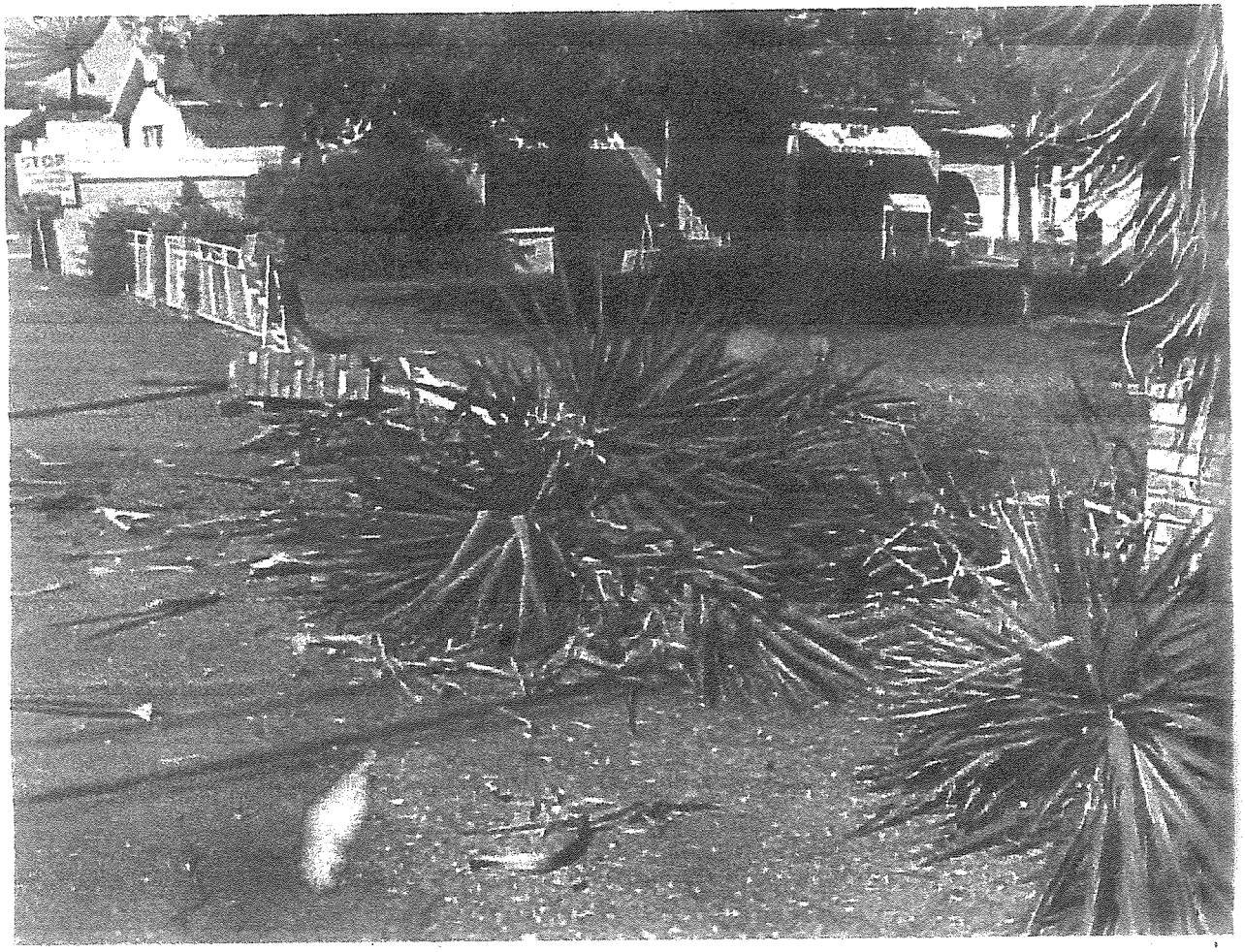
Appendix A Damage from Truck in my neighbors front yard

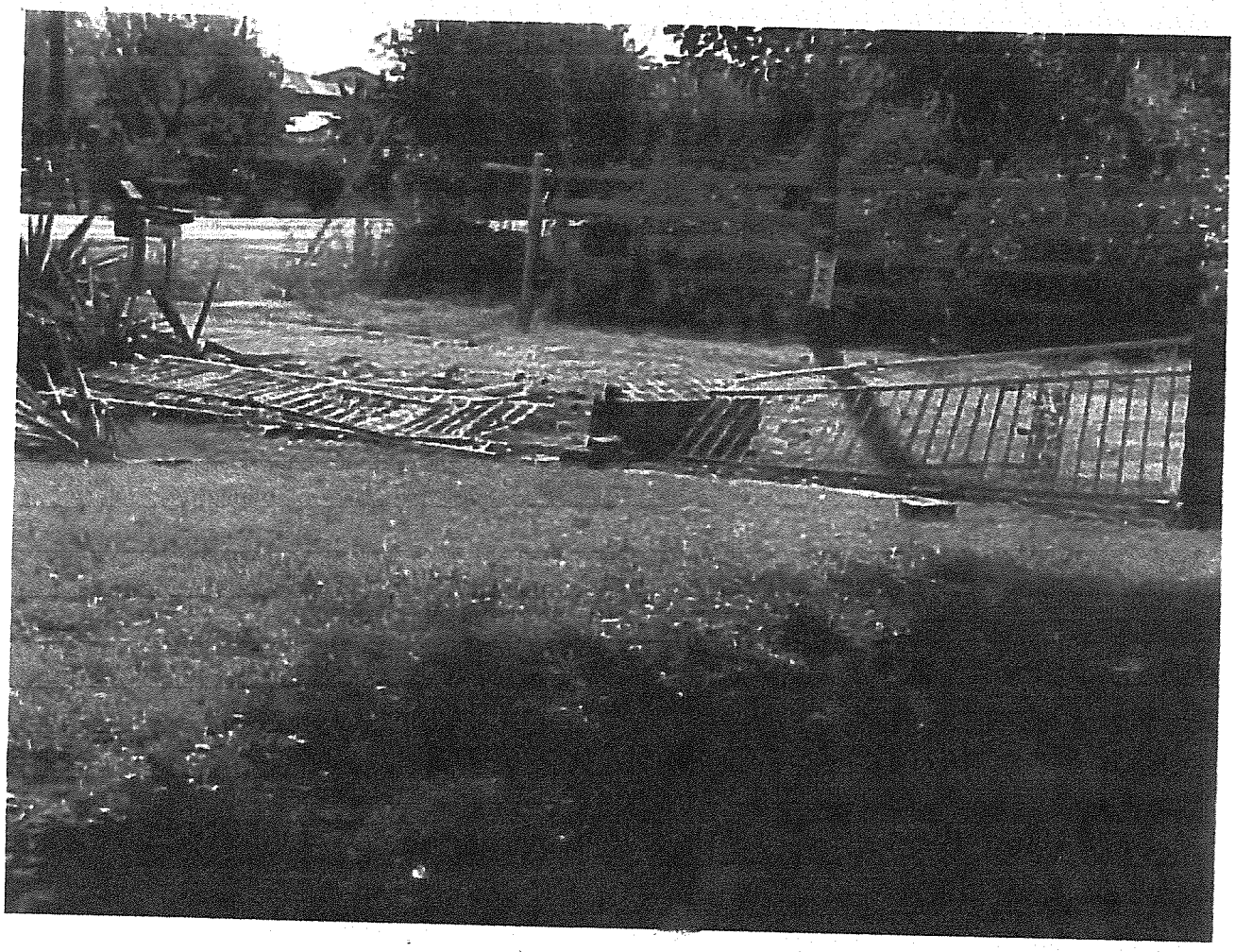
Jody Jones

From: "Jody Jones" <jodyjones1946@att.net>
To: <helen.ness@farmers.com>
Sent: Monday, October 11, 2010 11:08 AM
Attach: fence yucca south side.JPG; fence dam. south side.JPG; fence damage east and south sides.JPG; fence damage east to south side.JPG; fence dubree east side.JPG; fence good section 10-8-10.JPG; fence good yuccas east side.JPG; fence yucca east side.JPG
Subject: Fw: October 8th Fri nite accident-Claim #1017026966

A Mexican illegal appears to have fallen asleep and wiped out our front fence. The he just ran away. The police towed his Chevy pickup away. Don't know that anyone was hurt except my feelings. It was so much work and so pretty. I am just heart sick. The insurance investigators will be here Monday or Tuesday. Until then we just get to look at this mess.

Jody





Appendix B Letters from Alvarez Family and Mabel Moitoso

Alvarez Farms. Inc
8606 W. Schulte Rd. Tracy, CA 95304
Tele: 209-830-7004 Fax: 209-833-7004

January 22, 2013

Dear Mayor Ives and City Council Members,

It has come to our attention that your Modified Ellis Project Draft Revised Environmental Impact Report includes property that we own as an alternative to the Modified Ellis Project in your alternatives section. You list the property our family owns as Alvarez/UR1 Development Area. Your EIR incorrectly states that the Project Applicant does not own and control the land and that it would be infeasible and unrealistic for the Project Applicant to propose a project on property not under its control. We want to assure you that our family does own or control all of the Alvarez/UR1 property. We have contacted the planning department many times in an effort to develop the property but have been rebuffed.

Your EIR states that the Alvarez/UR1 development area is not within indentified Secondary Residential Growth Areas, nor does it have a Development Agreement that allows for the allocation of RGAs. We have approached city staff many times in an effort to develop the property. We would like to negotiate a developer agreement with the city but have been discouraged by city staff in our attempts. In 2008 we formally offered to dedicate to the city 50 acres of our land for an aquatic center or sports park or any other use the city deemed. Our offer was never considered.

Our land is much closer to the city core services and shopping than the Ellis location. Our land would support the city's goal of developing an aquatic center and is large enough to develop a combination of uses that would meet basic objectives of the Modified Ellis Project.

If the city is willing to execute a developer agreement and annex us into the city just like they have accommodated the Surland Company we are a viable alternative contrary to the statements in your Modified Ellis EIR. Your Modified Ellis EIR is incorrect and inaccurate and should be revised to reflect the true status of our property as a viable alternative to the development of Ellis. It merely takes the city to accommodate our property with zoning and development entitlements in the general plan and GMO just like it has granted entitlements for the Ellis Project.

Respectfully Submitted,

Jack Alvarez

Joe Alvarez

January 21, 2013

Dear Mayor Ives and City Council:

My name is Mabel Moitoso. I am a 103 year old resident of Tracy. I am the owner and decision maker of the "Moitoso property". The property is 109 acres and located on Corral Hollow and Schulte roads.

I am writing this letter in inform you that my property is for sale and has been for sale for the last twenty years.

I am opposed to leap frog development. My property is a viable alternative to the proposed "Ellis town". My property is contiguous with residential development on the north side and the east side.

The original historic Ellis town is located on the north side of my property, the "Moitoso property".

Due to the location of my property by the developments, it is making it more difficult to farm the property. It is difficult to move large farm equipment in and out of my property on the residential streets, along with the noise, dust and spraying created by farming.

I ask you to please consider the information in this letter when making the decisions about the proposed "Ellis town".

Thank you.

Sincerely,

Mabel Moitoso

Mabel Moitoso
2155 Schulte Road
Tracy, CA 95377

MARK V. CONNOLLY

Attorney at Law

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121 E. 11th STREET
TRACY, CALIFORNIA 95376

Telephone (209) 836 0725
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E-mail:mconnolly@connollylaw.net
www.connollylaw.net

January 22, 2013

Honorable Mayor and Members of the City Council
City of Tracy
City Hall
333 Civic Center Plaza
Tracy, CA 95376

Re: PUBLIC HEARING TO CONSIDER CERTIFICATION OF THE FINAL REVISED ENVIRONMENTAL IMPACT REPORT FOR THE SURLAND COMMUNITIES LLC, ELLIS PROJECT APPLICATIONS, AND TO CONSIDER APPROVAL OF THE SURLAND COMMUNITIES LLC APPLICATIONS FOR GENERAL PLAN AMENDMENT, MODIFIED ELLIS SPECIFIC PLAN, ANNEXATION OF THE ELLIS SITE TO THE CITY OF TRACY AND INTRODUCTION OF AN ORDINANCE APPROVING AN AMENDED AND RESTATED DEVELOPMENT AGREEMENT WITH SURLAND COMMUNITIES LLC. THE ELLIS SPECIFIC PLAN SITE IS APPROXIMATELY 321-ACRES LOCATED AT THE NORTHWEST CORNER OF CORRAL HOLLOW ROAD AND LINNE ROAD. APPLICATIONS GPA11-0005, SPA11-0002, A/P11-0002, AND DA11-0002 - APPLICANT IS THE SURLAND COMMUNITIES LLC

Dear Mayor and Members of the City Council:

These are TRAQC's comments concerning the above project approvals collectively referenced as the "Ellis Project".

I represent TRAQC. TRAQC submitted comments to the DEIR and those comments and documents are part of the record in this case. TRAQC's comment letter #20 is included in the FEIR and that letter is incorporated by reference.

Approval of this Development Agreement (DA) and "Ellis Project" will render the Appeal Moot:

Response #20.1 in the FEIR states: "The City's actions will neither assume that the Original Ellis DA is in effect nor will it assume it is not in effect – that is a question to be resolved by the Third District Court of Appeal." Contrary to this position, Rick Jarvis, Counsel for the City of Tracy, has indicated that the Development Agreement before the Council tonight will be the ONLY effective Agreement and will supersede the prior DA.

He has indicated the prior DA will ONLY be effective if there is a successful challenge to this DA *AND* the Court of Appeal reverses the Judgment finding that the prior DA was void. The statement that it is up to the Court of Appeal to determine which DA is in effect is inconsistent with the statements by Tracy's Council of Tracy's position and is also inconsistent with the language of the new DA. The language of the DA before the Council appears to render the prior DA moot. Upon approval of this DA the Court of Appeal should determine that the pending appeal concerning the prior DA is moot and dismiss the appeal. The Council should be aware of this probable outcome.

The letter by the Court of Appeal raising this issue is attached as Exhibit A. The title documents addressing the property ownership issues raised in the original DA are also attached. The applicant has rendered his appeal of the original DA moot.

Likewise, approval of the Ellis Project will have the same effect on the remaining issues currently on appeal. The CEQA issues on appeal will be moot resulting in a dismissal of the appeal. This outcome should not be a surprise when it occurs.

Rejection of Alternative #6 is not supported by substantial evidence:

The FEIR and Response to Comments #20.8 do not address the issue: both Alternative #6 and the proposed project allow Ellis to be developed at less than a density of 2,250 and closer to 1,000 units. In this respect the ONLY difference according to the comments is that Alternative #6, the Environmentally Superior Alternative may be rejected because the rogue RGAs present in the original DAP or unused RGAs will no longer be built in other areas. This is non-responsive. The previously approved and current DA and Ellis Project at the lower density would result in more sprawl as some RGAs, not necessarily the same RGAs, would be used in other areas. This is still the case. This basis for rejection of Alternative #6 is still not logical. The DA and Ellis Project allow a density range and the same impacts as Alternative #6. The rejection of Alternative #6 cannot be supported by substantial evidence.

Additionally, the explanation of that 2009 ALUP density restriction or other factors, could somehow reduce the density to as little as 1,000 RGAs is not supported by the record. The density reduction for both the ALUP, school site and other factors is only 240-420 units (60 acres) at most, not 1,250. This explanation is not supported by substantial evidence in the record.

The failure of the Traffic Mitigation Program is not addressed:

The problem was identified as the failure to have any trigger to generate the traffic improvements or any guarantee that the traffic improvements would ever occur. The solution to this problem proposed is to have the City Engineer determine when such improvements should occur. Having a City employee make a determination based on his subjective judgment does not address the problem. Such an employee might determine the improvements need never be commenced. This does not address the problem identified in the Statement of Decision and Judgment.

Noise Impacts:

The lack of consideration of airport noise is not remedied. The Response made is that airport noise on residents of Ellis need not be considered. However this again misses the point. Noise generates complaints. Complaints affect airport operations. Therefore unmitigated and unstudied noise will impact existing airport operations as prior developments in the vicinity of the airport have. The responses to comments, although addressing noise at length, do not address the lack of study of airport noise on residents and the resulting effect on the airport.

Statements by counsel that this project will be consistent with the 2009 ALUP do not somehow eliminate the need to consider noise generated complaints impacting airport operations and is not supported by the law.

TRAQC agrees with and adopts the statements opposing certification of the FEIR and opposing the Ellis Project by Dave Anderson, Steve Nicolau, Carol Dominguez, Steve Bradford, Susan Sarvey, Bob Sarvey, Andy Wilson and John Collings. TRAQC urges the FEIR not be certified and the requested project approvals not be granted. If the FEIR is certified and Ellis Project entitlements approved, the pending appeal will be dismissed as being moot.

Very truly yours,

MARK V. CONNOLLY

cc: TRAQC

EXHIBIT A

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SACRAMENTO, CA 95814-4719
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www.courts.ca.gov

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Court of Appeal

THIRD APPELLATE DISTRICT
STATE OF CALIFORNIA

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BRIAN P. REECE
DAVID WELTON

November 13, 2012

Rick W. Jarvis
Jarvis, Fay, Doporto & Gibson, LLP
492 Ninth Street, Suite 310
Oakland, CA 94607

Daniel G. Sodergren
City Attorney, City of Tracy
333 Civic Center Plaza
Tracy, CA 95376-4062

Re: Tracy Region Alliance for a Quality Community v. City of Tracy, etc.
C069741 San Joaquin County No. 39200900201854CUWMSTK

Dear Counsel:

It has come to the court's attention (see Evid. Code, § 452, subd. (b)), that on July 31, 2012, the City of Tracy gave public notice of the availability of a revised Ellis EIR. The notice states, "A revised Ellis EIR . . . has been prepared pursuant to the California Environmental Quality Act (CEQA) and the CEQA Guidelines in response to the trial judge's Statement of Decision and Judgment, *addressing and remedying those issues that the trial judge found objectionable*. In addition, the Original Ellis DA and the Original Ellis Entitlements will *be modified and amended to address and remedy* the issues outlined by the trial judge." (Emphasis added.)

This court requests simultaneous supplemental letter briefs from all parties as to the effect of these subsequent developments on the issues on appeal. In particular, is compliance with the peremptory writ of mandate contemplated such that our review would be rendered unnecessary?

The parties' letter briefs shall not exceed four pages and must be filed by November 28, 2012. Counsel are to provide an original and 4 copies of the briefs with an attached proof of service to this court.

Very truly yours,

DEENA C. FAWCETT
Clerk/Administrator

By: David Welton
Deputy Clerk

cc: See Mailing List

MAILING LIST

Re: Tracy Region Alliance for a Quality Community v. City of Tracy, etc.
C069741
San Joaquin County No. 39200900201854CUWMSTK

Copies of this document have been sent to the individuals checked below:

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December 11, 2012

Via Overnight Mail

Presiding Justice Vance W. Raye
and Honorable Associate Justices of the Court of Appeal
c/o Clerk, Deena C. Fawcett
Court of Appeal, Third Appellate District
621 Capitol Mall, 10th Floor
Sacramento, CA 95814

Re: *TRAQC v. City of Tracy, et al.*
Court of Appeal, No. C069741

Dear Presiding Justice Raye and Honorable Associate Justices:

Real Parties in Interest and Appellants Surland Communities, LLC, et al. ("Real Parties") submit this supplemental letter brief per this Court's 11/13/12 request for briefing on "the effect of [certain] subsequent developments on the issues on appeal." Specifically, the Court cited the City of Tracy's 7/31/12 public notice announcing the availability of a Revised Ellis EIR (REIR) and referencing modified/ amended Ellis Project approvals intended to address and remedy aspects of the original EIR and approvals the trial judge found deficient. In the context of these "subsequent developments," this Court inquired whether "compliance with the peremptory writ of mandate [is] contemplated such that our review would be rendered unnecessary?"

The brief answer to this Court's inquiry is "no." Compliance with the terms of the writ (which required the City to vacate and set aside the original approvals within 30 days and file a return within 10 days after that; *see* AA4:796,798) has *not occurred* and is *not contemplated*,[1] and the subsequent developments have not rendered this appeal moot, nor will they. The original Ellis EIR and approvals have not been vacated and no return has been made in compliance with the command of the trial court's peremptory writ; under well-established law, the City's and Real

[1] While some Courts have *erroneously* suggested that a party's "voluntary" compliance with an adverse judgment impliedly waives the right to appeal from it, that purported principle (1) is wholly inapplicable here since, as noted above, compliance with the terms of the trial court's writ has not occurred and is not contemplated, and (2) is an inaccurate statement of the law since implied waiver is not actually found in the case law absent an actual compromise or agreement not to appeal. While the "voluntary compliance" issue is not implicated by the facts here and is therefore unnecessary to address, it is anticipated that the City Respondents' supplemental brief will nevertheless address the law pertaining to this issue and their analysis will support Real Parties' conclusions. Real Parties' letter brief will proceed to analyze the issue whether "subsequent developments" that actually have occurred or could possibly occur in this matter could render the appeals moot.

Parties' appeals have stayed the effect of the judgment and writ, leaving the original Ellis Project approvals in place. (*Hayworth v. City of Oakland* (1982) 129 Cal.App.3d 723, 727, citing CCP § 916; *Building Code Action v. Energy Resources Conservation & Dev. Com.* (1979) 88 Cal.App.3d 913, 918.) Real Parties and the City have both appealed the judgment and related attorneys' fee order, and have neither expressly nor impliedly waived their right to challenge the judgment or writ by filing or processing modified Ellis Project applications that might at some future time be approved and, if effective, supersede the now-extant original approvals. By proceeding in this manner, it is assured that if any approvals of modifications and amendments to the original entitlements are challenged and set aside, the original entitlements will remain in place unless they themselves are finally determined to be invalid. As detailed below, for these and other reasons, this Court's review will, as a matter of law, remain necessary *whatever* the ultimate outcome of those amended Ellis Project applications.

An appeal is rendered moot by subsequent events *only* when "the occurrence of an event renders it impossible for the appellate court to grant appellant any effective relief." (*Mercury Interactive Corporation v. Klein* (2007) 158 Cal.App.4th 60, 77-78.) Further, "[a]n appeal will be decided ... where part but not all of the controversy has been rendered moot." (*Id.* at 78; citations omitted.) "'[A]n appeal will not be dismissed where, despite the happening of the subsequent event, there remain material questions for the Court's determination.'" (*Simandle v. Vista De Santa Barbara Associates, LP* (2009) 178 Cal.App.4th 1317, 1319, fn. 1, *see Wilson & Wilson v. City Council of Redwood City* (2011) 191 Cal.App.4th 1559, 1574 ["The pivotal question in determining if a case is moot is therefore whether the court can grant ... any effectual relief."].)

Preliminarily, it is evident that the City's mere act of noticing and circulating a REIR for amended Ellis Project entitlement applications could not moot this appeal; the City might never certify the REIR and/or might not approve the modified Project. Even assuming that in the future the City both certifies the REIR and approves the modified Project, those actions alone would remain insufficient even to partially moot this appeal. (E.g., *National Parks and Conservation Assn. v. County of Riverside* (1996) 42 Cal.App.4th 1505, 1513 & fn. 4 [appeal not mooted by County's actions including vacating and setting aside project entitlements and EIR certification, and preparing a "new EIR [on new project applications], designed to respond to the judgment as issued in this case"; issues on appeal "are not only likely to recur, but are actually still in controversy between the same parties."].)

Here, it is possible – even likely – that City's actions in certifying the REIR and approving a modified Project would be challenged by TRAQC in a new lawsuit raising the same issues. Thus, unless any approved modified Ellis entitlements and environmental review either (1) were not judicially challenged within applicable limitations periods (i.e., 30 days for CEQA and 90 days for Planning and Zoning Law challenges), which would not be known for at least several months after approval, or (2) if challenged, were ultimately upheld by a final judgment no longer subject to further review (which litigation might take another 3 to 5 years), this Court's decision on the legal validity of the original Ellis approvals will be needed to determine the fundamental issue whether or not the Ellis Project may proceed under the original approvals. If the City certifies the REIR and grants the modified approvals and they are subsequently judicially challenged and *set aside*, the validity of the original Ellis approvals they would otherwise have superseded (had they been effective) likewise remains a fundamental and material issue requiring resolution. In the latter circumstance, it would be a tremendous injustice to Real Parties to hold this appeal is moot because that would deprive them of any remedy at law to

challenge the earlier trial court decision, which cannot be this Court's intention. (Civ. Code, § 3523.)

In addition, this appeal is not and will never become entirely mooted by subsequent events for a separate and independent reason: Resolution of its merits is inextricably intertwined with resolution of appellants' challenge to the attorneys' fees award. Thus, even if modified Ellis approvals are granted, challenged and upheld, or never challenged, resolution of the merits of the appeal is still required to resolve and provide effective relief on the material issue of the propriety of the trial court's award of CCP §1021.5 attorneys' fees. (*Save Our Residential Environment v. City of West Hollywood* (1992) 9 Cal.App.4th 1745, 1750-1751 ["*SORE*"], citing *Ross v. Gardner* (1960) 185 Cal.App.2d 630, 633, 9 Witkin, Cal.Procedure (3d ed. 1985), Appeals, §525, pp. 505-507, and cases cited therein; *see also Center for Biological Diversity v. County of San Bernardino* (2010) 185 Cal.App.4th 866, 880-881 [rejecting argument of CEQA plaintiff awarded CCP §1021.5 attorneys' fees that appeal of judgment was moot based on County's voluntary compliance with writ where real party liable for fee award had filed appeal]; compare *Bay Development, Ltd. v. Superior Court* (1990) 50 Cal.3d 1012, 1026-1027 ["substantial economic interest" in pursuing claim for attorneys' fees precluded appeal from becoming moot].)

While space limitations preclude an exhaustive briefing of this issue, the *SORE* decision provides an excellent example of a CEQA case that correctly held an appeal was not moot under facts very similar in relevant respects to the instant case. There, a local non-profit group ("SORE") filed a mandate action challenging the City's approval of Rossmoor's senior citizen housing development project on CEQA, general plan and zoning law inconsistency grounds. The trial court found the project EIR deficient under CEQA for failure to adequately consider alternative project sites, granted the writ, and awarded SORE CCP §1021.5 attorneys fees of over $75,000. The City and Rossmoor appealed the adverse judgment and fee order, and then the following "subsequent events" occurred:

> During the pendency of this appeal, the City proceeded with the preparation of a supplemental EIR in order to remedy the defects identified by the Court. Thereafter, the City filed with the trial court its return to the peremptory writ of mandate and exhibits in support thereof, stating that it had complied with the writ's directive. Based upon the supplemental EIR, the City again approved the Project and SORE again sought a writ challenging that approval. The trial court in that second writ proceeding found in favor of the City and Rossmoor. SORE's appeal of that decision, with which we are not here directly concerned, was filed on July 10, 1992.

(*SORE, supra*, 9 Cal.App.4th at 1749.)

Even though the City had already certified a Supplemental EIR and reapproved the project while expressly stating in doing so that it had complied with the writ, the Court of Appeal flatly rejected SORE's claim that such subsequent events rendered the appeals moot:

> [W]e must address before turning to the merits ... whether the adequacy of the Rossmoor EIR is moot as a result of the City's actual compliance with the writ, or, alternatively, whether the City has waived its right to appeal the trial court's decision by complying with the writ. [¶] SORE contends that this case is moot because "no substantial rights can be affected by the decision either way," .... And indeed, in

> the usual case, where the respondent voluntarily complies with the writ, the proceeding would be moot. [Citations.] **Even if this appeal were otherwise moot as a result of the City's actual compliance with the writ's mandate, the trial court's award of attorney's fees to SORE pursuant to Code of Civil Procedure section 1021.5 would preclude us from dismissing the appeal. Because the award of attorney fees depends on the propriety of the trial court's ruling on the merits of the action, the appeal is not moot.**

(*Id.* at 1750-1751, emph. added, citations omitted.)

This rule applies with even more force here because – *unlike* the *SORE* case – the original Ellis approvals have *not* been vacated or rescinded in "compliance" with the trial court's writ, but, rather, have been stayed by timely appeals challenging the judgment and are proposed to be modified while still in effect. Also unlike *SORE*, neither new nor even modified approvals addressing the legal deficiencies found by the trial court have yet been granted here. *A fortiori*, if the City's supplemental EIR certification and project reapproval in *SORE* were insufficient "subsequent developments" to moot the parties' appeal of the judgment and writ setting aside the original project approvals, the same conclusion applies here. In other words, the same essential factual and legal scenario held in *SORE* to preclude mootness exists in this case because the trial court's award here of over $300,000 in attorneys fees to petitioner and respondent TRAQC likewise "depends on the propriety of the trial court's ruling on the merits of the action[.]" (*Id.* at 1751.)[2]

In conclusion, (1) voluntary "compliance" with the trial court's writ has not occurred and is not contemplated, (2) "subsequent developments" in the instant case have not mooted any portion of this appeal, and (3) regardless of whether future events might render *some* relief unavailable – a speculative matter presently uncertain as to whether or when it might ultimately occur – this appeal will, in any event and as a matter of law, remain a "live" controversy based on the CCP §1021.5 attorneys' fees award issue that requires resolution.

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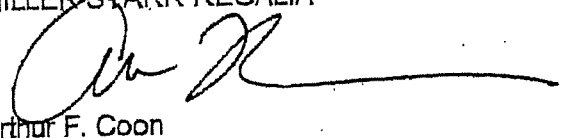
[2] The decision in *Building a Better Redondo, Inc. v. City of Redondo Beach* (2012) 203 Cal.App.4th 852 is not to the contrary. That case involved a City's voluntary compliance with a judgment and writ enforcing a local law requiring it to place an amendment to its local coastal program on the ballot for popular vote, and the local electorate's subsequent approval of the amendment at a general election. The Court held the City's action and the ensuing general election result (which all parties agreed could never under any circumstances be undone by the appeal) mooted City's appeal from the judgment despite City's remaining challenge to a CCP § 1021.5 attorney fee award. (*Id.* at 866-868.) In doing so, it distinguished both *SORE* and *Center for Biological Diversity*, cited above, as "CEQA" cases that, unlike the case before it, "involved the rights of third parties, who exercised their own, separate right of appeal from judgments finding environmental impact reports (EIR's) for their projects inadequate and thus ordering the agency to perform further EIR review." (*Id.* at 868.) Unlike the material facts in *Building a Better Redondo*, but just like those in the *SORE* and *Center for Biological Diversity* cases whose holdings control here, the instant case: (1) is a CEQA case challenging an agency's EIR; (2) clearly involves the rights of third parties (i.e., Real Parties) who both (a) have indemnified the City, and (b) are pursuing their own separate rights of appeal which can in no way be waived by any action of the City; (*id.* at 868-869); and (3) does not involve a substantive enactment that the Court's decision can under no conceivable circumstances affect.

Respectfully submitted,

MILLER STARR REGALIA



Arthur F. Coon
Attorneys for Real Parties in Interest and Appellants
Surland Communities, LLC; The Surland Companies, LLC,
and Surland Development Company

AFC:klw
cc: See attached Proof of Service on all parties

PROOF OF SERVICE

TRAQC v. City of Tracy, et al.

Court of Appeal, Third Appellate District, Case No. C069741

I, Karen Wigylus, declare:

I am a resident of the State of California and over the age of eighteen years, and not a party to the within action; my business address is 1331 N. California Blvd., Fifth Floor, Post Office Box 8177, Walnut Creek, CA 94596. On December 11, 2012, I served the within documents:

LETTER TO PRESIDING JUSTICE VANCE W. RAYE, HONORABLE ASSOCIATION JUSTICES AND CLERK, DEENA C. FAWCETT, COURT OF APPEAL, THIRD APPELLATE DISTRICT, DATED DECEMBER 11, 2012

☐ by transmitting via email in pdf format the document(s) listed above to the email addresses set forth below on this date before 5:00 p.m.

☒ by placing the document(s) listed above in a sealed envelope with postage thereon fully prepaid, in the United States mail at Walnut Creek, California addressed as set forth below.

☐ by placing the document(s) listed above in a sealed Federal Express envelope and affixing a pre-paid air bill, and causing the envelope to be delivered to a Federal Express agent for next business day delivery.

Mark V. Connolly
Law Office of Mark V. Connolly
Connolly Law Building
121 E. 11th Street
Tracy, CA 95376
Tel: 209.836.0725
Fax: 209.832.3796
mconnolly@connollylaw.net

Attorneys for TRACY REGION ALLIANCE FOR A QUALITY COMMUNITY (TRAQC)
(1 copy)

Tony J. Tanke
Law Offices of Tony J. Tanke
2050 Lyndell Terrace, Suite 240
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Fax: 530.758.4540
appeals@tankelaw.com

Attorneys for TRACY REGION ALLIANCE FOR A QUALITY COMMUNITY (TRAQC)
(1 copy)

Debra E. Corbett, Special Counsel
Daniel G. Sodergren, City Attorney
City of Tracy
333 Civic Center Plaza
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Tel: 209.831.4050
Fax: 209.831.6137
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Attorneys for CITY OF TRACY By and Through The CITY COUNCIL
(1 copy)

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Daniel P. Doporto
Jarvis, Fay, Doporto & Gibson, LLP
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rjarvis@jarvisfay.com

Attorneys for CITY OF TRACY By and Through The CITY COUNCIL
(1 copy)

San Joaquin Superior Court
222 E. Weber Avenue
Stockton, CA 95202
(1 copy)

I am readily familiar with the firm's practice of collection and processing correspondence for mailing. Under that practice it would be deposited with the U.S. Postal Service on that same day with postage thereon fully prepaid in the ordinary course of business. I am aware that on motion of the party served, service is presumed invalid if postal cancellation date or postage meter date is more than one day after date of deposit for mailing in affidavit.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on December 11, 2012, at Walnut Creek, California.

Karen Wigylus

SURL\48727\859236.1

JARVIS FAY DOPORTO & GIBSON, LLP
LOCAL GOVERNMENT AND LAND USE LAW

492 Ninth Street, Suite 310 / Oakland, CA 94607
Main: 510-238-1400 / Fax: 510-238-1404 / www.jarvisfay.com

December 11, 2012

The Honorable Vance W. Raye, Presiding Justice,
and the Honorable Associate Justices of the Court of Appeal
Court of Appeal for the State of California
Third Appellate District
621 Capitol Mall, 10th Floor
Sacramento, CA 95814-4719

Re: *Tracy Region Alliance for a Quality Community v. City of Tracy, et al.*
Court of Appeal No. C069741
San Joaquin County No. 39200900201854CUWMSTK

To the Honorable Presiding Justice Raye and the Honorable Associate Justices:

Respondent City of Tracy ("the City") submits this letter brief in response to the November 13, 2012 request from this Court, which asks the parties to address what effect, if any, recent developments have (or will have) on the issues raised in the appeal, and, in particular, whether those developments may render appellate review in this case unnecessary. The City joins in on the letter brief filed by Real Parties in Interest Surland Communities, LLC, et al. ("Real Parties") and provides the following additional response:

This Court has taken judicial notice of the fact that the City is in the process of preparing a revised EIR for the Ellis development project and of modifying the entitlements and the development agreement for the project (collectively, "the Revised Entitlements"), all of which have been designed to address and remedy "those issues that the trial judge found objectionable" in his Statement of Decision and Judgment. It is presently contemplated that the City Council will consider this revised EIR for possible certification, and consider the Revised Entitlements and development agreement for possible adoption, in the near future.

The City does not expect that certification of the revised EIR and its adoption of the Revised Entitlements will render appellate review of the current case unnecessary. Based upon comments received thus far, it appears that there will be additional litigation challenging any such actions. If so, that additional litigation will render the legal validity of any such actions uncertain. The City (as well as Real Parties) thus wish to preserve their right to proceed under the original approvals, the legal validity of which are the subject of the present appeal. In fact, a favorable decision in the present appeal may well

render pursuit of the anticipated subsequent litigation unnecessary, or it may well significantly narrow the issues in the anticipated subsequent litigation.

It should be noted that any City approval of the Revised Entitlements is expected to be designed to supersede and replace the City's original approvals for the Ellis project. Thus, if the City's approval of the Revised Entitlements is set aside (e.g., as a result of litigation), the City's underlying original approvals will still be in place, assuming that the City and Real Parties are successful in the present appeal and the judgment and writ mandating that those original approvals be set aside is reversed.

In the event that the City certifies the revised EIR and approves the Revised Entitlements and no legal challenge is filed to those actions, and such actions are thus allowed to become truly "final," it might be argued that appellate review of the current appeal could become unnecessary. However, this argument ignores the pendency of the City's and Real Parties' separate appeal of the underlying award of attorneys fees, which requires resolution of the underlying issues raised in this appeal (as further discussed in Real Parties' letter brief). In any event, it is premature to consider this question now. Also, it should be noted that the statute of limitations for filing a legal challenge alleging violation of CEQA is extremely short – only 30 days from the filing of the Notice of Determination. (Pub. Resources Code § 21167, subd. (c)) Likewise, any other legal challenge (not based on CEQA issues) to the City's approval of the Revised Entitlements (which include a specific plan and a development agreement) would have to be filed within 90 days. (Gov. Code § 65009, subd. (c)(1)). Thus, it will be known very soon after any such approval whether such subsequent legal challenge will be filed.

Courts have held that, in some circumstances, a party's "voluntary" compliance with a judgment "impliedly waives the right to appeal from it." (*Ryan v. California Interscholastic Federation* (2001) 94 Cal.App.4th 1033, 1040.) There are various factors which have caused courts to determine that a party has waived its right to appeal by voluntarily complying with a judgment. None of these factors exist in the present case:

1. **Allowing the time to appeal lapse.** Obviously, where a party has allowed the time to appeal a judgment to lapse without appealing, and has instead purported to comply with the judgment, the party cannot later appeal from that judgment. This was, in fact, the case in *City of Carmel-by-the-Sea v. Monterey County Board of Supervisors* (1982) 137 Cal.App.3d 964, 970-971.) In that case, judgment issuing a writ of mandate had been entered on January 23, 1981, and, ***without appealing***, the respondent filed a return on May 11, 1981 indicating that it had complied. It only later filed an appeal ***after***

the court determined, by order filed July 27, 1981, that the respondent did not adequately comply. With no analysis (because really, under the facts, no analysis was necessary), the appellate court held that respondent waived its right to appeal. The court cited *Carroll v. Civil Service Commission* (1970) 11 Cal.App.3d 727, 733, another case where an appeal was barred because the time to appeal had expired.

The court in *City of Carmel-by-the-Sea* does make the general statement that an agency subject to a writ has "two options available to it: either to appeal that judgment or to comply with it." (137 Cal.App.3d at 970.) But the court did not state that a party who does, in fact, timely elect to appeal from a judgment automatically loses its right to pursue that appeal if it later takes action to comply with it. The cases it cited do not hold that, nor is there any basis in the law for finding such an automatic waiver (except where one of the factors discussed herein is satisfied).

Obviously, in the present case, both the City and Real Parties timely appealed from the judgment. Thus, *City of Carmel-by-the-Sea* does not apply here.

2. **Affirmatively stating an intent to acquiesce to the judgment.** Where a respondent in a writ of mandate action files a return to the writ or other pleadings indicating an intent to fully comply with, and acquiesce to, a judgment issuing a writ, courts have found a waiver to the right to appeal. This was the other factor identified in the *City of Carmel-by-the-Sea* case. (137 Cal.App.3d at 970-971; see also *Ryan v. California Interscholastic Federation, supra*, 94 Cal.App.4th at 1041-1042 [respondent waived right to appeal by stating in "its trial papers that they had voluntarily complied with the mandamus order, had no intent to relitigate the issue of athletic eligibility, and had no interest in encumbering Ryan or any third parties with continuing questions regarding his eligibility"].) This factor can be particularly controlling when innocent third parties are in a position to detrimentally rely upon a respondent's statement that it was complying with a writ. In the *Ryan* case, the respondent stated that it was complying with a judgment to allow a high school senior to play sports. The court noted that, had the judgment been reversed, the school could have been penalized for allowing an ineligible student to play. (94 Cal.App.4th at 1043 ["We question whether [the school] would have allowed Ryan to participate had it known that [respondent] was not 'really' complying with the judgment and would potentially seek sanctions against the school several years later."].) This factor obviously does not apply here – the City and Real Parties have clearly preserved their appellate rights in the current litigation.

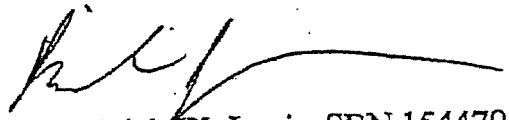
3. **Allowing a dispute to become legally moot.** In some cases, a respondent's compliance with a writ will render a dispute genuinely moot. For example, in the *Ryan* case, the respondent complied with a writ commanding it to allow a high school senior to be eligible to participate in student athletics. By the time of the appeal, the student had graduated, and the dispute was moot as to him. (*Ryan, supra*, 94 Cal.App.4th at 1043.) Likewise, in *Building a Better Redondo v. City of Redondo Beach* (2012) 203 Cal.App.4th 852, a city's compliance with a writ compelling it to submit a local coastal program to public vote mooted the appeal after the voters already voted to approve it. In the present case, however, any certification of the revised EIR, and any approval of the Revised Entitlements, is not expected to render moot any legal issue raised in this appeal, especially since those actions themselves are expected to become the subject of a subsequent legal challenge.

4. **Accepting the benefit of a judgment before appealing it.** Finally, waiver of a right to appeal a judgment may be implied where the judgment was partially to the appellant's benefit, and the appellant has already received "the fruits of a judgment." (*Reitano v. Yankwich* (1951) 38 Cal.2d 1, 7.) In other words, "[c]ompliance with a judgment must be shown by way of compromise or an agreement not to appeal. Similarly, voluntary acceptance of the benefit of the judgment bars an appeal from that judgment. Acceptance, however, must be unconditional, voluntary, and absolute." (*Schmidt v. Retirement Board* (1995) 37 Cal.App.4th 1204, 1209, internal citations and quotations omitted.) Obviously, in the present case, neither the City nor Real Parties received any benefit from the judgment and subsequent award of attorneys fees from which they are appealing.

Thus, for all of the reasons explained above and in the separate letter brief of Real Parties, the City does not expect recent or near-future developments to render resolution of the pending appeal unnecessary.

Very truly yours,

JARVIS, FAY, DOPORTO & GIBSON, LLP



by: Rick W. Jarvis, SBN 154479
Counsel for Respondent City of Tracy

c: (see attached proof of service)

DECLARATION OF SERVICE

I, the undersigned, declare as follows:

I am a citizen of the United States and employed in the County of Alameda; I am over the age of eighteen years and not a party to the within entitled action; my business address is Jarvis, Fay, Doporto & Gibson, LLP, 492 Ninth Street, Oakland, California 94607.

On December 11, 2012, I served the within

SUPPLEMENTAL LETTER BRIEF DATED DECEMBER 11, 2012

on the parties in this action, by placing a true copy thereof in a sealed envelope, each envelope addressed as follows:

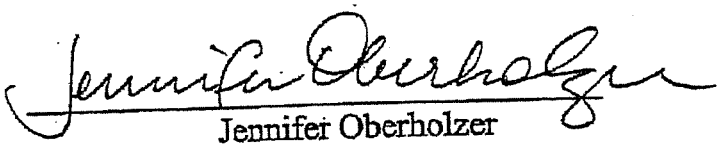
Mark V. Connolly Connolly Law Building 121 E. 11th Street Tracy, CA 95376	*Attorneys for Petitioner and Respondent TRACY REGION ALLIANCE FOR A QUALITY COMMUNITY*
Tony J. Tanke Law Offices of Tony Tanke 2050 Lyndell Terrace, Suite 240 Davis, CA 95616	*Attorneys for Petitioner and Respondent TRACY REGION ALLIANCE FOR A QUALITY COMMUNITY*
George B. Speir Arthur F. Coon Miller Starr Regalia 1331 N. California Blvd., 5th Floor Walnut Creek, CA 94596	*Attorneys for Appellant and Real Parties in Interest SURLAND COMMUNITIES, et al.*

Daniel Sodergren
City Attorney
City of Tracy
333 Civic Center Plaza
Tracy, CA 95376-4062

Attorneys for Appellant and Respondent CITY OF TRACY

I caused each such envelope, with postage thereon fully prepaid, to be placed in the United States mail to be mailed by First Class mail at Oakland, California.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed on December 11, 2012, at Oakland, California.



Jennifer Oberholzer

EXHIBIT B

Doc #: 2012-174490
12/28/2012 12:44:02 PM
Page: 1 of 11 Fee: $44.00
Kenneth W Blakemore
San Joaquin County Recorders
Paid By: SHOWN ON DOCUMENT

RECORDING REQUESTED BY:
AND WHEN RECORDED MAIL TO:

Surland Communities LLC
1024 Central Ave.
Tracy, CA 95376

Space above this line for Recorder's use.

NOTICE OF ASSIGNMENT OF INTEREST IN OPTION AGREEMENT AND OF EXERCISE OF OPTION

This Notice of Assignment of Interest in Option Agreement and of Exercise of Option is made on November 19, 2012 by and between TRACY/LAMMERS INVESTMENTS LLC, a California limited liability company (hereinafter "Assignor"), and SURLAND COMMUNITIES LLC, a California limited liability company (hereinafter "Assignee"), with the consent of TUSO FARMS, INC., a California corporation, and MARGARET TUSO.

RECITALS:

WHEREAS, by Option to Purchase Agreement dated as of March 17, 1994, Assignor's predecessors in interest acquired from TUSO FARMS, INC. and MARGARET TUSO, a widow and unmarried woman (collectively, "Optionors"), an option ("Original Option") to purchase approximately 170.46 acres of land in San Joaquin County, California, known as APN 240-140-16, 240-140-18, 240-140-22 and 240-140-23 (the "Property"), which Property is more particularly described in Exhibit "A" attached hereto and incorporated herein by this reference as if set forth at length, on certain terms and conditions set forth in the Option to Purchase Agreement;

Description: San Joaquin,CA Document-Year.DocID 2012.174490 Page: 1 of 11
Order: steve Comment:

WHEREAS, a written memorandum of the Original Option dated as of March 17, 1994 was recorded in the official Records of San Joaquin County, California on July 20, 1994 as Recorder's Instrument No. 94085246;

WHEREAS, on April 21, 1998, Optionors and Assignor's predecessors in interest entered into a First Amendment to Option to Purchase which modified certain terms and conditions of the Original Option;

WHEREAS, a written memorandum of the First Amendment to Purchase Agreement was recorded in the Official Records of San Joaquin County, California on May 5, 1998 as Recorder's Instrument No. 98052416;

WHEREAS, on July 13, 1999, Optionors and Assignor's predecessors in interest entered into a Restated and Amended Option Agreement ("Restated Option Agreement") which modified and amended the terms and conditions;

WHEREAS, on February 1, 2002, Optionors and Assignor's predecessor in interest entered into a First Amendment to Restated and Amended Option Agreement which modified and amended the terms and conditions of the Restated Option Agreement;

WHEREAS, on January 22, 2004, Optionors and Assignor's predecessor interest entered into a Second Amendment to Restated and Amended Option Agreement which modified and amended the terms and conditions of the Restated Option Agreement, as amended;

WHEREAS, with the approval of Optionors, Assignor's predecessors in interest assigned to Assignor all of their right, title and interest to the Property under the Option to Purchase Agreement, as amended, and the Restated Option Agreement, as amended;

WHEREAS, on July 11, 2005, written notices of the Assignments of Interest in Option Agreement were recorded in the Official Records of San Joaquin County, California as document numbers 2005-167375 and 2005-167376;

WHEREAS, Assignor has purchased the property known as APN 240-140-23 outside the terms of the Restated Option Agreement and such property is no longer part of the

Description: San Joaquin,CA Document-Year.DocID 2012.174490 Page: 2 of 11
Order: steve Comment:

optioned Property, with the property remaining subject to the Restated Option Agreement being described on the attached Exhibit B ("Remaining Optioned Property"); and

WHEREAS, with the approval of Optionors, Assignor has assigned to Assignee all of its right, title and interest to the Property under the Original Option Agreement, as amended, and under Restated Option Agreement, as amended, and Assignor and Assignee have entered into with Optionors a Second Restated and Amended Option Agreement dated as of November 19, 2012 ("Second Restated Option Agreement"), which amended and restated the terms and conditions of the Restated Option Agreement, as amended.

NOW, THEREFORE, and for fair and valuable consideration, the receipt of which is hereby acknowledged, and the promises and covenants contained herein, Assignors and Assignee agree as follows:

1. Pursuant to the Second Restated Option Agreement, with the consent of Optionors, Assignor has assigned to Assignee all of Assignor's right, title, interest in and to the Original Option, as amended, and in and to the Restated Option Agreement, as amended, and in and to the Second Restated Option Agreement, and delegated to Assignee all of Assignors' duties and obligations of performance under the Original Option, as amended, and the Restated Option Agreement, as amended, and the Second Restated Option Agreement, and Assignee agreed to assume and perform all duties and obligations that Assignor assigned, as if Assignee has been an original party to the agreements.

2. Notice is hereby given that the Second Restated Option Agreement is binding on and shall inure to the benefit of the respective heirs, devisees, legatees, executors, administrators, trustees, successors and assigns of the parties to the Second Restated Option Agreement.

3. Further notice is hereby given that the Second Restated Option Agreement shall be governed by and construed in accordance with California law.

4. Further notice is hereby given that Assignee has fully exercised its purchase rights under the Second Restated Option Agreement for the entire Remaining Optioned

Description: San Joaquin,CA Document-Year.DocID 2012.174490 Page: 3 of 11
Order: steve Comment:

Property with closing to occur on or before April 30, 2013, on the date to be fixed by Optionors to allow time for Optionors to structure a Section1031 like kind exchange.

5. Optionors sign below solely to evidence their consent to the assignments set forth herein, to confirm Assignee's rights under the Second Restated Option Agreement to the Remaining Optioned Property and to confirm Assignee's exercise of the Second Restated Option Agreement as set forth herein. Assignor, Assignee and Tuso Farms, Inc. confirm that, pursuant to the terms of the Second Restated Option Agreement, Margaret Tuso is no longer a party to any option and is released from all liability thereunder.

IN WITNESS WHEREOF, the parties have executed this Notice of Assignment of Interest in Option Agreement and of Exercise of Option upon and as of the date indicated below.

DATED: ~~November~~ 20, 2012

SURLAND COMMUNITIES LLC

By: _____
Les Serpa, Its President

DATED: ~~November~~ December 27, 2012

TRACY/LAMMERS INVESTMENTS LLC

By: _____
Earl F. Glock, Its Assistant Manager/Vice President

DATED: ~~November~~ December 20, 2012

TUSO FARMS, INC.

By: _____
Marie Nemirofsky, Its President

DATED: ~~November~~ December 20, 2012

_____
MARGARET TUSO

By: _____
Marie Nemirofsky
Her Attorney in Fact

Description: San Joaquin,CA Document-Year.DocID 2012.174490 Page: 4 of 11
Order: steve Comment:

ACKNOWLEDGMENT

State of California
County of Contra Costa)

On December 20, 2012 before me, Kirstie L. McKenzie Notary Public
(insert name and title of the officer)

personally appeared B. Marie Nemirofsky,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature Kirstie L. McKenzie (Seal)

KIRSTIE L. MCKENZIE
Commission # 1947679
Notary Public - California
San Joaquin County
My Comm. Expires Sep 8, 2015

ACKNOWLEDGEMENT

District of Columbia)

On **December 24, 2012** before me, **Reynaldo Lopez**, Notary Public, personally appeared **Earl F. Glock**

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California and the District of Columbia that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature

This area for official notarial seal.

ACKNOWLEDGMENT

State of California
County of San Joaquin

On December 21, 2012 before me, Kirstie L. McKenzie Notary Public
(insert name and title of the officer)

personally appeared Les Serpa,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

KIRSTIE L. MCKENZIE
Commission # 1947679
Notary Public - California
San Joaquin County
My Comm. Expires Sep 8, 2015

Signature _____ (Seal)

EXHIBIT A

LEGAL DESCRIPTION OF ORIGINAL OPTIONED PROPERTY

PARCEL NO. 1:
A portion of Section 6, Township 3, South, Range 5 East, Mount Diablo Base and Meridian according to the Official Plat thereof, more particularly described as follows: Beginning at an iron pipe in the East line of the Southwest 1/4 of said Section 6, bearing South 0° 17' East 4220.90 feet from the iron bolt at the Northeast corner of the Northwest 1/4 of said Section 6; thence along the East line of the Southwest 1/4 of said Section 6, South 0° 17' East, 964.50 feet to iron pipe in the North line of right of way the Western Pacific Railroad; thence along the North line of said right of way being 50 feet North of the center line of the main line tract of said railroad, South 89° 49' West 1796.43 feet to an iron rod at the Southeast corner of the tract of land conveyed to the United States of America by Deed recorded in Book of Official Records of San Joaquin County, Vol. 1061, Page 45, San Joaquin County Records; thence along the Northeasterly boundary line of said property conveyed to the United States of America, as follows: North 74° 58' West 550.5 feet to an iron rod; North 16° 08' West 317.4 feet to an iron rod; North 58° 09' West 1563.2 feet to an iron rod; South 89° 41' West 437.8 feet to an iron rod in the East line of the Lammers Road which is 25 feet East of the West line of said Section 6; thence along the East line of the Lammers Road, North 0° 11' West 40 feet to an iron pipe; thence 89° 41' East 449.24 feet to an iron pipe; thence South 58° 09' East 677.57 feet to an iron pipe; thence North 89° 43' 30" East 3152.53 feet to the point of beginning.

APN: 240-140-18

PARCEL NO. 2:
A tract of land situated in the County of San Joaquin, State of California in the Southwest 1/4 of Section 6, Township 3 South, Range 5 East, Mount Diablo Base and Meridian, more particularly described as follows: Parcel 2 as shown upon Parcel Map recorded December 31, 1992 in Book of Parcel Maps, Vol. 18, Page 167, San Joaquin County Records.

APN: 240-140-22

PARCEL NO. 3:
A tract of land situate in the Southwest 1/4 of Section 6 Township 3 South, Range 5 East, Mount Diablo Base and Meridian, more particularly described as follows: Beginning at an iron pipe in the East line of the Northwest 1/4 of said Section 6 bearing South 0° 17' East, 2977.36 feet from the iron bolt at the Northeast corner of the Northwest 1/4 of Section 6; thence along the East line of the Southwest 1/4 of said Section 6, South 0° 17' East 590.08 feet to an iron pipe; thence South 89° 43' 30" West, 4175.03 feet to an iron pipe in the East line of the Lammers Road which is 25 feet East of the West line of said Section 6; thence along the East line of said Lammers Road, North 0° 11' West 590.08 feet to an iron pipe; thence North 89° 43' 30" East, 4174 feet to the point of beginning. Except a portion of the Southwest 1/4 of Section 6, Township 3 South, Range 5 East, Mount Diablo Base and Meridian, more particularly described as follows: Beginning at a 1 inch iron pipe at the Northwest corner of that certain

Description: San Joaquin,CA Document-Year.DocID 2012.174490 Page: 8 of 11
Order: steve Comment:

tract of land described in a Deed to Roy Tuso and Margaret Tuso, husband and wife, recorded June 8, 1949, in Book of Official Records, Vol. 1213, Page 30, San Joaquin County Records, said point of beginning being on the East line of Lammers Road (a 50 foot road); thence along the North line of said Tuso property North 89° 44' 00" East 710.00 feet to a 3/4 inch iron pipe; thence South 0° 11' East 17.00 feet to a 3/4 inch iron pipe; thence South 89° 44' 00" West, and parallel to the North line of said Tuso property, a distance of 710.00 feet to a 3/4 inch iron pipe on the East line of said Lammers Road; thence along the East line of Lammers Road North 0° 11' West, 17.00 feet to the point of beginning.

APN: 240-140-16

PARCEL NO. 4:
A portion of the Southwest Quarter of Section 6, Township 3 South, Range 5 East, Mount Diablo Base and Meridian, more particularly described as follows: Parcel 1, as shown on that certain Parcel Map filed for record December 31, 1992, in Book 18 of Parcel Maps, at Page 167, San Joaquin County Records.

APN: 240-140-23

Description: San Joaquin,CA Document-Year.DocID 2012.174490 Page: 9 of 11
Order: steve Comment:

EXHIBIT B

LEGAL DESCRIPTION OF REMAINING OPTIONED PROPERTY

PARCEL NO. 1:
A portion of Section 6, Township 3, South, Range 5 East, Mount Diablo Base and Meridian according to the Official Plat thereof, more particularly described as follows: Beginning at an iron pipe in the East line of the Southwest 1/4 of said Section 6, bearing South 0° 17' East 4220.90 feet from the iron bolt at the Northeast corner of the Northwest 1/4 of said Section 6; thence along the East line of the Southwest 1/4 of said Section 6, South 0° 17' East, 964.50 feet to iron pipe in the North line of right of way the Western Pacific Railroad; thence along the North line of said right of way being 50 feet North of the center line of the main line tract of said railroad, South 89° 49' West 1796.43 feet to an iron rod at the Southeast corner of the tract of land conveyed to the United States of America by Deed recorded in Book of Official Records of San Joaquin County, Vol. 1061, Page 45, San Joaquin County Records; thence along the Northeasterly boundary line of said property conveyed to the United States of America, as follows:

North 74° 58' West 550.5 feet to an iron rod; North 16° 08' West 317.4 feet to an iron rod; North 58° 09' West 1563.2 feet to an iron rod; South 89° 41' West 437.8 feet to an iron rod in the East line of the Lammers Road which is 25 feet East of the West line of said Section 6; thence along the East line of the Lammers Road, North 0° 11' West 40 feet to an iron pipe; thence 89° 41' East 449.24 feet to an iron pipe; thence South 58° 09' East 677.57 feet to an iron pipe; thence North 89° 43' 30" East 3152.53 feet to the point of beginning.

APN: 240-140-18

PARCEL NO. 2:
A tract of land situated in the County of San Joaquin, State of California in the Southwest 1/4 of Section 6, Township 3 South, Range 5 East, Mount Diablo Base and Meridian, more particularly described as follows: Parcel 2 as shown upon Parcel Map recorded December 31, 1992 in Book of Parcel Maps, Vol. 18, Page 167, San Joaquin County Records.

APN: 240-140-22

PARCEL NO. 3:
A tract of land situated in the Southwest 1/4 of Section 6 Township 3 South, Range 5 East, Mount Diablo Base and Meridian, more particularly described as follows: Beginning at an iron pipe in the East line of the Northwest 1/4 of said Section 6 bearing South 0° 17' East, 2977.36 feet from the iron bolt at the Northeast corner of the Northwest 1/4 of Section 6; thence along the East line of the Southwest 1/4 of said Section 6, South 0° 17' East 590.08 feet to an iron pipe; thence South 89° 43' 30" West, 4175.03 feet to an iron pipe in the East line of the Lammers Road which is 25 feet East of the West line of said Section 6; thence along the East line of said Lammers Road, North 0° 11' West 590.08 feet to an iron pipe; thence North 89° 43' 30" East, 4174 feet to the point of beginning.

Description: San Joaquin,CA Document-Year.DocID 2012.174490 Page: 10 of 11
Order: steve Comment:

Except a portion of the Southwest 1/4 of Section 6, Township 3 South, Range 5 East, Mount Diablo Base and Meridian, more particularly described as follows:

Beginning at a 1 inch iron pipe at the Northwest corner of that certain tract of land described in a Deed to Roy Tuso and Margaret Tuso, husband and wife, recorded June 8, 1949, in Book of Official Records, Vol. 1213, Page 30, San Joaquin County Records, said point of beginning being on the East line of Lammers Road (a 50 foot road); thence along the North line of said Tuso property North 89° 44' 00" East 710.00 feet to a 3/4 inch iron pipe; thence South 0° 11' East 17.00 feet to a 3/4 inch iron pipe; thence South 89° 44' 00" West, and parallel to the North line of said Tuso property, a distance of 710.00 feet to a 3/4 inch iron pipe on the East line of said Lammers Road; thence along the East line of Lammers Road North 0° 11' West, 17.00 feet to the point of beginning.

APN: 240-140-16

Description: San Joaquin,CA Document-Year.DocID 2012.174490 Page: 11 of 11
Order: steve Comment:

RECORDING REQUESTED BY:
Surland Communities, LLC
~~[illegible]~~

Order No.: ~~[illegible]~~
APN: 240-140-31

When Recorded Mail Document and Tax Statements to:

Surland Communities, LLC
1024 Central Ave
Tracy, Ca. 95376

Doc #: 2012-150533
11/16/2012 02:22:55 PM
Page: 1 of 4 Fee: $23.00
Kenneth W Blakemore
San Joaquin County Recorders
Paid By: SHOWN ON DOCUMENT

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE

Grant Deed

The undersigned grantor(s) declare(s):
Documentary Transfer Tax Is
(X) computed on full value of property conveyed, or
( ) computed on full value less of liens and encumbrances remaining at time of sale.
(X) Unincorporated area: ( ) City of

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,
Western Corral Investments LLC, A California Limited Liability Company

hereby GRANT(S) to
Surland Communities, LLC A California Limited Liability Company

that property in Unincorporated area of San Joaquin County, State of California, described as follows:
* * * See "Exhibit A" attached hereto and made a part hereof. * * *

Date: October 16, 2012

Western Corral Investments LLC, a California limited liability company

By: _____
Earl F. Glock, Its Assistant Manager/Vice President

Description: San Joaquin,CA Document-Year.DocID 2012.150533 Page: 1 of 4
Order: steve Comment:

State of District of Columbia

County of _____

On October 19 2012 before me, Reynaldo Lopez, a Notary Public, personally appeared Earl F. Glock, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

Name Reynaldo Lopez
(typed or printed)

(Area reserved for official notarial seal)

REYNALDO LOPEZ
NOTARY PUBLIC
MY COMMISSION EXPIRES 4 30 2016
DISTRICT OF COLUMBIA

Description: San Joaquin,CA Document-Year.DocID 2012.150533 Page: 2 of 4
Order: steve Comment:

ORDER NO. : 1213012817-PP

EXHIBIT A

The land referred to is situated in the unincorporated area of the County of San Joaquin, State of California, and is described as follows:

The Southeast Quarter of Section 6, Township 3 South, Range 5 East, Mount Diablo Base and Meridian.

EXCEPT THEREFROM that portion in County Road along the Easterly boundary of said Quarter Section, as said road existed on July 17, 1901.

ALSO EXCEPT THEREFROM that portion thereof conveyed to the Western Pacific Railway Company, a railroad corporation, by Deed recorded June 13, 1906 in Book "A" of Deeds, Vol. 145, Page 528, San Joaquin County Records.

ALSO EXCEPT THEREFROM that portion conveyed to Carol Joan Maridon, aka Carol J. Maridon in Deed recorded January 28, 1989 Instrument No. 89057861 and described as follows:

A portion of the Southeast one quarter of the Southeast one quarter of Section 6, Township 3 South, Range 5 East, Mount Diablo Base and Meridian, described as follows:

BEGINNING at an iron rod at the intersection of the West line of a County Road (Corral Hollow Road) and the North line of that certain parcel of real property as originally conveyed to Western Pacific Railroad Company by Deed recorded June 13, 1906 in Book A of Deeds, Vol. 145, Page 528, San Joaquin County Records; said point of beginning being North 0° 12' 00" East, along the Section line, 138.28 feet and North 89° 44' 22" West 30 feet from the Southeast corner of said Section 6, Township 3 South, Range 5 East, Mount Diablo Base and Meridian; and running thence North 89° 44' 22" West along said North line, parallel with, and 50.0 feet distant from the centerline of the existing Union Pacific Railroad tracts, 500.00 feet to an iron road; thence North 0° 12' 00" East, parallel with Corral Hollow Road and the East line of said Section 6, 174.24 feet to an iron rod; thence South 89° 44' 22" East, parallel with said North boundary conveyed to Western Pacific Railroad Company, 500.00 feet to an iron rod on the West line of Corral Hollow Road; thence South 0° 12' 00" West along said West line, 174.24 feet to the point of beginning.

EXCEPT THEREFROM that portion conveyed to the County of San Joaquin in Deed recorded January 27, 1989, Document No. 89007328, Official Records.

ALSO EXCEPT THEREFROM all of Parcel One as shown on that certain Parcel Map entitled "PA-0800181, Parcel Map", filed January 27, 2009, in Book 25 of Parcel Maps, at Page 33, in the Office of the Recorder of San Joaquin County.

Note: The above described parcel of land is also shown as the "Designated Remainder" on that certain Parcel Map entitled "PA-0800181, Parcel Map", filed January 27, 2009, in Book 25 of Parcel Maps, at Page 33, in the Office of the Recorder of San Joaquin County.

Description: San Joaquin,CA Document-Year.DocID 2012.150533 Page: 4 of 4
Order: steve Comment:

APN: 240-140-31

NOTE: It is anticipated that the use of this legal description will not be in violation of the Subdivision Map Act by reason of common ownership of contiguous land or otherwise with the approval by the local jurisdiction.

Any use of this legal description prior to such approval or without satisfactory evidence of compliance with or non-violation of the Act, shall be deemed to be without the consent of Old Republic Title Company and/or its underwriters.

Description: San Joaquin,CA Document-Year.DocID 2012.150533 Page: 3 of 4
Order: steve Comment:

RECORDING REQUESTED BY:
Surland Communities, LLC
~~Old Republic Title Company~~

~~Order No. 12130164 17-PP~~
APN: 240-140-23

When Recorded Mail Document and Tax Statements to:

Surland Communities, LLC A California Limited Liability Company
1024 Central Ave
Tracy, Ca. 95376

Doc #: 2012-150532
11/16/2012 02:22:55 PM
Page: 1 of 3 Fee: $20.00
Kenneth W Blakemore
San Joaquin County Recorders
Paid By: SHOWN ON DOCUMENT

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE

Grant Deed

The undersigned grantor(s) declare(s):
Documentary Transfer Tax is
(X) computed on full value of property conveyed, or
( ) computed on full value less of liens and encumbrances remaining at time of sale.
(X) Unincorporated area: ( ) City of

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,
Tracy/Lammers Investments LLC, A California Limited Liability Company

hereby GRANT(S) to
Surland Communities, LLC A California Limited Liability Company

that property in Unincorporated area of San Joaquin County, State of California, described as follows:
See "Exhibit A" attached hereto and made a part hereof.

Date: October 16, 2012

Tracy/Lammers Investments LLC, a California limited liability company

By: _____
Earl F. Glock, Assistant Manager, Vice President

Description: San Joaquin,CA Document-Year.DocID 2012.150532 Page: 1 of 3
Order: steve Comment:

State of District of Columbia

County of _____

On October 19 2012 before me, Reynaldo Lopez, a Notary Public, personally appeared Earl F. Glock, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the Instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

Name Reynaldo Lopez
(typed or printed)

(Area reserved for official notarial seal)

REYNALDO LOPEZ
NOTARY PUBLIC
MY COMMISSION EXPIRES 4 30 2014
DISTRICT OF COLUMBIA

Description: San Joaquin,CA Document-Year.DocID 2012.150532 Page: 2 of 3
Order: steve Comment:

ORDER NO. : 1213016417-PP

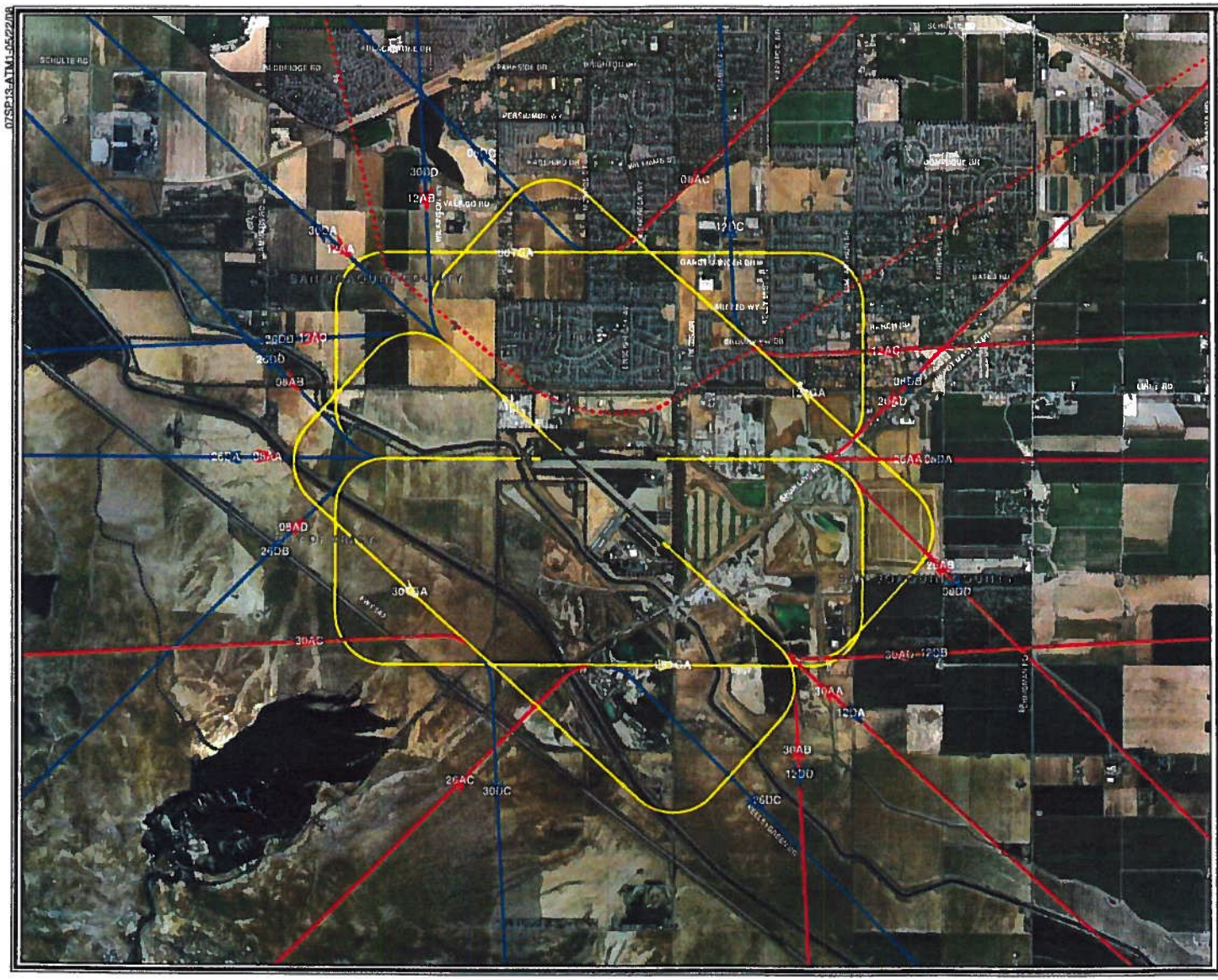
EXHIBIT A

The land referred to is situated in the unincorporated area of the County of San Joaquin, State of California, and is described as follows:

A portion of the Southwest Quarter of Section 6, Township 3 South, Range 5 East, Mount Diablo Base and Meridian, more particularly described as follows: Parcel 1, as shown on that certain Parcel Map filed for record December 31, 1992, in Book 18 of Parcel Maps, at Page 167, San Joaquin County Records.

APN: 240-140-23

Description: San Joaquin,CA Document-Year.DocID 2012.150532 Page: 3 of 3
Order: steve Comment:



LEGEND

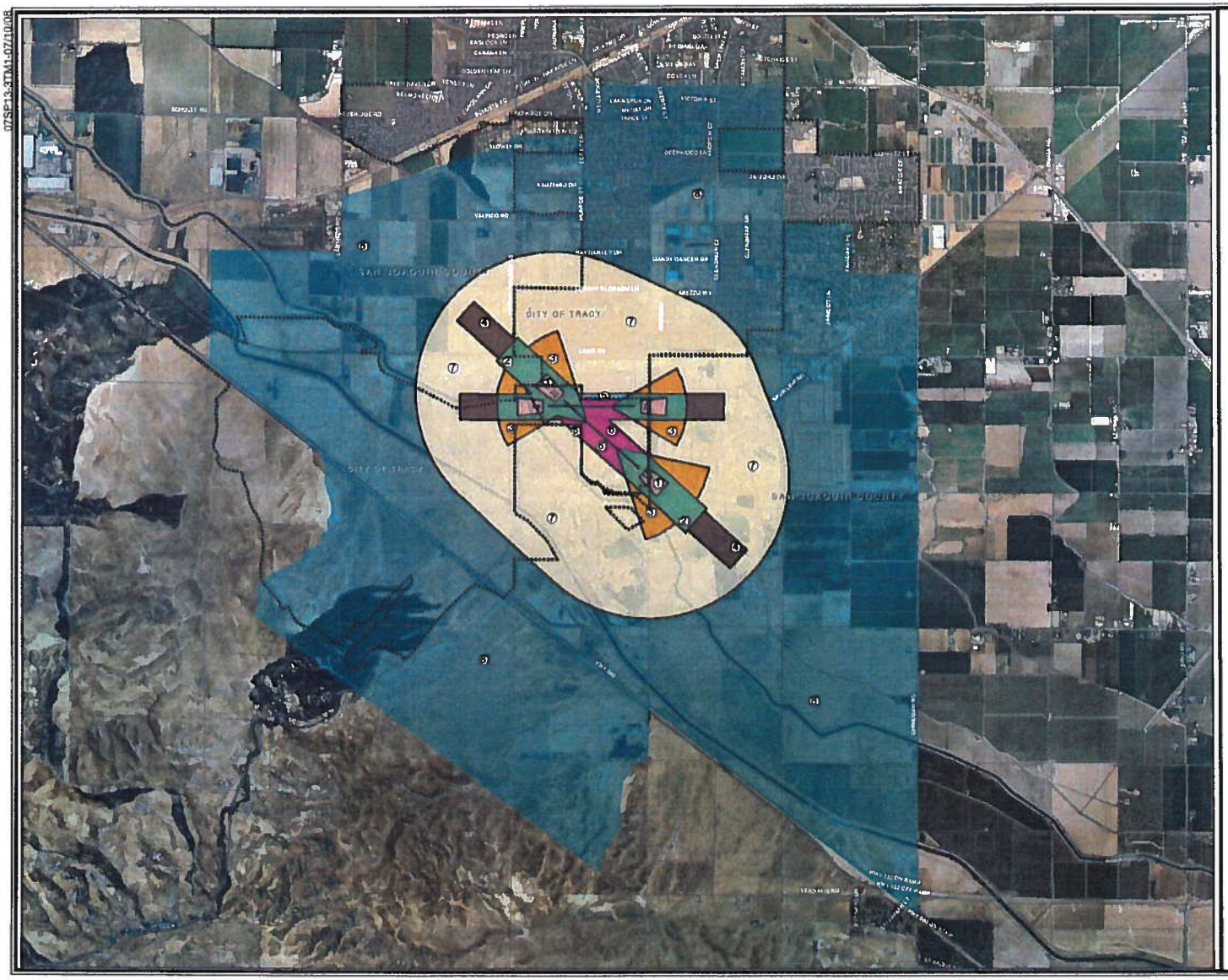
- Airport Property
- Arrival Tracks
- Departure Tracks
- Touch-and-Go Tracks
- Missed Approach

Source: Aerial Photography dated 2006.
San Joaquin Geographic Information System, February 2008.
Coffman Associates analysis.

NORTH

0 3,000
1" = 3,000'

Exhibit ATM-1
TRACY MUNICPAL AIRPORT (TCY)
FLIGHT TRACKS



LEGEND

- Airport Property
- Municipal Boundary

COMPATIBILITY ZONES

1. Runway Protection Zone
2. Inner Approach/Departure Zone
3. Inner Turning Zone
4. Outer Approach/Departure Zone
5. Sideline Safety Zone
6. Airport Property
7. Traffic Pattern Zone
8. Airport Influence Area

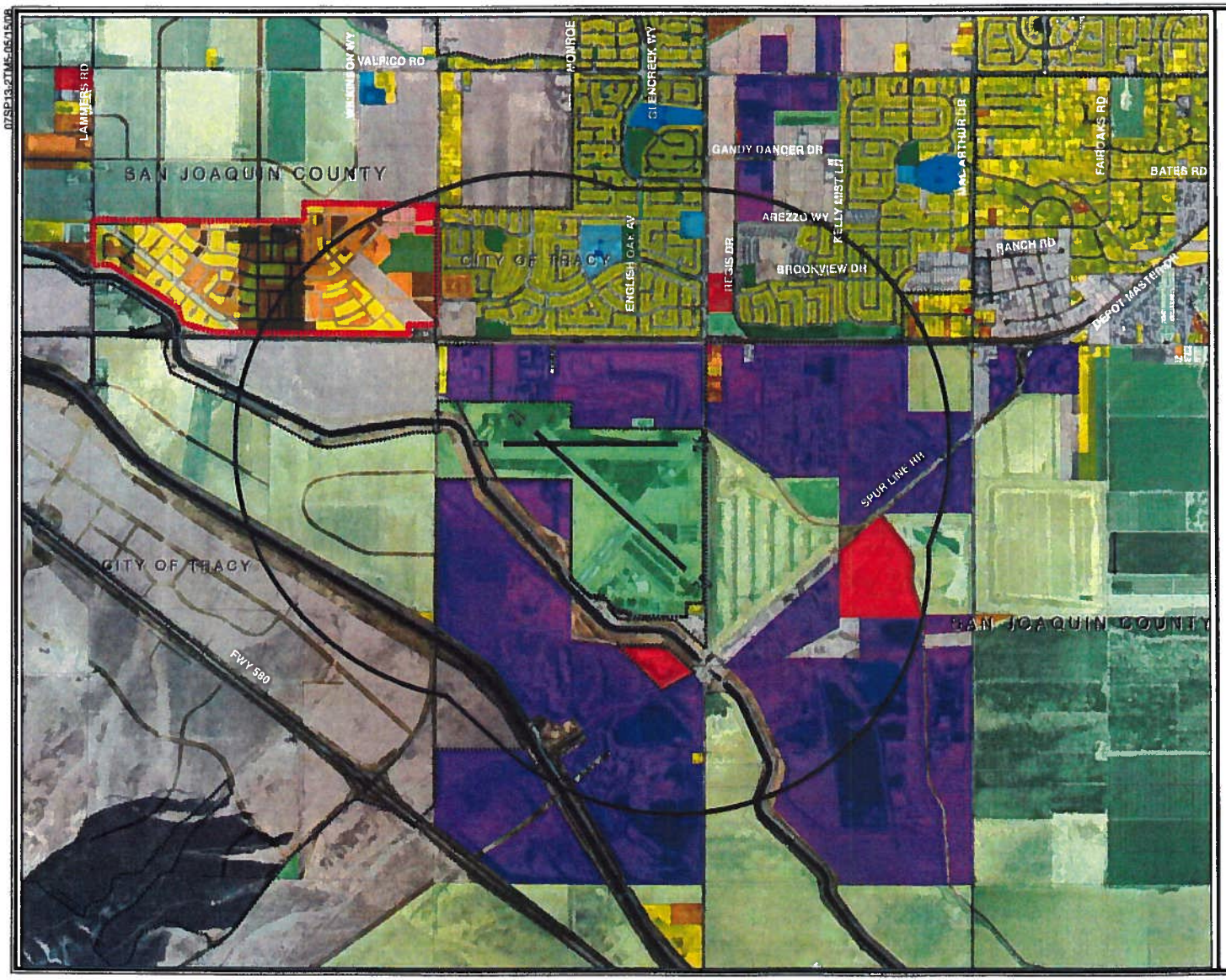
Source: Aerial Photography dated 2006.
San Joaquin Geographic Information System, February 2008.
Coffman Associates Analysis.

NORTH

0 4,000
1" = 4,000'

Exhibit 3TM-1
TRACY MUNICIPAL AIRPORT (TCY)
COMPATIBILITY ZONES

07SP13.3TM1-07/10/08



LEGEND

- Airport Property
- Municipal Boundary
- Part 77 Horizontal Surface
- Agriculture
- Single-Family Residential
- Multi-Family Residential
- Commercial
- Industrial
- Park & Open Space
- Public Facility
- Noise Sensitive
- Schools
- Limited Use/Vacant Land
- Ellis Development Agreement [1]

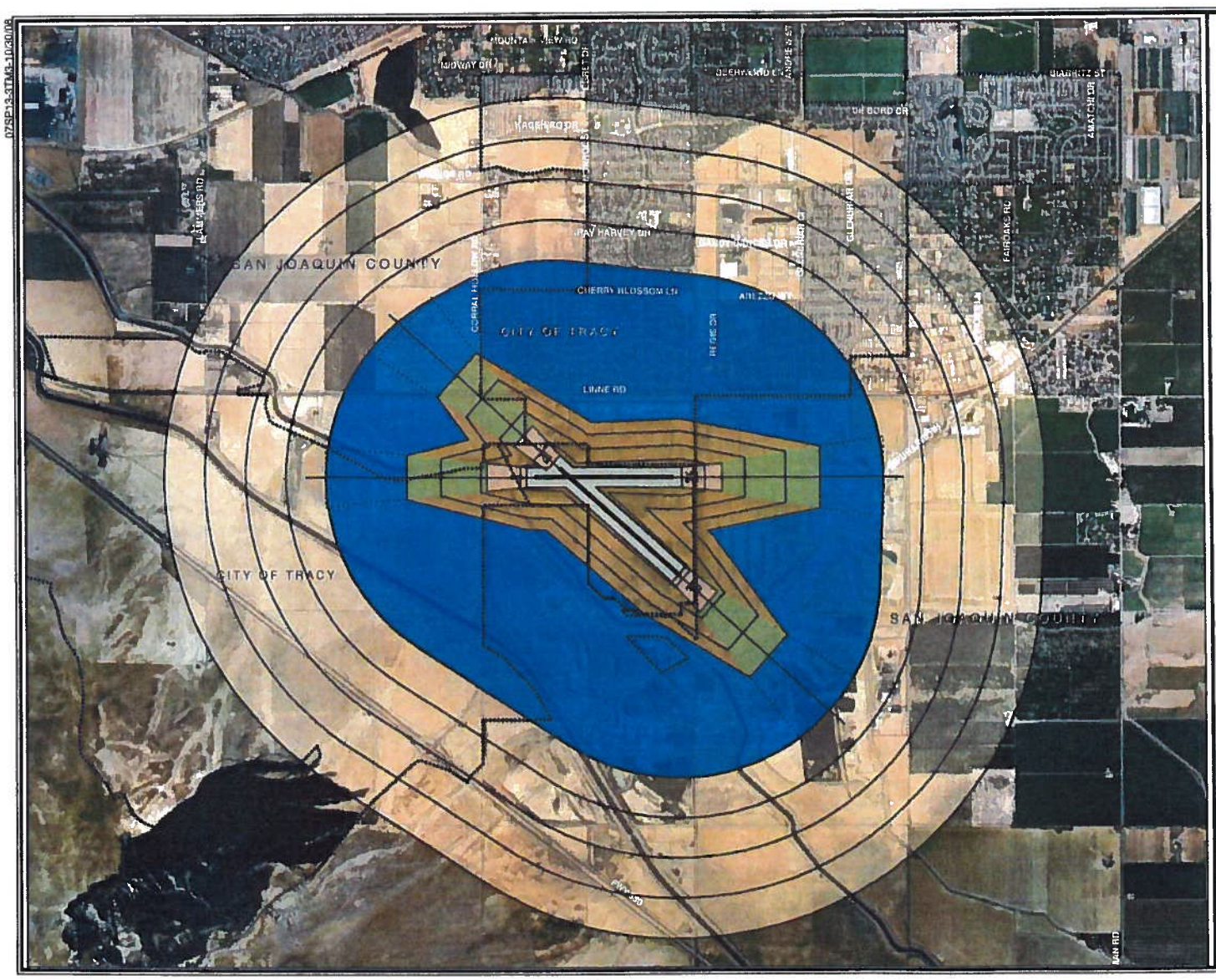
1: A Development Agreement is considered and existing land use.

Source: Aerial Photography dated 2006.
Wind Shelld Survey Feb. 3-7. 2008.
San Joaquin Geographic Information System, February 2008.
Coffman Associates analysis.

NORTH

0 2,000
1" = 2,000'

Exhibit 2TM-5
TRACY MUNICPAL AIRPORT (TCY)
ENVIRONS EXISTING LAND USE



LEGEND

- Airport Property
- Municipal Boundary

14 CFR PART 77 SURFACES

- Conical Surface
- Horizontal Surface
- Approach Surface
- Primary Surface
- Runway Protection Zone
- Transitional Surface

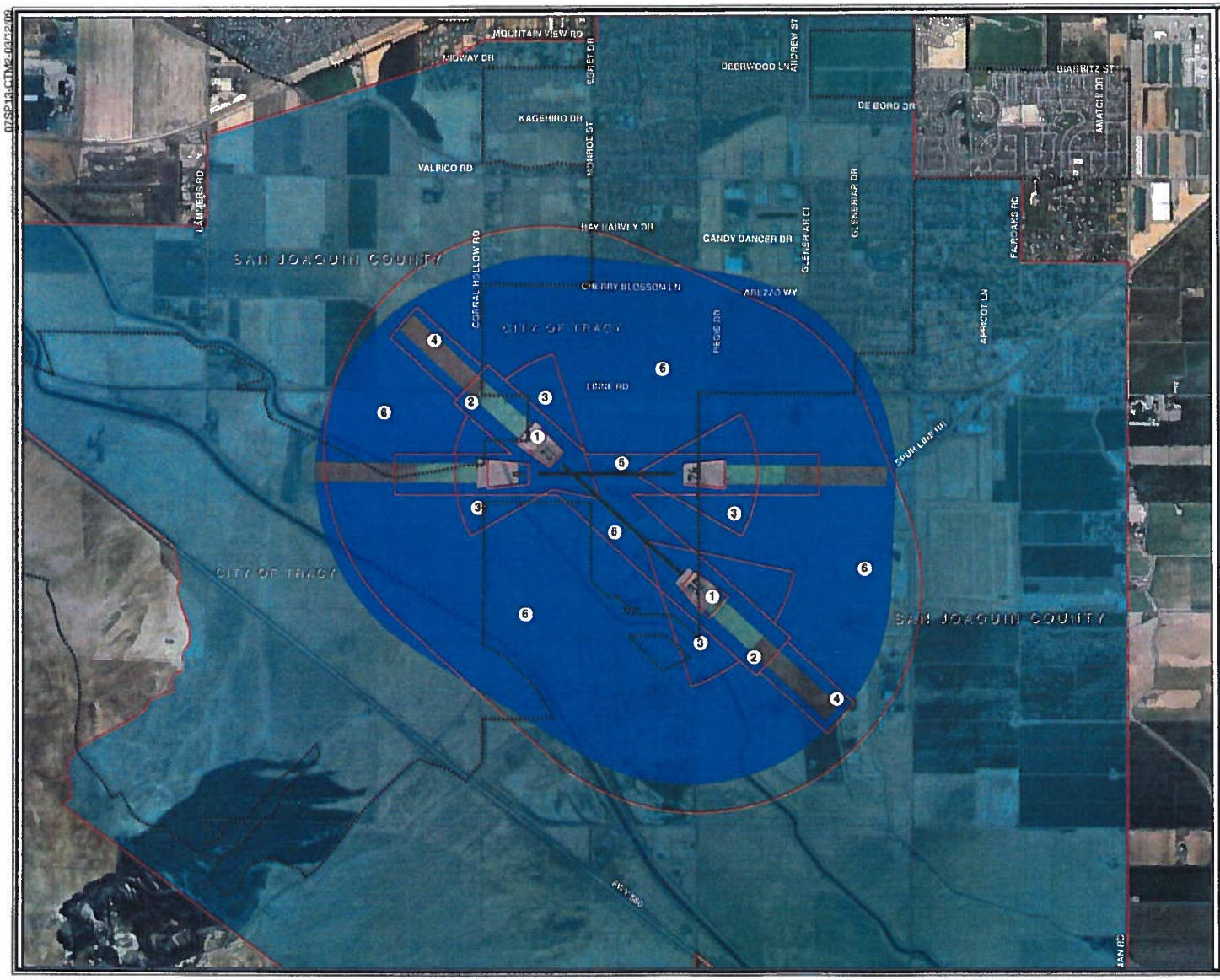
Source: Aerial Photography dated 2006.
San Joaquin Geographic Information System, February 2008.
Tracy Municipal Airport Master Plan, July 8, 1998.

NORTH

0 2,500
1" = 2,500'

Exhibit 3TM-3
TRACY MUNICIPAL AIRPORT (TCY)
PART 77

075P13-3TM3-10/30/08



LEGEND

- Airport Property
- Municipal Boundary
- Airport Influence Area

EXISTING COMPATIBILITY ZONES

- Runway Protection Zone
- Inner Approach Surface
- Outer Approach Surface
- Horizontal Surface

2002 HANDBOOK COMPATIBILITY ZONE GUIDELINES

1. Runway Protection Zone
2. Inner Approach/Departure Zone
3. Inner Turning Zone
4. Outer Approach/Departure Zone
5. Sideline Safety Zone
6. Traffic Pattern Zone

Note: Current compatibility zone guidelines based upon 2002 California Airport Land Use Planning Handbook. Runway 12-30 does not meet the complete criteria for small or medium general aviation safety zones. Therefore, zones for Runway 12-30 are halfway between the medium and small general aviation zones. The short general aviation runway safety zone configuration is used for Runway 08-26.

Source: Aerial Photography dated 2006. San Joaquin Geographic Information System, February 2008. Coffman Associates Analysis.

NORTH

0 2,500

1" = 2,500'

Exhibit CTM-2
TRACY MUNICPAL AIRPORT (TCY)
COMPATIBILITY ZONES

KTCY
Tracy Airport,
An Important Community Asset
That Needs Protection

David Anderson
Tracy Airport Association
A Chapter of California Pilots Association
Ellis EIR
~~September 10, 2012~~
January 22, 2013

EIR & Project Plan

- Adequate risk & safety analysis must be performed.
- Airport-related hazards analysis must be complete and accurate.
  - "ESP would not expose people or property to significant airport-related hazards". This simply is not true as Ellis sits under the approach and departure of Tracy's main runway!
  - "Impact would be less-than-significant and no mitigation is required." EIR concludes that safety and noise impacts from airport were significant but unavoidable !
  - These impacts are directly avoidable through relocating the project. The EIR must legitimately consider alternative locations.
- The Ellis EIR must adequately address the many significant impacts of the development on the airport and its current operations. It does not !
- The EIR/ESP must address the impact of the development on future airport operations. It does not !
- Traffic, pipeline, RR, and school impacts are significant impacts and must be addressed.

EIR concerns

- EIR violates:
  - The Airport Deed agreement with the US Government
  - Title 49, United States Code subtitle VII – FAA Grant Assurances
  - Public Utilities Code Section 21674.7
  - Public Utilities Code Section 21017. "Airport hazard"
  - Public Utilities Code Section 21659 - Hazards Near Airports Prohibited

- Of specific airport concern are sections:

- 1-2 to 1-6
- 3-3
- 3-10
- 3-13
- 3-25
- 4.3-3
- 4.4-1
- 4.5
- 4.7-22
- **4.9-1 4.9-2**
- 4.9-7
- 4.9-9
- 4.9-10
- ***4.9-11***
- 4.9-14
- 4.10-6
- 4.10-8
- 4.10-13
- 4.10-17
- 4.10-23
- 4.10-24
- 6-29

Title 49, US Code, subtitle VII
Grant Assurances

- Upon accepting federal airport grants, the City assured the federal government under Title 49, United States Code that it agreed to several grant assurances. The most important for the operation of the airport require the City to:
  - **B. Duration and Applicability. 1.**
    - • Continue to operate the facility as a public-use airport.
  - **C. 20. Hazard Removal and Mitigation.**
    - It will take appropriate action to assure that such terminal airspace as is required to protect instrument and visual operations to the airport (including established minimum flight altitudes) will be adequately cleared and protected by removing, lowering, relocating, marking, or lighting or otherwise mitigating existing airport hazards and by preventing the establishment or creation of future airport hazards.
  - **C. 21. Compatible Land Use.**
    - It will take appropriate action, to the extent reasonable, including the adoption of zoning laws, to restrict the use of land adjacent to or in the immediate vicinity of the airport to activities and purposes compatible with normal airport operations, including landing and takeoff of aircraft.

The Deed

B. W. Pendarvis
Checked
Legal Kardex

INSTRUMENT OF TRANSFER

KNOW ALL MEN BY THESE PRESENTS:

That, THE UNITED STATES OF AMERICA, acting by and through the

Order 9689, dated

the provisions

able rules,

regulations and orders, party of the first part, in consideration of the

assumption by th

(1) That the aforesaid leased premises and all property described in Parcel One above which together shall hereinafter be called the "airport", shall be used for public airport purposes, and only for such purposes, on

(1) That upon a breach of any of the aforesaid reservations or restrictions by the party of the second part, or any subsequent transferee,

legal inability of said party of the second part or

to perform any of the obligations herein set out, or

right of possession and all other rights transferred

cond part, or any portion thereof, shall at the

the first part revert to the party of the first part

iting by the War Assets Administration or its successor

east sixty (60) days prior to the date fixed for the

e, right of possession and other rights transferred, or

rovided, that, as to installations or structures which

premises without Federal aid, the Government shall

ire title to or use of the same at the then fair

market value of the rights therein to be acquired by the Government.

(1) That insofar as is within its powers and reasonably possible, the party of the second part, and all subsequent transferees, shall prevent any use of land either within or outside the boundaries of the airport, including the construction, erection, alteration, or growth of any structure or other object thereon, which use would be a hazard to the landing, taking-off, or maneuvering of aircraft at the airport, or otherwise limit its usefulness as an airport.

-4-

Airport Deed Requirements

- The City of Tracy "operate the airport property as an airport in perpetuity" (forever).
- *"The prevention of any land use either within or outside the boundaries of the airport that will pose a hazard to landing, taking-off, or maneuvering of aircraft at the airport or otherwise limit its usefulness as an airport."*
- Breach of these deed restrictions allows the Federal Government to take title of the airport upon demand.
- Government can reactivate
  - Defence Depot < 3 miles away

Public Utilities Code

- State Aeronautics Act. - Airport Hazard - **Public Utilities Code 21017.**
  - "Airport hazard" means any structure, object of natural growth, or use of land, which obstructs the air space required for flight of aircraft in landing or taking off at an airport or which is otherwise hazardous to the landing or taking off.
- ✓ SJCOG planners are REQUIRED by California Law, Public Utilities Code 21674.7, to use the Caltrans Airport Land Use Planning Handbook when updating an ALUP.
  - How should this requirement of the Aeronautics Act be interpreted?
    - "To be guided by this *Handbook* in the preparation or modification of airport land use compatibility plans, ALUCs must at least have examined and duly considered the material contained herein. Furthermore, the burden is presumed to be on ALUCs to demonstrate their reasons for deviating greatly from the guidance which this *Handbook* provides." - Caltrans
- ✓ City must using most current safety and noise data from updated 2009 Airport Handbook/COG ALUC analysis as required.
  - City of Watsonville vs. Watsonville Pilots Association
  - City of Tracy/Surland vs. TRAQC

Noise …

Do you really think these folks will be happy with this?

KTCY Traffic Area

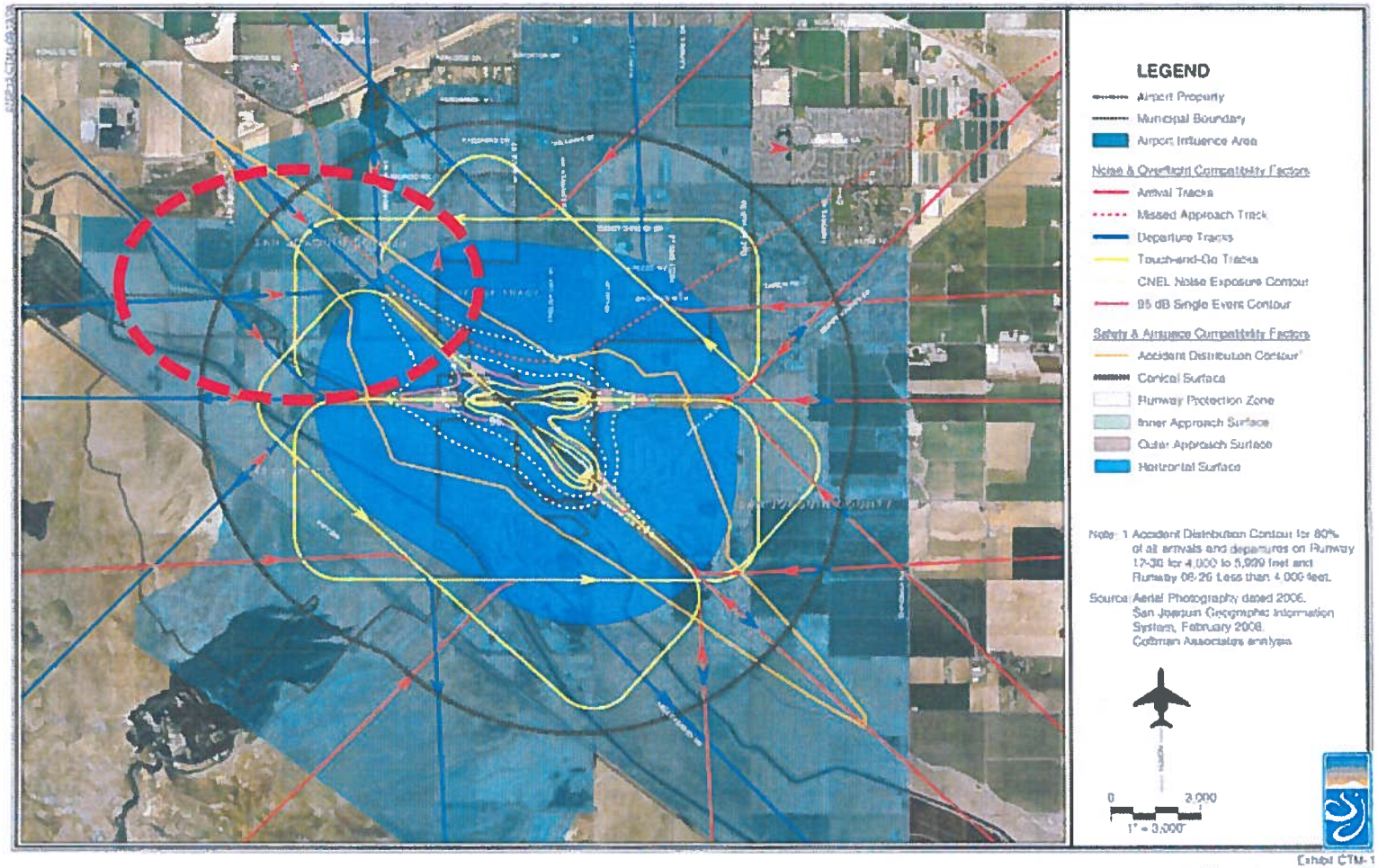


Exhibit CTM-1
TRACY MUNICIPAL AIRPORT (TCY)
COMPATIBILITY FACTORS

Tracy Airport Protection Zones
2009 San Joaquin ALUCP

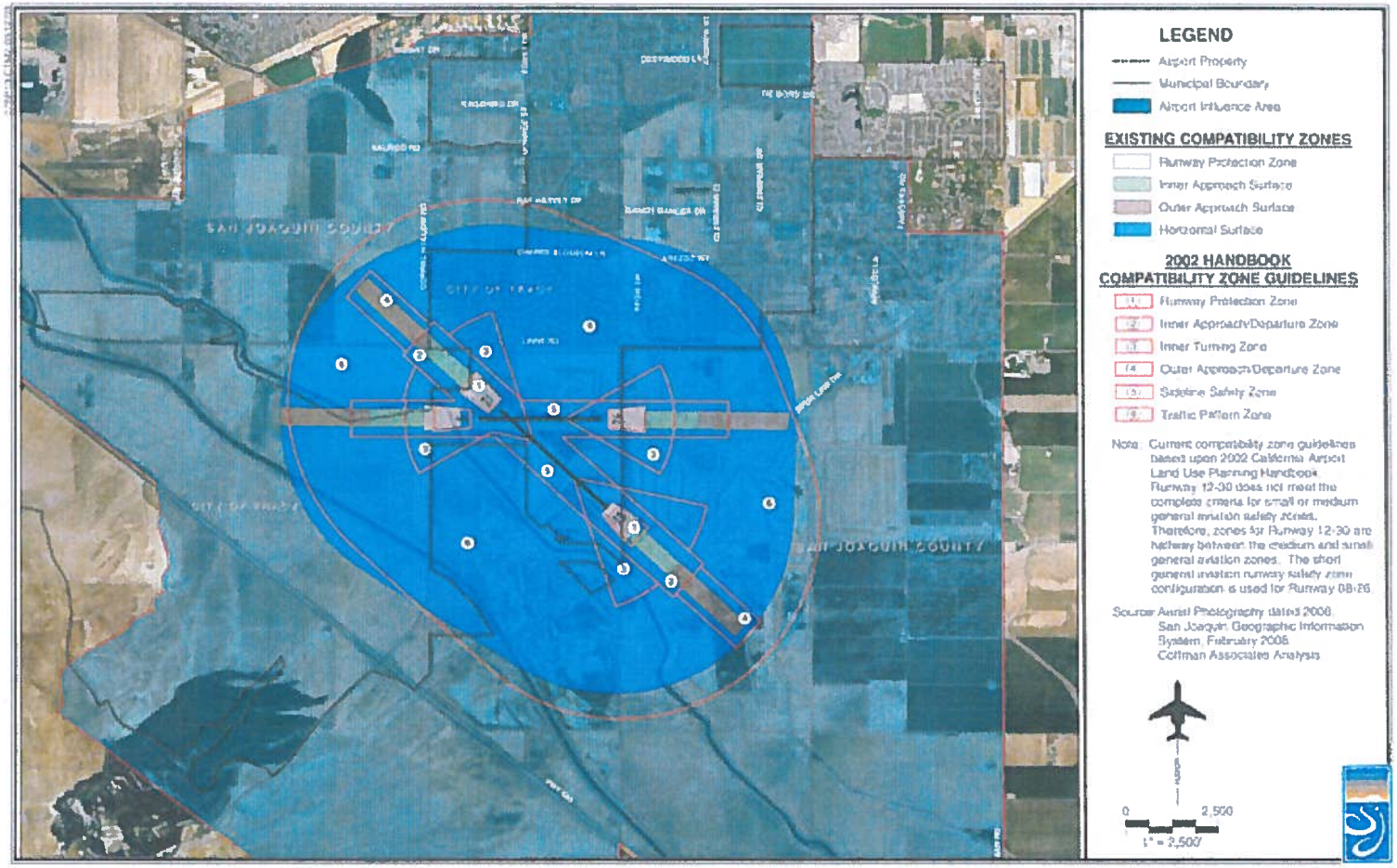
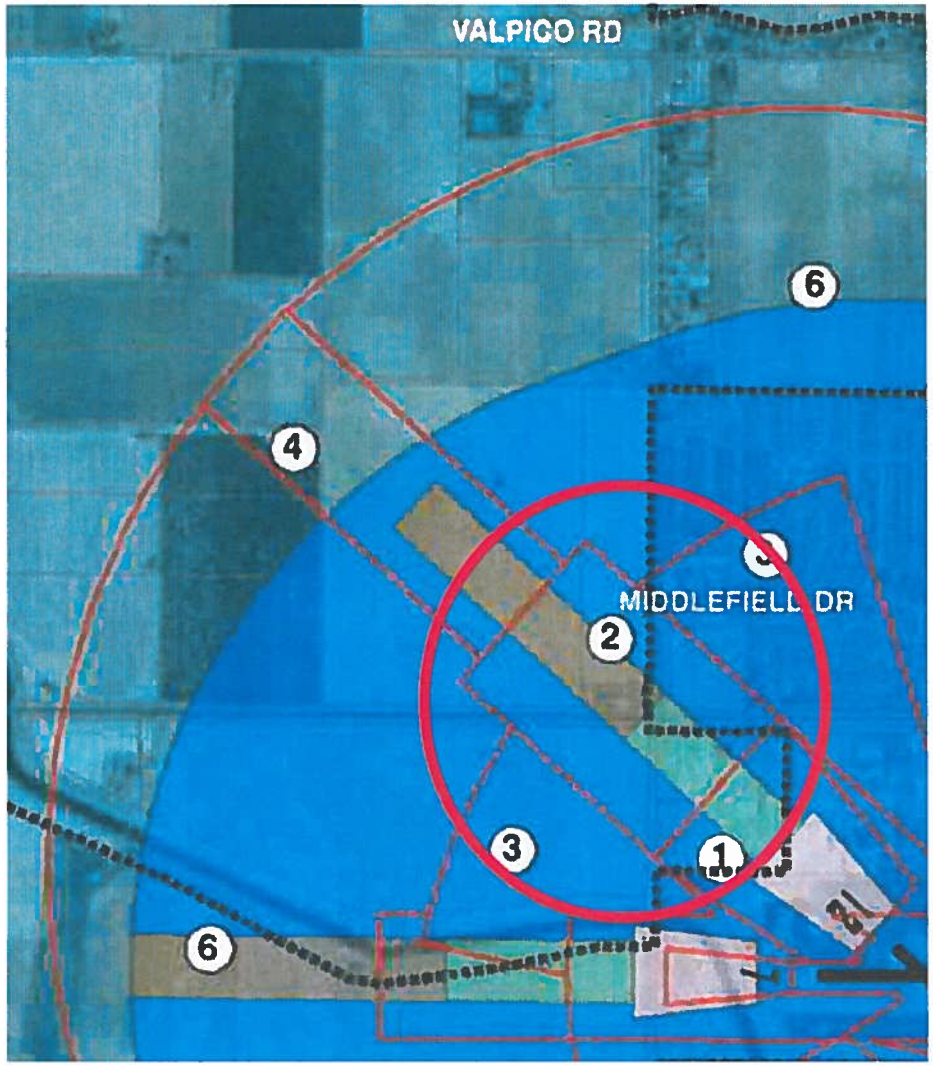


Exhibit CTM-2
TRACY MUNICIPAL AIRPORT (TCY)
COMPATIBILITY ZONES

Zone 2: Inner Approach/Departure Zone

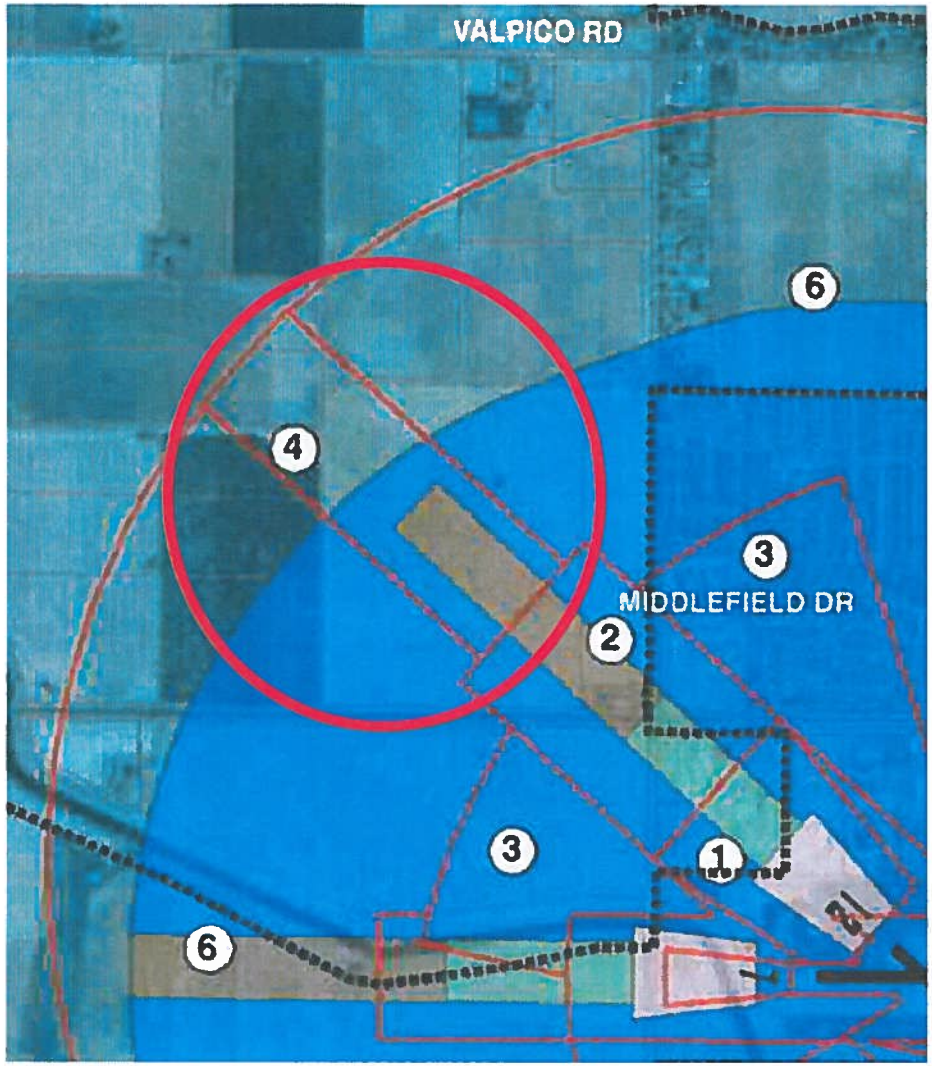


- *Risk Factors*
  - Substantial risk: together with RPZ encompass 30% to 50% of near-airport accidents
  - Overflown at low altitudes — typically only 200 to 400 feet above runway elevation
- *Basic Compatibility*
  - Prohibit residential uses except on large, agricultural parcels
  - Limit nonresidential uses to activities which attract few people (uses such as shopping centers, most eating establishments, theaters, meeting halls, multi-story office buildings, and labor-intensive manufacturing plants unacceptable)
  - Prohibit children's schools, day care centers, hospitals, nursing homes

Zone 3: Inner Turning Zone

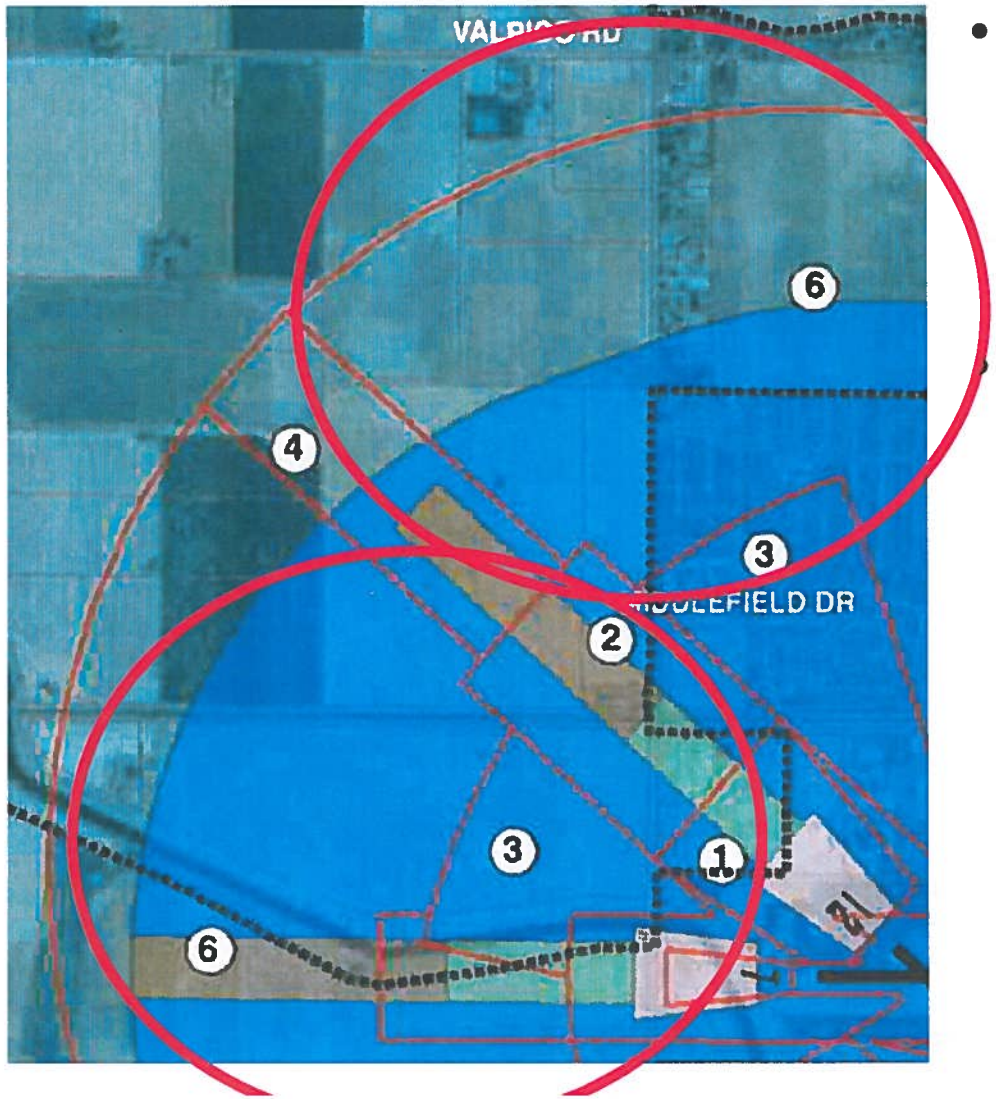
- *Risk Factors*
  - Aircraft turning from the base to final - descending from TPA
  - Departing aircraft transition from takeoff power and flap settings to a climb mode
  - Overflown at low altitudes — typically only 200 to 400 feet above runway elevation
- *Compatibility*
  - Limit residential uses to very low densities (*if not deemed unacceptable because of noise*)
  - Avoid nonresidential uses having moderate or higher usage intensities (e.g., major shopping centers, fast food restaurants, theaters, meeting halls – NO WATER PARK)
  - Prohibit children's schools, large day care centers, hospitals, nursing homes

Zone 4: Outer Approach/Departure Zone



- *Risk Factors*
  - Approaching aircraft usually at less than traffic pattern altitude
  - instrument approach procedures (as low as 255 ft AGL)
  - Straight-in or straight-out flight paths
- *Compatibility*
  - Limit residential uses to very low densities (*if not deemed unacceptable because of noise*);
  - Limit nonresidential uses as in Zone 3 – NO WATER PARK
  - Prohibit children's schools, large day care centers, hospitals etc.

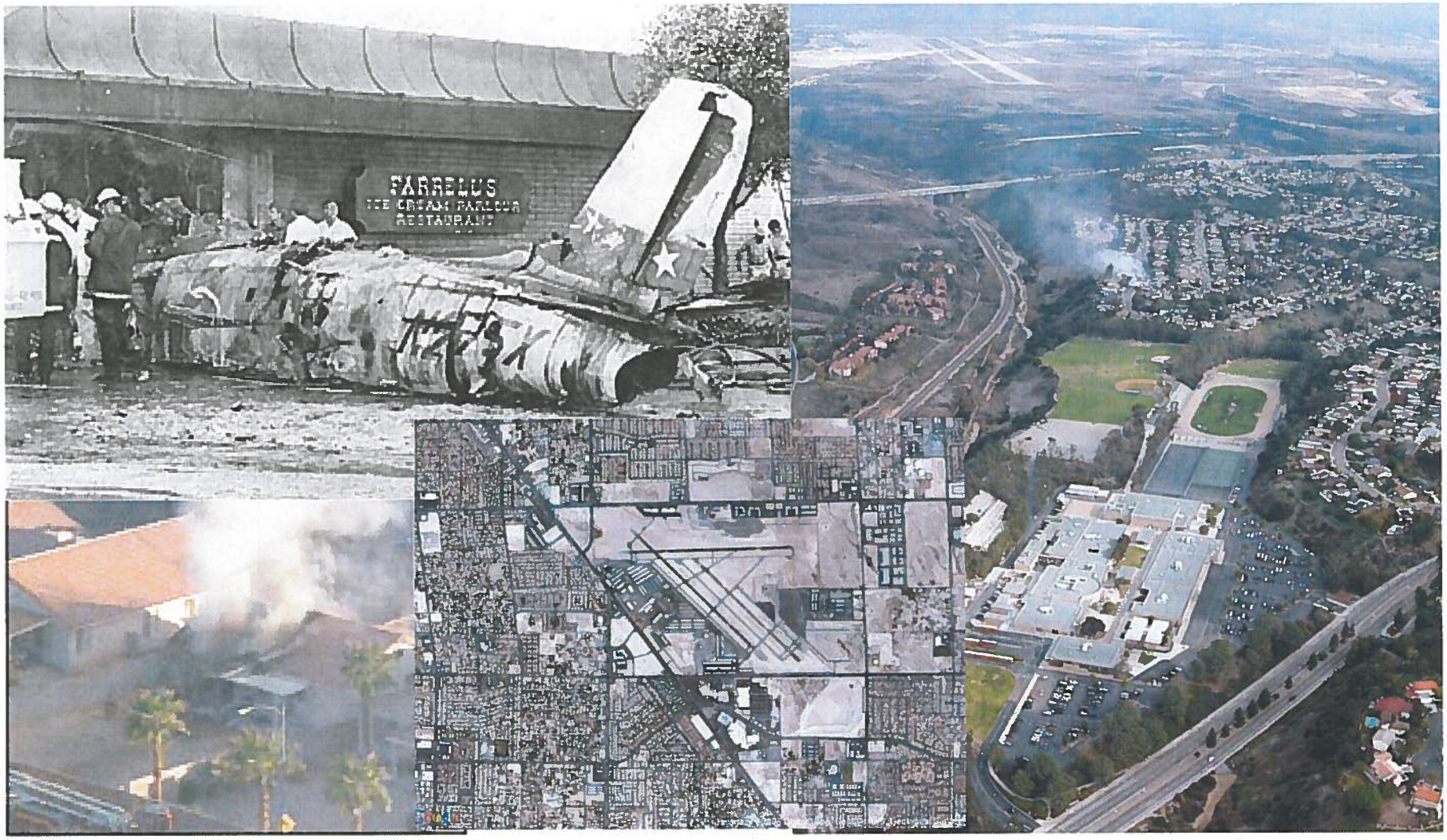
Zone 6: Traffic Pattern Zone



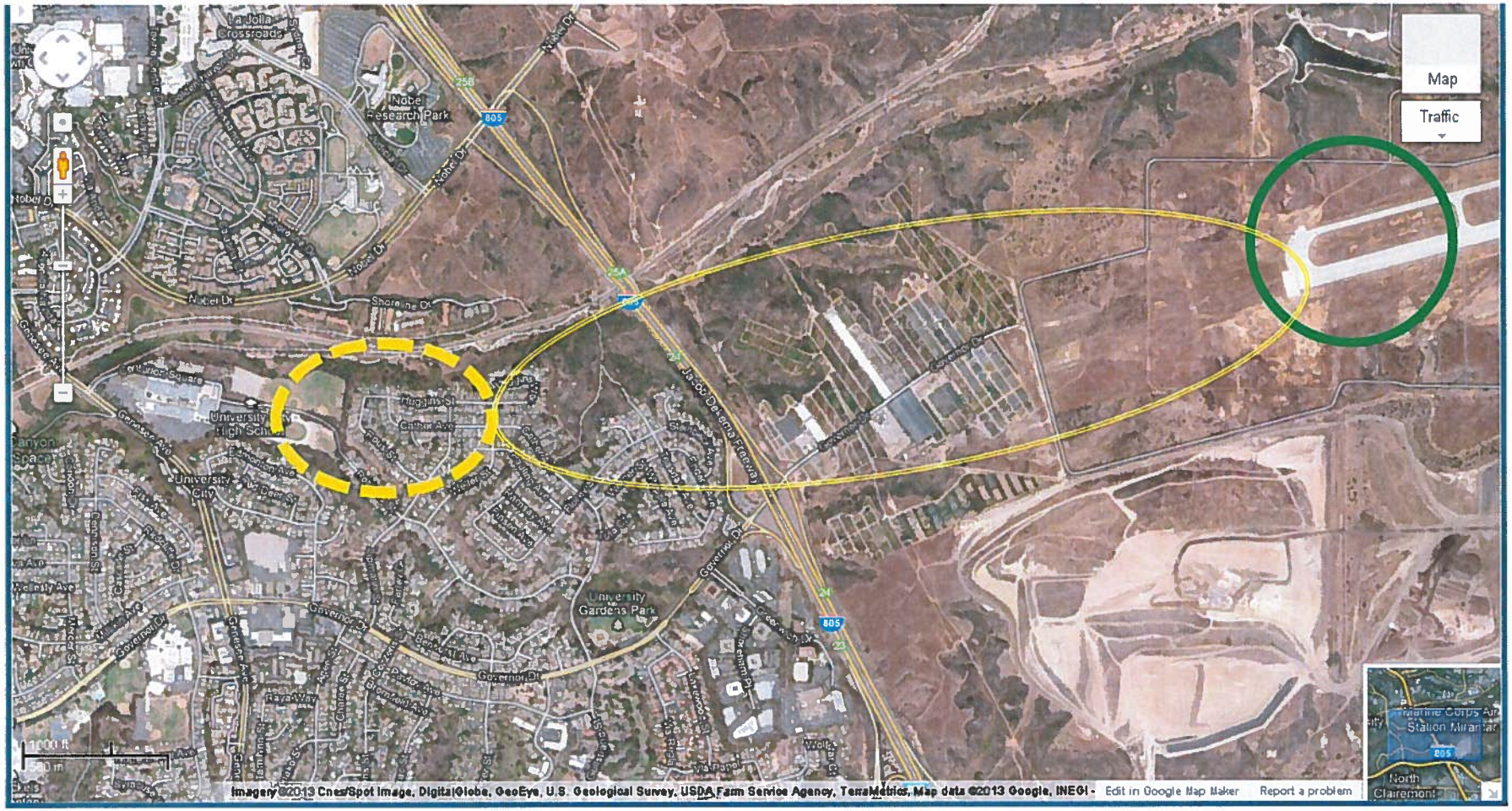
- *Risk Factors*
  - Generally low likelihood of accident occurrence at most airports
  - Risk concern primarily is with uses for which potential consequences are severe

Compatibility
  - Allow residential uses (*if not deemed unacceptable because of noise*)
  - Allow most nonresidential uses; prohibit outdoor stadiums and similar uses with very high intensities – NO WATER PARK
  - Avoid children's schools, large day care centers, hospitals, etc.

Why Are There Safety Zones?



Miramar F/A-18 crash 2008



If There Is a Problem?

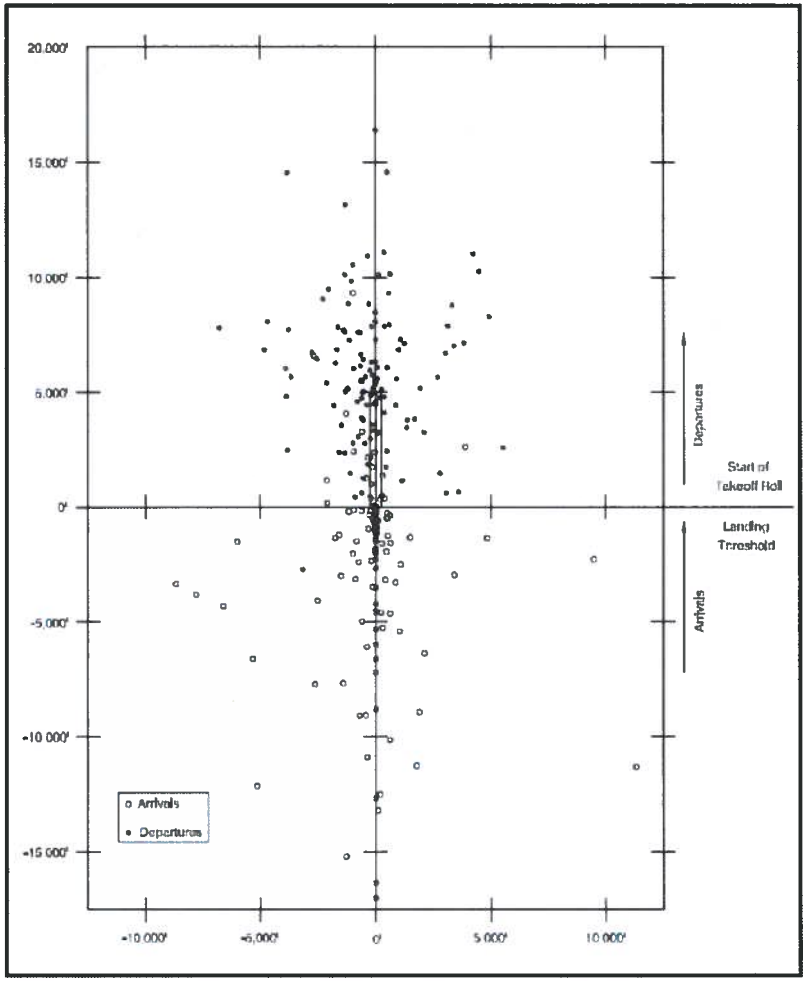
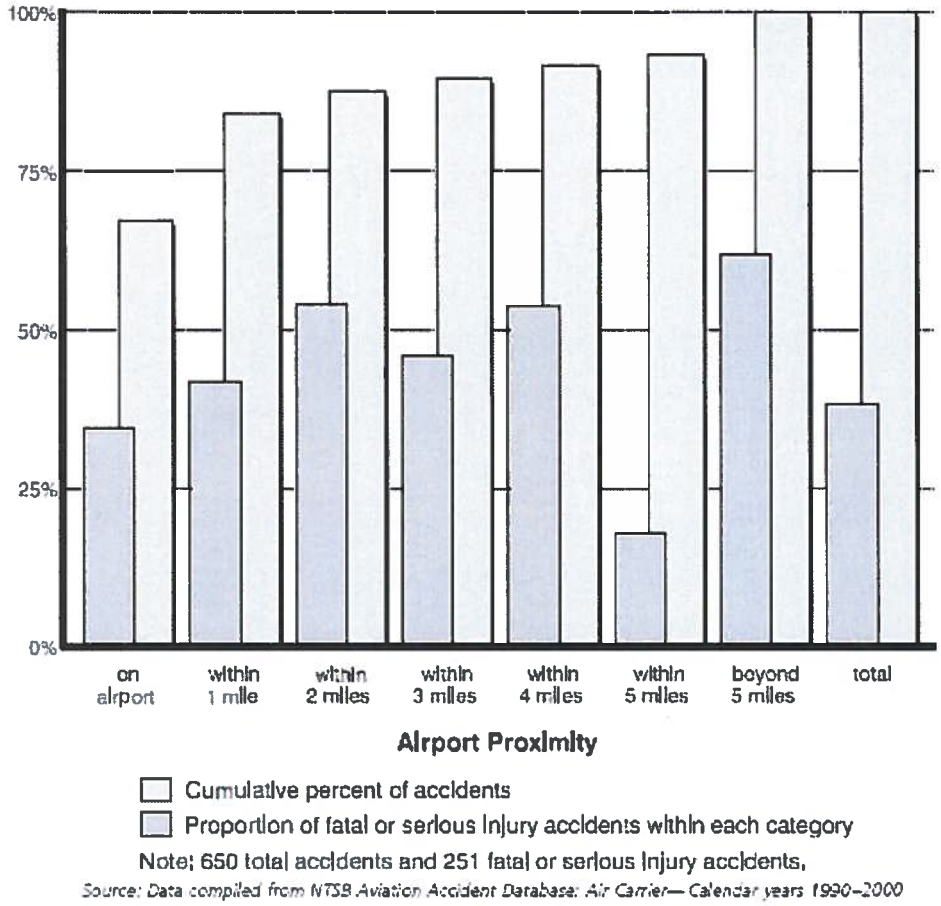
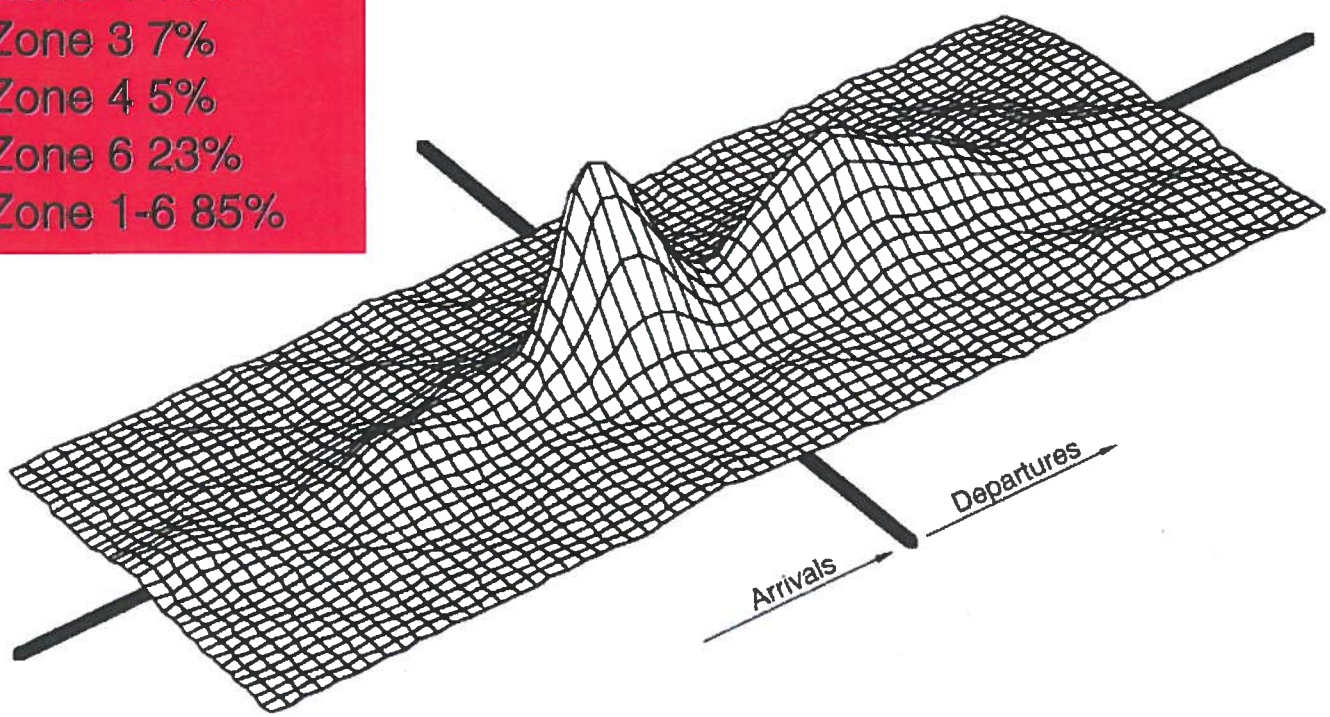


EXHIBIT F-5
Accidents on Runways of 4,000 to 5,999 Feet



"Probability Low"
- "Consequences Severe" - Caltrans

Accidents:
Zone 1 21%
Zone 2 10%
Zone 3 7%
Zone 4 5%
Zone 6 23%
Zone 1-6 85%



Tracy Area
Incidents
(from 1963)
114 total
2.5/year
28 fatal
.6/year
(from 1998)
18 total
1.8/year
6 fatal
.6/year

Land Use (County General Plan)

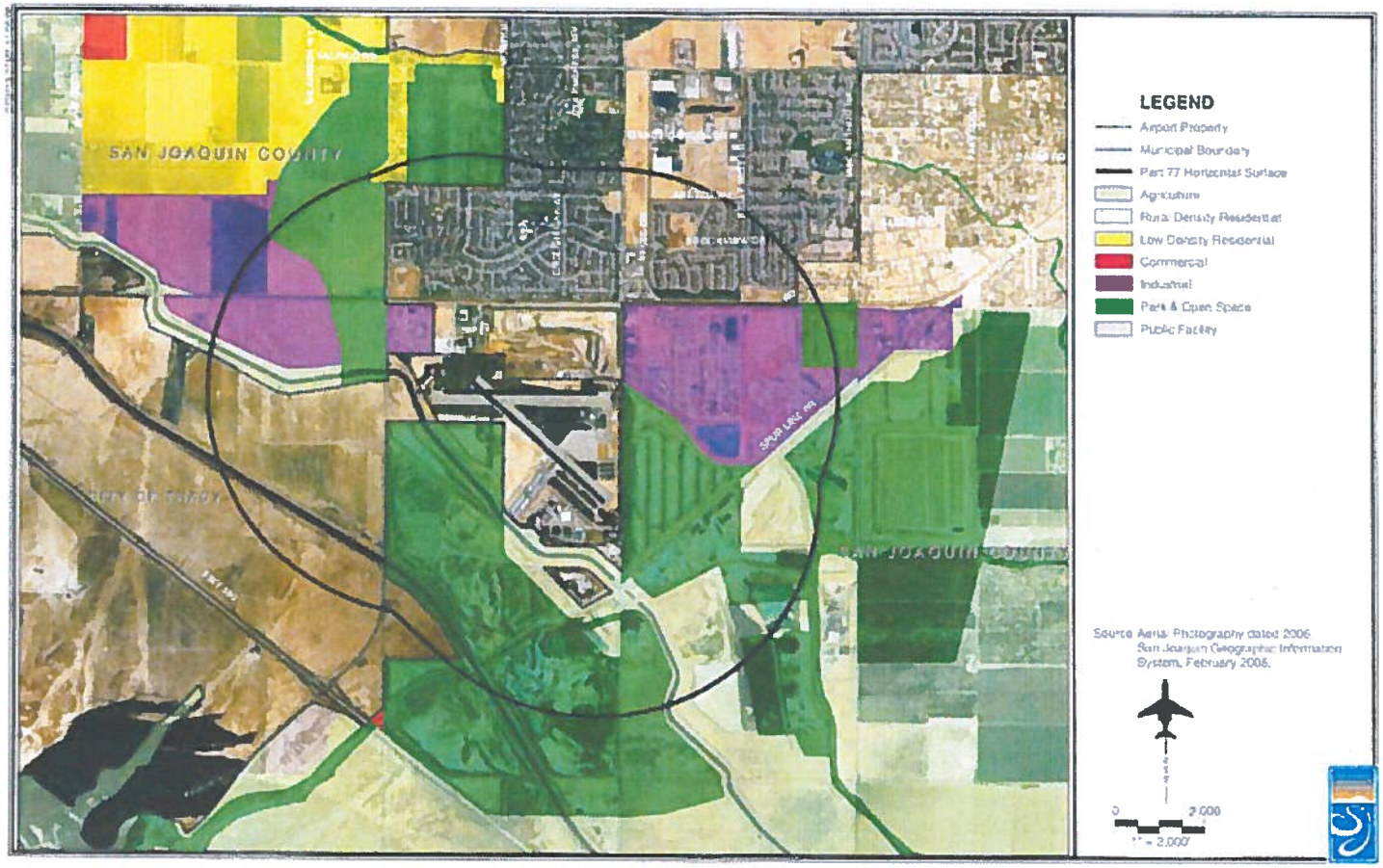
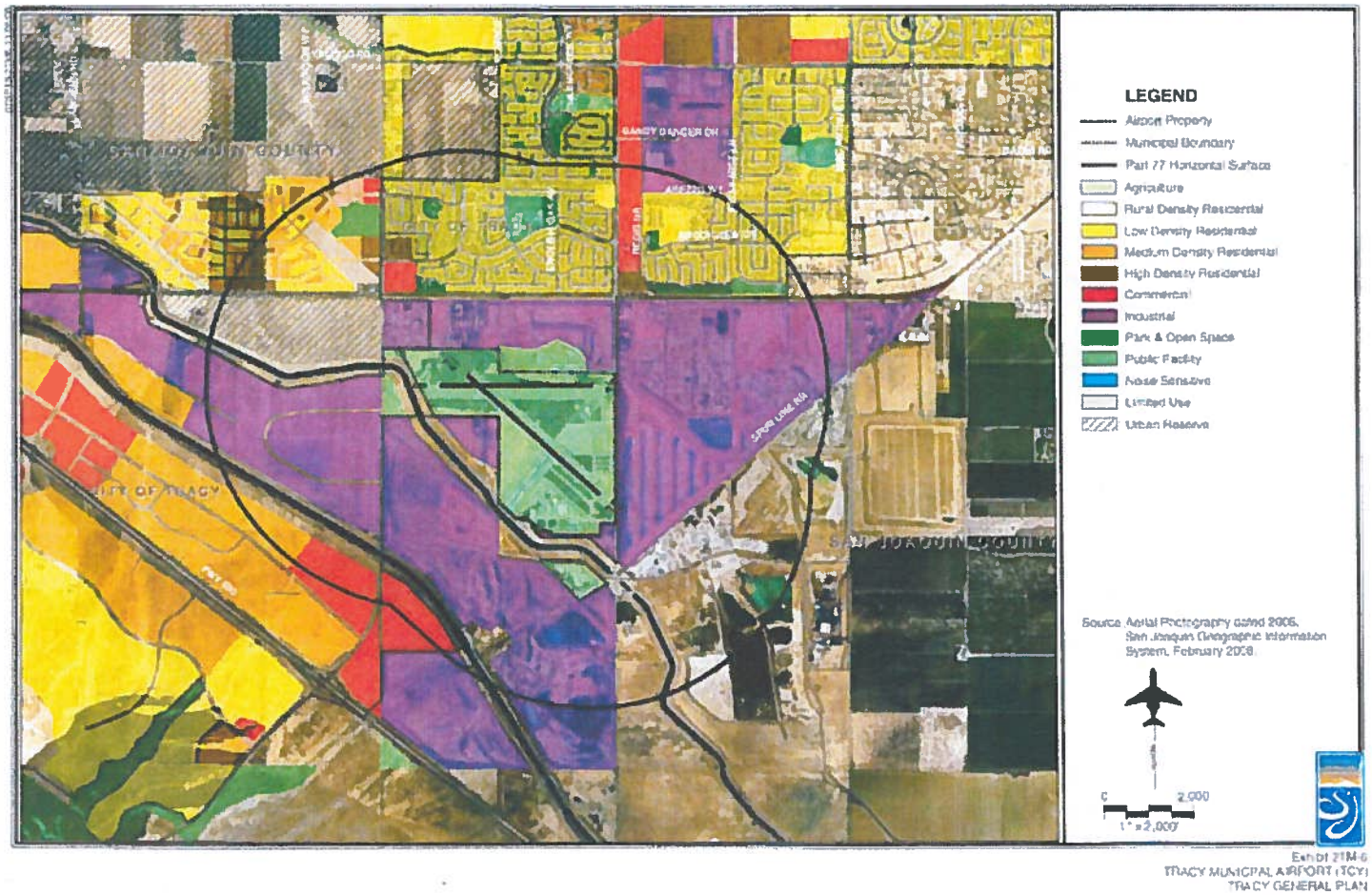


Exhibit 21M-7
TRACY MUNICIPAL AIRPORT (TCY)
COUNTY GENERAL PLAN

Land Use (Tracy General Plan)



Houses & Airports Don't Mix

- It's been clearly demonstrated that housing and airports are incompatible land use.
- Aircraft are maneuvering at low altitudes in this area.
  - 260 feet AGL (Above Ground Level)
- Pilots require maneuvering room in the area of the airport
- Pilots require open space for emergency landings.
  - Pilots need a place to go when things go wrong.
- Additionally, neither do gas pipelines and train tracks

North Las Vegas Investigation

- 10. The Clark County Department of Aviation should be encouraged to purchase available vacant land adjacent to North Las Vegas Airport, particularly in or near any Runway Protection Zone (RPZ), to ensure that remaining open area is preserved in the immediate vicinity of the airport. This will provide an expanded area for aircraft to land during emergencies.

North Las Vegas Investigation

- 11. The cities of North Las Vegas and Las Vegas should be encouraged to enact legislation to prohibit the construction of new buildings, communication towers or other obstructions above a safe height in the immediate vicinity of North Las Vegas Airport. Existing structures that may be determined to pose a hazard to air navigation near the airport should be evaluated using a cost and benefit analysis for alteration or removal. This will help eliminate the possibility of aircraft striking tall structures within the immediate vicinity of the airport.

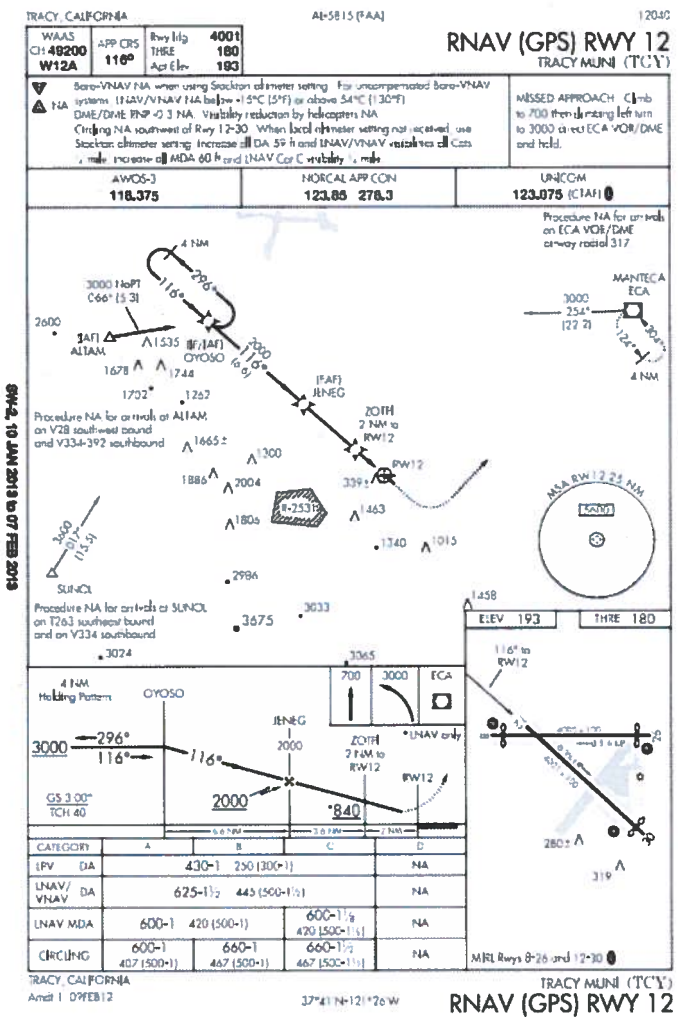
North Las Vegas Investigation

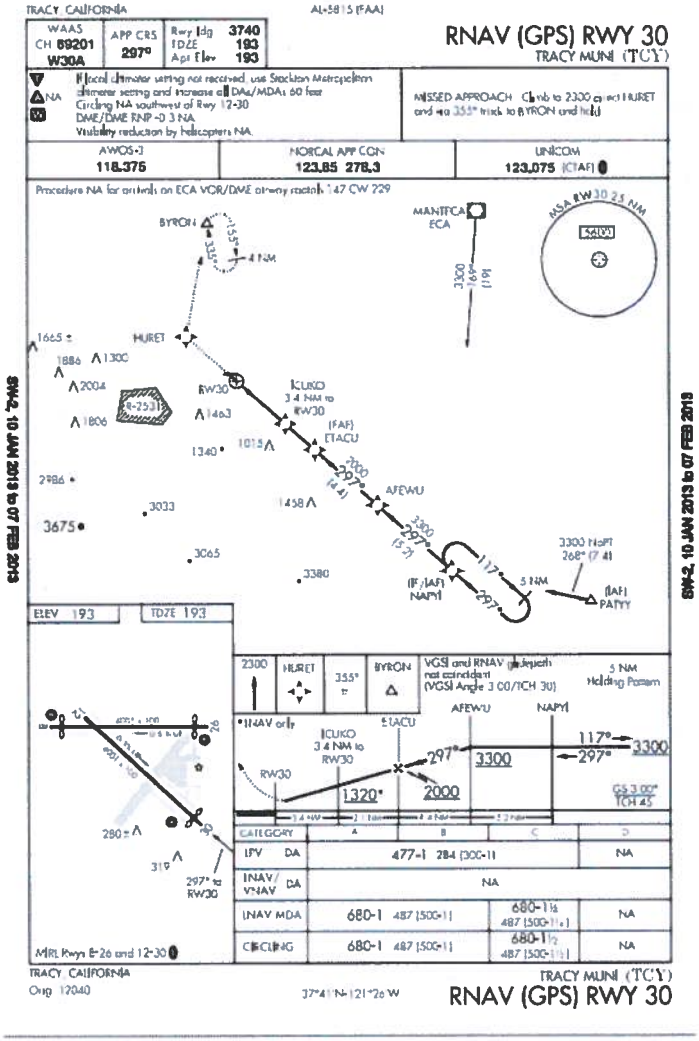
- 12. The cities of North Las Vegas and Las Vegas should be encouraged to enact legislation to prohibit the further construction of residential housing or other non-compatible land uses within the immediate vicinity of North Las Vegas Airport. The City of North Las Vegas is addressing this issue in the current revision of its Zoning Ordinance (Title 17). As part of this process, North Las Vegas has also submitted its draft Air Terminal Environs Ordinances to the Clark County Department of Aviation for review and comment. This reduces the possibility of non-compatible development near the airport and aids in future community planning.

North Las Vegas Investigation

- 10. The Clark County Department of Aviation should be encouraged to purchase available vacant land adjacent to North Las Vegas Airport, particularly in or near any Runway Protection Zone (RPZ), to ensure that remaining open area is preserved in the immediate vicinity of the airport. This will provide an expanded area for aircraft to land during emergencies.

Approaches directly over Ellis
At 250 feet AGL





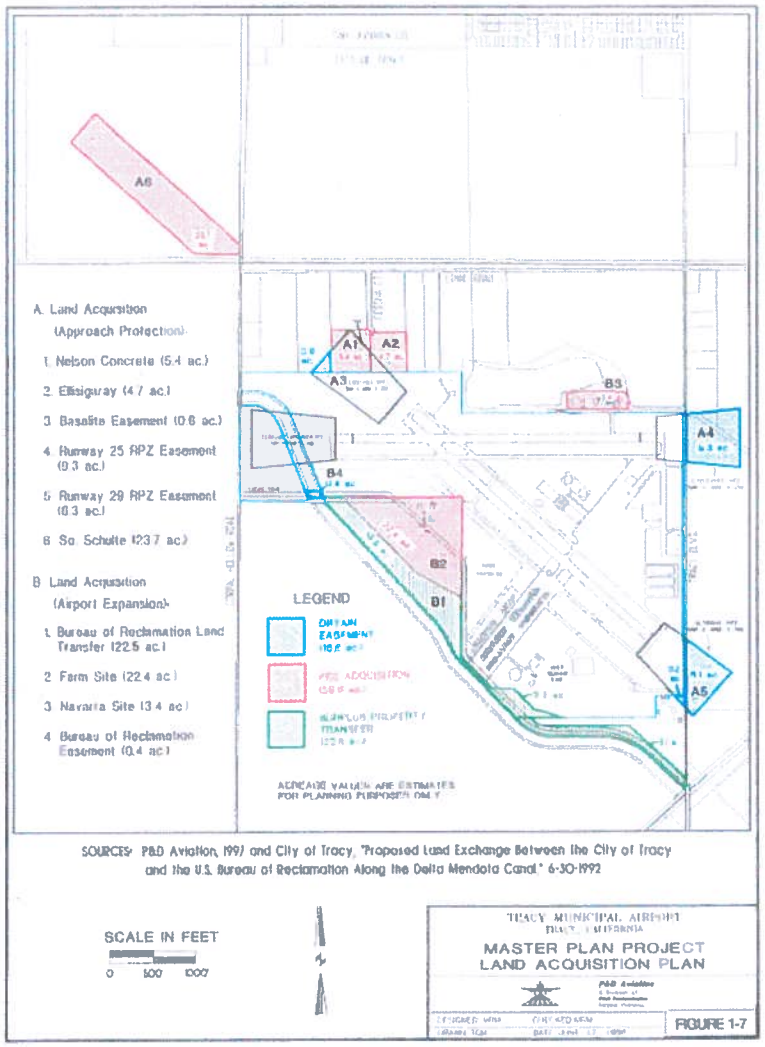
Failures To Implement Proper and Effective Safety Protection:

- Failure of the City of Tracy to exercise due diligence
- Act of gross negligence should an accident occur
- Possibly result in unnecessary injury or loss of life
- Expose the City to tens or hundreds of millions of dollars in liability and injury claims
- Possible personal liability

Risk/Noise Mitigation

- ❑ **Transfer the 24 acres S. Schulte Safety area to the City** to hold as open space.
  - FAA funding available to cover most of the cost.
- ❑ Declare Basalite, Nelson, Ellisigary non-conforming use.
- ❑ Relocate Basalite plant. **Transfer the 30 acres to the City** to hold as open space.
  - FAA funding available to cover most of the cost.
- ❑ **Pro-Airport Noise (Complaint) Policy**
  - You new about the airport next door
  - You bought it knowing the airport is next door
  - You deal with it: **put up or move out!**
  - Not our problem: **We're not going to change anything**
- ❑ Reinstate the VOR- Alpha approach

Land Buys



The area in the Southeast corner of Ellis has been on the master plan land acquisition list prior to 1998

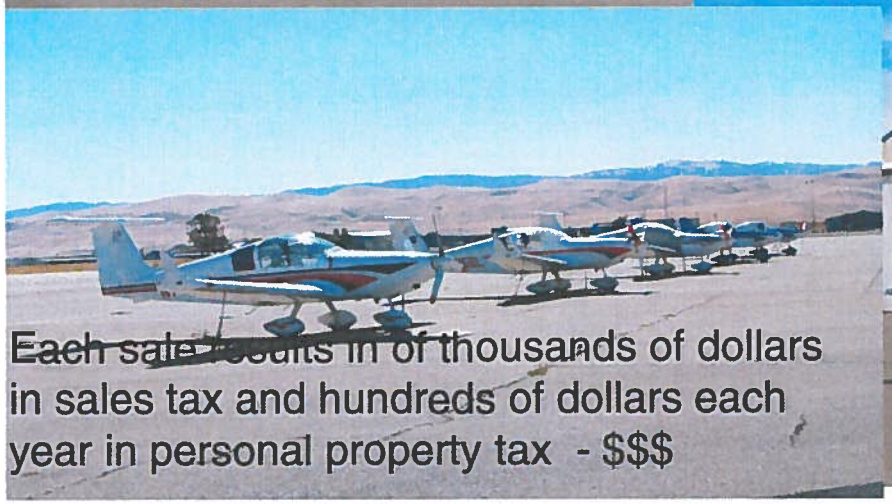
Now is the time to acquire these lands and significantly mitigate most safety issues. And protest the airports future.

Growth & Benefits Are Here…

NASCAR racers here for the weekend - $$$

Fill'er Up - $$$

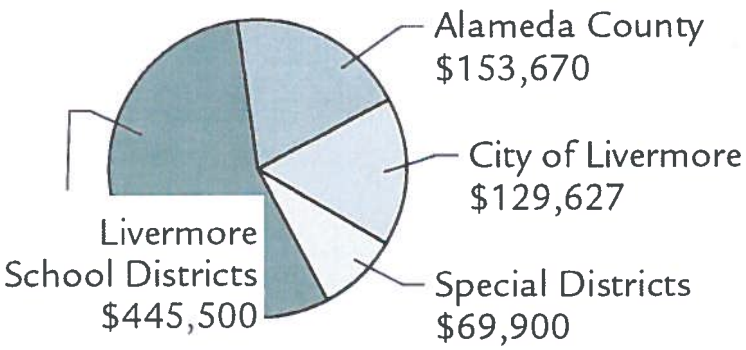
6 cars, 10 hotel rooms, meals and several thousand dollars in fuel sales - $$$

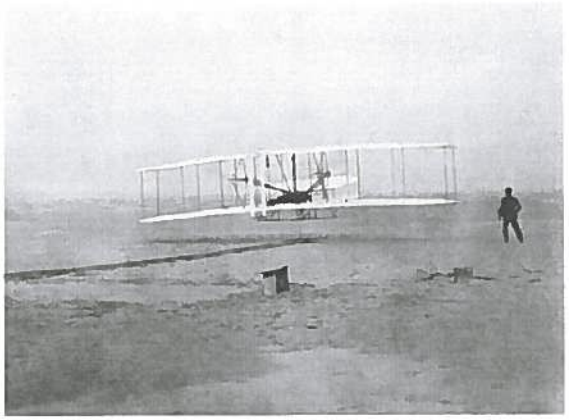


Each sale results in of thousands of dollars in sales tax and hundreds of dollars each year in personal property tax - $$$

The Future

- Livermore Airport Economic Benefits
- Recent studies show:
  - Livermore airport contributed over ***$57 million*** to the local economy through direct & indirect spending
  - Supported approximately ***577 jobs***.
  - One in seven jobs in the Bay Area is indirectly tied to aviation
  - Taxes paid by aircraft owners and LVK tenants resulted in nearly ***$800,000*** in direct payments to the Livermore School District, the City of Livermore, Alameda County and various countywide special districts as shown in the pie chart.
- *Tracy can go here…*

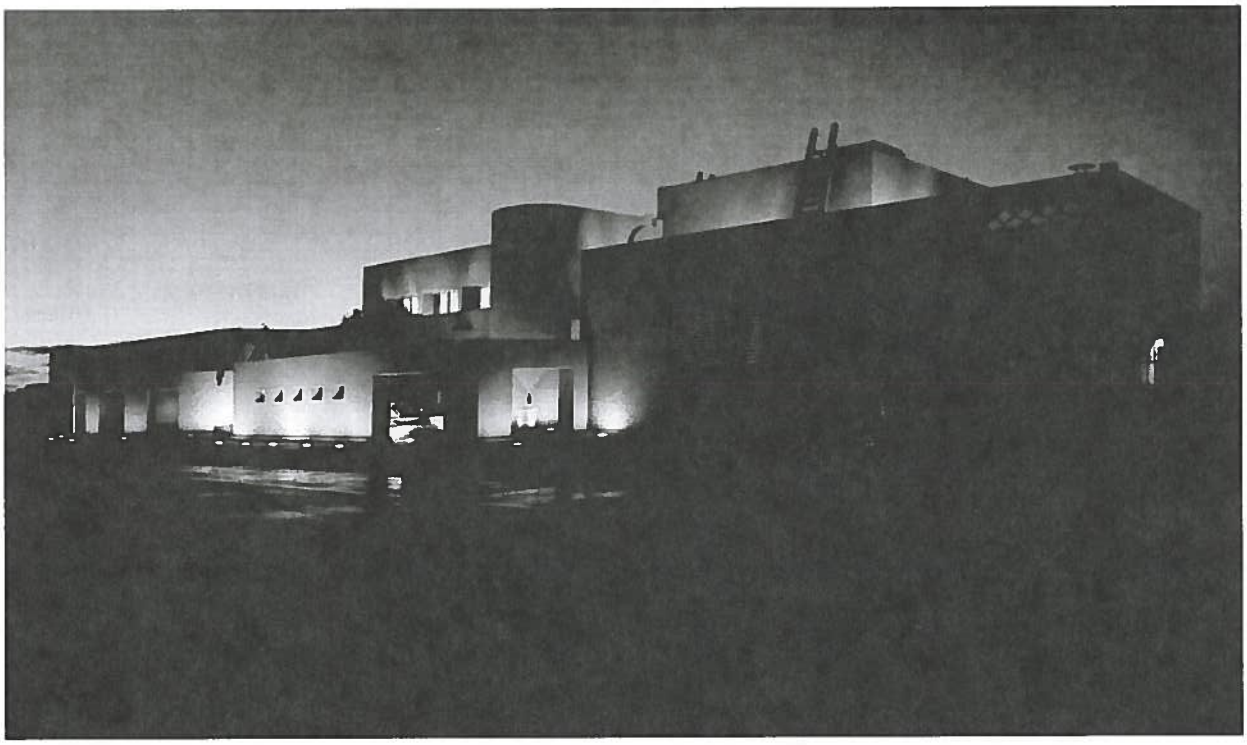




Conclusion

- Manned flight has been around for 100 years.
- Tracy Airport has been in operation for 84 of those years.
- Tracy Airport is a valuable local, county, state and national resource that must be protected.
- Tracy Airport, if protected, could be a **huge economic driver for the City**

North Las Vegas Airport
SJR-3 Flight Safety
Review and Recommendations



Submitted to the
Nevada Legislative Commission
by the
SJR-3 Stakeholder Group
November 1, 2009

CLARK COUNTY
DEPARTMENT OF AVIATION

General Aviation

North Las Vegas Airport
Henderson Executive Airport
Jean Airport
Overton Airport

Cecil Johnson
Assistant Director of General Aviation
North Las Vegas Airport
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North Las Vegas, NV 89032
(702) 261-5746
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October 27, 2009

Lorne Malkiewich, Secretary
Nevada Legislative Commission
401 South Carson Street
Carson City, NV 89701-4747

Dear Mr. Malkiewich:

Senate Joint Resolution No. 3 (SJR-3) of the 2009 Nevada State Legislature, urged the Federal Aviation Administration (FAA) and the Clark County Department of Aviation (CCDOA) to convene a stakeholder group comprised of representatives including the FAA, CCDOA, the City of North Las Vegas, the Clark County Aviation Association, the Aircraft Owners and Pilots Association, neighborhood residents and airport tenants to analyze concerns and make recommendations to improve flight safety standards at North Las Vegas Airport. Although the FAA did not participate as a stakeholder member, the Manager of the FAA Las Vegas Flight Standards District Office did provide extensive technical advice during the meetings. The attached report presents the unanimous findings of the stakeholder group.

The highlights of the report are featured in the executive summary. This information is supported by more detailed data reported in the main body of the report. A brief historical and operational overview of North Las Vegas Airport is provided, the responsibilities of the FAA and CCDOA are outlined, recent airport safety improvements are enumerated, and a review of aircraft accidents within approximately the past 10 years on and near the airport is included using data from the National Transportation Safety Board. The report concludes with 13 recommendations the stakeholder group believes can serve to improve the safe operation of general aviation aircraft using North Las Vegas Airport.

I would like to personally extend my appreciation to everyone that participated for their time and effort in the completion of this project.

Sincerely,

Cecil Johnson
Assistant Director, General Aviation, Clark County Department of Aviation
Chairman, SJR-3 Stakeholder Group

cc: Senator Steven Horsford
Assemblywoman Marilyn Kirkpatrick
Randall H. Walker, Director, Clark County Department of Aviation
Rosemary A. Vassiliadis, Deputy Director, Clark County Department of Aviation

TABLE OF CONTENTS

Executive Summary..... 1

Introduction 3

Airport Background 4

Delineation of Responsibility 5

Airport Safety Measures 7

Aircraft Accident Analysis 9

Recommendations 11

Summary 14

References 15

Appendix A - SJR-3 16

Appendix B - Aircraft Accident Database 19

Appendix C - Total Annual Accidents by Location 29

Appendix D - Cause of Accidents 30

Appendix E – Accident Locations and Causes – On/Off Airport Property... 31

Appendix F – Fatalities Caused by Aircraft Accidents 32

Appendix G – Accidents Involving Manufactured vs. Experimental Aircraft 33

Glossary 34

EXECUTIVE SUMMARY

North Las Vegas Airport is owned and operated by the Clark County Department of Aviation. Opened in 1941, it is a general aviation "reliever" airport designed to attract light aircraft traffic from nearby McCarran International Airport. It is the second busiest airport in Nevada and one of the 100 busiest airports in the United States with over 600 based aircraft. According to a recent study the airport annually contributes over $136 million to the local economy.

Two aircraft accidents in the vicinity of North Las Vegas Airport in 2008 prompted the Nevada State Legislature to examine safety at the airport. A resolution of the Nevada State Legislature urged the formation of a stakeholder group to review current operational practices and make recommendations to improve flight safety at North Las Vegas Airport. This report presents the findings of this group, including the following:

- By law the Federal Aviation Administration (FAA) is solely responsible for monitoring and regulating aviation safety.

- The Clark County Department of Aviation (DOA) is responsible for maintaining infrastructure on airport grounds, including airfield lighting, signage, taxiways and runways.

- The Federal Aviation Administration and the Clark County Department of Aviation have partnered to improve safety at the airport in recent years through aviation education and facility improvements.

- Between January 1999 and September 2009, North Las Vegas Airport experienced 2.23 million takeoffs and landings. Forty-three accidents were recorded by the National Transportation Safety Board (NTSB) during this period within a 10-mile radius of the airport. The annual number of accidents has declined over this period. Those accidents range from a high of 7 in 2000 and 2003 to a low of 1 in 2007 and 2009 (Appendix C).

- Over this period, 75 percent of accidents were attributable to pilot error (Appendix D).

- Three of the 43 accidents involved experimental aircraft. Experimental aircraft account for 7 percent of the total number of based aircraft at North Las Vegas Airport and represent 7 percent of all accidents (Appendix G).

- Through examination of available data, it was determined that of a total of 43 accidents, 32 or 74 percent involved based aircraft, and 11 or 26 percent involved transient aircraft. Of a total of 32 based aircraft accidents, 8 or 25 percent involved flight instructional activities. Five of these 8 accidents, or 63 percent, involved the use of helicopters by flight schools (Appendix G).

- A review of accident data reveals different causes for accidents that occurred both on and off airport property. Loss of directional control was the most frequent cause of accidents on airport property. Fuel system mismanagement was the most frequent cause for accidents occurring off airport property (Appendix E).

- Additional research and analysis by the National Transportation Safety Board is warranted to better determine the causal effects of all aircraft accidents at North Las Vegas Airport.

- None of the accidents were attributable to airport infrastructure or other site conditions at North Las Vegas Airport.

This report presents specific recommendations to enhance flight safety standards at North Las Vegas Airport.

INTRODUCTION

Senate Joint Resolution No. 3 of the 2009 Nevada State Legislature (SJR-3) became effective on May 22, 2009 (Appendix A). On August 22, 2008 a Kilgore Velocity experimental aircraft experienced engine trouble and collided with a residence, resulting in the fatalities of the pilot and two occupants in the house. On August 28, 2008 a Navajo twin-engine aircraft manufactured by Piper Aircraft Corporation experienced an onboard fire and the aircraft impacted a house while attempting to return to the airport for an emergency landing. The pilot was fatally injured.

This resolution urged the Federal Aviation Administration to work closely with the Clark County Department of Aviation and the entire aviation community in Clark County to convene a stakeholder group with representation from each of the following for the purpose of improving safety:

- The Federal Aviation Administration
- The Clark County Department of Aviation
- The City of North Las Vegas
- The Aircraft Owners and Pilots Association
- Clark County Aviation Association
- Residents of neighborhoods surrounding the North Las Vegas Airport
- Tenants of the North Las Vegas Airport

This stakeholder group was directed to issue a preliminary analysis of concerns regarding the current flight safety practices at North Las Vegas Airport and to make recommendations to improve flight safety standards at the airport, particularly with respect to experimental aircraft.

On August 26, 2009, September 22, 2009 and October 13, 2009, meetings of the stakeholder committee were held with the following committee members:

- Anita Wood, North Las Vegas City Council
- Janice Ridondo, Resident of the City of Las Vegas[1]
- Cecil Johnson, Clark County Department of Aviation
- Stacy Howard, Aircraft Owners and Pilots Association
- David Lerner, Clark County Aviation Association
- Kenny Scherado, North Las Vegas Airport Commercial Tenant
- Dave Edwards, North Las Vegas Airport Tenant[2]
- Dan Markoff, North Las Vegas Airport Tenant (Absent 10/13/09)

---

[1] Ms. Ridondo is a long term resident of a neighborhood near North Las Vegas Airport, and an employee of Clark County, Nevada

[2] Mr. Edwards is also Vice President of the Clark County Aviation Association and a member of the Experimental Aircraft Association

The following individuals participated in the SJR-3 meetings and provided extensive technical advice:

- Pete Yiakos, Manager, Federal Aviation Administration Las Vegas Flight Standards District Office (Absent 9/22/09)
- Ben Czyzewski, Airport Manager, Clark County Department of Aviation
- Doug McNeeley, Sr. Management Analyst, Clark County Department of Aviation

Discussion was held concerning the regulation of general aviation aircraft, previous steps taken by the Clark County Department of Aviation to improve safety at the airport, potential safety enhancements, and methods to improve communication with area residents. Based on this discussion and a review of the causal factors involved in aircraft accidents associated with the airport, it is the purpose of this report to analyze available data and provide recommendations to improve flight safety standards at North Las Vegas Airport.

AIRPORT BACKGROUND

The Clark County Department of Aviation owns and operates McCarran International Airport and four general aviation airports, including North Las Vegas Airport. The following information provides a brief historical and operational perspective:

- North Las Vegas Airport opened as the Sky Harbor Airport on December 7, 1941.

- Clark County purchased the airport in 1987. After it was purchased, Clark County Department of Aviation began a multi-million dollar renovation of the facility, including construction of a 15,600 square foot terminal building that opened in 1992.

- The primary mission of the airport today is to attract as many general aviation aircraft as possible from McCarran International Airport to reduce congestion at this busy commercial airport.

- In 2008 North Las Vegas had 165,197 takeoffs and landings, making it the second busiest airport in Nevada after McCarran International Airport.

- The North Las Vegas Airport has 286 enclosed hangars, 214 shade hangars and 171 outdoor parking spaces. Currently, there are 659 aircraft based at the airport, from two-seat training aircraft to business jets.

- The airport is 914 acres in size, making it larger than LaGuardia Airport in New York, Midway Airport in Chicago or Reagan National Airport in Washington, DC.

- In 2008 the Clark County Department of Aviation sold over 1.3 million gallons of fuel at North Las Vegas Airport.

- Over 1 million pounds of air freight, primarily small packages and documents were processed through the North Las Vegas Airport in 2008.

- The airport contributes 1,771 jobs and over $136 million in annual economic benefits to the community, according to an economic impact study completed by the University of Nevada in 2005.

- There are 20 commercial businesses located at the airport, including flight schools, aircraft maintenance facilities, office and hangar rental companies, aircraft charter operators and a Grand Canyon sightseeing airline.

- The airport provides a host of community services. A senior Civil Air Patrol squadron based at the airport flies vital search and rescue missions. Air ambulance flights transport critically ill patients from the airport to receive care at specialized treatment centers throughout the region. Charitable organizations also fly needy patients for treatment throughout the Southwest United States. The Las Vegas Metropolitan Police fly patrols from the airport to help safeguard the community. Traffic reporters fly from the airport to broadcast reports that make daily commuting safer and easier.

- The airport is certified by the Federal Aviation Administration under 14 CFR Part 139 which provides increased inspection and maintenance activity.

DELINEATION OF RESPONSIBILITY

Federal law provides that the United States Government has exclusive sovereignty of airspace in the United States and requires the FAA Administrator to prescribe regulations regarding the flight of aircraft to prevent collisions and to protect persons and property on the ground. Accordingly, the functions of the FAA include such items as:

- Operation of the air traffic control system in the United States, including the North Las Vegas Air Traffic Control Tower

- The establishment of training requirements for pilots and aircraft technicians.

- The establishment of aircraft operating procedures.

- The issuance of pilot certificates and the enforcement of all Federal Aviation Regulations.

- The establishment of aircraft maintenance procedures, including the construction process for experimental aircraft.

It should also be noted that under Federal Aviation Regulations the FAA grants considerable responsibility and authority to the pilot in command. The following is stated in 14 CFR 91.3 (a):

> The pilot in command of an aircraft is directly responsible for, and is the final authority as to, the operation of that aircraft.

The Clark County Department of Aviation owns and operates North Las Vegas Airport, along with three other general aviation airports, Henderson Executive, Jean Sport, Perkins-Field Overton and McCarran International. The Department of Aviation does not have jurisdiction over the regulation of aviation safety. They are primarily responsible for maintaining infrastructure on the ground including buildings, airfield lighting, signage, taxiways and runways. The specific responsibilities of Department of Aviation managers, supervisors, and employees fall into a number of broad categories, as follows:

- Daily inspection of pavement, safety areas, pavement markings, lighting, navigational aids, obstructions, fueling operations, construction areas, equipment related to emergency response, security measures for public protection, and potential wildlife hazards.

- Routine maintenance of all airport facilities, and 24-hour response to urgent maintenance requirements.

- Oversight of all airport construction projects.

- The promulgation and enforcement of rules and regulations regarding the use of airport facilities.

- Oversight of all airport security measures.

- Compliance with all local, state, and federal environmental regulations.

- Oversight of all airport fueling operations and the provision of various aviation services and products for based and transient aircraft and pilots.

- Drafting and issuing leases and other grants of occupancy for space at the airport for use by commercial and individual tenants.

- Drafting and issuing Requests for Proposals for companies wanting to provide commercial services at the airport.

- The preparation of and adherence to the annual airport operating budget.

AIRPORT SAFETY MEASURES

In recent years, the Clark County Department of Aviation has undertaken a significant number of capital projects and other measures to improve safety at the North Las Vegas Airport. The North Las Vegas Airport has received over $80 million in grants from the FAA since 1987 for capital projects. The funding for federal grants used within the Clark County Airport System comes primarily from the users of the aviation system through a tax on aviation fuel purchased and airline tickets, not general tax revenue. Future capital projects at North Las Vegas Airport will be evaluated for their ability to improve safety and airport capacity. Although the airport is under a program of continuous improvement, there are no plans to expand the physical boundaries of the airport or change the type of air traffic that uses the facility.

- A new Runway 12R GPS instrument approach was commissioned in October 1996 at North Las Vegas Airport to enable pilots to maintain instrument flying proficiency.

- A new parallel Runway 12L – 30R was constructed in November 2001 at the airport to provide a more efficient flow of air traffic and segregate primary flight training activities.

- A new air traffic control tower with state-of-the art equipment was constructed and put into service in April 2000.

- Additional airport directional signage and pavement markings were installed throughout 2003 to help prevent runway incursions.

- An Enhanced Airport Lighting System was installed in December 2004 to help prevent runway incursions. This system included above ground lights placed at 29 taxiway intersections and in pavement lights at three intersections to increase situational awareness.

- Beginning in January 2005, bi-monthly meetings are conducted by the Department of Aviation to discuss safety procedures with based individual and commercial tenants.

- A Memorandum of Understanding was signed in August 2005 between the Department of Aviation and the Federal Aviation Administration to segregate helicopter training activity and reduce helicopter flights over neighborhoods surrounding the airport.

- In October 2005, North Las Vegas Airport was certified by the Federal Aviation Administration under 14 CFR Part 139, which provides increased inspections and maintenance activities at the airport facility.

- A new Runway 12L Instrument Landing System was commissioned in December 2005 to assist pilots in maintaining instrument proficiency.

- Runway End Identifier Lights were installed at the end of each runway at the airport in November 2006 to improve situational awareness for pilots approaching the airport at night.

- An educational brochure was created by the FAA in cooperation with the Department of Aviation and distributed to pilots throughout the region in October 2006 to help reduce runway incursions.

- General Aviation Airports Rules & Regulations were adopted by the Clark County Board of Commissioners in January 2007 to ensure a safe operating environment at the airport.

- In June 2007 interactive information was placed on the airport website outlining methods that based and transient pilots can use to guard against runway incursions.

- A Motor Vehicle Driving Safety Manual was issued in September 2007 by the Department of Aviation to provide information for the safe operation of vehicles on the airfield.

- The procurement and operational introduction of an airport ground support incident vehicle in July 2007. This vehicle is equipped with dry chemical and foam fire retardant.

- An airport emergency drill was conducted in September 2007 involving multiple agencies and utilizing National Incident Management System protocol.

- General Aviation Airports Operating Directives were adopted in December 2007 to further clarify safe operating procedures on the airfield.

- A capital project was completed in March 2008 to cover drainage channels on the airfield to eliminate potential obstructions.

- Information on aviation safety is continuously presented in a newsletter sent bi-monthly to each based tenant by the Department of Aviation.

- North Las Vegas became one of the first airports in the country to participate in an FAA Pilot Study and submit a Safety Management System

(SMS) study and manual to the FAA. This will be used to help establish SMS standards to be used by over 600 airports nationwide.

- A project to remove high-tension power lines immediately south of the airport along Carey Ave. and relocate them underground commenced in September 2009.

AIRCRAFT ACCIDENT ANALYSIS

The National Transportation Safety Board (NTSB) maintains the official database of aircraft accidents occurring within the United States. This database may be accessed by the general public at www.ntsb.gov, and it was used in compiling information for this report. Accident data for North Las Vegas Airport between January 1999 and August 2009 is summarized in Appendix B.

The committee reviewed accident data for North Las Vegas Airport. The following criteria were used as the basis for analysis:

- The geographic area of inquiry was narrowed to within a ten (10) nautical mile radius of the airport. The selected geographic area encompasses most of the "congested" area in the immediate vicinity of the airport, and it excludes accidents that were attributed to the airport but actually occurred in remote areas during the en route portion of flight.

- The analysis period was narrowed to the timeframe between January 1999 and September 2009. This is the time period when most of the airport safety improvements were incorporated. The FAA Las Vegas Flight Standards District Office (FSDO) also selected this timeframe as a representative sampling of aircraft accidents for analysis.

Based upon the stated criteria, a total of 43 accidents were selected for final analysis. The findings below are based upon that analysis:

- Between 1999 and 2009 there were 2.23 million takeoffs and landings at North Las Vegas Airport.

- The total annual number of aircraft accidents at North Las Vegas Airport has declined over the inquiry period, from a high of 7 accidents in 2000 and 2003 to a low of 1 accident in 2007 and 1 accident in 2009 year to date. However, while the number of on airport accidents has declined significantly in the past four years, the number of off airport accidents has remained relatively constant (Appendix C).

- Through examination of available data, it was determined that of a total of 43 accidents, 32 or 74 percent involved based aircraft, and 11 or 26 percent involved transient aircraft. Of a total of 32 based aircraft accidents, 8 or 25

percent involved flight instructional activities. A total of 28 accidents, 65 percent, occurred on airport property and 15 accidents, 35 percent, occurred off airport property. Five of these 8 accidents, or 63 percent, involved the use of helicopters by flight schools. NTSB accident data does not reveal in every case if the certified flight instructor or the student pilot was operating the controls at the time of an accident.

- Forty of the 43 total accidents, 93 percent, during the period analyzed involved manufactured aircraft (Appendix G).

- Three of the 43 accidents involved experimental aircraft. Experimental aircraft account for 7 percent of the total number of based aircraft at North Las Vegas Airport and represent 7 percent of all accidents (Appendix G).

- As a result of the above-referenced accidents, 14 fatalities resulted (Appendix F).

- The number of fatalities attributable to manufactured aircraft during this period was 11 and accounted for 73 percent of the total. One accident on December 25, 2003 resulted in 6 deaths (Appendix F).

- The number of fatalities attributed to experimental aircraft during this period was 3 and accounted for 27 percent of the total. Three of the 7 fatalities that occurred off airport, or 43 percent, involved experimental aircraft. These airport fatalities are attributed to the accident that occurred on August 22, 2008 (Appendix F)

- According to the NTSB Probable Cause Report, the experimental aircraft accident of August 22, 2008 resulted from a partial loss of engine power due to the owner/builder's inadequate installation of the supercharger system and belt-tensioning adjustment. This underscores the importance of the recent prohibition by the FAA FSDO of any Phase I flight activity at North Las Vegas Airport and the need to prohibit a waiver of the minimum number of required flight test hours under Order 8130.2F, *Airworthiness Certification of Aircraft and Related Products.*

- Of the 43 total accidents, 32 accidents, 75 percent, were attributable to pilot error. A total of 7 accidents, 16 percent, were due to mechanical issues including failure of components and maintenance errors. In addition, a total of 1 accident, 2 percent, was due to controller error, a total of 1 accident, 2 percent, was due to pilot incapacitation, and 2 accidents, 5 percent, were due to unknown causes (Appendix D).

- NTSB identified 28 accidents as occurring on airport property. The most prevalent factor involving aircraft was a loss of directional control (a total of 10 accidents, or 36 percent), primarily as a result of windy conditions. The

next most prevalent cause of aircraft accidents on airport property was the mechanical malfunction of landing gear (a total of 3, or 11 percent). There was one aircraft aerodynamic stall, or 4 percent. A total of 10 accidents, or 36 percent, were attributable to other factors including an unstable approach with excessive speed, pilot incapacitation, and controller error. The only factor involved in helicopter accidents on airport was inadequately performed autorotations that resulted in hard landings (a total of 4, or 14 percent) (Appendix E).

- The causal factors involved in the 15 accidents off airport property were very different than those on airport property. The most prevalent cause of these accidents was fuel system mismanagement (a total of 6 accidents, or 40 percent) involving either the incorrect positioning of switches or miscalculating the fuel consumption rate and exhaustion of the fuel supply. Additionally, 2 accidents, 13 percent, were caused by a loss of engine power for unknown reasons. There was one aircraft aerodynamic stall, or 7 percent. The remaining 4 aircraft accidents, or 26 percent, were attributable to unrelated factors including insufficient climb rate and striking an obstruction. Two accidents, or 13 percent, involved helicopters (Appendix E).

- Of the total number of accidents, 42 involved aircraft used for private business and recreational use (Part 91) and one involved an aircraft used for commercial purposes (Part 135 Charter).

- The number of aircraft accidents by type (manufactured/ experimental) could not be compared with the number of annual aircraft operations to determine an accident rate because the FAA does not retain this information.

RECOMMENDATIONS

Based on the analysis of aircraft accidents and other information presented in this report, the SJR-3 Stakeholder Group makes the following recommendations to improve flight safety at North Las Vegas Airport:

1. The Las Vegas FAA Flight Standards District Office FSDO issued a memorandum on December 9, 2008 to its inspectors to no longer permit any Phase I flight operations of experimental aircraft from North Las Vegas Airport. This bans experimental aircraft from using the airport until they have completed the first phase of flight time, either 25 or 40 hours depending on the aircraft's engine and propeller combination. The FAA FSDO should monitor and ensure adherence by local experimental aircraft builders to this published, prohibition. The FAA FSDO should not grant any waivers of the minimum number of flight test hours specified in Order 8130.2F, *Airworthiness Certification of Aircraft and Related Products,*

Section 9, Paragraph 152c(1). The FAA FSDO and the Clark County Department of Aviation should work collaboratively on any proposed changes in the prohibition of Phase I flight or the conditions under which waivers may be granted.

2. The FAA should continue to take immediate and appropriate enforcement action when it is determined that Federal Aviation Regulations have been violated. This FAA FSDO intervention should better promote pilot adherence to Federal Aviation Regulations.

3. The FAA FSDO should prepare a detailed annual report for distribution to the local aviation community regarding enforcement action initiated against any pilot or other certificate holder within their jurisdiction. This report will protect individual identity, but should include a brief description of each investigative case and enforcement action taken. The total number of investigative cases initiated compared with the total number for the previous year. This will provide comparative analysis to measure trends in enforcement activity.

4. The FAA should require local FAA Operations Inspectors, Designated Examiners, Certified Flight Instructors and the FAASTeam to emphasize the importance of proper fuel management techniques and the effect of crosswinds and density altitude on aircraft performance during all Bi-Annual Flight Reviews and Practical Flight Tests. Heightened awareness of these factors by pilots should increase safety.

5. The FAA FSDO should continue the periodic and unannounced monitoring of activities in the Air Operations Area of the airport to ensure that pilots, aircraft mechanics and flight instructors are following safe operating practices and adhering to Federal Aviation Regulations. Unannounced visits by the FAA FSDO inspectors should increase the overall effectiveness of the enforcement program.

6. Additional research and analysis by the National Transportation Safety Board is encouraged to provide as much information as possible regarding the causal factors involved in each general aviation aircraft accident. More detailed analysis will capture all available data and may suggest additional methods to reduce aircraft accidents.

7. The FAA FSDO should encourage awareness of and adherence to Federal Aviation Regulations and safe aircraft operating practices through educational initiatives at the local, regional, and national level, including information posted on the FAASTeam website, www.faasafety.com. The Aircraft Owners and Pilots Association should also be encouraged to communicate safety information to local pilots. Ongoing educational efforts

serve to increase situational awareness and prepare pilots to more effectively handle airborne emergencies.

8. The FAA Air Traffic Control Tower at North Las Vegas Airport should be encouraged to record announcements on the Automatic Terminal Information Service (ATIS) that pilots "check density altitude" when the air temperature is over 85 degrees Fahrenheit and state the actual reading. This information is used by pilots during flight planning to calculate aircraft takeoff and climb performance.

9. The FAA Air Traffic Control Tower at North Las Vegas Airport should adhere to guidance in the *Aeronautical Information Manual* regarding standard airport traffic patterns. To the extent possible they should minimize the requirement for pilots to fly extended downwind, base, or final legs. By remaining in close proximity to the airport pilots are in better position to return to the airport during emergency situations.

10. The Clark County Department of Aviation should be encouraged to purchase available vacant land adjacent to North Las Vegas Airport, particularly in or near any Runway Protection Zone (RPZ), to ensure that remaining open area is preserved in the immediate vicinity of the airport. This will provide an expanded area for aircraft to land during emergencies.

11. The cities of North Las Vegas and Las Vegas should be encouraged to enact legislation to prohibit the construction of new buildings, communication towers or other obstructions above a safe height in the immediate vicinity of North Las Vegas Airport. Existing structures that may be determined to pose a hazard to air navigation near the airport should be evaluated using a cost and benefit analysis for alteration or removal. This will help eliminate the possibility of aircraft striking tall structures within the immediate vicinity of the airport.

12. The cities of North Las Vegas and Las Vegas should be encouraged to enact legislation to prohibit the further construction of residential housing or other non-compatible land uses within the immediate vicinity of North Las Vegas Airport. The City of North Las Vegas is addressing this issue in the current revision of its Zoning Ordinance (Title 17). As part of this process, North Las Vegas has also submitted its draft Air Terminal Environs Ordinances to the Clark County Department of Aviation for review and comment. This reduces the possibility of non-compatible development near the airport and aids in future community planning.

13. The Clark County Department of Aviation, the Clark County Aviation Association and other stakeholders should be encouraged to work together to establish open communication with local residents regarding North Las Vegas Airport. The methods used to establish communication include, but

are not limited to, airport open house events, programming dedicated to the airport on Clark County Cable Television Channel 4, public meetings and the distribution of informational brochures. This will serve to increase awareness on the part of the general public regarding continued airport safety enhancements, economic contributions and community benefits.

SUMMARY

North Las Vegas Airport is an active general aviation airport ranked as the second busiest airport in Nevada. Between January 1999 and September 2009 there were 2.23 million takeoffs and landings and a total of 43 accidents in the immediate vicinity of the airport.

The annual number of accidents at the airport has declined in recent years. The Federal Aviation Administration and the Clark County Department of Aviation have each instituted a variety of proactive safety measures. The Department of Aviation has work closely with airport stakeholders to make constructive changes that enhance safety at all of their facilities, particularly North Las Vegas Airport. An important objective of the Department of Aviation is to work with residents to ensure that airport operations are compatible with the surrounding community.

While the risk of aircraft accidents can never be completely mitigated, the clear objective of aviation stakeholders as well as area residents is to reduce the number of aircraft accidents at North Las Vegas Airport. The most significant finding of this report is the very specific and unique factors involved in aircraft accidents that have occurred on and off the airport. None of the accidents reviewed for this report were attributable to infrastructure or other site conditions at North Las Vegas Airport, including the inspection, maintenance or repair of runways and taxiways, lighting, signage, pavement markings or navigational aids under the direct care, custody and control of the Clark County Department of Aviation.

The SJR-3 Stakeholder Group believes any initiatives to improve flight safety standards should involve a collaborative effort on the part of the Federal Aviation Administration, the Clark County Department of Aviation and other stakeholders. Recommendations from this SJR-3 Stakeholder Group have been presented in this report. These recommendations are specific and should result in an even safer operating environment at North Las Vegas Airport.

References:

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Senate Joint Resolution No. 3–Senator Horsford

Joint Sponsor: Assemblywoman Kirkpatrick

FILE NUMBER.....

SENATE JOINT RESOLUTION—Urging the Federal Aviation Administration and the Clark County Department of Aviation to convene a stakeholders' group to develop and make recommendations to improve flight safety standards at the North Las Vegas Airport, particularly with respect to experimental homebuilt aircraft.

Legislative Counsel's Digest:

Federal law provides that the United States Government has exclusive sovereignty of airspace of the United States and requires the Administrator of the Federal Aviation Administration to prescribe regulations on the flight of aircraft to prevent collisions between aircraft and to protect persons and property on the ground. (49 U.S.C. § 40103) This resolution urges the Federal Aviation Administration to work closely with the Clark County Department of Aviation to convene a stakeholders' group to develop and make recommendations to improve flight safety standards at the North Las Vegas Airport, particularly with respect to experimental homebuilt aircraft.

WHEREAS, The expansion of urban areas in Clark County increasingly places homes and neighborhoods directly in the flight paths of aircraft flying to and from the North Las Vegas Airport; and

WHEREAS, Flights of experimental homebuilt aircraft to and from the North Las Vegas Airport are increasingly common; and

WHEREAS, Experimental homebuilt aircraft have higher accident rates than other types of aircraft and accounted for more than 12 percent of airplane accidents nationwide in 2007; and

WHEREAS, Experimental homebuilt aircraft have been involved in nine accidents at airports within the Clark County airport system since 2003, three of which were at the North Las Vegas Airport; and

WHEREAS, A crash involving an experimental homebuilt aircraft flying from the North Las Vegas Airport resulted in the deaths of two persons on the ground in 2008; and

WHEREAS, The Federal Aviation Administration sets standards for the number of hours experimental homebuilt aircraft must be tested before such aircraft can be operated at airports such as the North Las Vegas Airport; and

WHEREAS, Some of the experimental homebuilt aircraft operated at the North Las Vegas Airport may have been operated without having met those national standards; and

WHEREAS, The safety of persons who live near the North Las Vegas Airport is of the highest concern to the people of this State; and

WHEREAS, The Clark County Department of Aviation cannot regulate the flights of experimental homebuilt aircraft to and from the North Las Vegas Airport because federal law provides the United States Government with exclusive sovereignty of airspace in the United States; now, therefore, be it

RESOLVED BY THE SENATE AND ASSEMBLY OF THE STATE OF NEVADA, JOINTLY, That the Nevada Legislature expresses serious concerns regarding the current flight safety practices at the North Las Vegas Airport; and be it further

RESOLVED, That the Nevada Legislature urges the Federal Aviation Administration to work closely with the Clark County Department of Aviation and the entire aviation community in Clark County to convene not later than June 1, 2009, a stakeholders' group, which must include, without limitation:

1. A representative from the Federal Aviation Administration;
2. A representative of the Clark County Department of Aviation;
3. A representative of the Clark County Aviation Association;
4. A representative of the City of North Las Vegas;
5. A representative of the Aircraft Owners and Pilots Association;
6. Residents of neighborhoods surrounding the North Las Vegas Airport; and
7. Tenants of the North Las Vegas Airport; and be it further

RESOLVED, That the stakeholders' group shall, on or before August 1, 2009, issue its preliminary analysis of the concerns regarding the current flight safety practices at the North Las Vegas Airport; and be it further

RESOLVED, That the stakeholders' group shall, on or before November 1, 2009, develop and make recommendations to improve flight safety standards at the North Las Vegas Airport, particularly with respect to experimental homebuilt aircraft, for submission to the appropriate entities for consideration and to the Legislative Commission; and be it further

RESOLVED, That the Nevada Legislature urges the Nevada Congressional Delegation to use its best efforts to encourage the Federal Aviation Administration to participate in this endeavor; and be it further

RESOLVED, That the Secretary of the Senate prepare and transmit a copy of this resolution to the Administrator of the Federal

Aviation Administration, the Board of County Commissioners of Clark County, the Director of the Clark County Department of Aviation, the North Las Vegas City Council and each member of the Nevada Congressional Delegation; and be it further

RESOLVED, That this resolution becomes effective upon passage.

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AIRCRAFT ACCIDENT DATABASE JANUARY 1999 TO SEPTEMBER 2009

NORTH LAS VEGAS AIRPORT

Data Source: National Transportation Safety Board
Accidents more than 10 nautical miles (NM) from the airport are excluded and are identified as shaded

Appendix B – Accident Summary Data

NORTH LAS VEGAS AIRPORT

Date	Location	N-Number	Make/Model	Mfr	Type of Operation	Fa tal	Error	Description
4/22/2009	Off Airport	N17YS	Schweizer 269C	M	Based Part 91 Instructional	0	Awaiting Probable Cause Report	The helicopter lost engine power while attempting to land on high terrain, resulting in a hard landing. A probable cause has not yet been issued.
4/14/2009	On Airport	N4816D	Cessna 182	M	Based Part 91	0	PE	The pilot lost directional control while attempting to land and veered off the pavement into the dirt causing a prop strike and wing damage.
8/28/2008	Off Airport	N212HB	Piper PA-31-350	M	Transient Part 91	1	Awaiting Probable Cause Report	The aircraft departed VGT, experienced an onboard fire and was returning for an emergency landing when it crashed into a home 1.2 miles W of the airport. NTSB has not yet issued a probable cause.
8/22/2008	Off Airport	N415MK	Kilgore Velocity 173RG	E	Based Part 91	3	ME	An experimental homebuilt aircraft departed VGT on a test flight and crashed into a house 1.1 miles SE of the airport.
6/28/2008	Off Airport	N4063W	Piper Lance	M	Transient Part 91	4	PE	The pilot departed VGT and struck rapidly rising terrain in a mountain valley near Mt. Charleston. Lack of situational awareness and density altitude were causal factors.
2/29/2008	Off Airport	N958CP	Schweizer 269C	M	Based Part 91 Instructional	0	PE	A helicopter departed VGT and crashed in high terrain due to the student pilot's failure to maintain control and the instructor's inadequate supervision. Lack of suitable terrain for an emergency landing was also a contributing factor.

M – Manufactured, E – Experimental, PE – Pilot Error, ME – Mechanical Error, CE – Controller Error
Accidents more than 10 nautical miles (NM) from the airport are excluded and are identified as shaded

11/8/2007	Off Airport	N881CP	Cessna T182	M	Transient Part 91	2	PE	An aircraft operated by the Civil Air Patrol departed VGT during night VFR conditions and subsequently crashed into high terrain 13 miles SW of Las Vegas.
4/7/2007	Off Airport	N1079M	Cessna 172	M	Based Part 91 Instructional	0	ME	A solo student pilot attempting to land on Runway 12L and landed on Decatur Blvd. adjacent to the airport after a loss of engine power for undetermined reasons.
11/26/2006	Off Airport	N414AY	Cessna 414	M	Based Part 91	0	PE	The aircraft's right engine experienced a loss of power and the aircraft collided with a fence during an emergency landing in a residential area. The probable cause was fuel starvation as the result of the pilot's improper fuel management.
11/24/2006	Off Airport	N977SA	Cessna T210	M	Transient Part 91	0	PE	The aircraft lost engine power and collided with a telephone line during the forced landing attempt 2 miles NE of VGT due fuel exhaustion and the pilot's fuel mismanagement.
8/8/2005	On Airport	N58431	Hughes 369D	M	Based Part 91 Instructional	0	PE	A student pilot was conducting an autorotation at VGT when the tail rotor and stinger contacted the ground due to his improper flight control use and the instructor's inadequate supervision.
7/21/2005	On Airport	N7UP	Aero Commander 680	M	Transient Part 91	0	PE	As the aircraft rotated and became airborne it settled and impacted the ground as the result of excessive flap selection and high density altitude.
7/20/2005	On Airport	N4961D	Cessna 172	M	Based Part 91 Instructional	0	PE	After touching down on Runway 12L, the aircraft veered left, struck a ditch and collided with an airport location sign due to the solo student pilot's failure to maintain directional control.

M – Manufactured, E – Experimental, PE – Pilot Error, ME – Mechanical Error, CE – Controller Error
Accidents more than 10 nautical miles (NM) from the airport are excluded and are identified as shaded

5/5/2005	On Airport	N337DR	Gulfstream 695	M	Based Part 91	1	Pilot Incapacit ation	A passenger took control of the aircraft and made a hard landing at VGT after the pilot experienced a cardiac event in the air and died.[5]
	Off Airport	N6663P	Cessna P210	M	Based Part 91	0	PE	A pilot returning to VGT made a forced landing in an open field 6 mile NE after a total loss of engine power. The probable cause was determined to be fuel exhaustion.
10/30/2004	Off Airport	N6675X	Cessna 210A	M	Based Part 91	0	ME	While descending to land at VGT, the pilot experienced a total lack of power and landed on a nearby residential street. The NTSB could not determine a cause for the reported power failure.
9/5/2004	On Airport	N994RW	Robinson R-22	M	Based Part 91 Instructional	0	PE	A helicopter hit the ground hard during a practice autorotation due to the flight instructor's misjudged flare and delayed recovery.
5/27/2004	On Airport	N5010X	Raytheon Premier Jet	M	Based Part 91	0	PE	The aircraft was landing on Runway 7 when it left the pavement at the departure end and crashed through the perimeter fence due to an unstabilized approach, excessive speed and the presence of a tailwind.
5/22/2004	Off Airport	N154ZP	American Blimp Corp. A-1-50	M	Transient Part 91	0	PE	A blimp collided with a one story office building while attempting to takeoff from VGT due to winds and the pilot's inability to obtain a sufficient rate of climb.
12/25/2003	On Airport	N364JR	Beech A36TC	M	Transient Part 91	6	Unknown	On initial climb from Runway 12R the pilot declared an unspecified emergency and then crashed. The NTSB could not determine a specific cause of this accident.

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Accidents more than 10 nautical miles (NM) from the airport are excluded and are identified as shaded

9/23/2003	On Airport	N8604N and N146PM	Piper Arrow and Piper Mirage	M	Transient and Based Part 91	0	CE	A landing Piper Arrow and a departing Piper Mirage collided at the intersection of Runways 12L and 7. The NTSB identified the failure of FAA personnel to maintain proper separation as the probable cause.
8/31/2003	On Airport	N103TK	Piper Malibu	M	Based Part 91	0	PE	The aircraft crashed short of Runway 12R due to the pilot's failure to maintain an adequate approach speed during approach for the aircraft's flight configuration.
7/27/2003	On Airport	N499R	Hogarty Lancair IV P	E	Transient Part 91	0	PE	The aircraft settled to the ground during takeoff and the main landing gear collapsed due to the pilot's premature lift-off before airspeed was attained resulting in a stall.
6/1/2003	Off Airport	N991RW	Robinson R-22 Helicopter	M	Based Part 91 Instructional	0	PE	The helicopter collided with a wire during a pinnacle approach due to the pilot's failure to maintain adequate visual lookout.
4/25/2003	On Airport	N43VB	Cessna 182	M	Based Part 91	0	PE	Aircraft landing on Runway 25 crashed during day VFR due to the pilot's inadequate compensation for gusty cross wind conditions and a failure to maintain directional control.
4/4/2003	Off Airport	N553CH	Cessna 172	M	Based Part 91 Instructional	2	PE	The aircraft descended near vertically to ground impact on a private pilot practical flight test due to the applicant pilot's failure to maintain adequate airspeed while maneuvering.
3/30/2003	Off Airport	N95DC	Beechcraft V35	M	Based Part 91	0	PE	The aircraft lost power on departure and crashed into nearby obstacles due to fuel starvation as a result of the pilot's mismanagement of his fuel supply.

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Accidents more than 10 nautical miles (NM) from the airport are excluded and are identified as shaded

10/12/2002	On Airport	N2209F	Cessna 310	M	Based Part 91	0	PE	Pilot became distracted when approaching Runway 30L during night VFR conditions and slid to a stop with retracted landing gear.[7]
9/25/2002	Off Airport	N601GM	Bell 206 Helicopter	M	Based Part 91	0	PE	The helicopter experienced an emergency hard landing 2 miles S of VGT due to inadequate pre-flight planning that resulted in fuel exhaustion.
8/31/2002	Off Airport	N3184	Breezy RLU-1A	E	Based Part 91	0	PE	While maneuvering around a large rock formation the aircraft entered a box canyon and crashed due to both pilot's failure to maintain an adequate terrain clearance altitude.
6/23/2002	On Airport	N160RA	Cessna 172	M	Based Part 91	0	PE	The aircraft was taxiing when it departed the taxiway and came to rest in a concrete drainage ditch due to the pilot's decision to fly after dark with an inoperative landing light and his unfamiliarity with the airport.
6/14/2002	Off Airport	N7041B	Robinson R-22 Helicopter	M	Based Part 91 Instructional	0	PE	The helicopter collided with the ground while attempting a downwind takeoff from a remote practice area due to the student pilot's control inputs and the instructor's lack of adequate supervision.
6/6/2002	On Airport	N7196W	Robinson R-22 Helicopter	M	Based Part 91 Instructional	0	PE	While attempting an autorotation the helicopter landed hard and was damaged due to the student pilot's improper control inputs and the instructor's lack of adequate supervision.

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Accidents more than 10 nautical miles (NM) from the airport are excluded and are identified as shaded

3/29/2002	Off Airport	N7040C	Robinson R-22 Helicopter	M	Based Part 91 Instructional	0	PE	The helicopter collided with the ground and rolled over while practicing autorotations in a remote area due to the failure of the instructor to properly judge the landing flare.
11/9/2001	On Airport	N8232M	Cessna 210	M	Based Part 91	0	ME & PE	On the first flight following an annual inspection during night VFR conditions, the landing gear would not fully extend and the right main gear collapsed upon landing. This was due to the failure of maintenance personnel to properly diagnose the cause of a reported maintenance discrepancy and the pilot's improper handling of the emergency.
6/4/2001	On Airport	N209TA	Piper Navajo	M	Based Part 135	0	ME	When the aircraft touched down at VGT the right main gear collapsed due to fatigue failure of a landing gear component.
5/19/2001	Off Airport	N9820R	Beech M35	M	Based Part 91	1	ME & PE	The aircraft collided with obstructions during a forced landing precipitated by a loss of power. The probable cause was the pilot's failure to properly install an oil filter during an owner-assisted annual inspection, which resulted in oil exhaustion and a loss of power.
4/1/2001	On Airport	N9572H	Cessna 172	M	Based Part 91	0	PE	During an aborted landing the pilot collided with a fence due to his inadequate compensation for existing cross wind conditions and his failure to maintain runway alignment.

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Accidents more than 10 nautical miles (NM) from the airport are excluded and are identified as shaded

12/14/2000	Off Airport	N7189K	Robinson R-22 Helicopter	M	Based Part 91 Instructional	0	PE	During an autorotation landing the helicopter touched down hard resulting in substantial damage due to the instructor's inadequate supervision of the second pilot.
9/22/2000	On Airport	N2963P	Piper PA-22	M	Transient Part 91	0	PE	During landing the aircraft veered off the runway and the nose gear collapsed due to the pilot's inadequate compensation for gusty and variable cross wind conditions.
9/16/2000	On Airport	N27CG	Stevens Starduster II	E	Based Part 91 Instructional	0	ME	On the landing rollout the aircraft ground looped causing substantial damage due to the failure of a mechanical component in the tail wheel.
9/2/2000	On Airport	N739HA	Cessna 172	M	Based Part 91	0	PE	While attempting to land on Runway 25 the aircraft landed in the dirt off the runway due to the failure of the pilot to maintain proper airspeed which resulted in a stall.
7/28/2000	On Airport	N3386D	Cessna 180	M	Transient Part 91	0	PE	The aircraft bounced on landing and veered off the runway causing the right main landing gear to separate from the aircraft due to the pilot's failure to maintain directional control.
4/28/2000	On Airport	N2193S	Cessna 210	M	Transient Part 91	1	PE	During a go-around attempt the aircraft impacted the ground and it was destroyed due to the pilot's failure to maintain control during cross wind conditions.
4/28/2000	On Airport	N9344C	Cessna 180	M	Based Part 91	0	PE	The aircraft landed right of the runway centerline and then nosed down causing substantial damage due to the pilot's inadequate compensation for existing cross wind conditions.

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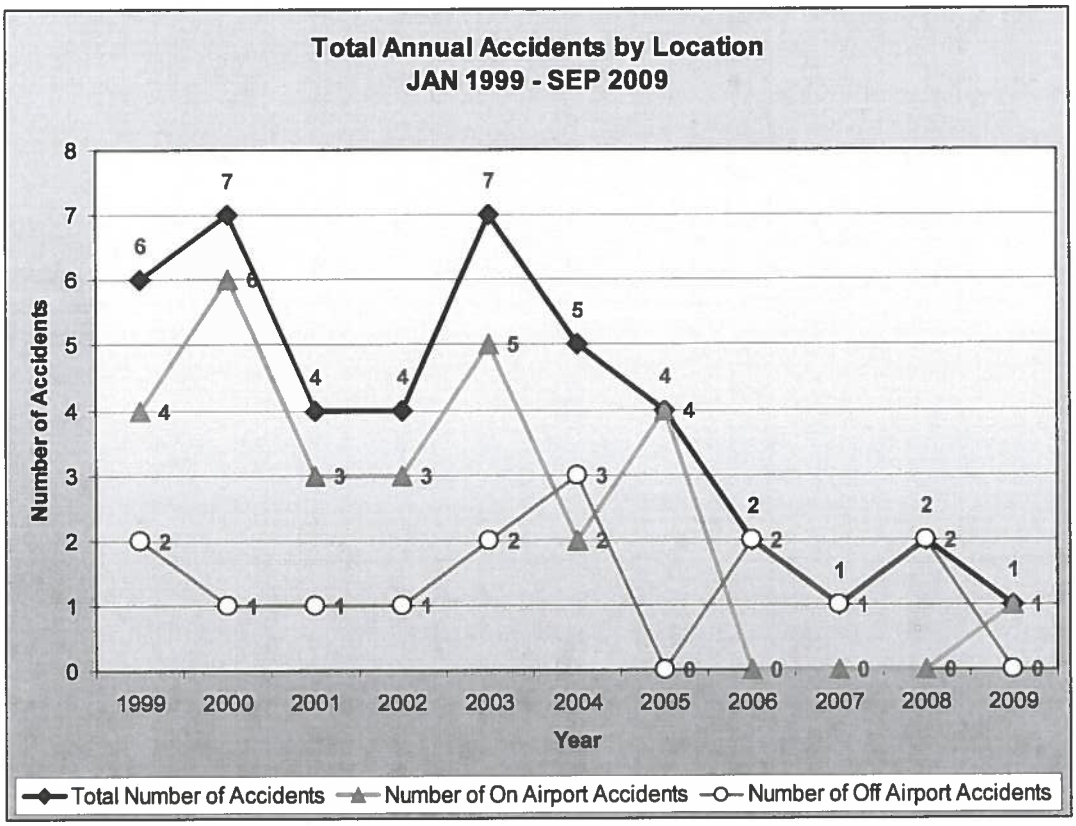
10/14/1999	Off Airport	N1024B	Piper Navajo	M	Based Part 135	1	PE	The aircraft collided with mountainous terrain after takeoff from VGT due to the pilot's lack of situational awareness and various errors on the part of air traffic controllers.
8/29/1999	Off Airport	N40RP	Cessna P210	M	Based Part 91	0	PE	The aircraft was in the traffic pattern when the engine lost power due to the pilot's failure to follow recommended procedures for use of the fuel pump. The aircraft subsequently collided with the ground causing substantial damage.
8/20/1999	Off Airport	N2654W	Mooney M20	M	Based Part 91	1	PE	The aircraft was in the traffic pattern when it began a wing rocking motion and descended until it collided with a tree and a residence, causing an explosion and fire. It was determined the pilot executed a steep turn at low altitude resulting in an accelerated stall and loss of control.
7/2/1999	On Airport	N180HW	Cessna 180	M	Based Part 91	0	PE	During the takeoff roll the aircraft experienced a gust of wind that nosed it over due to the pilot's failure to compensate for the existing cross wind conditions.
5/8/1999	On Airport	CGIUX	Cessna 172	M	Transient Part 91	0	PE	During an aborted landing the aircraft struck a chain link fence and impacted the ground due to the pilot's premature rotation and failure to attain and maintain sufficient airspeed.

M – Manufactured, E – Experimental, PE – Pilot Error, ME – Mechanical Error, CE – Controller Error
Accidents more than 10 nautical miles (NM) from the airport are excluded and are identified as shaded

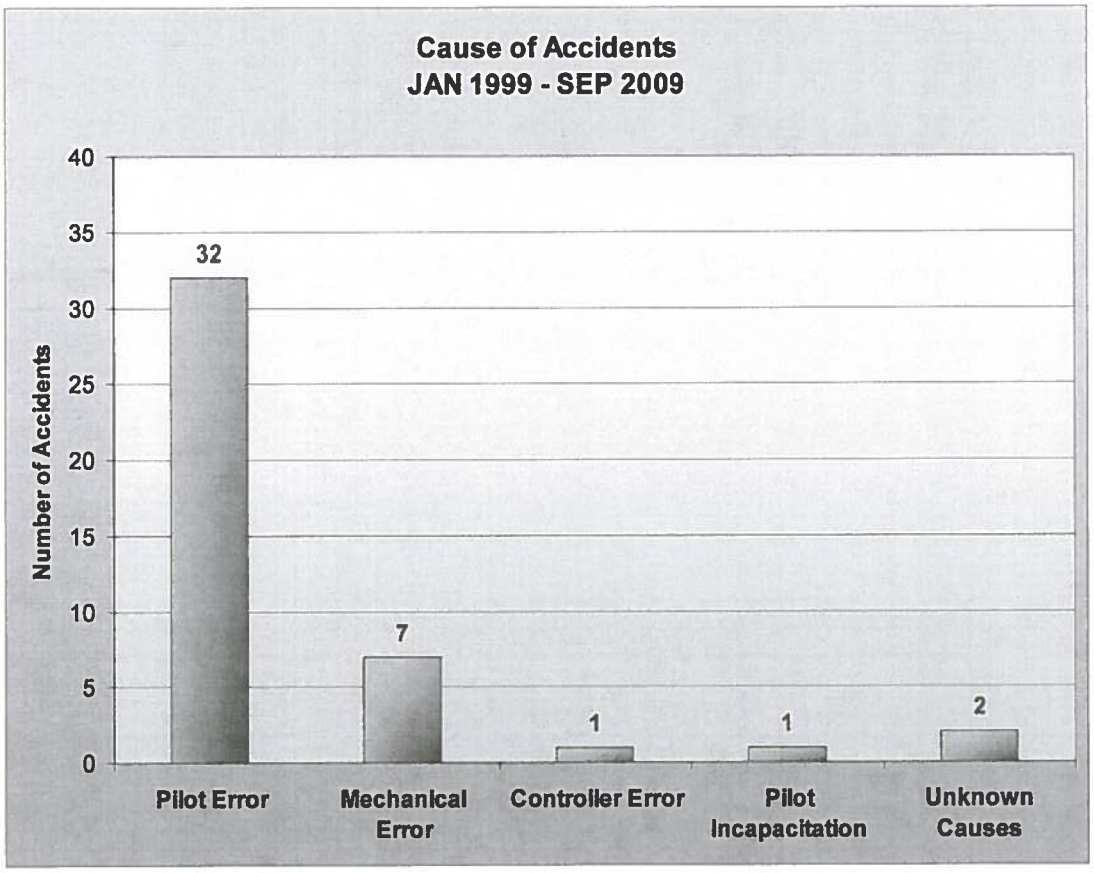
4/10/1999	Off Airport	N88212	Bellanca 7KCAB	M	Based Part 91	0	PE	While performing aerobatic maneuvers at altitude the control stick became jammed, the pilot was unable to regain control, and he abandoned the aircraft and parachuted to the ground. It was determined this was due to the pilot's failure to secure loose items in the cockpit before attempting aerobatic maneuvers.
4/10/1999	On Airport	N3289L	Cessna 172	M	Based Part 91	0	PE	On takeoff the aircraft veered to the right and struck a taxiway sign due to the pilot's failure to maintain directional control.
1/31/1999	On Airport	N58431	McDonnell Douglas 369D	M	Based Part 91	0	PE	While performing a practice autorotative landing the tail stinger contacted the ground due to the pilot's failure to properly judge the landing flare maneuver.
1/17/1999	Off Airport	N857JA	Abraham J G II/Erickson K One design	E	Based Part 91	0	ME	The pilot pressed the left rudder pedal while practicing outside snap rolls. The rudder pedal went all the way to the floor with no resistance. The cable had separated from the rudder horn due to the improper installation. The aircraft entered an unrecoverable right bank and the pilot parachuted to safety.

M – Manufactured, E – Experimental, PE – Pilot Error, ME – Mechanical Error, CE – Controller Error
Accidents more than 10 nautical miles (NM) from the airport are excluded and are identified as shaded

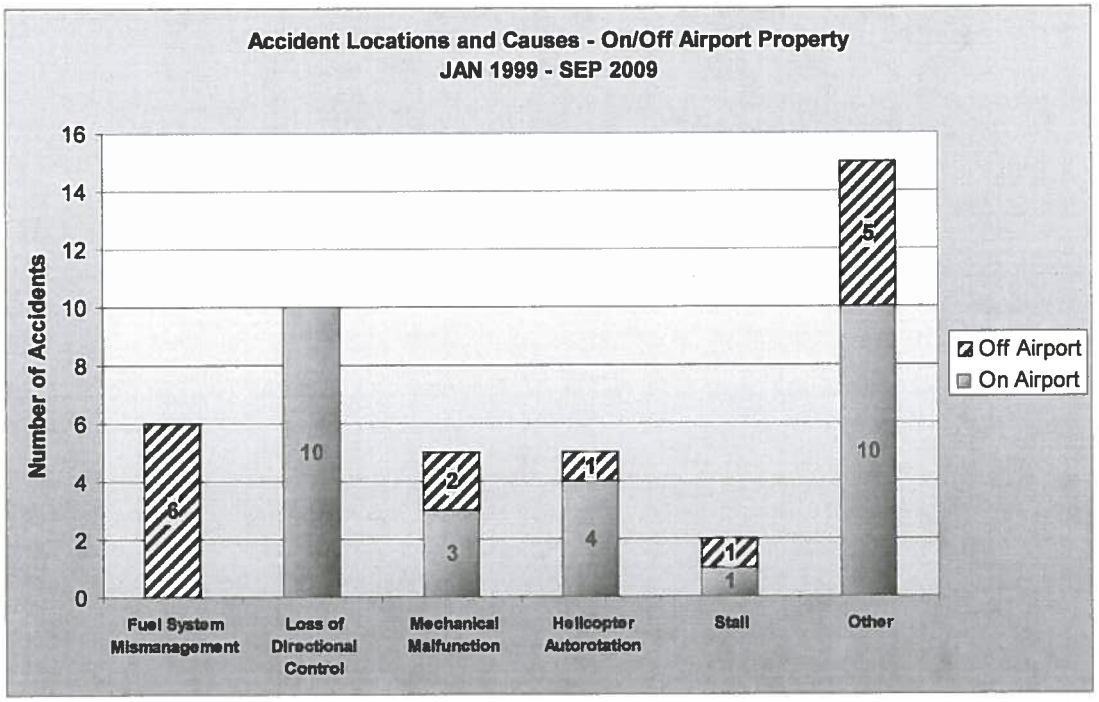
Appendix C – Total Annual Accidents by Location



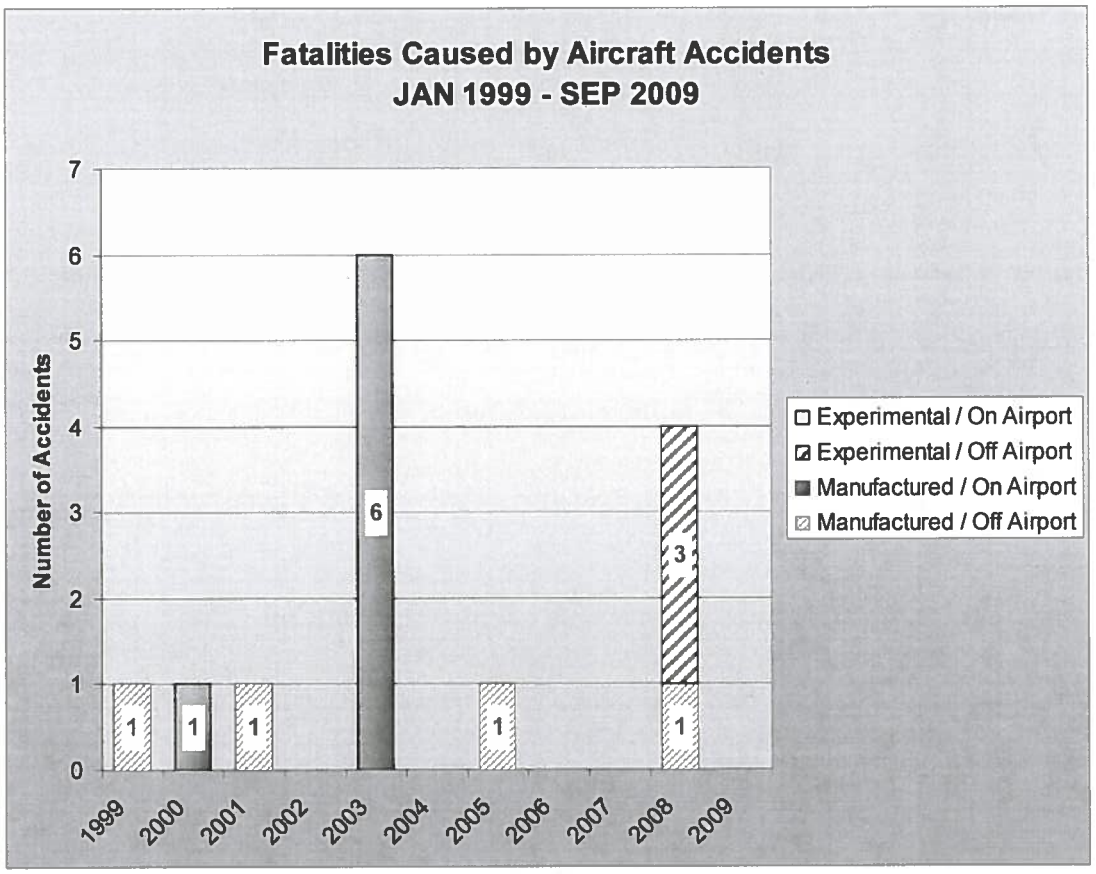
Appendix D – Cause of Accidents



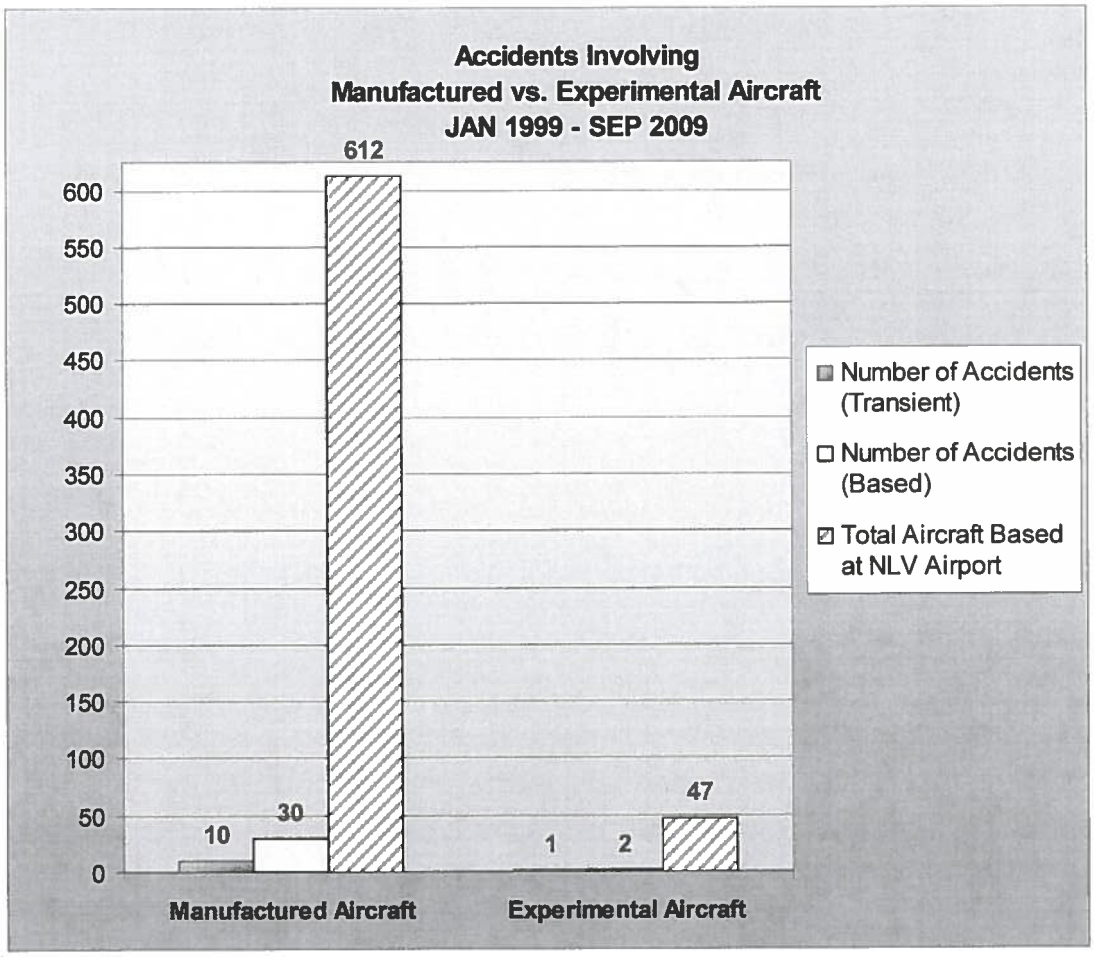
Appendix E – Accident Locations and Causes – On/Off Airport Property



Appendix F – Fatalities Caused by Aircraft Accidents



Appendix G – Accidents Involving Manufactured vs. Experimental Aircraft



GLOSSARY

Aircraft Accident – An occurrence associated with the operation of an aircraft which takes place between the time any person boards the aircraft with the intention of flight and all such persons have disembarked, and in which any person suffers death or serious injury, or in which the aircraft receives substantial damage. *(National Transportation Safety Board, 49 Code of Federal Regulations, Part 830.2)*

Based Aircraft – An aircraft that is operational & air worthy, which is typically based at an airport for the majority of the year. *(Federal Aviation Administration, National Based Aircraft Inventory Program, Frequently Asked Questions)*

Experimental Aircraft – A special airworthiness certificate in the experimental category is issued to operate an aircraft that does not have a type certificate or does not conform to its type certificate and is in a condition for safe operation. Additionally, this certificate is issued to operate a primary category kit-built aircraft that was assembled without the supervision and quality control of the production certificate holder. Special airworthiness certificates may be issued in the experimental category for the following purposes: research and development, showing compliance with regulations, crew training, exhibition, air racing, and market surveys. *(Federal Aviation Administration website, www.faa.gov)*

Flight School – Any pilot school, flight training center, air carrier flight training facility, or flight instructor certified under 14 CFR Part 61, 121,135,141, or 142; or any other person or entity that provides instruction under 49 United States Code (U.S.C.) Sub-title VII, Part A, in the operation of any aircraft or flight simulator. *(Transportation Security Administration, 49 Code of Federal Regulations, Part 1552.1)*

Flight Training – Training, other than ground training, received from an authorized flight instructor in flight in an aircraft. *(Federal Aviation Administration, 14 Code of Federal Regulations, Part 61.1)*

Transient Aircraft – Operations that are performed by an aircraft, either Instrument Flight Rules (IFR), Special Visual Flight Rules (SVFR), or Visual Flight Rules (VFR) that lands at an airport, arriving from outside the airport area, or departs an airport and leaves the airport area (This is synonymous with itinerant aircraft). *(Federal Aviation Administration website, www.faa.gov)*

Part 91 – The Federal Aviation Regulation that governs the operation of aircraft within the United States, including such items as minimum safe altitude, radio communications and air traffic control procedures. Most general aviation pilots and aircraft operate under this regulation (14 CFR Part 91.1(a)).

Part 135 – The Federal Aviation Regulation that governs the commuter or on-demand operations of each person holding an Air Carrier Certificate or Operating Certificate (14 CFR 135.1(a)).

Part 139 – The Federal Aviation Regulation that governs the certification and operation of airports in the United States serving any scheduled passenger-carrying operation of an air carrier operating aircraft designed for more than 9 passenger seats (14 CFR Part 139.1(a)).

IFR – An acronym for Instrument Flight Rules, a set of rules governing the conduct of flight under instrument meteorological conditions, or periods of inclement weather with reduced visibility (www.faa.gov).

VFR – An acronym for Visual Flight Rules, a set of rules that governs flight during visual meteorological conditions, or periods of fair weather (www.faa.gov).

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File No. 3-1191

AIRCRAFT ACCIDENT REPORT

SPECTRUM AIR, INC.
Sabre Mark 5, N275X
Sacramento, California
September 24,1972

Adopted: March 28,1973

NATIONAL TRANSPORTATION SAFETY BOARD
Washington, D.C. 20591
Report Number: NTSB-AAR-73-6

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15. Supplementary Notes

Aircraft Safety Recommendations A-72-219 through A-72-223 are included in this report.

16. Abstract Spectrum Air, Inc., Sabre Mark 5, N275X, crashed during a rejected takeoff from Runway 30 at Sacramento Executive Airport, Sacramento, California, at approximately 1624 Pacific daylight time, on September 24, 1972. The aircraft collided with several automobiles and came to rest in an ice cream parlor across the street from the airport. Twenty-two persons on the ground were killed and 28 others, including the pilot, were injured. The aircraft was destroyed.

The aircraft became airborne twice during the attempted takeoff, but each time returned to the runway. The pilot reported that the aircraft acceleration and control response were normal until he felt a vibration shortly after initial liftoff. He did not recall if it persisted through the subsequent liftoff and the rejected takeoff.

The National Transportation Safety Board determines that the probable cause of this accident was the overrotation of the aircraft and subsequent derogation of the performance capability. The overrotation was the result of inadequate pilot proficiency in the aircraft and misleading visual cues.

Five recommendations were made to the FAA.

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TABLE OF CONTENTS

		Page
	Synopsis	1
1.	Investigation	2
1.1	History of the Flight	2
1.2	Injuries to Persons	4
1.3	Damage to Aircraft	4
1.4	Other Damage	4
1.5	Crew Information	4
1.6	Aircraft Information	5
1.7	Meteorological Conditions	7
1.8	Aids to Navigation	7
1.9	Communications	7
1.10	Aerodrome and Ground Facilities	7
1.11	Flight Recorders	9
1.12	Wreckage	9
1.13	Fire	10
1.14	Survival Aspects	10
1.15	Tests and Research	11
1.16	Other	12
2.	Analysis and Conclusions	14
2.1	Analysis	14
2.2	Conclusions	18
	a. Findings	18
	b. Probable Cause	18
3.	Recommendations	18
	Appendices	
	Appendix A	21
	Investigation and Hearing	
	Appendix B	22
	Letter of Authority - R. L. Bingham	
	Appendix C	23
	Certificate of Waiver or Authorization - Golden West Sport Aviation Show	
	Appendix D	26
	Photograph Sacramento Executive Airport	
	Appendix E	29
	NTSB Safety Recommendations A-72-219 thru 223	
	Appendix F	34
	FAA Response to Recommendations A-72-219 thru 223	

SA-434 File No. 3-1191

NATIONAL TRANSPORTATION SAFETY BOARD
WASHINGTON, D. C. 20591
AIRCRAFT ACCIDENT REPORT

Adopted: March 28, 1973

SPECTRUM AIR, INC.. SABRE MARK 5, N275X
SACRAMENTO EXECUTIVE AIRPORT
SACRAMENTO, CALIFORNIA
SEPTEMBER 24, 1972

SYNOPSIS

Spectrum Air, Inc., Sabre Mark 5, N275X, crashed during a rejected takeoff from Runway 30 at Sacramento Executive Airport, Sacramento, California, at approximately 1624 Pacific daylight time, on September 24, 1972. The aircraft collided with several automobiles and came to rest in an ice cream parlor across the street from the airport. Twenty-two persons on the ground were killed and 28 others, including the pilot, were injured. The aircraft was destroyed.

The aircraft became airborne twice during the attempted takeoff but each time returned to the runway. The pilot reported that the aircraft acceleration and control response were normal until he felt a vibration shortly after initial lift-off. He did not recall whether it persisted through the subsequent liftoff and the rejected takeoff.

The National Transportation Safety Board determines that the probable cause of this accident was the overrotation of the aircraft and subsequent derogation of the performance capability. The overrotation was the result of inadequate pilot proficiency in the aircraft and misleading visual cues.

As a result of this accident the Safety Board recommended major changes in the regulations and procedures governing certification of aircraft in the experimental category and the control of pilots who fly them. Recommendations were also made in regard to the safety of persons and property around airports.

1. INVESTIGATION

1.1 History of the Flight

Spectrum Air, Inc., Sabre Mark 5, N275X, was flown from Oakland to Sacramento, California, to be exhibited as a static display at the Sacramento Executive Airport on September 24, 1972. This was the final day of the 2-day Golden West Sport Aviation Show. The pilot used Runway 29 for takeoff from Oakland International Airport, at approximately 1000.1/ En route to Sacramento, he rendezvoused with a friend who was flying a Grumman F-8 Bearcat, and they proceeded to Sacramento as previously arranged. Approximately 30 miles from Sacramento, the Sabre pilot requested permission for a low pass over the runway, and the tower subsequently cleared him for a low approach to Runway 30. The low pass was made at approximately 100 to 150 feet and 200 knots, in order to check the runway approach and landing area. During the low pass, the F-8 followed at a distance of approximately 3,000 feet. Normal landings were made and the Sabre was parked beside a Ford Trimotor. which was also owned by Spectrum Air, Inc. The Sabre remained parked-in the roped static display area throughout the airshow.

During a break in the aerial display, at 1400, the pilot preflighted the Sabre in preparation for departure; however, an adequate starting unit was not found until about 1545. At this time the airshow was finished, and many aircraft were departing. Following a normal start and routine checking of various systems, the pilot requested, ". . . taxi VFR to Oakland. I'd like to use Runway two ah if the wind is right." The ground controller advised that Runway 30 was the active runway and that there would be a delay if he wanted Runway 2. The pilot advised that he couldn't wait too long because of fuel consumption. The ground controller then reported, ". . . Runway three zero, five thousand feet and the wind is three two zero at eight, can you handle that?" The pilot responded, "Yeah, as long as I don't have to wait for an hour out there." He was then given taxi instructions. As he approached the end of Runway 30, he was cleared into position to hold. At 1623:40, the controller advised, "Sabre Liner Seven Five X-ray, observe the two aircraft at the ah northwest field boundary climbing out ahead of you, cleared for takeoff." The pilot acknowledged, "Okay, thanks a lot huh." This was the last transmission from the aircraft.

1/ All times herein are Pacific daylight, based on the 24-hour clock, unless otherwise noted.

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The pilot stated that the flaps were in the takeoff position, and he completed the pretakeoff checklist. He checked throttle friction, emergency ignition, and engine instruments during the engine runup at the end of the runway. The exhaust gas temperature was 680° to 690° and the tachometer was indicating 97 to 98 percent r.p.m. He released the brakes and used nosewheel steering for directional control until his speed was approximately 60 knots. He then checked the engine instruments for the last time -- everything was normal. At 105 knots he applied sufficient back pressure to raise the nosewheel off the runway, and maintained that attitude. The aircraft became airborne within a few seconds. The takeoff roll and lift-off were normal in every respect. After a slight hesitation, preparatory to raising the landing gear, the pilot heard and felt an unusual vibration which startled him. The aircraft was no longer accelerating in a normal fashion, so he instinctively lowered the nose, confirmed that he still had full throttle, and was surprised that the aircraft settled back onto the runway. He did not recall whether the vibration ended, but acceleration seemed normal again so he dismissed a momentary thought of discontinuing, and resumed the takeoff attitude. The aircraft became airborne again; however, it was obvious to the pilot that the aircraft was not going to fly, and he began the rejected takeoff procedure. He closed the throttle, touched down, and continued straight ahead trying to slow the aircraft. Within a second he hit something and was airborne again. He shut off the "fuel switch" and shielded his face with his right arm. He was unable to control the aircraft as it continued across the street and into the building. The highest airspeed he observed at anytime was 120 knots.

The pilot stated that he rotated the aircraft on this takeoff the same as he always did. He established takeoff attitude by raising the nose until the farthest point on the runway disappeared. Although he looked to the right and to the left of the nose for reference, he did not use the horizon to establish the deck angle.

Statements were obtained from 18 eyewitnesses, and two 8-mm. movies of the takeoff were also received. The movies and witness information generally corroborated the takeoff as described by the pilot. The entire runway was used, and there were two separate lift-offs as the aircraft moved along the runway.

1.2 Injuries to Persons

Injuries	Crew	Passengers	Others
Fatal	0	0	22
Nonfatal	1	0	27
None	0	0	

1.3 Damage to Aircraft

The aircraft was destroyed by impact and subsequent fire.

1.4 Other Damage

The airport perimeter fence and a fire hydrant were broken, several cars were damaged, and an ice cream parlor was damaged by impact, fire, and water.

1.5 Crew Information

Richard L. Bingham, aged 37, held airline transport pilot certificate No. 1670088, with ratings for airplane multiengine land and DC-3, and commercial privileges for airplane single-engine land and CV-PBY (VFR only). He held a certificated flight instructor certificate with an expiration date of April 30, 1974, and flight engineer (reciprocating engine powered) certificate No, 2039643. He also held mechanic certificate No. 1987269, with an airframe and powerplant rating, and a first-class medical certificate issued September 7, 1972, with no limitations. He stated that at the time of the accident, he had accumulated approximately 2,500 total flying hours, of which 600 hours were in jet aircraft, and 7.5 hours were in the Sabre Mark 5. His logbook indicated a total of 2,085 flying hours, including 342 hours in jet aircraft, 3.5 of which were in the Sabre Mark 5. The last entry in the logbook was dated September 17, 1972.

Mr. Bingham received a letter of authority, dated June 2, 1972, to fly the Sabre Mark 5 for proficiency. This letter expired June 9, 1972, but was replaced on June 6, 1972, by a letter permitting flight for proficiency or exhibition at bona fide airshows (see Appendix B). The issuing Federal Aviation Administration (FAA) inspector verbally stipulated that his office should be advised verbally anytime the aircraft was going to be exhibited.

Mr. Bingham was employed as General Manager of Spectrum Air, Inc., in September 1971. He participated in the negotiations to purchase N275X and attended the 10-hour formal ground school which was given by a former F-86 pilot in May 1972. He received an additional 2 hours of emergency procedures and 2 hours of flight procedures instruction on the day of his first flight, June 6, 1972.2/ All ground instruction was monitored by an FAA representative. The initial flight consisted of performing basic airwork maneuvers, including approaches to a stall. The instructor monitored the flight by radio in a P-51 "chase plane," but he did not see the Sabre or issue any instruction to the pilot during most of the flight.

All of Mr. Bingham's takeoffs in the Sabre Mark 5 were made on Runway 29 at Oakland International Airport, except the accident flight. Runway 29 is 10,000 feet long, 150 feet wide, and is bounded at both ends by San Francisco Bay. He testified that, ". . . the sight that you see is different between Runway 30 (and) Oakland." There are visible obstructions at the end of the runway in Sacramento whereas, The Oakland runway runs right in the water and it's unlimited out there." He stated that, "I was told that on normal reference, not necessarily straight ahead, but out to the sides as well, that as I got the proper angle for rotation that I would just not quite be able to see the runway."

Mr. Bingham stated that he had retired at 2300 the night before the accident, and awoke at 0600 on the day of the accident. He had a normal breakfast and a snack for lunch.

1.6 Aircraft Information

Canadair, Ltd., Sabre Mark 5, N275X, was manufactured on September 19, 1954, with serial no. 1054. The aircraft was flown by the Royal Canadian Air Force for 300 hours and then placed in long-term storage on October 31, 1961. Periodic inspections were accomplished through June 19, 1967. The aircraft was first registered in the United States in July 1971, and purchased by Spectrum Air, Inc., on November 4, 1971. During the next 3 months the aircraft was worked on in Syracuse, New York, to prepare it for a ferry flight to California where it would be based. Although the maintenance performed during this period is unknown, it was described as routine to the activation of an aircraft from long-term storage.

2/ Although his first flight was logged on June 2, the aircraft acceptance test hop was not flown until June 3, and Mr. Bingham's initial flight was several days subsequent to the acceptance check.

Special airworthiness certificates were issued to ferry N275X on January 5, February 2, and February 22, 1972. Each was valid for approximately 3 weeks. The aircraft was ferried to Napa County Airport (California) in February 1972, and subsequently flown to Oakland International Airport in March 1972, where the airworthiness inspection was conducted. On May 8, 1972, the Oakland General Aviation District Office (GADO) issued a special airworthiness certificate in the experimental classification for the purpose of exhibition. The operating limitations imposed for the 1-year period of the certificate were as follows:

THIS LISTING SHALL BE ACCESSIBLE TO THE PILOT

This aircraft must be operated in compliance with the following limitations:

1. Flights are authorized only for the purpose of exhibiting the aircraft at bona fide airshows and exhibits, movement of the aircraft to exhibit locations, and proficiency flights by persons so authorized.

2. Each person operating this aircraft shall comply with the operating limitations prescribed in Federal Aviation Regulation Part 91, Section 91.42, and shall conduct all flights in accordance with applicable FAA air traffic and general operating rules.

3. All flights shall be conducted in such a manner that the aircraft will not present a hazard to persons or property.

4. Aircraft and aircraft engine operations shall be conducted in compliance with the military and/or manufacturer's limitations issued for the aircraft.

5. All flights shall be conducted during daylight hours.

6. This aircraft may not be operated in weather conditions below the minimums prescribed for VFR flight. Operations in positive control areas and route segments shall conform to the equipment and operational requirements of FAR 91.97 and FAR 91.170.

7. Operations of this aircraft may be conducted only by a pilot authorized under a Letter of Authority issued by the Administrator.

8. Any major change, alteration, or change of owner of this aircraft renders this airworthiness certificate invalid.

1.7 Meteorological Conditions

The local surface weather observation, made by the National Weather Service observer following the accident was, in part, sky clear, visibility 30 miles, temperature 81° F., wind 320° at 7 knots, altimeter setting 29.87 inches.

1.8 Aids to Navigation

No aids to navigation were involved.

1.9 Communications

There was no difficulty with radio communication between the aircraft and the tower.

1.10 Aerodrome and Ground Facilities

Sacramento Executive Airport is located in a commercial/residential urban area approximately 3 miles southwest of Sacramento, California. There are three asphalt runways, each 150 feet wide. Runway 2, the instrument runway, is 6,003 feet long, and Runway 34 is 4,984 feet long. Runway 30 is 5,000 feet long, but the landing threshold for Runway 12, the reciprocal, is displaced 670 feet to meet approach slope criteria at the northwest end of the runway. The airport elevation is 21 feet, but the elevation at the northwest end of Runway 30 is 17 feet.

In January 1964, a shopping center was proposed for construction on commercially zoned property at the northwest corner of the airport. The FAA circulated particulars of the construction to various aeronautical interests in order to obtain their comments on the effect of the construction. There were four obstructions the height of which exceeded the then current standards of Section 77.27(b)(2)3/ by 9, 11, 13, and 14 feet.

3/ Part 77 is the Federal regulation governing "Objects Affecting Navigable Airspace." Part 77.27(b)(2) established an imaginary approach area surface for runways such as Runway 30 as follows: beginning at the end of the runway and extending 500 feet outward at the elevation of the approach end of the runway and then sloping upward at the ratio of 1 to 40, being 500 feet wide at the beginning and expar-ding uniformly to a width of 3,000 feet at the outer extremity, 10,000 feet from the end of the runway.

The airport manager and the California Aeronautics Commission objected to the construction on the basis that it would be a hazard not only to aircraft on approach to the runway, but also to persons on the ground who would be concentrated in the shopping center. The Air-Transport Association objected because it might result in a reduction of runway effective length, thereby forcing air carriers to operate at reduced gross weights. The construction proposal was discussed further at an informal meeting of all concerned. The FAA determined that the construction would not be a hazard to air navigation. The plans were modified so that the heights of only three points exceeded the standards by 11, 11 and 13 feet, and the shopping center was constructed.

On July 1, 1967, the County of Sacramento assumed operational control of the airport under a lease agreement. In October 1967 all air carrier operations were moved to the new Metropolitan Airport, and Executive Airport continued operation as a general aviation facility.

In December 1969, an addition to the shopping center was proposed, and the FAA again circulated the details for comment. It was noted that the proposed building, an ice cream parlor, exceeded the height standard by 5 feet. No objections were received, and the FAA determined that no hazard existed. However, the California Department of Aeronautics, in responding to a city zoning hearing, commented that the State's study indicated that other structures in the area of the new building were of equal height so that the addition had no substantive effect on the airport activity.

In January 1970, the FAA circulated another aeronautical study regarding the proposed construction of a sign for the ice cream parlor. The sign exceeded the standards of Part 77 by 26 feet, but this was later reduced to 21 feet. The California Department of Aeronautics indicated no objection if it was shadowed by other existing structures. The Director of Airports, on behalf of Sacramento County, objected to the construction because it was in the clear zone and exceeded the 40:1 slope by 14.5 feet. Also, the size of the sign (20 feet by 30 feet) would tend to confuse pilots during low visibility conditions. Once again, the FAA determined that no hazard existed because the sign had no greater adverse effect on aircraft operations than the existing obstructions, provided it had appropriate obstruction lighting. The California Department of Aeronautics also filed objection to the sign in the city's zoning variance process, and indicated that if the runway threshold was displaced sufficiently to eliminate the intrusion into the approach surface, they would withdraw their objection. As noted earlier, the threshold for Runway 12 was displaced.

1.11 Flight Recorders

There were no flight recorders installed, and none was required.

1.12 Wreckage

The aircraft skid marks began approximately 40 feet from the end of Runway 30 and continued 453 feet over a sod overrun and a 25-foot-wide perimeter roadway. At this point the aircraft became airborne again, crashed through a chain link fence and a fire hydrant, and skidded across a 112-foot-wide divided highway. The aircraft came to rest approximately 800 feet from the end of the runway, less than 25 feet to the left of the extended runway centerline.

Both wings separated from the aircraft fuselage. The right wing separated at the wing/center section attach fitting. This forging was fractured longitudinally through the ribs, but all attach bolts were tight and in place. The aileron and flap were still attached. The left wing and center section were still intact as one assembly. The left aileron and flap had separated from the wing.

The right wing leading edge was crushed back to the front spar in two places, near the wing root and 2 feet inboard from the tip. The Pitot mast was separated at the leading edge, and the Pitot head was missing. Wood splinters were jammed into one end of the mast. The Pitot and static lines were intact and unobstructed from the wingtip to the inboard end of the wing. The Pitot and static lines in the fuselage were destroyed.

The fuselage forward of the cockpit bulkhead was destroyed. The forward cockpit bulkhead and instrument panel was bent forward and down approximately 30". The fuselage skin on both sides was buckled, burned, and melted in several places, from the cockpit aft to the area of the speed brakes. The lower fuselage skin was gone, Both speed brakes were in the open position. The aft fuselage section was attached, but the skin and tailpipe were buckled, with three deep wrinkles just aft of the speed brakes. The lower aft end of the fuselage and tailpipe were both dented and buckled upward. The vertical stabilizer and both horizontal stabilizers were damaged but intact. The rudder and left elevator remained attached, but the right elevator was separated.

All three landing gear assemblies separated from the aircraft. The main landing gear tires were inflated and showed no flat spots. The wheels and brakes rotated freely. The brake discs showed no signs of overheat, and the pads were undamaged. The nosewheel tire was deflated. The rim was dented on both sides and slightly spread.

The right and left flap jackscrews were partially extended and required 7-1/4 and 7-1/2 turns, respectively, to reach full extension.

The first two compressor stages of the engine had light foreign object damage, but there was no evidence of overtemperature or foreign object damage in the turbine. The engine rotor rotated freely.

Samples of fuel, oil, and hydraulic fluid were examined, and there was no evidence of contamination other than that due to the fire and sampling conditions.

The engine fuel control, two engine driven fuel pumps, and the fuel distributor assembly were functionally tested at the facilities of Orenda, Ltd. All units were capable of supplying the required amount of fuel to develop maximum rated thrust for takeoff at sea level and standard temperature.

1.13 Fire

The aircraft external fuel tanks ruptured on the chain link fence, and other tanks failed as the aircraft continued skidding across the street into the ice cream parlor. The main fireball occurred on the airport side of the street, and the fire trail followed the aircraft into the building.

Airport fire and rescue units were located at the takeoff end and midpoint of Runway 30. Rescue 8, the pickup truck at the end of the runway, began moving down the runway in anticipation of the accident and crashed through the perimeter fence on the most direct route to the wreckage. All other vehicles also responded, and firefighting activity began within a highly commendable short period of time. Other units from the Sacramento Fire Department arrived at the site within 5 minutes. In addition, the sprinkler system in the ice cream parlor was activated by the fire.

1.14 Survival Aspects

This was a survivable accident. The pilot exited the aircraft unassisted and crawled to a window of the building. He was assisted from the building by bystanders. Approximately 100 to 150 people were in the ice cream parlor at the time of the accident. Most of the survivors escaped unassisted through large windows of the building; however, many were assisted or carried out by spectators and firemen.

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1.15 Tests and Research

The aircraft handbook for the Sabre Mark 5 contains the following performance data for the conditions at the time of the accident:

Nosewheel lift-off speed . . .	110 knots
Takeoff speed . . . , ...	130 knots
Takeoff distance	3,200 feet
Distance to clear SO-foot obstacle . . . . . ,	4,600 feet

An 8-mm. movie of the takeoff was analyzed by making a series of 8 x 10 inch enlargments of every eighth frame, counting backward from the initial fireball. Various stationary landmarks in the background of each photograph were used to determine the angular displacement of the aircraft from the camera location, and also the distance the aircraft moved along the runway. The deck angle of the aircraft in each photograph was then measured and corrected for the distortion of that particular viewing angle. The groundspeed, based on camera frame speed and distance traveled, was calculated and the speeds were averaged for every three frames to minimize the effects of sighting errors, Finally, the height of the aircraft was established by calculation or estimated in relation to other photographs where calculations could not be made.

In summary, the initial lift-off occurred between 2,800 and 2,900 feet from the end of the runway at an airspeed of 124 knots. The deck angle was approximately 11° Aircraft Noseup (ANU). The airspeed and deck angle continued to increase to 130.5 knots and 15.5' ANU, respectively, At this time the deck angle kept increasing, but the acceleration stopped and the speed began decreasing. The aircraft was 2 feet above the ground, measured from the bottom of the main landing gear. The aircraft settled back to the runway at approximately 3,700 feet, as the nose attitude lowered to about 10° ANU and the velocity dropped to 128 knots. Within a few seconds the speed began increasing again and eventually reached a maximum of approximately 137 knots. However, the deck angle also increased markedly to over 16.5° ANU and remained in that attitude. During the same interval, the aircraft was approximately 5 feet above the runway. The aircraft touched down again 5,005 feet from the takeoff end of the runway and disappeared from the camera view.

The nose attitude of another Sabre Mark 5 aircraft was calculated from film made during a takeoff. Although the aircraft was not equipped with external fuel tanks, the initial lift-off attitude would not vary significantly from that of N275X. The attitude during the test takeoff was approximately 5° ANU.

1.16 Other

The Golden West Sport Aviation Show was a 2-day airshow sponsored by the Active 20-30 Club and Chapter 52 of the Experimental Aircraft Association, both of Sacramento. The purpose of the show was the static and aerial exhibition of "experimental and antique" aircraft. The proceeds were designated for charitable and aviation educational support. Preliminary planning for the airshow began in February 1972 with monthly meetings, and culminated in a formal Application for Certificate of Waiver or Authorization from the provisions of FAR 91.71(c) and (d)4/. The application, dated August 8, 1972, stipulated that all events would take place within the confines of Sacramento Executive Airport and listed three pilots with the aircraft that each would fly. The planned schedule of events, beginning at 0800, September 23, 1972, and ending at 1530, September 24, 1972, was attached.

On August 30, 1972. the Sacramento GADO issued a Certificate of Waiver or Authorization for "Acrobatic aerial demonstrations within the boundary of the Sacramento Executive Airport from the surface to 3,000 feet . . ." In addition to granting waivers from the provisions of FAR 91.71(c) and (d), the certificate also waived FAR 91.79(b) which establishes a minimum safe altitude over congested areas. Eighteen special provisions were listed for further compliance (see Appendix C) to promote safety, including authority for appropriate officials of the airshow or the FAA to stop the airshow for reasons of safety.

FAR 61.16(a) states that no person may act as pilot-in-command of turbojet aircraft unless he holds a type rating for the aircraft; however, an exception is granted when an authorization is issued by a Flight Standards District Office. Letters of authority are normally issued in the following circumstances:

(a) Practice in a single-control aircraft to qualify for a type rating.

(b) Ferry flight by a pilot who will not regularly fly the aircraft.

(c) Test flight in an aircraft repaired or modified by an approved repair station or manufacturer.

(d) Other specific flights considered safe under the existing circumstances if it is not practicable to require the type rating.

4/ FAR 91.71(c) prohibits acrobatic flight within a control zone or Federal airway. FAR 91.71(d) prohibits acrobatic flight below an altitude of 1,500 feet above the surface.

The inspector is cautioned to issue letters of authority only if the pilot is qualified to complete the flight safely. This evaluation should consider:

(a) Total pilot time.

(b) Type ratings or military experience in similar aircraft.

(c) Extensive pilot experience in aircraft with similar flight characteristics.

(d) Current flight experience and pilot competency.

FAR Part 21 prescribes procedures for certification of products and parts, and subpart H deals specifically with the issuance of airworthiness certificates. Standard airworthiness certificates are issued for type certificated aircraft in the normal, utility, acrobatic, and transport categories. Special airworthiness certificates are issued for other categories including, among others, special flight permits and experimental. Special flight permits, effective for the period of time specified on the permit, are issued for aircraft that may not meet applicable airworthiness requirements, but which are capable of safe flight.5/ Experimental certificates are issued, for a maximum of 1 year, for the following purposes:

(1) Research and Development.

(2) Showing compliance with regulations.

(3) Crew training.

(4) Exhibition.

(5) Air racing.

(6) Market surveys.

(7) Operating amateur-built aircraft.

An applicant for an experimental certificate must include in the application a statement of the purpose for which the aircraft will be used, enough data to identify the aircraft, and, upon inspection of the aircraft, any pertinent information found necessary to safeguard the general public,

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5/ Examples of special flight permits may include: 1) flying the aircraft to a base for repair or storage; 2) delivering or exporting the aircraft; 3) production flight testing; 4) evacuating aircraft from areas of impending danger, etc.

On November 9, 1972, the FAA issued a General Notice (GENOT) to all field offices on "future Civil Certification, Operation, and Maintenance of Military Surplus Jet Airplanes." The notice supplements applicable handbooks, in part, as follows:

(1) Surplus military jets will not take off or land over densely populated areas; deviations will be approved at regional level.

(2) Prior to participation in airshows with this type of aircraft, the pilot shall submit a resume of his participation in each exhibit. Flights for this purpose, including routes of flight takeoff. departure, approach and landing shall be approved by the FAA office involved.

(3) A pilot will not be authorized to operate a surplus military jet unless:

(a) He shows evidence of having completed a military or manufacturer's checkout in that aircraft.

(b) He has flown as pilot-in-command of jet aircraft within the preceding 3 months and as pilot-in-command in the particular type during the preceding 12 months.

(c) He successfully demonstrates his knowledge of the aircraft and his flight proficiency by making three takeoffs and landings observed by an FAA inspector.

2. ANALYSIS AND CONCLUSIONS

2.1 Analysis

The aircraft was certificated in accordance with existing procedures, and there is no evidence of malfunction or mechanical failure which would have prevented a normal takeoff. The pilot reported that he felt and heard a vibration shortly after initial lift-off. Apparently, he was not sufficiently concerned to reject the takeoff at that point. He stated that when he lowered the nose, acceleration seemed normal again and he continued the takeoff. The Board believes that the vibration experienced was precipitated by disturbed airflow, because of excessive nose-high attitude during lift-off. Documentation of the excessive attitude, and proper thrust development by the engine, was found in the testimony of witnesses and the analysis of the 8-mm. movies of the takeoff. The aircraft pitch attitude during the initial lift-off was more than

three times higher than that of the test Sabre Mark 5 aircraft, yet N275X reached a velocity of more than 130 knots in an exaggerated takeoff attitude twice on the 5,000-foot runway. Apparently, both times the aircraft remained airborne in ground effect as long as the pilot maintained the excessive noseup control input. Each time he relaxed the back pressure on the yoke the aircraft settled to the runway.

The overrotation was undoubtedly a function of (1) a lack of familiarity with the Sabre Mark 5 and (2) the effect of visual cues at Sacramento as opposed to Oakland. The pilot had logged a total of 3.5 flying hours in N275X, but claimed an additional 4 hours which were not logged. The only other "swept wing" experience he had was 31 hours logged as second-in-command in a Lockheed Jetstar. The remainder of his jet experience was accumulated in a Lear Jet as second-in-command. Although all jet experience provides a measure of exposure to the faster acceleration, and consequently to the quicker reactions required, very few models of aircraft are more sensitive to overrotation than Sabre-type aircraft. In this respect, the high thrust/weight ratio and relatively lower elevator power of the Lear Jet may have developed habit patterns which would increase the tendency of overrotation in the Sabre. For example, the Sabre Mark 5 has a lower thrust/weight ratio than the Lear Jet, but more effective elevator power at slow speeds. This combination results in the ability of the Sabre Mark 5 to achieve high angles of attack before flying speed is attained, with insufficient thrust to overcome the induced drag generated by the attitude. The application of excess noseup control in the Lear Jet, prior to reaching flying speed, generally does not result in an overrotated condition because the airspeed increases faster than the elevator effectiveness.

A second, and perhaps more significant factor, is the previously mentioned visual cues. The pilot was accustomed to establishing a takeoff attitude by reference to the environment around Runway 29 at Oakland, where the "wide open" expanse of San Francisco Bay creates a very indefinite horizon. This results in the visual impression of an "unlimited" runway. Actually the horizon would appear to recede as the aircraft moved along the runway. Under these circumstances, takeoffs by the inexperienced pilot were accomplished with little likelihood of overrotation. Although the pilot established a takeoff attitude by reference to the amount of runway remaining, the actual lift-off attitude was [illegible] by the length of the runway and the sensory illusion that the end of the runway was still quite distant.

In contrast to the environment at Oakland, Runway 30 at Sacramento is closely surrounded by trees, buildings, water towers, and other objects which create a well-defined horizon. During this takeoff -- the pilot's first from another runway in the Sabre -- the short length of the

runway and the nature and proximity of the objects comprising the horizon would combine to accentuate the rate of closure. Additionally, the angular measurement from the pilot's eye level at a normal lift-off point to the apparent horizon of each runway would increase at a significantly greater rate at Sacramento. The rapid change in viewing angle would magnify the apparent height of the objects at the end of the runway and, in combination with the rate of closure, would result in a sense of urgency about becoming airborne as soon as possible. Considering his experience in the aircraft, and the very misleading but compelling visual cues, it is easily understood why the pilot rotated the aircraft to as much as 17° ANU.

Although this accident was a result of pilot technique, which has been discussed in detail, the catastrophic consequences resulted from two entirely separate circumstances: (1) inadequacies in the rules governing the operation of experimental aircraft; and (2) the location of the ice cream parlor.

The pilot was restricted from operating N275X from any airport other than Oakland or Sonoma County, except for exhibition. When the aircraft was exhibited at a bona fide airshow, the only airport restriction was that imposed by the performance capability of the aircraft. If there had been no airshow, N275X would not have been authorized to land or take off from Sacramento. Consequently, the rejected takeoff must be considered as directly related to the airshow, even though N275X was not specifically identified as part of the airshow.

The inadequacies of the rules governing operation of experimental aircraft are, perhaps, best demonstrated in a comparison of the provisions before and after the accident. The generalized statements concerning pilot qualification for a letter of authority were changed to reauire a military or manufacturer's checkout and recent pilot-in-command experience in jet aircraft. The previous certification requirement, for a statement of the purpose for which the aircraft will be used, is now expanded by a requirement to submit a resume each time the aircraft is to be exhibited. The resume must include all routes of flight, arrival, and departure, which must be approved by the FAA office involved. Takeoffs or landings over densely populated areas must now be approved at the regional level. It is obvious that the pilot of N275X could not qualify for a letter of authority under the new directive because he had not completed the appropriate training and because he lacked the pilot-in-command experience. Additionally, there is a possibility that the proposed exhibition might have been rejected if a resume had been presented to the FAA Western Region, as now required. Even assuming that the region approved the flight into Sacramento Executive Airport, some runway restriction would have been imposed because of the

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populated areas surrounding certain runways, The Safety Board supported the FAA in the remedial action accomplished by the GENOT, issued November 9, 1972, and formally recommended that the provisions governing pilot qualifications be expanded to include pilots of any high-performance surplus military aircraft.

The second circumstance which added to the catastrophe was the location of the ice cream parlor. The construction of the shopping center was accomplished in accordance with existing statutes of the various jurisdictions. Although some of the structures exceeded the height standards of Part 77, the FAA determined that the obstructions did not constitute hazards to air navigation. The city, county, and State governments all generally agreed that once the shopping center was built, the subsequent addition of the ice cream parlor and sign had little effect on aircraft operations. This conclusion was an obvious extension of the initial rationale that "... the construction (of the shopping center) would affect operations no differently than other existing structures such as a gasoline sign, television antennas, traffic signal standards, etc." Additional aspects of this accident were discussed in the Board's recommendation to the Federal Aviation Administration (see Appendix E).

2.2 Conclusions

(a) Findings

1. The aircraft was certificated in accordance with existing regulations.

2. The pilot was certificated and held a valid letter of authority for the flight.

3. The regulations and procedures concerning certification of experimental aircraft, and issuance of letters of authority for pilots, were inadequate.

4. The aircraft was capable of taking off from Runway 30 without incident, under the conditions at Sacramento.

5. The differences between the horizon and runway length at Oakland and Sacramento created visual illusions that induced an apparent need for rapid lift-off at Sacramento.

6. The pilot did not have sufficient experience in the Sabre Mark 5 to enable him to compensate for the misleading visual cues.

7. The catastrophic consequence of this accident is directly attributed to the proximity of the shopping center to the runway.

(b) Probable Cause

The National Transportation Safety Board determines that the probable cause of this accident was the overrotation of the aircraft and subsequent derogation of the performance capability. The overrotation was the result of inadequate pilot proficiency in the aircraft and misleading visual cues.

3. RECOMMENDATIONS

As a result of the investigation of this accident, the Safety Board on December 28, 1972, issued five recommendations (Nos. A-72-219 through 223) directed to the Administrator of the Federal Aviation Administration. Copies of the recommendation letter and the Administrator's response thereto are included in Appendices E and F, respectively.

March 28

BY THE NATIONAL TRANSPORTATION SAFETY BOARD

/s/ JOHN H. REED
Chairman

/s/ FRANCIS H. McADAMS
Member

/s/ LOUIS M. THAYER
Member

/s/ ISABEL A. BURGESS
Member

/s/ WILLIAM R. HALEY
Member

March 28, 1973

APPENDIX A

INVESTIGATION AND HEARING

1. Investigation

The Board received notification of this accident at approximately 1800 on September 24, 1972, from the Federal Aviation Administration. An investigating team was dispatched to the scene of the accident. Working groups were established for Operations, Maintenance Records and Performance, Human Factors, Airworthiness, and Airport Environment. The Federal Aviation Administration and Spectrum Air, Inc., participated in the investigation as interested parties. The on-scene investigation was completed on October 4, 1972.

2. Hearing

A public hearing was held at Sacramento, California, on October 16, 1972. Parties to the hearing included the Federal Aviation Administration and Spectrum Air, Inc.

3. Reports

There was no preliminary report on this investigation.

APPENDIX B

General Aviation District Office
P. O. Box 2397 - Airport Station
Oakland, California 94614

6 June 1972

Letter of Authority

Mr Richard L. Bingham
575 Arthur Street
Novato, California

Dear Mr Bingham:

This letter authorizes you to serve as pilot-in-command of Canadair MK-5 N275K for the purpose of pilot proficiency and exhibition of the aircraft. The following limitations, in addition to those outlined in the operating limitations of the aircraft, will apply:

1. All pilot proficiency operations will be limited to an area within 100 miles of the Metropolitan Oakland International Airport or the Sonoma County Airport, and takeoffs and landings for such operations will be limited to these airports, other than for emergency reasons. If an emergency landing is required at another airport, a full written report of the facts and circumstances must be submitted to this office within 48 hours of its occurrence.

2. All flights from the Metropolitan Oakland Airport and the Sonoma County Airport must be approved by their respective airport managers.

3. All flights shall be conducted to avoid areas having heavy air traffic, and when operating in the vicinity of cities, towns, villages and congested areas, conducted in a manner that the aircraft will not create a hazard to persons or property on the ground.

4. No persons other than the pilot shall be carried.

This authorization will expire upon written notification, but in no case later than December 1, 1972.

Sincerely,

JOHN S. ZENTNER
Chief

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APPENDIX C

FEDERAL AVIATION AGENCY

CERTIFICATE OF WAIVER OR AUTHORIZATION

ISSUED TO

Jerry L. Worthington, Chairman
Golden West Sport Aviation Show

ADDRESS

701 Wales Drive
Folsom, California 95630

This certificate is issued for the operations specifically described hereinafter. No person shall conduct any operation pursuant to the authority of this certificate except in accordance with the standard and special provisions contained in this certificate, and such other requirements of the Federal Aviation Regulations not specifically waived by this certificate.

OPERATIONS AUTHORIZED

Acrobatic aerial demonstrations within the boundary of the Sacramento Executive Airport from the surface to 3,000 feet mean sea level.

Area of operation: Sacramento, California

LIST OF WAIVED REGULATIONS BY SECTION AND TITLE

FAR 91.71(c) - Acrobatic flight within a control zone or Federal Airway.
FAR 91.71(d) - Acrobatic flight below an altitude of 1,500 feet above the surface.
FAR 91.79(b) - Altitude over congested areas.

STANDARD PROVISIONS

1. A copy of the application made for this certificate shall be attached to and become a part hereof.
2. This certificate shall be presented for inspection upon the request of any authorized representative of the Administrator of the Federal Aviation Agency, or of any State or municipal official charged with the duty of enforcing local laws or regulations.
3. The holder of this certificate shall be responsible for the strict observance of the terms and provisions contained herein.
4. This certificate is nontransferable.

NOTE.—This certificate constitutes a waiver of those Federal rules or regulations specifically referred to above. It does not constitute a waiver of any State law or local ordinance.

SPECIAL PROVISIONS

Special Provisions Nos. _____ to 19, inclusive, are set forth on the ~~reverse side hereof~~ attached pages.

This certificate is effective from 12:30 9-23-72 to 15:30 9-24-72, inclusive, and is subject to cancellation at any time upon notice by the Administrator or his authorized representative. Coordinated with: SAC FSS, SAC ARTC

BY DIRECTION OF THE ADMINISTRATOR:

Western
(Region)

George J. Schwab
(Signature)

8-30-72
(Date)

Chief, General Aviation District Office
(Title) WE-GADO-12

FAA Form 663 (12-64) USE PREVIOUS EDITION 0052-035-4000 (7711)

SPECIAL PROVISIONS

1. Acrobatic aerial demonstrations shall not be conducted over congested areas of cities, towns, or settlements. This does not prohibit normal flight of aircraft conducted in accordance with Section 91.79 of the Federal Aviation Regulations. Abnormal break maneuvers (rolls exceeding 90°) are considered acrobatic.

2. All acrobatic aerial demonstrations by aircraft operating at speeds in excess of 130 knots shall be conducted at least 1,500 feet horizontally from the designated spectator area. All acrobatic aerial demonstrations by aircraft operating at speeds of 130 knots or less shall be conducted at least 500 feet horizontally from the designated spectator area. Normal takeoffs and landings shall not be considered as part of the demonstrations; however, no takeoff or landing shall be made toward or over the designated spectator area.

3. Federal Aviation Regulations, Section 91.79(b), is waived only with respect to open air assembly of persons and only to the extent authorized in Special Provision No. 2 of this Certificate.

4. All acrobatic maneuvers shall be conducted in a direction which will most nearly parallel the boundaries of the designated spectator area or in a direction away from such area.

5. Acrobatic aerial demonstrations are not authorized if the visibility is less than five (5) miles and the ceiling is less than 2,500 feet at the time of the demonstration. Acrobatic maneuvers shall be conducted at least 1,000 feet below the ceiling. These minimums may be modified by the Federal Aviation Administration (FAA) monitor within the limitations set forth by established FAA policy.

6. Adequate oral or visual communications capability shall be provided to advise spectators and participants that the aerial demonstration has been halted or canceled, or to otherwise communicate with these parties as required to maintain a safe operation.

7. A physical barrier and adequate policing shall be provided to confine spectators to designated areas.

8. The demonstration shall be halted when unauthorized persons or aircraft enter the operations area, or for any other reason, in the interest of safety.

9. All participants shall attend the pre-demonstration briefing, that will be conducted by the holder, and acknowledge in writing that they understand the Certificate of Waiver or Authorization, including the Special Provisions and location of all deadlines.

10. Deadlines, man-made or natural, readily visible to the participant, **shall** be provided by the holder to ensure **that** aircraft remain the approved distance from the spectators. Such deadlines shall be agreed upon by the FAA representative prior to any demonstrations.

11. Aircraft shall not be taxied nor their engines started in designated spectator or static display areas, unless appropriate measures are taken to preclude creating a hazard to spectators.

12. The holder shall establish a central control point from which he or his representative shall direct the demonstrations and be immediately available during the demonstrations for coordination with the FAA representative.

13. The holder shall notify the Sacramento Flight Service Station Telephone No. 916/449-3234/3176 of the date, time, place, altitudes, nature and direction of the operations, and request that a Notice to Airmen be disseminated. Such action shall be accomplished at least 48 hours prior to the demonstration time.

14. The holder shall have the responsibility to temporarily halt or cancel the authorized operations if at any time the safety of persons or property, on the ground or in the air, is in jeopardy or if there is a contravention of the terms or conditions of the Waiver.

15 The FAA representative designated to monitor the demonstration shall have the authority to temporarily halt or cancel the authorized operations if he finds that the holder has failed to do so, and the safety of persons or property, on the ground or in the air, is in jeopardy, or if there is a contravention of the terms or conditions of the Waiver.

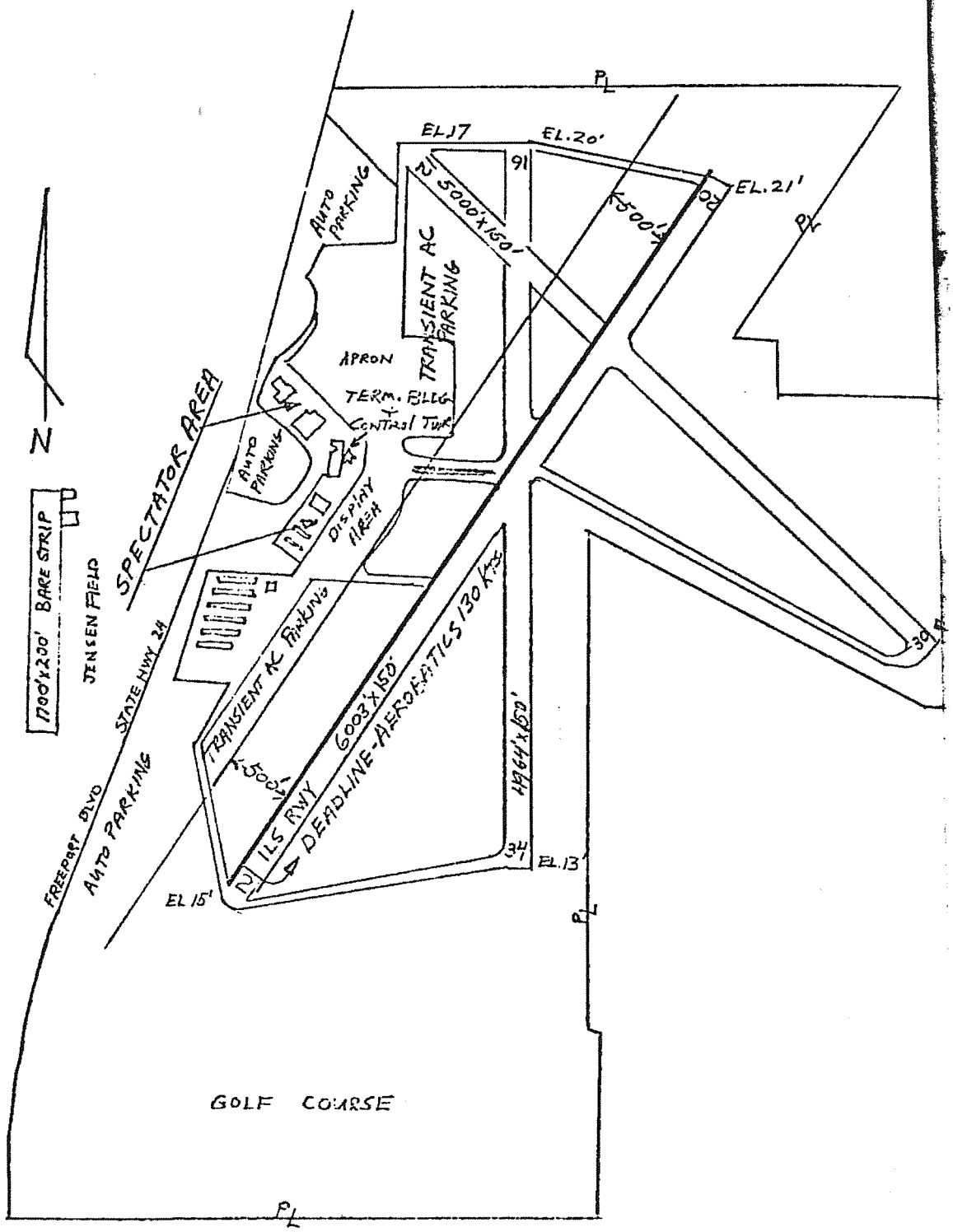
16. All civil aircraft and pilots scheduled for participation in the events shall be made avilable for FAA inspection prior to the event. If, in the opinion of the FAA representative, pilot competency or airworthiness of an aircraft is unsatisfactory, such pilots or aircraft shall not be permitted to participate.

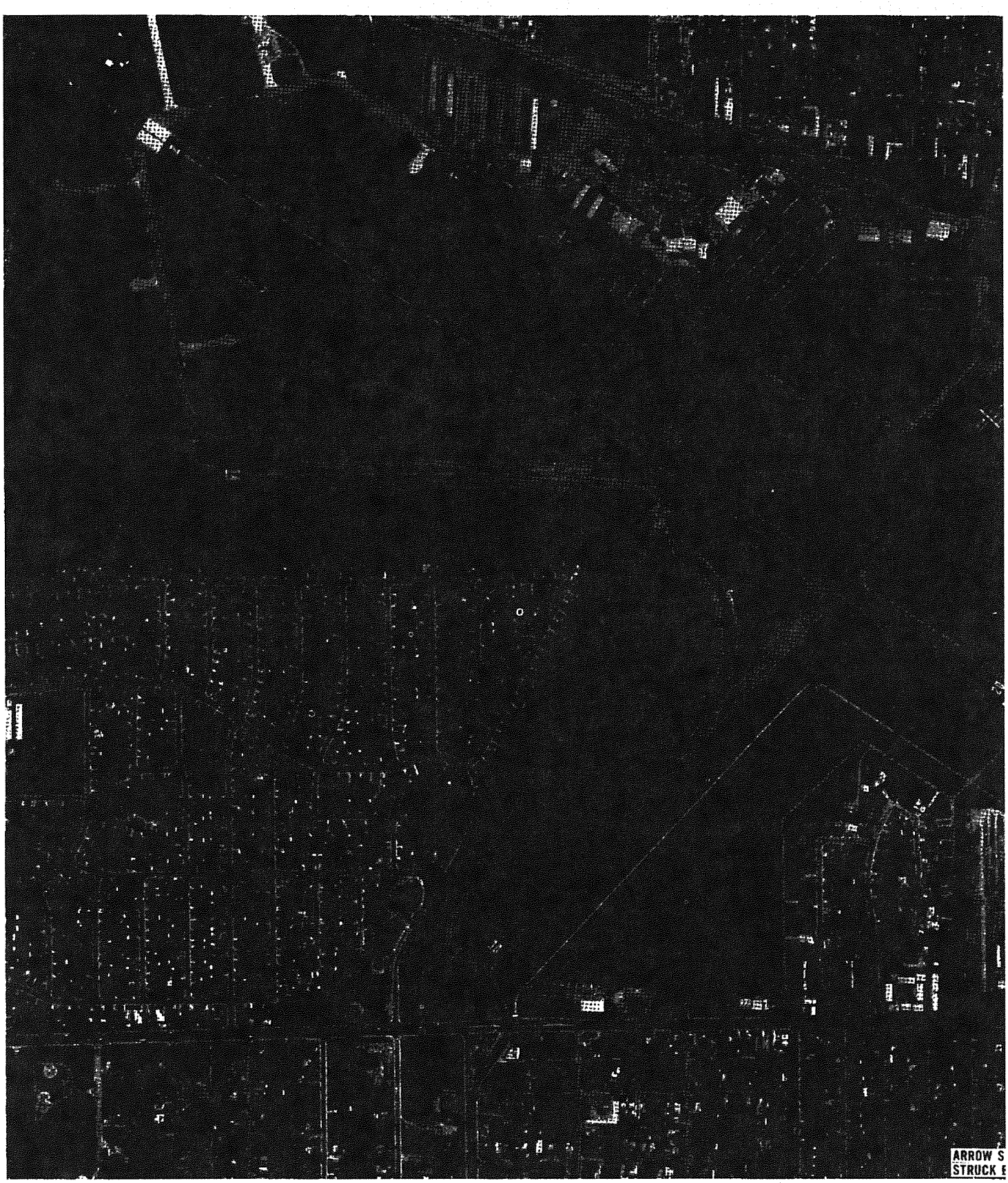
17. Contravention of any provision of this certificate will constitute a violation of Section 610(a)(5) of the Federal Aviation Act of 1958 as amended.

18. All participants in aerobatic demonstrations must hold a currently effective Letter of Competence issued by an FAA General Aviation Operations Inspector. Participants will perform only those maneuvers listed in their preplanned routine and no substitutions will be permitted without prior approval of the Flight Standards Service Inspector.

APPENDIX D

Sacramento Executive Airport
Sacramento, California

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APPENDIX D

ARROW SHOWS BUILDING STRUCK BY AIRCRAFT

NATIONAL TRANSPORTATION SAFETY BOARD
WASHINGTON, D. C.

SACRAMENTO EXECUTIVE AIRPORT
SPECTRUM AIR, INC.
SABRE MARK 5, N275X
SACRAMENTO, CALIFORNIA
SEPTEMBER 24, 1972

UNITED STATES OF AMERICA
NATIONAL TRANSPORTATION SAFETY BOARD
WASHINGTON, D.C.

ISSUED: December 28, 1972

Adopted by the NATIONAL TRANSPORTATION SAFETY BOARD
at its office in Washington, D. C.
on the 13th day of December 1972

FORWARDED TO:
Honorable John H. Shaffer
Administrator
Federal Aviation Administration
Department of Transportation
Washington, D. C. 20591

SAFETY RECOMMENDATION A-72-219 thru 223

In the course of the investigation of the September 24, 1972, accident in Sacramento, California, involving Canadair Ltd., Sabre Mark 5, N275X, the National Transportation Safety Board examined the pilot's proficiency for the operation, the certification of experimental aircraft, and the associated regulatory provisions. The airport's environmental aspects, which had a direct bearing on the catastrophic consequences of this accident, were also considered.

The aircraft was operated under a Special Airworthiness Certificate with an experimental classification for exhibition purposes. The operating limitations stipulated, among other things, that the aircraft could be operated only by a pilot authorized under a letter of authority issued by the Administrator. The pilot involved held such a letter, which authorized him to operate this aircraft for the purpose of pilot proficiency and exhibition flying. The letter limited his proficiency operations to an area within 100 miles of two specified airports and limited the takeoffs and landings for proficiency flights to those airports, except for emergency reasons.

The restrictions imposed upon the pilot in connection with his proficiency flying contrasted strongly with the lack of restrictions on his operation of the aircraft for exhibition purposes. Part 21 of the Federal

Aviation Regulations defines exhibition, in part, as "exhibiting the aircraft's flight capabilities, performance, or unusual characteristics at airshows." Testimony during the public hearing in Sacramento on October 16-18 revealed that neither the pilot nor the operations inspector of the General Aviation District Office involved were aware of the extent of the flying activities covered by this definition. The operations inspector who prepared the pilot's letter of authority stated that the pilot could legitimately have flown this aircraft to a bona fide airshow for exhibition purposes following his first flight in it.

Based on this and similar testimony, the Board concludes that the guidelines dealing with the issuance of authorization to operate this type aircraft were too broad to provide adequate guidance for General Aviation District Office inspectors with regard to pilot qualification and proficien and the formulation of safeguards in the special conditions and limitations

The Board is aware of the GENOT (General Notice) distributed to your regional, district, and field offices on November 9, 1972, entitled: "Future Civil Certification, Operation, and Maintenance of Military Surplus Jet Airplanes." These supplemental guidelines should help in the interpretation of existing instructions with regard to the safe utilization of surplus military jets. However, the Board is of the opinion that similar consideration should be given to all high-performance military surplus airplanes, reciprocating as well as turbine engine powered. Unless a pilot receives his transition training from an organization or club that imposes its own safeguards, there appear to be no constraints on a private pilot with minimum experience who wishes to operate an F-51, for example. The establishment of reasonable minimum standards in this area would serve to promote aviation, rather than inhibit it.

In view of the variety of purposes for which experimental certificates can be issued, it appears that separate classification of those activities which are not truly experimental would facilitate the exercise of more selective regulatory control for the benefit of the operator as well as the general public.

The Board is also concerned about the airshow waiver provisions, although they did not have a bearing on this accident. The special provisions dealing with the separation criteria between spectator areas and aircraft performing acrobatic maneuvers took into consideration only the safety of designated spectator areas. At Sacramento Executive Airport, residential encroachment extended to within about 500 feet of the demonstration runway. In addition, the Board questions the adequacy of the

guidelines in the General Aviation Operations Inspector's Handbook that use a cruising speed of 130 knots as a criterion for "Dead Line" separation from spectator areas during airshows; in excess of 130 knots, the minimum is 1,500 feet and at lower speeds it is 500 feet. Although this rule may be suitable for the protection of designated spectator areas that parallel the demonstration runway, it does not take into account the potential trajectory of disassociated aircraft parts and their hazard to persons and property in the line of flight, near the airport boundaries.

The built-up area around the Sacramento Executive Airport raises serious questions with regard to the suitability for airshows of this and similar airports, especially when one considers the practicability of applying the following sample of a special provision from the pertinent handbook: "The holder of the airshow waiver shall insure that roads adjacent to the airport, as specified below, are devoid of vehicular traffic and the property adjoining the airport shall be free of spectators." This provision was not incorporated in the certificate of waiver for the Sacramento airshow; if it had been, it would have been very difficult to implement. In this respect, it is of interest to note that the 92 accidents that occurred during airshows or air racing in a recently researched 8-year period (1964-1971) did not result in injuries to other than aircraft occupants. The Board is of the opinion that open space around most of the airports involved played a predominant role in protecting public and property beyond the designated spectator areas.

With regard to the catastrophic consequences of this accident, the public hearing produced no evidence of specific regulatory provisions, or firm guidelines, at the Federal, State, or local level, that would have precluded the construction of public or private facilities in such close proximity to the departure end of Runway 30. The Board is unable to find any direct reference to the safety of persons or property on the ground in Part 77 (Objects Affecting Navigable Airspace) or in Advisory Circular 150/5190-3 (Model Airport Zoning Ordinance). This does not imply that such consideration is not given during aeronautical studies and hearings, or that this accident was typical in its environmental impact of the approximately 25,780 takeoff and landing accidents that occurred on, or in the immediate vicinity of U. S. airports during the earlier-mentioned 8-year period. The Board also recognizes that the responsibility for prudent restrictions on the use of land around airports, and construction thereon, rests with local jurisdictions. However, advisory guidance, and the judicious use of controls in the fund allocations under the Airport Development Aid Program, could be influential in convincing the jurisdictions involved that the compatibility considerations of airports and surrounding environment should not only include noise, pollution, and similar factors, but also a practical regard for the safety of people and property on the ground.

With regard to existing hazardous situations around certain airports, the Board believes that there is a need to issue guidelines restricting the use of specific runways to specific aircraft or operations, based on such factors as the aircraft's accelerate-stop distance, runway length, engine-out capability, and the proximity of urban congestion to the runway involved; this would assist airport managers in securing or implementing the authority to offset the hazards inherent in the environmental encroachment that has been allowed to develop near some airports.

In view of the foregoing, the National Transportation Safety Board recommends that the Federal Aviation Administration:

1. Limit the issuance of experimental certificates to those aircraft and operations that are truly experimental in nature and reclassify the other activities listed in FAR 21.191 in a manner that will permit more selective regulatory control without unduly inhibiting the promotion of aviation.

2. Establish pilot experience, transition, and proficiency standards applicable to the operation of all high-performance surplus military aircraft, reciprocating as well as turbine engine powered.

3. Establish additional airshow separation criteria applicable to persons and property in other than designated spectator areas to insure that the overall suitability of an airport for airshows is taken into account.

4. Include in the guidelines dealing with compatible land use planning around airports, consideration for the safety of persons and property on the ground, and use the controls available in the Airport Development Aid Program to insure compliance.

5. Establish guidelines that will assist airport managers in setting limitations on the utilization of runways where existing environmental encroachment and runway length combine to create a high-risk level for certain aircraft operations.

Honorable John H. Shaffer

APPENDIX E

These recommendations will be released to the public on the issue date shown above. No public dissemination of the contents should be made prior to that date.

Reed, Chairman, McAdams, Burgess, and Haley, Members, concurred in the above recommendations. Thayer, Member, was absent, not voting.

By: John H. Reed
Chairman

APPENDIX F

DEPARTMENT OF TRANSPORTATION
FEDERAL AVIATION ADMINISTRATION

WASHINGTON, D.C. 20590

OFFICE OF
THEADMINISTRATOR

26 JAN 1973

Honorable John H. Reed
Chairman, National Transportation
Safety Board
Department of Transportation
Washington, D. C. 20591

Dear Mr. Chairman:

This in response to NTSB Safety Recommendations A-72-219 thru 223.

1. A regulatory project is underway to separate exhibition, air racing and amateur-built aircraft from the experimental category and to specify appropriate operating restrictions for each. We expect to issue a Notice of Proposed Rule Making in the near future,

2. We are considering including all high performance military surplus aircraft in the recently established pilot competency requirements. We expect a policy to be established on this in the near future.

3. Action is underway to update air show guidelines and policy. We fully recognize that every airport environment is not suitable for air shows. This will be given special emphasis.

4. The Airport and Airway Development Act, which is the basic authority for the Airport Development Aid Program (ADAP), provides, among other things, that no airport development project shall be approved unless sponsor submits satisfactory assurances that appropriate action has been or will be taken, to the extent reasonable, to restrict the use of land adjacent to or in the immediate vicinity of the airport to activities and purposes compatible with normal airport operations, including the landing and takeoff of aircraft.

This provision of the Act is implemented by section 152.35 of the FAR which requires the sponsor of an ADAP project to state in its application the action it has taken to restrict the use of land adjacent to or in the immediate vicinity of the airport to activities and purposes compatible with normal airport operations.

Additional guidance on compatible land use is provided for field personnel in Order 5100.18, paragraph 277. This paragraph suggests various means of achieving compatible land use "such as promoting and fostering the development of open air areas, recreational areas, and other uses and activities that do not generate assemblies of people. Federal assistance programs that will preserve open land

uses around an airport should be used to the extent possible. These programs include the Department of Housing and Urban Development Open Space Land Program and recreation and conservation land grants of the Bureau of Outdoor Recreation, Department of the Interior." We list in this order as constituting incompatible land uses, such uses as residential development, and places of public assembly including schools, hospitals, churches, and similar institutions.

On the basis of the above requirements and guidance, we believe we are already in conformance with recommendation 4.

5. The FAA will look into the possibility of revising our publication 150/5190-3A, "Model Airport Hazard Zoning Ordinance," to include guidance of the type stated in recommendation 5. Also, we will consider this recommendation in the development of our new Advisory Circular on airport design considerations of obstruction, obstacles, and objects around the airport,

Sincerely,

J. H. Shaffer
Administrator

421 Aviation Way
Frederick, Maryland 21701

T. 301-695-2000
F. 301-695-2375

www.aopa.org

April 16, 2012

The Honorable Steve Abercrombie
City of Tracy
333 Civic Center Plaza
Tracy, CA 95376

Dear Councilman Abercrombie:

The Aircraft Owners and Pilots Association (AOPA) is a not-for-profit individual membership organization of almost 400,000 pilots. AOPA's mission is to effectively serve the interests and needs of its members as aircraft owners and pilots and establish, maintain, and articulate positions of leadership to promote the economy, safety, utility, and popularity of flight in general aviation aircraft. Representing two thirds of all pilots in the United States, AOPA is the largest civil aviation organization in the world. On behalf of our membership, AOPA is committed to ensuring the future viability and development of general aviation airports and their facilities as part of a national transportation system.

We understand that the City underwent a runway overlay project at the Tracy Municipal Airport several years ago that was not done properly resulting in spalling of the pavement Some of these pieces of spalling can present a hazard to general aviation aircraft operating on the ramps, runways and taxiways. We are aware that the City is currently taking steps to correct that and hope you complete the project on schedule. Unfortunately, as part of that overlay project the runways appear to be shorter in length leading to a reclassification under the State of California's Airport Land Use Planning Handbook from medium size general aviation runways of 4,002 and 4,005 feet to short general aviation runways of less than 4,000' each. While this may seem to be an insignificant change, there are some consequences we feel the City needs to be aware of.

Most importantly, changing the runway lengths does not change the type or size of the aircraft utilizing the airport. You will still have the same general aviation aircraft at Tracy. Aircraft will still utilize the same traffic patterns in normal operations. What does change is the size of the safety zones around the airport. Because the runways are now shorter than 4,000 feet, the safety zones do not extend as far as they did when the runways were 6 feet longer under the CalTrans' *California Airport Land Use Planning Handbook*. On paper this may look good to some residents who will not be under the overlay, but in reality it offers less protection to the citizens on the ground and in the air and can in some cases may allow for closer incompatible land uses. AOPA strongly recommends keeping the runways at the 4,002 and 4,005 feet lengths and utilizing the larger safety zones to better protect and ensure the health, welfare and continued prosperity of Tracy's citizens.

AOPA urges the City to work with the Tracy Airport Association, the Federal Aviation Administration and the CalTrans Division of Aeronautics to ensure better compatibility between the airport and the community.

Thank you for your consideration of our views on this issue. We stand ready to assist in any way we can with this process.

Sincerely,

John L. Collins
Manager, Airport Policy

Surland Communities
1024 Central Avenue
Tracy, CA. 95376
209.832.7000

Honorable Mayor Brent H. Ives and Members of City Council
333 Civic Center Plaza
Tracy, CA 95376

Mayor Ives and Members of City Council:

Surland Communities, LLC ("Surland Communities") submits this letter to confirm its ownership interests in the real property that is subject to the Modified Ellis Specific Plan ("Project") proposal being considered by the City Council on this date, January 22, 2013, and to confirm that a reduced Project alternative, as articulated in the Project's environmental review documents, is not feasible from an economic standpoint.

First, Surland Communities submits for the City's consideration the attached Exhibit A, which contains true and correct copies of relevant grant deeds and a recorded "Notice of Assignment of Interest in Option Agreement and of Exercise of Option," demonstrating that Surland Communities has an ownership interest, as defined in the court opinion *National Parks*, in each of the six parcels constituting the Project site.

Second, Surland Communities also wishes to confirm that provision of the Swim Center contribution called for in the proposed Development Agreement and analyzed in the Project environmental impact report would not be economically feasible should the City adopt "Alternative 6: Reduced Density," as identified in the Project's environmental review documents. Alternative 6 would allow the construction of only 1,224 residential units, whereas the Project would allow up to 2,250 units. Serving such a unit-count would require the expenditure of $24,027,316 towards infrastructure which, under Alternative 6, would have to be financed through the sale of almost 50 percent less residential units when compared to the maximum permitted unit count of the proposed Project. Specifically, if a Swim Center were financed as contemplated in the proposed Development Agreement, under which Surland Communities would contribute $10 million toward the construction, operation, and maintenance of the Swim Center, and dedicate 16 acres of land, at no cost, for use of the Swim Center, these costs, too, would be distributed among, at most, 1,224 units under Alternative 6, as opposed to the maximum of 2,250 units under the Project as proposed. Collectively, under Alternative 6, the additional costs per unit would be $12,677.

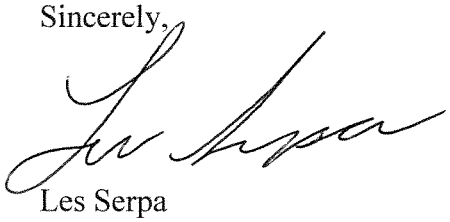
Further undermining the economic feasibility of Alternative 6 is that Surland Communities has spent more than $500,000 defending approval of the Project, and such costs, at the close of the day, must be accounted for in a profitability analysis. To attract capital for the implementation of the Project, it is necessary to establish an estimated six percent reasonable rate of return. On the basis of projected fair market sales price of various Project elements, coupled with the Project costs identified above, to achieve this rate of return while delivering a contribution to the

construction and financing of the Swim Center at the level now proposed for approval, it is necessary that Surland Communities be approved to construct at least 2,000 units.

Finally, we understand the City must consider the Project, including the rejection of alternatives and the proposed statement of overriding considerations, in light of public policy, economic, and environmental considerations. To the extent the City Council has not yet already considered the state of the economy and the City's fiscal circumstances, Surland Communities attaches the "City of Tracy California Comprehensive Financial Report for Fiscal Year Ended June 30, 2012" (attached as Exhibit B), which evidences the importance of increasing jobs, tax revenues, and other direct and indirect economic benefits in and to the City. Also, it is important to note that, while Alternative 6 would reduce environmental impacts, Alternative 6 would not avoid the significant and unavoidable environmental effects of the proposed Project, as detailed, *inter alia*, on pages 6-24 to 6-30 of the Project's environmental impact report. Under the California Environmental Quality Act, with respect to projects that include a housing development, a public agency may not reduce the proposed number of housing units as a mitigation measure or project alternative for a particular significant effect on the environment if it determines there is another feasible specific mitigation measure or project alternative that would provide a comparable level of mitigation. (Public Resources Code section 21159.26.) Here, both the Project and Alternative 6 would result in similar significant and unavoidable impacts, resulting in comparable environmental effects.

Thank you for your time and consideration of Surland Communities' Project.

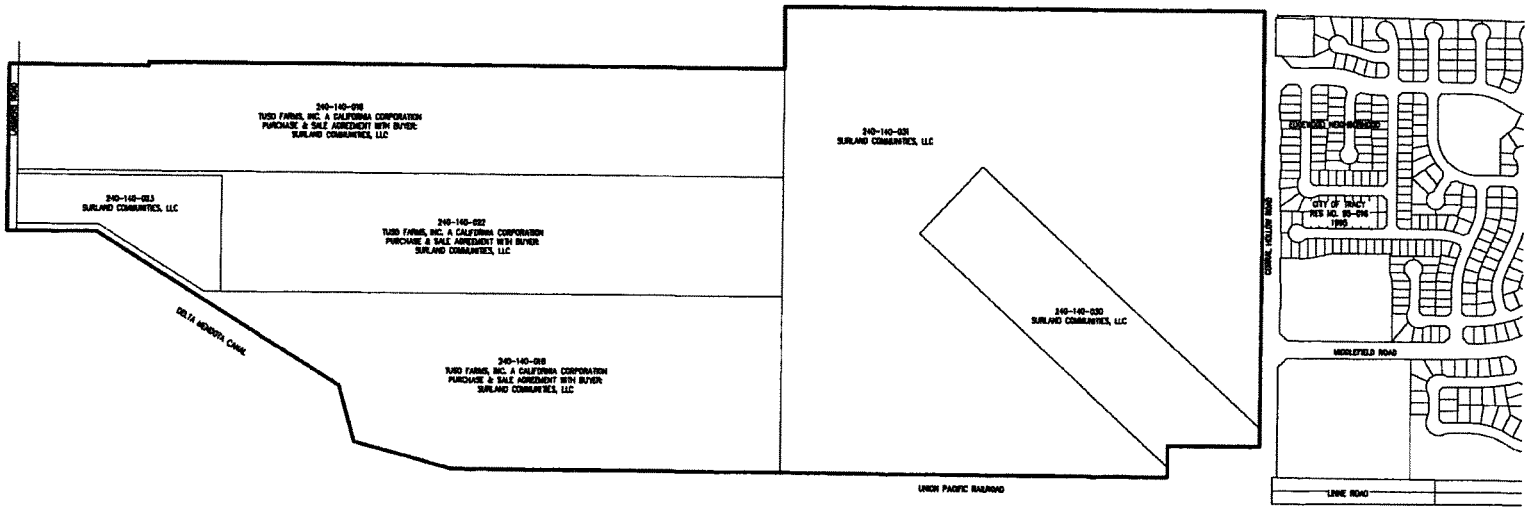
Sincerely,



Les Serpa

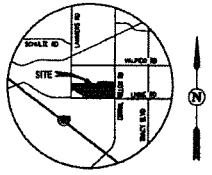
APN	Ellis Ownership
240-140-23	Surland Communities, LLC
240-140-30	Surland Communities, LLC
240-140-31	Surland Communities, LLC
240-140-16	Tuso Farms, Inc., a California corporation Purchase & Sale Agreement with Buyer: Surland Communities LLC
240-140-18	Tuso Farms, Inc., a California corporation Purchase & Sale Agreement with Buyer: Surland Communities LLC
240-140-22	Tuso Farms, Inc., a California corporation Purchase & Sale Agreement with Buyer: Surland Communities LLC

EXHIBIT "A"



LEGEND

= PROPOSED ELLIS PROJECT



VICINITY MAP
NOT TO SCALE

ELLIS OWNERSHIP

SAN JOAQUIN COUNTY CALIFORNIA

0' 300' 900' 1,200'

SCALE: 1" = 300'

JANUARY 18, 2013
JOB NO. 1725-00

RECORDING REQUESTED BY:
AND WHEN RECORDED MAIL TO:

Surland Communities LLC
1024 Central Ave.
Tracy, CA 95376

Doc #: 2012-174490
12/28/2012 12:44:02 PM
Page: 1 of 11 Fee: $44.00
Kenneth W Blakemore
San Joaquin County Recorders
Paid By: SHOWN ON DOCUMENT

Space above this line for Recorder's use.

NOTICE OF ASSIGNMENT OF INTEREST IN OPTION AGREEMENT AND OF EXERCISE OF OPTION

This Notice of Assignment of Interest in Option Agreement and of Exercise of Option is made on November 19, 2012 by and between TRACY/LAMMERS INVESTMENTS LLC, a California limited liability company (hereinafter "Assignor"), and SURLAND COMMUNITIES LLC, a California limited liability company (hereinafter "Assignee"), with the consent of TUSO FARMS, INC., a California corporation, and MARGARET TUSO.

RECITALS:

WHEREAS, by Option to Purchase Agreement dated as of March 17, 1994, Assignor's predecessors in interest acquired from TUSO FARMS, INC. and MARGARET TUSO, a widow and unmarried woman (collectively, "Optionors"), an option ("Original Option") to purchase approximately 170.46 acres of land in San Joaquin County, California, known as APN 240-140-16, 240-140-18, 240-140-22 and 240-140-23 (the "Property"), which Property is more particularly described in Exhibit "A" attached hereto and incorporated herein by this reference as if set forth at length, on certain terms and conditions set forth in the Option to Purchase Agreement;

WHEREAS, a written memorandum of the Original Option dated as of March 17, 1994 was recorded in the official Records of San Joaquin County, California on July 20, 1994 as Recorder's Instrument No. 94085246;

WHEREAS, on April 21, 1998, Optionors and Assignor's predecessors in interest entered into a First Amendment to Option to Purchase which modified certain terms and conditions of the Original Option;

WHEREAS, a written memorandum of the First Amendment to Purchase Agreement was recorded in the Official Records of San Joaquin County, California on May 5, 1998 as Recorder's Instrument No. 98052416;

WHEREAS, on July 13, 1999, Optionors and Assignor's predecessors in interest entered into a Restated and Amended Option Agreement ("Restated Option Agreement") which modified and amended the terms and conditions;

WHEREAS, on February 1, 2002, Optionors and Assignor's predecessor in interest entered into a First Amendment to Restated and Amended Option Agreement which modified and amended the terms and conditions of the Restated Option Agreement;

WHEREAS, on January 22, 2004, Optionors and Assignor's predecessor interest entered into a Second Amendment to Restated and Amended Option Agreement which modified and amended the terms and conditions of the Restated Option Agreement, as amended;

WHEREAS, with the approval of Optionors, Assignor's predecessors in interest assigned to Assignor all of their right, title and interest to the Property under the Option to Purchase Agreement, as amended, and the Restated Option Agreement, as amended;

WHEREAS, on July 11, 2005, written notices of the Assignments of Interest in Option Agreement were recorded in the Official Records of San Joaquin County, California as document numbers 2005-167375 and 2005-167376;

WHEREAS, Assignor has purchased the property known as APN 240-140-23 outside the terms of the Restated Option Agreement and such property is no longer part of the

optioned Property, with the property remaining subject to the Restated Option Agreement being described on the attached Exhibit B ("Remaining Optioned Property"); and

WHEREAS, with the approval of Optionors, Assignor has assigned to Assignee all of its right, title and interest to the Property under the Original Option Agreement, as amended, and under Restated Option Agreement, as amended, and Assignor and Assignee have entered into with Optionors a Second Restated and Amended Option Agreement dated as of November 19, 2012 ("Second Restated Option Agreement"), which amended and restated the terms and conditions of the Restated Option Agreement, as amended.

NOW, THEREFORE, and for fair and valuable consideration, the receipt of which is hereby acknowledged, and the promises and covenants contained herein, Assignors and Assignee agree as follows:

1. Pursuant to the Second Restated Option Agreement, with the consent of Optionors, Assignor has assigned to Assignee all of Assignor's right, title, interest in and to the Original Option, as amended, and in and to the Restated Option Agreement, as amended, and in and to the Second Restated Option Agreement, and delegated to Assignee all of Assignors' duties and obligations of performance under the Original Option, as amended, and the Restated Option Agreement, as amended, and the Second Restated Option Agreement, and Assignee agreed to assume and perform all duties and obligations that Assignor assigned, as if Assignee has been an original party to the agreements.

2. Notice is hereby given that the Second Restated Option Agreement is binding on and shall inure to the benefit of the respective heirs, devisees, legatees, executors, administrators, trustees, successors and assigns of the parties to the Second Restated Option Agreement.

3. Further notice is hereby given that the Second Restated Option Agreement shall be governed by and construed in accordance with California law.

4. Further notice is hereby given that Assignee has fully exercised its purchase rights under the Second Restated Option Agreement for the entire Remaining Optioned

Property with closing to occur on or before April 30, 2013, on the date to be fixed by Optionors to allow time for Optionors to structure a Section1031 like kind exchange.

5. Optionors sign below solely to evidence their consent to the assignments set forth herein, to confirm Assignee's rights under the Second Restated Option Agreement to the Remaining Optioned Property and to confirm Assignee's exercise of the Second Restated Option Agreement as set forth herein. Assignor, Assignee and Tuso Farms, Inc. confirm that, pursuant to the terms of the Second Restated Option Agreement, Margaret Tuso is no longer a party to any option and is released from all liability thereunder.

IN WITNESS WHEREOF, the parties have executed this Notice of Assignment of Interest in Option Agreement and of Exercise of Option upon and as of the date indicated below.

DATED: ~~November~~ 20, 2012

SURLAND COMMUNITIES LLC

By: _____
Les Serpa, Its President

DATED: ~~November~~ December 27, 2012

TRACY/LAMMERS INVESTMENTS LLC

By: _____
Earl F. Glock, Its Assistant Manager/Vice President

DATED: ~~November~~ December 20, 2012

TUSO FARMS, INC.

By: _____
Marie Nemirofsky, Its President

DATED: ~~November~~ December 20, 2012

_____
MARGARET TUSO

By: _____
Marie Nemirofsky
Her Attorney in Fact

ACKNOWLEDGMENT

State of California
County of Contra Costa)

On December 20, 2012 before me, Kirstie L. McKenzie Notary Public
(insert name and title of the officer)

personally appeared B. Marie Nemirofsky,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature Kirstie L. McKenzie (Seal)

KIRSTIE L. MCKENZIE
Commission # 1947679
Notary Public - California
San Joaquin County
My Comm. Expires Sep 8, 2015

ACKNOWLEDGEMENT

District of Columbia)

On **December 24, 2012** before me, **Reynaldo Lopez**, Notary Public, personally appeared **Earl F. Glock**

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California and the District of Columbia that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature

This area for official notarial seal.

ACKNOWLEDGMENT

State of California
County of San Joaquin)

On December 21, 2012 before me, Kirstie L. McKenzie Notary Public
(insert name and title of the officer)

personally appeared Les Serpa,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature Kirstie L. McKenzie (Seal)

KIRSTIE L. MCKENZIE
Commission # 1947679
Notary Public - California
San Joaquin County
My Comm. Expires Sep 8, 2015

EXHIBIT A

LEGAL DESCRIPTION OF ORIGINAL OPTIONED PROPERTY

PARCEL NO. 1:

A portion of Section 6, Township 3, South, Range 5 East, Mount Diablo Base and Meridian according to the Official Plat thereof, more particularly described as follows: Beginning at an iron pipe in the East line of the Southwest 1/4 of said Section 6, bearing South 0° 17' East 4220.90 feet from the iron bolt at the Northeast corner of the Northwest 1/4 of said Section 6; thence along the East line of the Southwest 1/4 of said Section 6, South 0° 17' East, 964.50 feet to iron pipe in the North line of right of way the Western Pacific Railroad; thence along the North line of said right of way being 50 feet North of the center line of the main line tract of said railroad, South 89° 49' West 1796.43 feet to an iron rod at the Southeast corner of the tract of land conveyed to the United States of America by Deed recorded in Book of Official Records of San Joaquin County, Vol. 1061, Page 45, San Joaquin County Records; thence along the Northeasterly boundary line of said property conveyed to the United States of America, as follows: North 74° 58' West 550.5 feet to an iron rod; North 16° 08' West 317.4 feet to an iron rod; North 58° 09' West 1563.2 feet to an iron rod; South 89° 41' West 437.8 feet to an iron rod in the East line of the Lammers Road which is 25 feet East of the West line of said Section 6; thence along the East line of the Lammers Road, North 0° 11' West 40 feet to an iron pipe; thence 89° 41' East 449.24 feet to an iron pipe; thence South 58° 09' East 677.57 feet to an iron pipe; thence North 89° 43' 30" East 3152.53 feet to the point of beginning.

APN: 240-140-18

PARCEL NO. 2:

A tract of land situated in the County of San Joaquin, State of California in the Southwest 1/4 of Section 6, Township 3 South, Range 5 East, Mount Diablo Base and Meridian, more particularly described as follows: Parcel 2 as shown upon Parcel Map recorded December 31, 1992 in Book of Parcel Maps, Vol. 18, Page 167, San Joaquin County Records.

APN: 240-140-22

PARCEL NO. 3:

A tract of land situate in the Southwest 1/4 of Section 6 Township 3 South, Range 5 East, Mount Diablo Base and Meridian, more particularly described as follows: Beginning at an iron pipe in the East line of the Northwest 1/4 of said Section 6 bearing South 0° 17' East, 2977.36 feet from the iron bolt at the Northeast corner of the Northwest 1/4 of Section 6; thence along the East line of the Southwest 1/4 of said Section 6, South 0° 17' East 590.08 feet to an iron pipe; thence South 89° 43' 30" West, 4175.03 feet to an iron pipe in the East line of the Lammers Road which is 25 feet East of the West line of said Section 6; thence along the East line of said Lammers Road, North 0° 11' West 590.08 feet to an iron pipe; thence North 89° 43' 30" East, 4174 feet to the point of beginning. Except a portion of the Southwest 1/4 of Section 6, Township 3 South, Range 5 East, Mount Diablo Base and Meridian, more particularly described as follows: Beginning at a 1 inch iron pipe at the Northwest corner of that certain

tract of land described in a Deed to Roy Tuso and Margaret Tuso, husband and wife, recorded June 8, 1949, in Book of Official Records, Vol. 1213, Page 30, San Joaquin County Records, said point of beginning being on the East line of Lammers Road (a 50 foot road); thence along the North line of said Tuso property North 89° 44' 00" East 710.00 feet to a 3/4 inch iron pipe; thence South 0° 11' East 17.00 feet to a 3/4 inch iron pipe; thence South 89° 44' 00" West, and parallel to the North line of said Tuso property, a distance of 710.00 feet to a 3/4 inch iron pipe on the East line of said Lammers Road; thence along the East line of Lammers Road North 0° 11' West, 17.00 feet to the point of beginning.

APN: 240-140-16

PARCEL NO. 4:
A portion of the Southwest Quarter of Section 6, Township 3 South, Range 5 East, Mount Diablo Base and Meridian, more particularly described as follows: Parcel 1, as shown on that certain Parcel Map filed for record December 31, 1992, in Book 18 of Parcel Maps, at Page 167, San Joaquin County Records.

APN: 240-140-23

EXHIBIT B

LEGAL DESCRIPTION OF REMAINING OPTIONED PROPERTY

PARCEL NO. 1:

A portion of Section 6, Township 3, South, Range 5 East, Mount Diablo Base and Meridian according to the Official Plat thereof, more particularly described as follows: Beginning at an iron pipe in the East line of the Southwest 1/4 of said Section 6, bearing South 0° 17' East 4220.90 feet from the iron bolt at the Northeast corner of the Northwest 1/4 of said Section 6; thence along the East line of the Southwest 1/4 of said Section 6, South 0° 17' East, 964.50 feet to iron pipe in the North line of right of way the Western Pacific Railroad; thence along the North line of said right of way being 50 feet North of the center line of the main line tract of said railroad, South 89° 49' West 1796.43 feet to an iron rod at the Southeast corner of the tract of land conveyed to the United States of America by Deed recorded in Book of Official Records of San Joaquin County, Vol. 1061, Page 45, San Joaquin County Records; thence along the Northeasterly boundary line of said property conveyed to the United States of America, as follows:

North 74° 58' West 550.5 feet to an iron rod; North 16° 08' West 317.4 feet to an iron rod; North 58° 09' West 1563.2 feet to an iron rod; South 89° 41' West 437.8 feet to an iron rod in the East line of the Lammers Road which is 25 feet East of the West line of said Section 6; thence along the East line of the Lammers Road, North 0° 11' West 40 feet to an iron pipe; thence 89° 41' East 449.24 feet to an iron pipe; thence South 58° 09' East 677.57 feet to an iron pipe; thence North 89° 43' 30" East 3152.53 feet to the point of beginning.

APN: 240-140-18

PARCEL NO. 2:

A tract of land situated in the County of San Joaquin, State of California in the Southwest 1/4 of Section 6, Township 3 South, Range 5 East, Mount Diablo Base and Meridian, more particularly described as follows: Parcel 2 as shown upon Parcel Map recorded December 31, 1992 in Book of Parcel Maps, Vol. 18, Page 167, San Joaquin County Records.

APN: 240-140-22

PARCEL NO. 3:

A tract of land situated in the Southwest 1/4 of Section 6 Township 3 South, Range 5 East, Mount Diablo Base and Meridian, more particularly described as follows: Beginning at an iron pipe in the East line of the Northwest 1/4 of said Section 6 bearing South 0° 17' East, 2977.36 feet from the iron bolt at the Northeast corner of the Northwest 1/4 of Section 6; thence along the East line of the Southwest 1/4 of said Section 6, South 0° 17' East 590.08 feet to an iron pipe; thence South 89° 43' 30" West, 4175.03 feet to an iron pipe in the East line of the Lammers Road which is 25 feet East of the West line of said Section 6; thence along the East line of said Lammers Road, North 0° 11' West 590.08 feet to an iron pipe; thence North 89° 43' 30" East, 4174 feet to the point of beginning.

Except a portion of the Southwest 1/4 of Section 6, Township 3 South, Range 5 East, Mount Diablo Base and Meridian, more particularly described as follows:

Beginning at a 1 inch iron pipe at the Northwest corner of that certain tract of land described in a Deed to Roy Tuso and Margaret Tuso, husband and wife, recorded June 8, 1949, in Book of Official Records, Vol. 1213, Page 30, San Joaquin County Records, said point of beginning being on the East line of Lammers Road (a 50 foot road); thence along the North line of said Tuso property North 89° 44' 00" East 710.00 feet to a 3/4 inch iron pipe; thence South 0° 11' East 17.00 feet to a 3/4 inch iron pipe; thence South 89° 44' 00" West, and parallel to the North line of said Tuso property, a distance of 710.00 feet to a 3/4 inch iron pipe on the East line of said Lammers Road; thence along the East line of Lammers Road North 0° 11' West, 17.00 feet to the point of beginning.

APN: 240-140-16

RECORDING REQUESTED BY:
Surland Communities, LLC
~~XXXXXXXXXXXXXXXXXXXX~~

Order No.: ~~XXXXXXXXXXX~~
APN: 240-140-31

When Recorded Mail Document and Tax Statements to:

Surland Communities, LLC
1024 Central Ave
Tracy, Ca. 95376

Doc #: 2012-150533
11/16/2012 02:22:55 PM
Page: 1 of 4 Fee: $23.00
Kenneth W Blakemore
San Joaquin County Recorders
Paid By: SHOWN ON DOCUMENT

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE

Grant Deed

The undersigned grantor(s) declare(s):
Documentary Transfer Tax is
(X) computed on full value of property conveyed, or
( ) computed on full value less of liens and encumbrances remaining at time of sale.
(X) Unincorporated area: ( ) City of

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,
Western Corral Investments LLC, A California Limited Liability Company

hereby GRANT(S) to
Surland Communities, LLC A California Limited Liability Company

that property in Unincorporated area of San Joaquin County, State of California, described as follows:
* * * See "Exhibit A" attached hereto and made a part hereof. * * *

Date: October 16, 2012

Western Corral Investments LLC, a California limited liability company

By: _____
Earl F. Glock, Its Assistant Manager/Vice President

State of District of Columbia

County of _____

On October 19 2012 before me, Reynaldo Lopez, a Notary Public, personally appeared Earl F. Glock, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

Name Reynaldo Lopez
(typed or printed)

(Area reserved for official notarial seal)

REYNALDO LOPEZ
NOTARY PUBLIC
MY COMMISSION EXPIRES 4-30-2016
DISTRICT OF COLUMBIA

ORDER NO. : 1213012817-PP

EXHIBIT A

The land referred to is situated in the unincorporated area of the County of San Joaquin, State of California, and is described as follows:

The Southeast Quarter of Section 6, Township 3 South, Range 5 East, Mount Diablo Base and Meridian.

EXCEPT THEREFROM that portion in County Road along the Easterly boundary of said Quarter Section, as said road existed on July 17, 1901.

ALSO EXCEPT THEREFROM that portion thereof conveyed to the Western Pacific Railway Company, a railroad corporation, by Deed recorded June 13, 1906 in Book "A" of Deeds, Vol. 145, Page 528, San Joaquin County Records.

ALSO EXCEPT THEREFROM that portion conveyed to Carol Joan Maridon, aka Carol J. Maridon in Deed recorded January 28, 1989 Instrument No. 89057861 and described as follows:

A portion of the Southeast one quarter of the Southeast one quarter of Section 6, Township 3 South, Range 5 East, Mount Diablo Base and Meridian, described as follows:

BEGINNING at an iron rod at the intersection of the West line of a County Road (Corral Hollow Road) and the North line of that certain parcel of real property as originally conveyed to Western Pacific Railroad Company by Deed recorded June 13, 1906 in Book A of Deeds, Vol. 145, Page 528, San Joaquin County Records; said point of beginning being North 0° 12' 00" East, along the Section line, 138.28 feet and North 89° 44' 22" West 30 feet from the Southeast corner of said Section 6, Township 3 South, Range 5 East, Mount Diablo Base and Meridian; and running thence North 89° 44' 22" West along said North line, parallel with, and 50.0 feet distant from the centerline of the existing Union Pacific Railroad tracts, 500.00 feet to an iron road; thence North 0° 12' 00" East, parallel with Corral Hollow Road and the East line of said Section 6, 174.24 feet to an iron rod; thence South 89° 44' 22" East, parallel with said North boundary conveyed to Western Pacific Railroad Company, 500.00 feet to an iron rod on the West line of Corral Hollow Road; thence South 0° 12' 00" West along said West line, 174.24 feet to the point of beginning.

EXCEPT THEREFROM that portion conveyed to the County of San Joaquin in Deed recorded January 27, 1989, Document No. 89007328, Official Records.

ALSO EXCEPT THEREFROM all of Parcel One as shown on that certain Parcel Map entitled "PA-0800181, Parcel Map", filed January 27, 2009, in Book 25 of Parcel Maps, at Page 33, in the Office of the Recorder of San Joaquin County.

Note: The above described parcel of land is also shown as the "Designated Remainder" on that certain Parcel Map entitled "PA-0800181, Parcel Map", filed January 27, 2009, in Book 25 of Parcel Maps, at Page 33, in the Office of the Recorder of San Joaquin County.

APN: 240-140-31

NOTE: It is anticipated that the use of this legal description will not be in violation of the Subdivision Map Act by reason of common ownership of contiguous land or otherwise with the approval by the local jurisdiction.

Any use of this legal description prior to such approval or without satisfactory evidence of compliance with or non-violation of the Act, shall be deemed to be without the consent of Old Republic Title Company and/or its underwriters.

RECORDING REQUESTED BY:
Surland Communities, LLC
~~Old Republic Title Company~~

~~Order No. 1213016417-DP~~
APN: 240-140-23

When Recorded Mail Document and Tax Statements to:

Surland Communities, LLC A California Limited Liability Company
1024 Central Ave
Tracy, Ca. 95376

Doc #: 2012-150532
11/16/2012 02:22:55 PM
Page: 1 of 3 Fee: $20.00
Kenneth W Blakemore
San Joaquin County Recorders
Paid By: SHOWN ON DOCUMENT

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE

Grant Deed

The undersigned grantor(s) declare(s):
Documentary Transfer Tax is
(X) computed on full value of property conveyed, or
( ) computed on full value less of liens and encumbrances remaining at time of sale.
(X) Unincorporated area: ( ) City of

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,
Tracy/Lammers Investments LLC, A California Limited Liability Company

hereby GRANT(S) to
Surland Communities, LLC A California Limited Liability Company

that property in Unincorporated area of San Joaquin County, State of California, described as follows:
See "Exhibit A" attached hereto and made a part hereof.

Date: October 16, 2012

Tracy/Lammers Investments LLC, a California limited liability company

By: _____
Earl F. Glock, Assistant Manager, Vice President

State of District of Columbia

County of _____

On October 19 2012 before me, Reynaldo Lopez, a Notary Public, personally appeared Earl F. Glock who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

Name Reynaldo Lopez
(typed or printed)

(Area reserved for official notarial seal)

REYNALDO LOPEZ
NOTARY PUBLIC
MY COMMISSION EXPIRES 4 30 2016
DISTRICT OF COLUMBIA

ORDER NO. : 1213016417-PP

EXHIBIT A

The land referred to is situated in the unincorporated area of the County of San Joaquin, State of California, and is described as follows:

A portion of the Southwest Quarter of Section 6, Township 3 South, Range 5 East, Mount Diablo Base and Meridian, more particularly described as follows: Parcel 1, as shown on that certain Parcel Map filed for record December 31, 1992, in Book 18 of Parcel Maps, at Page 167, San Joaquin County Records.

APN: 240-140-23

RECORDING REQUESTED BY:

Order #:
APN #:

WHEN RECORDED MAIL TO

Suland Communities
1024 Central Avenue
Tracy, CA 95376

Doc #: 2009-015685
Wed Jan 28 10:09:17 PST 2009
Page: 1 of 2 Fee: $11.00

San Joaquin County Recorders
Paid By: SHOWN ON DOCUMENT

SPACE ABOVE THIS LINE FOR RECORDERS USE

Grant Deed

Survey Monument Fee
$10.00

Transfer Tax Not Disclosed Pursuant to Section 11932 R&T Code
The undersigned grantor(s) declare(s):
Documentary transfer tax is
( ) computed on full value of property conveyed, or
( ) computed on full value less of liens and encumbrances remaining at time of sale.
(X) Unincorporated area: ( ) City of

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,
Wetern Corral Investments, LLC, a California limited liability company

hereby GRANT(S) to
Surland Communities, LLC, a California limited liability company

that property in unincorporated area of San Joaquin County, State of California, described as follows:
See "Exhibit A" attached hereto and made a part hereof

Mail Tax Statements to as per address above

Date January 28, 2009

Western Corral Investments, LLC,
a California limited liability company

By: Michael Bonnifield
Its: Authorized Agent

State of California
County of San Joaquin

On January 28 2009 before me,
Kirstie L. McKenzie, a Notary Public,
personally appeared Michael Bonnifield,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature

Name Kirstie L. McKenzie
(typed or printed)

KIRSTIE L. MCKENZIE
Commission # 1761001
Notary Public - California
San Joaquin County
My Comm. Expires Sep 8, 2011

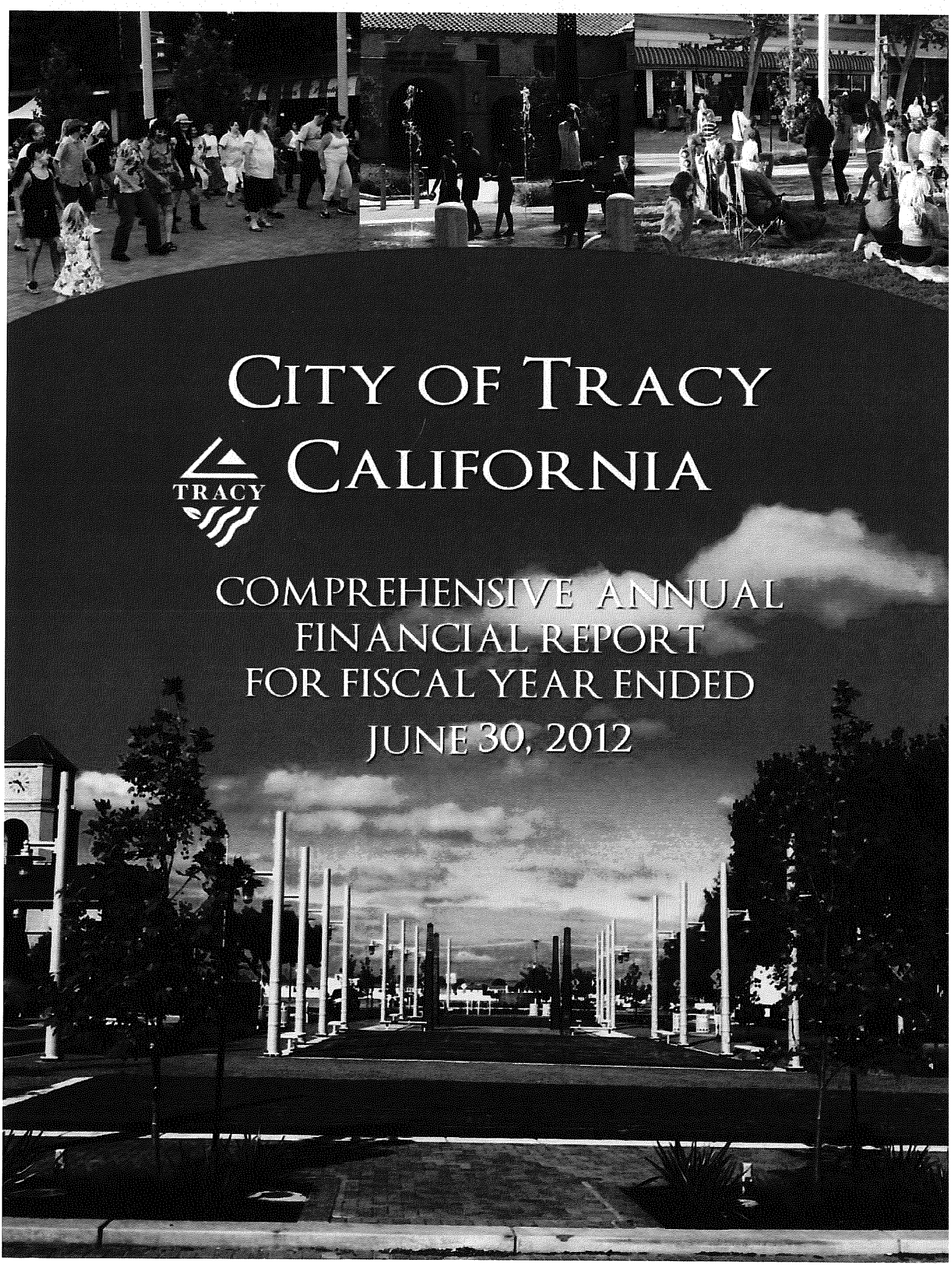
(Area reserved for official notarial seal)

MAIL TAX STATEMENTS AS DIRECTED ABOVE

EXHIBIT A

All that certain real property situate in Section 6, Township 3 South, Range 5 East, Mount Diablo Base and Meridian, County of San Joaquin, State of California, and described as follows:

Parcel 1 as said parcel is shown on that certain map entitled "PA-0800181, PARCEL MAP", filed January 27, 2009, in Book 25 of Parcel Maps at Page 33 in the Office of the Recorder of San Joaquin County.



City of Tracy
California

TRACY

Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2012

EXHIBIT "B"

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COMPREHENSIVE
ANNUAL FINANCIAL REPORT

of the

CITY OF TRACY, CALIFORNIA

for the fiscal year ended

June 30, 2012

Prepared by the Finance and

Administrative Services Department

ZANE H. JOHNSTON
Director of Finance and Administrative Services

ROBERT HARMON, CPA
Senior Accountant

ALLAN J. BORWICK
Budget Officer

ANNE BELL	Management Analyst
PEGGY POTKONJAK	Accounting Technician
ROCKI CHAPARRO	Accounting Technician
CAROL GORRIE	Accounting Technician
DON HIGGINS	Senior Accounting Assistant
ELIZABETH LEAL	Accounting Assistant
ROSEMARIE MARQUEZ	Accounting Assistant
MEAGAN MAYER	Accounting Assistant
LINDA MONIZ	Accounting Technician
GRACE SEGURA	Senior Accounting Assistant
EILEEN SOLARIO	Senior Accounting Assistant
CANDICE VALADAO	Accounting Technician
RAQUEL VOTAW	Senior Accounting Assistant
ISABEL YAMADA	Accounting Assistant

Special Thanks to Linda L. Biscocho – Accounting Officer (Retired)

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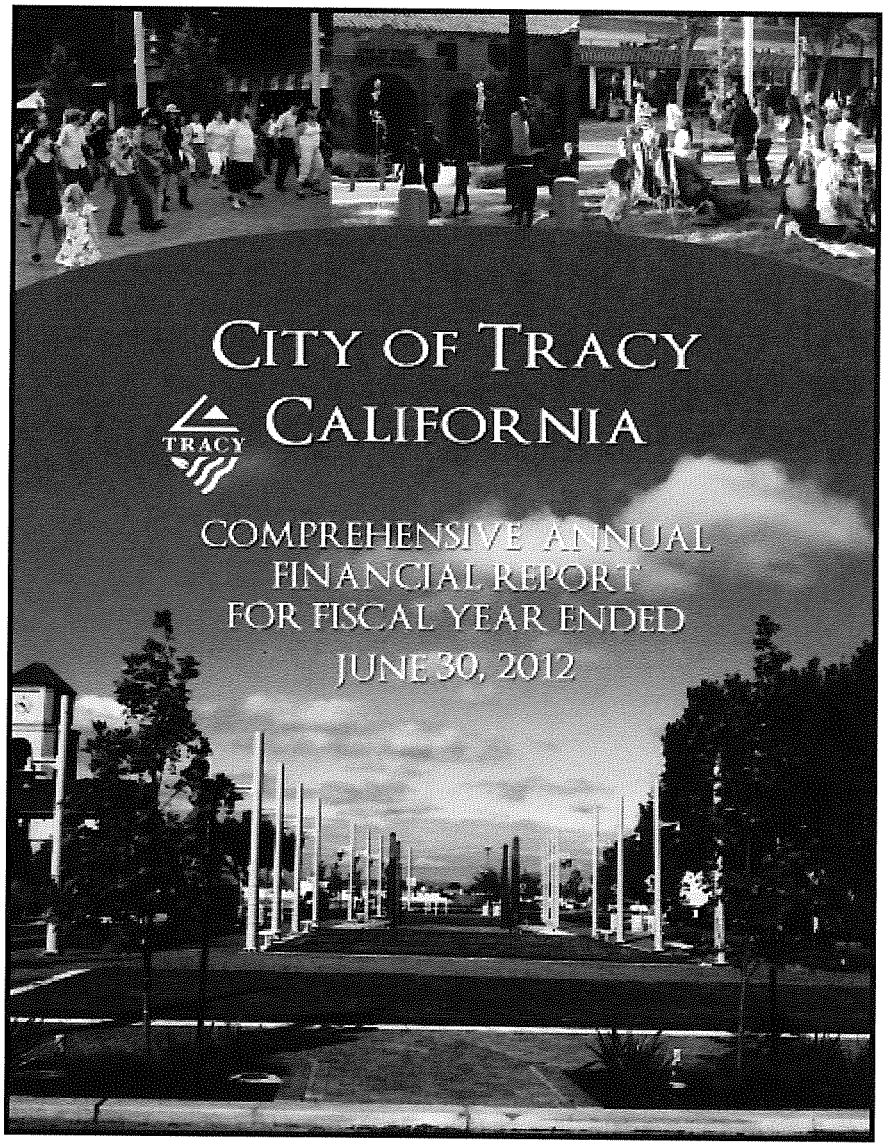
Introductory Section



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CITY OF TRACY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2012

TABLE OF CONTENTS

Page

I. INTRODUCTORY SECTION

Table of Contents i
Organization Chart iv
List of Elected Officials v
List of Other Officials vi
GFOA Certificate of Achievement vii
Letter of Transmittal viii

II. FINANCIAL SECTION

A. Independent Auditor's Report 1

B. Management's Discussion and Analysis 3

C. Basic Financial Statements:
Government-wide Financial Statements:
Statement of Net Assets 17
Statement of Activities 18

Fund Financial Statements:
Governmental Funds:
Balance Sheet 22
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets 25
Statement of Revenues, Expenditures, and Changes in Fund Balances 26
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities 28

Proprietary Funds:
Statement of Net Assets 30
Statement of Revenues, Expenses, and Changes in Net Assets 34
Statement of Cash Flows 36

Fiduciary Funds:
Statement of Fiduciary Net Assets 42
Statement of Changes in Net Assets – Private-Purpose Trust Funds 43

Notes to Basic Financial Statements 45

D. Required Supplemental Information

Pension Trend Information 98
Modified Approach to Reporting Street Pavement Costs 98
Postemployment Benefits Plans Other Than Pension Trend Information 100
Notes to Required Supplemental Information 101
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – General Fund 103
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – Community Development Agency Housing Special Revenue Fund 104

CITY OF TRACY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2012

TABLE OF CONTENTS

Page

II. FINANCIAL SECTION (Continued)

D. Required Supplemental Information (Continued)

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – Housing Successor Fund 105

E. Other Supplemental Information:

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – Community Development Agency Debt Service Fund 109

Nonmajor Governmental Funds

Combining Balance Sheet 116
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances 124
Schedules of Revenues, Expenditures, and Changes in Fund Balances –Budget and Actual:
Business Improvement District 132
Asset Forfeiture 132
Transportation Development 133
Proposition K Transportation Tax 133
State Gas Tax Street 133
TEA Grant 134
Community Development Block Grant 134
Landscaping District 135
South County Fire Authority 135
Community Access CTV 135
2007 Lease Revenue Bonds 136
2008 Lease Revenue Bonds 136

Internal Service Funds:

Combining Statement of Net Assets 138
Combining Statement of Revenues, Expenses, and Changes in Net Assets 142
Combining Statement of Cash Flows 144

Private-Purpose Trust Funds:

Combining Statement of Net Assets 147
Combining Statement of Changes in Assets and Liabilities 148

Agency Funds:

Combining Statement of Changes in Assets and Liabilities 151

CITY OF TRACY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2012

Page

III. STATISTICAL SECTION

Table of Contents 163

Net Assets by Component – Last Ten Fiscal Years 165

Changes in Net Assets – Last Ten Fiscal Years 166

Program Revenues by Function/Program – Last Ten Fiscal Years 168

Fund Balances, Governmental Funds – Last Ten Fiscal Years 169

Changes in Fund Balances, Governmental Funds – Last Ten Fiscal Years 170

Tax Revenues by Source 172

Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years 173

Property Tax Rates – Direct and Overlapping 174

Property Tax Levies and Collections – Last Ten Fiscal Years 175

Sales Tax Rates –Direct and Overlapping 176

Water and Wastewater Rates –Last Ten Fiscal Years 177

Ratio of Outstanding Debt by Type – Last Ten Fiscal Years 180

Ratio of General Bonded Debt Outstanding – Last Ten Fiscal Years 181

Computation of Direct and Overlapping Bonded Debt 182

Legal Debt Margin Information – Last Ten Fiscal Years 183

Pledged Revenue Coverage – Last Ten Fiscal Years 184

Demographic and Economic Statistics – Last Ten Fiscal Years 186

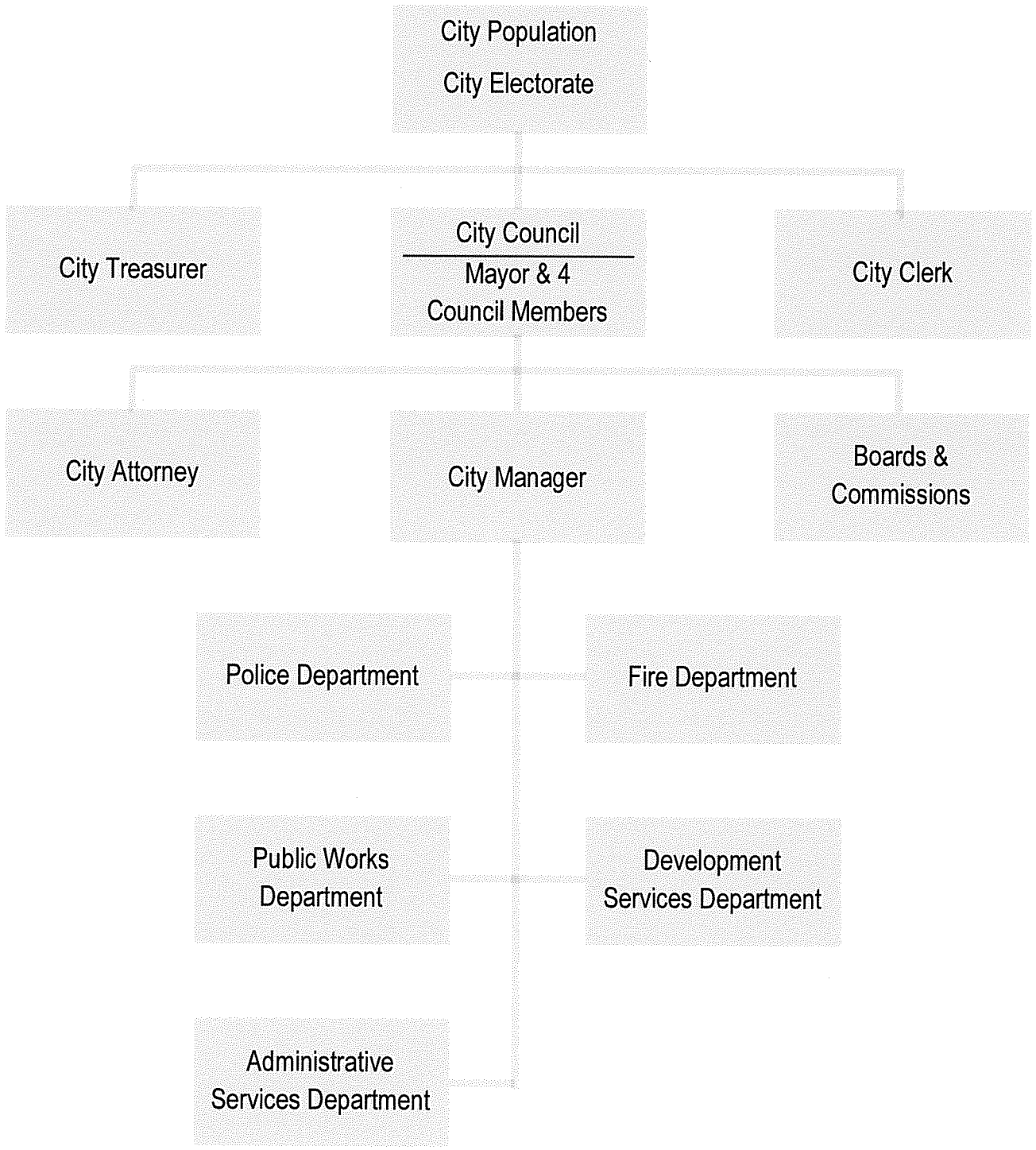
Principal Property Taxpayers 187

Full-time and Part-time City Employees by Function – Last Ten Fiscal Years 188

Operating Indicators by Function – Last Ten Fiscal Years 190

Capital Asset Statistics by Function – Last Ten Fiscal Years 191

City of Tracy
Organization Chart



CITY OF TRACY, CALIFORNIA

COUNCIL - MANAGER FORM OF GOVERNMENT

June 30, 2012

CITY COUNCIL

BRENT IVES
Mayor

MICHAEL MACIEL
Mayor Pro Tem

STEVE ABERCROMBIE
Council Member

BOB ELLIOTT
Council Member

ROBERT RICKMAN
Council Member

OTHER ELECTED OFFICIALS

RAYMOND McCRAY
City Treasurer

SANDRA EDWARDS
City Clerk

CITY OF TRACY, CALIFORNIA

OTHER CITY OFFICIALS

R. Leon Churchill
City Manager

Maria Hurtado
Assistant City Manager

Dan Sodergren
City Attorney

Zane H. Johnston
Finance & Administrative Services Director

OTHER DEPARTMENT HEADS

Alford Nero
Fire Chief

Gary Hampton
Police Chief

Kevin Tobeck
Public Works Director

Rod Buchanan
Parks and Community Services Director

Andrew Malik
Development Services Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Tracy California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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.

President

Executive Director

CITY OF TRACY

Office of City Manager
333 Civic Center Plaza
Tracy, CA 95376

Telephone: (209) 831-6000
Fax: (209) 831-6120

Think Inside the Triangle™

December 4, 2012

Honorable Mayor and City Council Members
Citizens of the City of Tracy:

The Tracy Municipal Code requires that all funds, accounts, and financial transactions of the City be subjected to an annual audit by an independent certified public accountant that is selected by the City Council. The Municipal Code further specifies that after the close of the fiscal year, an annual financial report covering all funds and financial operations shall be prepared and submitted to the City Council. This report is published to fulfill that requirement for the fiscal year ended June 30, 2012.

Management assumes full responsibility for the completeness and reliability of the information contained in this report based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Profile of the Government

Tracy is located on the western edge of the Central Valley in San Joaquin County. The City is 60 miles east of San Francisco and 70 miles south of Sacramento. The City is situated within a triangle formed by three interstate freeways: I-5, I-205 and I-580.

Tracy was founded in 1878 as a railroad center. It was incorporated as a city in 1910. For many decades, it served both as a railroad center and farm market town. Since World War II, it has been the location of a defense supply center. By 1960, the City's employment base included a few food-processing plants and small-related manufacturing operations. A state correctional facility as well as a federal and a state water project facility are located nearby.

During the 1980s, Tracy experienced a period of major growth influenced by the East Bay area of the San Francisco Bay region with its high cost of housing. Tracy, with more affordable housing than the Bay area, continues to be an attractive residential location for many Bay area workers. Tracy is now considered an outer suburb of the Bay area, rather than a small agricultural and industrial town.

The population and size of Tracy has increased from 18,428 and 7.0 square miles in 1980 to 83,900 and 23 square miles in 2012.

The City operates under the council-manager form of government. Policymaking and legislative authority are vested in the City Council, which consists of a Mayor and a four member Council. The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the government, and for appointing the heads of the government's departments. The Council is elected on a non-partisan basis. Council members are elected to four-year staggered terms, with two Council members elected every two years. The mayor is elected every two years.

Moss, Levy and Hartzheim, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Tracy's financial statements for the fiscal year ended June 30, 2012. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter and should be read in conjunction with it.

Local Economy

California's economic recovery is trying to gain traction along with the nation, despite an unemployment rate problem, and state and local budget problems that far outstrip those faced by the nation at large. The California unemployment rate is still around 12% and it will likely stay in double digits through 2014. Although the California economy is expected to grow in the 1.5% to 2.2% range in the coming year, "real" recovery needs to be in the 3.5% to 4% range. It may be 2016 before California employment reaches pre-recession levels. This will have been a total of 9 years without any net job growth.

Because agriculture still remains an important segment of the San Joaquin Valley economies, seasonal unemployment is always much higher that the national average. On the plus side for Tracy however, is that the local economy is tied more closely to the bay areas as many Tracy residents are more likely to work in the East Bay, San Jose, and Livermore Valley areas, where the economy is not greatly influenced by seasonal agriculture production or the more recent negative economic influences (housing market collapse) in the San Joaquin Valley. Certainly the East Bay economy is being held down by those influences negatively affecting the U.S. economy as a whole. But this economy is more stable than that found in the San Joaquin Valley.

The local economy has presented significant challenges to the City of Tracy during the past several years. Because of declining real estate values, property tax to the City of Tracy has fallen 33% over five years. The past two years declines have been in the 1% to 5% range. However, the City has yet to reverse the continued negative property tax growth rate. It is hoped this trend will finally be over with the FY 13-14 assessed value. Property values for that fiscal year will be measured as of January 1, 2013 and Tracy has seen recent increases in home prices.

Sales tax is the one bright spot in the City's revenue picture. The City has experienced 12 straight quarters of strong improvement. Some of this however, has been fueled by higher gas prices (there is general sales tax applied to fuel sales in addition to "gas taxes" for transportation uses). The City was also fortunate to land a distribution center for a major retailer that also included an order desk. Californians purchasing items on the website of this retailer have to pay sales tax and the City receives the local 1 cent portion.

Long-term Financial Planning

The Tracy Municipal Code requires that the City Council adopt a budget by no later than the close of the fiscal year. This annual budget serves as the foundation for the City of Tracy's financial planning and control. The budget is prepared by fund, by department (e.g. Police), and by program (i.e. Patrol Services, Traffic Enforcement, etc). Department heads may transfer resources within a department as they see fit with the approval of the City Manager. Transfer between departments; however, need special approval from the City Council.

As evidenced by this financial report and others before it, the City has significantly been impacted by the economic recession. FY 11-12 was the 5th consecutive year that the City had to utilize reserve funds albeit the FY 11-12 draw was very minor. At the beginning of this economic down period the City had $38,733,794 million in reserves (combination of General Fund and the Reserve for Economic Uncertainty Fund). On June 30, 2012 the City had

$26,934,784 in reserves. During this 5 year period the City has utilized a total of $12.27 million or about $2.46 million per year on average. The draw on reserves for FY 11-12 was just $52,330 which was an improvement from the year earlier when the use of reserves was $2.5 million With reserves as of 6/30/12 of just under $27 million this represents approximately 54% of expected General Fund expenses in FY 12-13.

Major Initiatives

Completed 12 Labor Contracts:

Successfully negotiated 12 multi-year labor contracts, saving $2.6 million in benefit costs over a 3 year period and achieving an ongoing annual savings of $3.5 million each year after the contracts expire.

Continued Implementation of 5-year "8 Point" Fiscal Plan:

Continued implementation of the 5-year plan to allow the City to be fiscally sound upon the sunset date of the Measure E half cent sales tax set to end on 3/31/16. The City has developed an 8 point plan to provide additional reduction to expenses with some new revenue to help mitigate the loss of Measure E revenue upon its expiration.

Initiated a City-wide restructuring plan:

The City will compress 9 previous City departments into 6 new departments thereby reducing the number of executive management positions by a third.

Completed the Downtown Plaza:

Prior to the dissolution of redevelopment, the City, working within state imposed requirements and deadlines, strategically used redevelopment funds to design, construct and complete the Downtown Plaza, located at 6th and Central.

Downtown Special Events:

With a beautiful new downtown gathering space (the Downtown Plaza), the City sponsored a variety of new special events in the area including the very successful summer block series.

In response to the economic challenges of the past 5 years, the City implemented a variety of efficiency and restructuring actions which will continue to provide additional costs savings in future years. In addition to expense reductions, the City also anticipated that new revenues would be necessary if additional cuts that could potentially disrupt the delivery of essential public services were to be avoided. In this regard, Tracy voters approved Measure E (a half cent sales tax with a 5 year sunset) on the November 2010 ballot. This tax began April 1, 2011. This new revenue together with already implemented expense reductions should provide a stable fiscal period for the next 5 years. During this time the City will continue to look for new opportunities to continue its commitment to provide efficient yet quality services to the community.

GASB 45

Much attention has been given to the unfunded liability of "Other Post Employment Benefits" (OPEB) of government employees. In response the Governmental Accounting Standards Board (GASB) issued statement #45 which is an effort for governments to identify their obligations for expenses associated with post employment other than pensions. Governments have pension obligations to their current and retired employees and these are calculated and accounted for. However, other post employment benefits such as health insurance have not been accounted for by most governments. As these expenses can represent a huge future liability of the government, identification of their costs is essential. GASB 45 requires the government to have an actuarial study done in order to identify the cost of other post employment benefits.

The City of Tracy implemented its GASB 45 requirement with the FY 06-07 financial report - two years before it would have been required. The City took this step because it believes GASB 45 to be an important component of judging the financial position of any governmental unit. Also, the City has a tradition of early implementation of significant GASB requirements. The City was one of the first in the nation (including being one of only 3 cities in California) to implement GASB 34, several years before the requirement to do so.

The City of Tracy does not provide for the payment of health insurance for its retired employees. As such it does not have a significant GASB 45 liability that many governments have. However, retired employees are allowed to purchase the City's health insurance (including spouse or family coverage) either through direct payment or from the employee's medical insurance bank. The ability of a retired employee to obtain coverage at an active employee rate, constitutes a significant economic benefit to the retiree, called an "implicit subsidy" under GASB 45. The City obtained the firm of Demsey, Filliger & Associates to perform an actuarial valuation of this "implicit subsidy". The results of this actuarial valuation can be found in note 11 to the financial statements in this report. Suffice to say, the City's liability in this regard is not significant and the ongoing annual required contribution to address this liability is just $416,301 per year. An insignificant GASB 45 liability is a great benefit to the City's true and long term financial strength.

The City has a long reputation for excellent fiscal management. It had the wherewithal to add to its reserve levels during the boom years instead of unwisely using these non-sustainable revenues to fund new programs or services. And noting unusual trends, the City began its long term strategy before the economy deteriorated further during FY 09-10. We are pleased the citizens of Tracy affirmed their confidence in the fiscal management of the City by approving Measure E.

GASB 54

This is the first year the City is required to produce its financial statements in conformity with GASB 54. This new GASB requirement concerns mainly the designation of fund balance into use categories. In addition, Statement 54 clarifies how rainy-day amounts can be reported by treating stabilization arrangements as a specified purpose. Consequently, amounts constrained to stabilization must be reported as restricted or committed fund balance in the General Fund if they meet the other criteria for those classifications. As a result the CAFR can no longer list the Reserve for Economic Uncertainty Fund separately. However, the City is free to maintain this fund separately in subsidiary records. The General Fund balance of $26,934,784 is actually comprised of $18,985,114 in the General Fund and $7,949,670 in the Reserve for Economic Uncertainty Fund.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Tracy for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2011. This was the 24nd consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR 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.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for FY 11-12. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the entire Finance and Administrative Services Department staff. Each member of the Department has my appreciation for the contributions made in the preparation of this report.

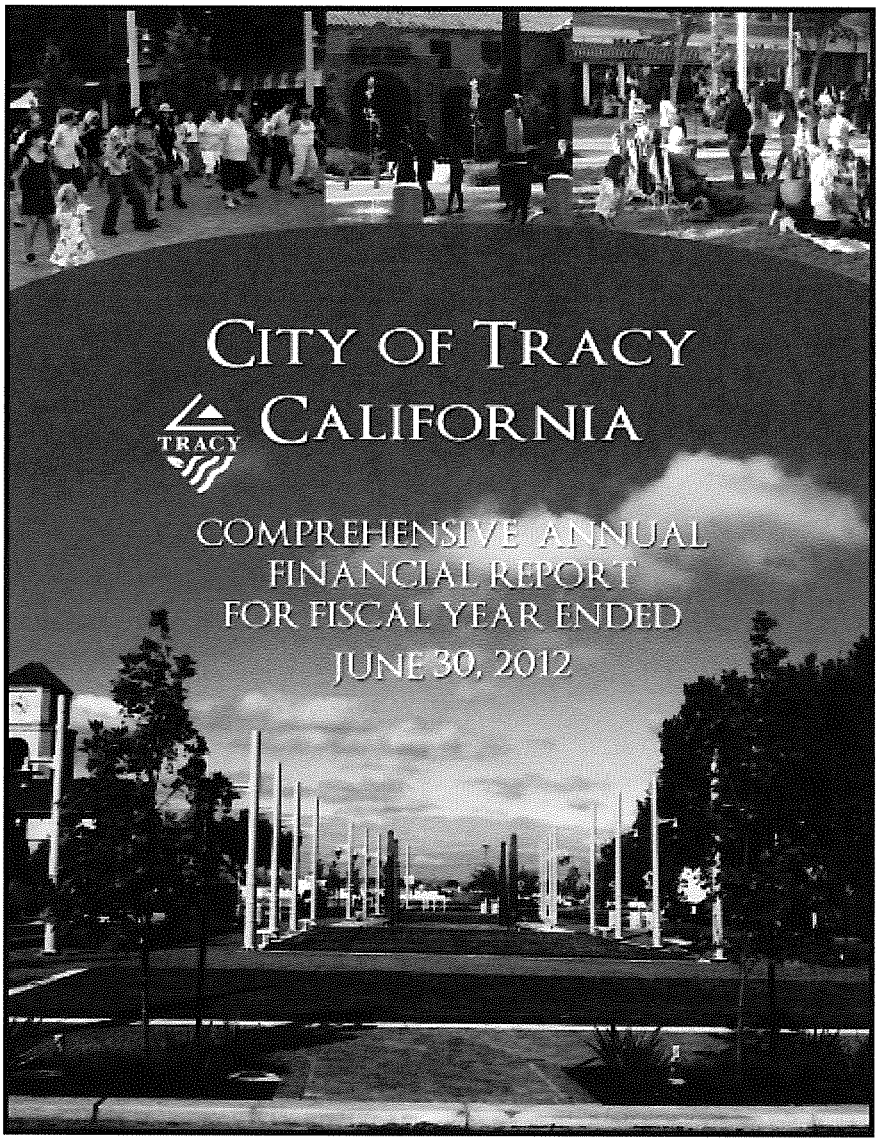
We also would like to express special appreciation to Senior Accountant, Robert Harmon whose long hours, dedication, and attention to detail made possible the successful completion of the annual audit.

Respectfully submitted,

R. Leon Churchill, Jr.
City Manager

Zane H. Johnston
Finance & Administrative Services Director

Financial Section



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MOSS, LEVY & HARTZHEIM LLP
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Tracy
Tracy, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tracy, California (City), as of and for the fiscal year ended June 30, 2012, 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 opinions on these financial statements based on our audit.

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

As discussed in Note 1 of the notes to the basic financial statements, effective July 1, 2011, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 64 - *Derivative Instruments: Application of Hedge Accounting Termination Provisions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tracy, California, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report December 13, 2012, 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, contacts, 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.

OFFICES: BEVERLY HILLS • CULVER CITY • SANTA MARIA
MEMBER AMERICAN INSTITUTE OF C.P.A.'S • CALIFORNIA SOCIETY OF MUNICIPAL FINANCE OFFICERS • CALIFORNIA ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 16, the Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund, Community Development Agency Housing Special Revenue Fund, and Housing Successor Special Revenue Fund, the Funding Progress of the California Public Employees Retirement System, the Postemployment Retiree Benefits Funding Progress, and the Modified Approach to Reporting Street Pavement Costs on pages 98 through 105 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with accounting principles generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tracy's basic financial statements as a whole. The Introductory Section, Schedule of Revenue, Expenditures, and Changes in Funds Balance – Budget and Actual – Community Development Agency Debt Service Fund, Combining Financial Statements for the Nonmajor Governmental Funds, Nonmajor Fund Budgetary Comparison Schedules, Internal Service Funds, and Trust and Agency Funds, and the Statistical Section listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. The Schedule of Revenue, Expenditures, and Changes in Funds Balance – Budget and Actual – Community Development Agency Debt Service Fund, Combining Financial Statements for the Nonmajor Governmental Funds, Nonmajor Fund Budgetary Comparison Schedules, Internal Service Funds, and Trust and Agency Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information included in the "Introductory Section", and the "Statistical Section", has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Moss, Levy & Hartzheim

Moss, Levy and Hartzheim, LLP
Culver City, California
December 13, 2012

City Of Tracy

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

The discussion and analysis provided here by the management of the City of Tracy provides a narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2012. Readers are encouraged to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

Financial highlights of the year include the following:

- The assets of the City of Tracy exceeded its liabilities by $1,018,562 (net assets). Of this amount, $62.0 million (unrestricted net assets) may be used to meet the city's ongoing obligations to citizens and creditors.

- The City's total net assets decreased by $9.6 million or .93% in fiscal year 2011-12 compared to the previous fiscal year.

- The governmental activities reported combined net assets of $648.6 million at the end of the fiscal year 2012. This is an increase of 1.07% from last fiscal year.

- At the end of the fiscal year, unassigned fund balance for the general fund is $25.6 million compared to last year's $23.4 million. This is an increase of .9% over the prior fiscal year.

- Total revenues of all governmental funds increased by 6.7% while that of proprietary funds increased 5.3% in FY 2011-12. The governmental funds' revenue increase came from an increase in sales taxes partially offset by a decrease in both property taxes and capital grants and contributions. The increase in proprietary funds total revenues came from an increase in operating revenues.

- On January 31, 2012, the state dissolved all redevelopment agencies in the state. An Oversight Board was created to handle the wind-down activities of the City of Tracy Community Development Agency (CDA) through a Successor Agency (SA). The CDA assets and debts have been transferred to an Agency Fund pending disposition by the Oversight Board. As a result of this transfer, the city's governmental funds experienced a $31 million extraordinary gain.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

The City of Tracy's basic financial statements are introduced to the readers through this discussion and analysis. The City of Tracy's basic Comprehensive Annual Financial Report is in six parts:

1) Introductory Section, which includes the Transmittal Letter and general information
2) Management Discussion and Analysis (this part)
3) Basic Financial Statements which include the Government–wide and the Fund Financial Statements, along with the Notes to Basic Financial Statements
4) Required Supplemental Information
5) Other Supplemental Information
6) Statistical Information

Government-wide Financial Statements

The Government-wide financial statements are designed to give readers a broad overview of the City of Tracy's finances.

The Statement of Net Assets shows information on all of the City's assets and liabilities. The difference between the assets and the liabilities is reported as net assets. An increase in net assets is an indicator that the financial position of the City is improving, while a decrease in net assets indicates that the City is financially distressed.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year just ended. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

All the amounts in the Statement of Net Assets and the Statement of Activities are presented as follows:

- Governmental Activities---All of the City's basic services are considered to be governmental activities including general government, public safety, public works, community development, and culture and recreation.

- Business-type Activities---All the City's enterprise activities are reported here, including water, sewer, solid waste, storm drainage, municipal airport and municipal transit. Unlike governmental services, these services are supported by charges paid by users based on the amount of the service they use.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like other state or local government, the City of Tracy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Fund Financial Statements report the City's operations in more detail than the Government-wide statements and focus primarily on the short-term activities of the City's General Fund and other Major Funds. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

Major Funds account for the major financial activities of the City and are presented individually, while the activities of Non-major funds are presented in summary, with subordinate schedules presenting the detail for each of these other funds.

The Fiduciary Statements provide financial information about the activities of the Special Assessment Districts, for which the City acts solely as agent, and the Successor Agency to the former Community Development Agency.

The Fund Financial Statements provide detailed information about each of the City's most significant funds, called Major Funds. The concept of Major funds, and the determination of Major funds, were established by GASB Statement 34 and replace the concept of combining similar funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column. Subordinate schedules present the detail of these Non-major funds. Major Funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of City's activities.

Fund Financial Statements include governmental, enterprise, and fiduciary funds as discussed below.

Governmental Fund Financial Statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

Enterprise and Internal Service Fund financial statements are prepared on the full accrual basis, as in the past, and include all their assets and liabilities, current and long-term.

Since the City's Internal Service Funds provide goods and services only to the City's governmental and business-type activities, their activities are reported only in total at the Fund level. Internal Service Funds may not be Major Funds because their revenues are derived from other City Funds. These revenues are eliminated in the Government-wide financial statements and any related profits or losses are returned to the Activities which created them, along with any residual net assets of the Internal Service Funds.

Fund Financial Statements (Continued)

Comparisons of Budget and Actual financial information are presented only for the General Fund and other Major Funds that are Special Revenue Funds.

Fiduciary funds are used to account for resources held for the benefit of parties outside the City government.

The City is the agent for certain assessment districts, holding amounts collected from property owners which await transfer to these Districts' bond trustees. The City's fiduciary activities are reported in the separate Statements of Fiduciary Net Assets and the Agency Funds Statement of Changes in Assets and Liabilities. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its own operations.

The City is also the agent for the Successor Agency to the former Community Development Agency, holding assets of this agency pending final disposition by the Oversight Board. The City's fiduciary activities are reported under Private Purpose Trust Funds in the Combining Statement of Net Assets and the Combining Statement of Changes in Net Assets. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its own operations.

Notes to the Financial Statements

The notes are provided to give the reader more detailed information that is necessary in getting a full understanding of the data shown in the Government-wide and fund financial statements.

Required Supplementary Information

This report also includes supplementary information related to the City of Tracy's progress in maintaining its infrastructure assets and is shown on pages 98 and 99. The City of Tracy has elected to use the modified approach to report street pavement costs. The City uses the Metropolitan Transportation Commission's (MTC) Pavement System to track the condition levels of each of the street sections. With a rating of 77 (good or better condition 70-100) as of the end of the fiscal year, the condition of the pavement was 12 points higher than the City's administrative policy to achieve a minimum rating of 65 (fair condition 50-69). This year's rating decreased slightly from the previous year's rating of 82.

Government-wide Financial Analysis

Net Assets

Net assets are a useful indicator of a government's financial position. The City of Tracy's assets exceeded liabilities by more than $1,018.6 million at the close of fiscal year 2011-2012. Of this amount, $851 million or 83.5% of the City's net assets are invested in capital assets. These capital assets comprise of land, buildings, infrastructures, intangible assets, streets and roads, machinery and equipment and are being used to provide services to its citizens. However, these assets are not available for future spending. $106 million of the City's net assets represent resources that are subject to external restrictions on how they may be used. The unrestricted assets of the City in the amount of $62 million or 6% maybe used to meet its ongoing obligations to citizens and creditors.

Table 1
City of Tracy
Schedule of Net Assets
June 30, 2012
(in Thousands)

	Governmental Activities		Business-type Activities		Total	
Description	2012	2011	2012	2011	2012	2011
Cash & Investments	$ 143,786	$ 164,124	$ 27,086	$ 31,301	$ 170,872	$ 195,425
Other Assets	29,935	26,887	9,338	15,075	39,273	41,962
Capital Assets	513,598	538,588	388,335	398,442	901,933	937,030
Total Assets	687,319	729,599	424,759	444,818	1,112,078	1,174,417
Long-Term Debt Outstanding	26,369	73,977	45,451	50,387	71,820	124,364
Other Liabilities	12,304	13,855	9,392	8,029	21,696	21,884
Total Liabilities	38,673	87,832	54,843	58,416	93,516	146,248
Net Assets:						
Invested in Capital Assets Net of Related Debt	510,323	490,053	340,537	345,554	850,860	835,607
Restricted	105,425	118,367	232	227	105,657	118,594
Unrestricted	32,898	33,347	29,147	40,621	62,045	73,968
Total Net Assets	$ 648,646	$ 641,767	$ 369,916	$ 386,402	$1,018,562	$1,028,169

Government-wide Financial Analysis (Continued)

Net Assets (Continued)

In governmental activities, the total net assets increased by $6.9 million while the net assets for proprietary funds decreased by $16.4 million. The slight increase of 1% in governmental activities was due primarily to the Downtown 6th Street Plaza project. The decrease in net assets for proprietary funds was due to ongoing operating losses in most funds.

In this fiscal year, in total, all the proprietary funds suffered an operating income loss of $5.1 million or a decrease of 67% compared to the operating losses incurred last fiscal year. The sewer fund's losses for the year of $3.4 million are the highest compared to the other proprietary funds. When compared to the expenses of the previous fiscal year, the proprietary funds' total expenses for maintenance and operation and depreciation expenses increased by less than 1% in the amount of $.5 million while an increase of 3.9% in total operating revenues helped to minimize operating losses. Despite the belt tightening and various cost-cutting measures that the city has already implemented, these proprietary funds still continue to be in the red. The lone exception is the solid waste fund which had a slight operating surplus of $.27M. These losses can only be alleviated by increasing user rates. The city is now in the process of having a study done to find out how much these rate increases should be. The last time water rates were increase was in 2008 while sewer rates were increased in 2006. Solid waste rates were increased in January of this fiscal year.

The combined operating losses incurred by the city's utility funds (water, sewer and drainage funds) in the amount of $12.3 million during the current fiscal year are 10% lower compared to that of the previous fiscal year. These continued losses can be attributed to a continuous writing-off of bad debts due to the current state of our economy and increases in the cost of doing business that is not matched by increases in revenues. Losses in the utility funds include depreciation of $18.7 million which accounts for $32.5% of operating expenses.

The Sewer Fund incurred another operating loss during the fiscal year in the amount of $3.9 million. Operating revenue decreased by 4.6% compared to that of last fiscal year, however operating expenses also decreased but at a lower rate of 2.8% which resulted in an operating loss that is similar to losses incurred during last year's operations. The reason for the losses is the same as that of the water fund.

The Drainage Fund also incurred losses during the year in the amount of $2.8 million. The total operating expenses decreased by 1.5% while operating revenues increased by 1.9%.

Government-wide Financial Analysis (Continued)

Net Assets (Continued)

The Solid Waste Fund had a slight operating surplus of $.27 million for the fiscal year compared to an operating loss of $1.1 million in the prior fiscal year. Operating revenues increased by 15.5% while operating expenses only increased by 6.3% during the year. The increase in operating revenue is due to a mid-year rate increase.

Although the Airport fund continues to report an operating loss, this year's losses of $.27 million are slightly less than last year's loss of $.28 million. The airport fund's major source of revenues is from hangar rentals, sale of fuel and federal and state grants. This year, both operating revenues and operating expenses are stagnant. The city has contracted out fuel sales to a private contractor but continues to manage and operate the airport.

Just like the airport fund, the Transit Fund also incurred operating losses in the amount of $1.6 million during the year. This year's operating losses are 16% higher than that of the previous fiscal year. Operating revenue decreased by 8.5% compared to that of last fiscal year while operating expenses increased at a rate of 6.3%. The reason for the losses is the same as that of the utility funds. The ever-increasing cost of fuel further adds to the operating losses.

Changes in Net Assets

The City's net assets showed a overall decrease of .93% compared to that of last year. The city's governmental activities recorded an increase of 1% while city's business activities recorded a reduction of 4.3% in net assets. Table 2 shows the elements these changes in detail.

Governmental Activities

Governmental activities increased the city's net assets by $6.9 million or 1.0%. This was due to primarily to the Downtown 6th Street Plaza completed during the fiscal year. Revenues remained relatively stable with a very slight drop of .3%, however, some elements of general revenues showed large changes with property tax revenue decreasing by 17.8% while other tax revenues increased by over 42%. The main reasons for these changes are a decrease in property taxes due to the dissolution of the CDA and the increase in sales tax revenue from Measure E.

Measure E is a ½% additional sales tax that was approved by the voters and became effective on April 1, 2011. This additional sales tax is effective only for five years. Since this ½% additional sales tax is temporary, the city continues to cut costs through furloughs, elimination of various positions by attrition, purging of duplicate delivery of services and by combining departments thereby eliminating department head positions.

Business-type Activities

The City of Tracy maintains six different types of proprietary funds. These funds are used to report the same functions presented as business-type activities in the Government-wide financial statements. Water, sewer, solid waste, drainage, airport and transit services provided by the City of Tracy are all accounted for the in the enterprise funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its central garage, central services, equipment acquisition, building maintenance and insurance expenditures.

Proprietary funds provide the same type of information as the Government-wide financial statements, only in more detail. The financial statements show separate information for each service provided and all are considered to be Major funds of the City of Tracy. Increases in expenses and reductions in total revenues contributed to the slight reduction of the net assets of business-type activities.

The increase in expenses was mainly due to higher costs of conducting business while the reduction of revenues were caused by the current state of economy and the absence of subsidies from both the state and the county levels. The current results of operations of these funds can be greatly improved when user rates are increase in the coming fiscal years.

Table 2
City of Tracy
Schedule of Changes in Net Assets
June 30, 2012
(in Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues:						
Charges for Services	$ 10,175	$ 8,996	$ 46,526	$ 44,788	$ 56,701	$ 53,784
Operating contributions and grants	9,482	10,065			9,482	10,065
Capital grants and contributions	15,528	19,080	2,801	3,678	18,329	22,758
Total Program revenues	35,185	38,141	49,327	48,466	84,512	86,607
General Revenues:						
Property Taxes	18,527	22,533			18,527	22,533
Other Taxes	22,608	15,879			22,608	15,879
Other General Revenues	2,561	2,943	520	109	3,081	3,052
Transfers		(384)		385	-	1
Total general revenues & transfers	43,696	40,971	520	494	44,216	41,465
Total Revenues	78,881	79,112	49,847	48,960	128,728	128,072
Expenses						
General government	6,283	18,296			6,283	18,296
Police	22,326	21,406			22,326	21,406
Fire	15,275	14,104			15,275	14,104
Development & Engineering	7,616	7,531			7,616	7,531
Public Works	44,803	16,840			44,803	16,840
Parks & Community Services	5,097	5,142			5,097	5,142
Interest on Long-term Debt	1,925	4,121			1,925	4,121
Unallocated Depreciation	566	617			566	617
Water			22,295	21,229	22,295	21,229
Sewer			18,980	17,133	18,980	17,133
Solidwaste			18,585	17,473	18,585	17,473
Storm Drainage			3,352	3,403	3,352	3,403
Airport			686	704	686	704
Transit			2,435	2,291	2,435	2,291
Total Expenses	103,891	88,057	66,333	62,233	170,224	150,290
Change in Net Assets	(25,010)	(8,945)	(16,486)	(13,273)	(41,496)	(22,218)
Extraordinary Gain on Transfer of Assets	31,889	-		-	31,889	-
Total Change in Net Assets	6,879	(8,945)	(16,486)	(13,273)	(9,607)	(22,218)
Net Assets, Beginning	641,767	650,712	386,402	399,675	1,028,169	1,050,387
Net Assets, Ending	$ 648,646	$ 641,767	$ 369,916	$ 386,402	$1,018,562	$1,028,169

Financial Analysis of the Government's Funds

The City of Tracy's governmental funds' purpose is to provide information on short-term inflows, outflows and balances of spendable resources. In assessing the City's financing requirements, this information is useful. The unrestricted fund balance is a useful measure of the City's resources that are available for spending at the end of the fiscal year.

At June 30, 2012, the City's governmental funds presented a combined fund balance of almost $136.3 million, a decrease of $15.5 million or 10.2% when compared to that of the prior year. This fiscal year, only the Business Improvement District, TEA Grant, South County Fire Authority and Parks COP funds posted a negative fund balance. This negative balance was the result of having capital outlay expenditures exceeding the revenues for these funds. It is anticipated that these expenditures will be offset by future revenues from State grants and various developers.

The City of Tracy's general fund has a fund balance of $26.9 million. Of this amount, $25.6 million is unrestricted. The total unrestricted fund balance represents over 52% of the total general fund expenditures.

The City of Tracy's debt service funds have a combined fund balance of $2 million. 100% of this amount is reserved for the payment of debt service. The fund balance of the debt service funds increased by $.03 million or an increase of 1.5% compared to that of last fiscal year.

The fund balance of capital project funds decreased by $11.2 million or 10.6%.

Financial Analysis of the Proprietary Funds

The proprietary funds of the City of Tracy provide the same type of information found in the Government-wide financial statements as the governmental funds but is shown with more detail.

The total unrestricted net assets of the proprietary funds is $29.1 million for the year ended June 30, 2012, down by 28% compared to last year's unrestricted net assets of $40.6 million. This reduction is due mainly to the operating losses incurred by most of the proprietary funds during the year and disposition of some capital assets.

Although water fund's total operating revenues decreased by 1.4%, its operating expenses also decreased by 1.3% which resulted in an operating loss of $5.9 million. This year's losses are only slightly lower 1% compared to the losses of the previous year.

Financial Analysis of the Proprietary Funds (Continued)

The sewer fund also posted an operating loss in the amount of $3.9 million. Just like the water fund, total operating revenues decreased but a corresponding decrease in expenses was not sufficient to offset the decrease in revenues. Total operating expenses decreased by 2.8% or $.43 million. The decrease in operating expenses was contributed by slightly lower depreciation charges.

The airport fund posted a 1% increase in total operating revenues and an increase of 2.4% in operating expenses.

The solid waste fund's operating expenses increased by 6.3% while its total operating revenues increased by 15.5% which resulted in an operating surplus of $.27 million. This surplus was due to higher charges for services from a rate increase during the fiscal year.

The operations of the transit fund posted an operating loss of $1.65 million which is 13.7% higher compared to last year's losses of $1.39 million. This can be attributed to a reduction in transit subsidies from the federal, state and county levels.

The drainage fund's net assets decreased by 3%. This is the result of a 43% increase in operating expenses. Depreciation expenses contributed to this increase in operating expenses. Just like the water, sewer and solid waste funds, this fund is also burdened by rising costs of conducting business that is not compensated by an increase in user rates.

General Fund Budgetary Highlights

- The actual revenues of the general fund were more than the estimated amount by $2.2 million.
- The actual expenditures reported a favorable variance. The actual expenditures were lower than the estimated by $1.7 million.
- The net excess of revenues over expenditures for the fiscal year ended June 30, 2012 is $1.4 million.

Actual revenues exceeded the estimated revenues in taxes, use of money and property, charges for services and special assessments. The favorable variance in expenditures can be attributed to various cost savings measures that the city undertook during the year. The city continued to follow prior years cost saving measures by not filling vacancies in anticipation of declining revenues due to retirement or resignations nor added more positions. The city's efforts in cutting costs and expenditures resulted in revenues exceeding expenditures by $1.375 million compared to the prior fiscal year when expenditures exceeded revenues by an equal amount.

Capital Asset and Debt Administration

Capital Assets. The City of Tracy's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to $902 million (net of accumulated depreciation). These capital assets include the asset descriptions shown on the table below. The total decrease in the city's investments in capital assets for the year is 3.7% or $35 million. There is a 4.6% decrease in capital assets for governmental activities while business-type activities experienced a decrease of 2.5%. More detailed information of the City's capital assets can be found in Note 5.

A reclassification of buildings and improvements capital assets to infrastructures resulted to the increase and reduction of these two types of capital assets in the prior fiscal year.

Table 3
City of Tracy
Schedule of Capital Assets
June 30, 2012
(in Thousands)

	Governmental Activities		Business-type Activities		Total	
Description	2012	2011	2012	2011	2012	2011
Land	$ 159,399	$ 159,790	$ 11,769	$ 11,769	$ 171,168	$ 171,559
Streets and Roads	212,438	212,438			212,438	212,438
Construction in-Progress	22,947	18,519	5,849	4,390	28,796	22,909
Buildings and Improvements	135,712	167,112	219,296	239,336	355,008	406,448
Grading, Curbs & Gutters, Sidewalks & Driveway Approaches	27,855	27,855			27,855	27,855
Traffic Signals	17,374	17,374			17,374	17,374
Equipment	24,005	28,529	43,800	47,097	67,805	75,626
Infrastructure	7,798	491	243,571	242,992	251,369	243,483
Intangible Assets	849	987	69,222	63,936	70,071	64,923
Less: Total Accumulated Depreciation	(94,779)	(94,507)	(205,172)	(211,079)	(299,951)	(305,586)
Total Capital Assets	$ 513,598	$ 538,588	$ 388,335	$ 398,441	$ 901,933	$ 937,029

Long-term Debt. At the end of fiscal year 2012, the City's total debt showed a reduction of 41.4% or $53.9 million; however this decline is deceiving as $48.7 million of the decline directly results from the dissolution of the CDA and the subsequent transfer of assets and debt into an agency fund. The decline not related to the CDA was 6.4% or $5.2 million. This decline was due to the principal payment of almost all the long term debt during the year.

A detailed discussion of the entire City's long-term debt can be found under Notes 7 and 8. Standard and Poor's and Moody's credit ratings of AAA and Aaa, respectively, were received by the City's most recent insured debt issuance.

City of Tracy
Schedule of Long Term Debt
June 30, 2012
(in Thousands)

	Governmental Activities		Business-type Activities		Total	
Debt Description	2012	2011	2012	2011	2012	2011
2008 Lease Revenue Bonds	$ 19,285	$ 19,385			$ 19,285	$ 19,385
2007 Lease Revenue Bonds-A	2,690	2,690			2,690	2,690
2007 Lease Revenue Bonds-B	1,490	1,585			1,490	1,585
2003 Tax Allocation Bonds	-	48,715			-	48,715
Capital Leases	70	138			70	138
2003 Wastewater Revenue Bonds			$ 680	$ 1,000	680	1,000
2004 Wastewater Revenue Bonds			27,950	28,580	27,950	28,580
U. S. EDA Notes			-	1,267	-	1,267
Irrigation District Notes			3,000	5,000	3,000	5,000
State of California-Department of Transportation Loan			73	92	73	92
State of California-Department of Health Services			16,275	17,136	16,275	17,136
Compensated Absences	2,909	3,053	537	508	3,446	3,561
Claims and Judgments	112	112			112	112
Post Retirement Benefits	1,142	855			1,142	855
Total Long Term Liabilities	$ 27,698	$ 76,533	$ 48,515	$ 53,583	$ 76,213	$ 130,116

Economic Outlook and Major Initiatives

As the current economic crisis continues, fiscal year 2011-12 clearly shows its effects. As unemployment lowers the purchasing power of the city's population, property values continue to decline together with the revenues related to it such as property transfer taxes and property taxes. Though the City prepared for the decline in revenues as the result of the passage of Measure A, an ordinance that limited the City's growth, there was no preparation made for the decline in property values due to the current housing market. The city dipped again into its reserves just to maintain a $25.7 million unassigned fund balance in the general fund. This and other topics related to the City's economic outlook are discussed in detail in the accompanying transmittal letter.

Contacting the City's Financial Management

This Comprehensive Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. Questions about this report should be directed to the Finance Department at 333 Civic Center Plaza, Tracy, California 95376.

CITY OF TRACY
STATEMENT OF NET ASSETS
June 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	$ 124,632,735	$ 26,746,733	$ 151,379,468
Cash and investments with fiscal agents	19,039,537	339,304	19,378,841
Restricted cash and investments	113,455		113,455
Accounts receivable	7,454,879	10,297,086	17,751,965
Inventory		354,190	354,190
Interest receivable	415,100	258,015	673,115
Prepaid items	62,566	301,405	363,971
Internal balances	2,051,562	(2,051,562)	
Deferred charges, net of accumulated amortization	1,220,533	178,986	1,399,519
Deposits	1,000,000		1,000,000
Loans receivable	14,927,023		14,927,023
Advances to CDA successor agency	2,803,520		2,803,520
Capital assets, not being depreciated	394,783,617	17,617,355	412,400,972
Capital assets, being depreciated, net of accumulated depreciation	118,814,526	370,717,482	489,532,008
Total Assets	687,319,053	424,758,994	1,112,078,047
LIABILITIES			
Accounts payable	4,500,838	4,519,081	9,019,919
Accrued interest payable	347,469	117,263	464,732
Deposits payable	3,953,039	1,497,899	5,450,938
Unearned revenue	2,173,200	194,275	2,367,475
Noncurrent liabilities:			
Due within one year	1,329,180	3,063,606	4,392,786
Due in more than one year	26,369,170	45,450,948	71,820,118
Total Liabilities	38,672,896	54,843,072	93,515,968
NET ASSETS			
Invested in capital assets, net of related debt	510,322,920	340,536,499	850,859,419
Restricted for:			
Debt service	1,699,221	231,967	1,931,188
Public safety	80,581		80,581
Streets and roads	4,954,198		4,954,198
Community development	1,313,817		1,313,817
Special districts	3,939,730		3,939,730
Projects	79,024,543		79,024,543
Housing	14,412,699		14,412,699
Unrestricted	32,898,448	29,147,456	62,045,904
Total Net assets	$ 648,646,157	$ 369,915,922	$ 1,018,562,079

The notes to the basic financial statements are an integral part of this statement

CITY OF TRACY
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012

		Program Revenues		
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental Activities:				
General government				
Legislative	$ (90,644)	$ -	$ -	$ -
City attorney	(762,643)			
Administration	(1,616,703)			
Personnel	(655,324)			
Finance	(2,264,708)			
Community Promotion	(136,674)			
Non-departmental	(58,766)	1,795,570		121,950
Economic development	(814,469)		209,057	555,461
Public safety				
Police	(22,319,823)	329,371	1,027,571	32,671
Fire	(15,275,319)	174,140	4,590,589	
Public works				
Development and engineering	(7,710,883)	1,617,308		356,995
Public works	(44,731,691)	5,203,749	3,654,388	14,366,040
Culture and leisure				
Cultural arts	(1,812,992)	266,548		
Parks and community services	(3,149,004)	788,711		94,419
Interest on long-term debt	(1,925,434)			
Unallocated depreciation	(565,673)			
Total Governmental Activities	(103,890,750)	10,175,397	9,481,605	15,527,536
Business-type Activities:				
Water	(22,294,703)	14,432,969		68,003
Sewer	(18,979,715)	11,479,903		1,189,474
Airport	(686,320)	374,661		42,552
Solid waste	(18,584,986)	18,851,976		5,651
Transit	(2,435,632)	822,447		1,195,552
Drainage	(3,351,836)	563,884		299,920
Total Business-type Activities	(66,333,192)	46,525,840		2,801,152
Total Government	$ (170,223,942)	$ 56,701,237	$ 9,481,605	$ 18,328,688

General Revenues:
- Taxes:
  - Property taxes
  - Franchise taxes
  - Sales and use taxes
  - Transient occupancy tax
  - Business license taxes
  - Transfer tax
- Motor vehicle in lieu, unrestricted
- Investment earnings
- Miscellaneous

Total General Revenues and Transfers

Change in Net Assets before Extraordinary Item

Gain on Transfer of Assets and Liabilities to CDA Successor Trust Funds

Change in Net Assets

Net Assets July 1, 2011

Net Assets, June 30, 2012

The notes to the basic financial statements are an integral part of this statement

Net (Expenses) Revenues and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
$ (90,644)	$ -	$ (90,644)
(762,643)		(762,643)
(1,616,703)		(1,616,703)
(655,324)		(655,324)
(2,264,708)		(2,264,708)
(136,674)		(136,674)
1,858,754		1,858,754
(49,951)		(49,951)
(20,930,210)		(20,930,210)
(10,510,590)		(10,510,590)
(5,736,580)		(5,736,580)
(21,507,514)		(21,507,514)
(1,546,444)		(1,546,444)
(2,265,874)		(2,265,874)
(1,925,434)		(1,925,434)
(565,673)		(565,673)
(68,706,212)		(68,706,212)
	(7,793,731)	(7,793,731)
	(6,310,338)	(6,310,338)
	(269,107)	(269,107)
	272,641	272,641
	(417,633)	(417,633)
	(2,488,032)	(2,488,032)
	(17,006,200)	(17,006,200)
(68,706,212)	(17,006,200)	(85,712,412)
18,527,327		18,527,327
2,442,841		2,442,841
18,422,071		18,422,071
745,975		745,975
673,342		673,342
282,674		282,674
41,270		41,270
800,992	520,291	1,321,283
1,759,889		1,759,889
43,696,381	520,291	44,216,672
(25,009,831)	(16,485,909)	(41,495,740)
31,888,677		31,888,677
6,878,846	(16,485,909)	(9,607,063)
641,767,311	386,401,831	1,028,169,142
$ 648,646,157	$ 369,915,922	$ 1,018,562,079

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FUND FINANCIAL STATEMENTS

GASB Statement No. 34 revised the format of the Fund Financial Statements so that only individual major funds are presented, while nonmajor funds are combined in a single column. Major funds are defined generally as having significant activities or balances in the current fiscal year. No distinction is made between fund types and the practice of combining like funds and presenting their totals in separate columns (Combined financial Statements) has been discontinued, along with the use of the General Fixed Assets and General Long-term Debt Account Groups.

The funds described below were determined to be Major Funds by the City for the fiscal year 2012. Individual nonmajor funds may be found in the Other Supplemental Information Section.

GENERAL FUND

The General Fund is used for all the general revenues of the City not specifically levied or collected for other City Funds, and the related expenditures.

COMMUNITY DEVELOPMENT AGENCY HOUSING

This fund was established to account for the portion of property tax increment revenues received by the Community Development Agency, and set aside for low and moderate income housing.

HOUSING SUCCESSOR

This fund was established to account for housing activities assumed by the City from the former Tracy community redevelopment agency.

NORTH EAST INDUSTRIAL PLAN AREA # 1

The North East Industrial Plan Area # 1 was established to account for projects to support development in a specific area of the City financed by assessments and/or development impact fees.

COMMUNITY DEVELOPMENT AGENCY DEBT SERVICE

This fund accounts for accumulated City and County tax increment funds received for redevelopment purposes to repay outstanding debt.

CITY OF TRACY
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2012

	General Fund	Community Development Agency Housing	Housing Successor	North East Industrial Plan Area #1
ASSETS				
Cash and investments	$ 25,415,783	$ -	$ 34,145	$ 1,930,219
Cash and investments with fiscal agents				
Restricted cash and investments				
Accounts receivable	2,929,781			1,063
Interest receivable	167,289		41	3,348
Prepaid items	1,839			
Deposits				
Loans receivable	544,825		12,578,649	
Due from other funds	965,245			
Advances to CDA successor agency			2,803,520	
Advances to other funds	244,057			
Total Assets	$ 30,268,819	$ -	$ 15,416,355	$ 1,934,630
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 1,892,020	$ -	$ 63	$ 6,178
Due to other funds				
Deposits payable	1,102,868			
Deferred revenue	339,795		12,578,649	
Advances from other funds				1,747,454
Total Liabilities	3,334,683		12,578,712	1,753,632
Fund Balances:				
Nonspendable				
Prepaid items	1,839			
Advances	244,057			
Loans receivable	544,825			
Restricted	445,042		2,837,643	180,998
Committed				
Assigned	22,191			
Unassigned	25,676,182			
Total Fund Balances	26,934,136		2,837,643	180,998
Total Liabilities and Fund Balances	$ 30,268,819	$ -	$ 15,416,355	$ 1,934,630

The notes to the basic financial statements are an integral part of this statement

Community Development Agency Debt Service	Other Governmental Funds	Total Governmental Funds
$ -	$ 85,763,392	$ 113,143,539
	19,039,537	19,039,537
	113,455	113,455
	4,514,216	7,445,060
	244,422	415,100
	45,825	47,664
	1,000,000	1,000,000
	2,794,393	15,917,867
	3,528,890	4,494,135
		2,803,520
	1,747,454	1,991,511
$ -	$ 118,791,584	$ 166,411,388
$ -	$ 2,274,327	$ 4,172,588
	2,686,630	2,686,630
	2,850,171	3,953,039
	4,578,405	17,496,849
		1,747,454
	12,389,533	30,056,560
	45,825	47,664
		244,057
		544,825
	92,088,446	95,552,129
	15,338,827	15,361,018
	(1,071,047)	24,605,135
	106,402,051	136,354,828
$ -	$ 118,791,584	$ 166,411,388

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CITY OF TRACY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2012

Fund balances of governmental funds		$ 136,354,828
Amounts reported for governmental activities in the Statement of Net Assets are different from those reported in the Governmental Funds because of the following:		
Capital assets used in Governmental Activities are not current resources and, therefore, are not reported in the Governmental Funds Balance Sheet.(These do not include Internal Service Assets)		
Capital assets	$ 584,811,611	
Less: accumulated depreciation	(76,868,169)	507,943,442
Deferred charges represent costs associated with the issuance of long-term debt which are deferred and amortized over the period during which the debt is outstanding. The costs are reported as expenditures of current financial resources in governmental funds.		
Deferred charges	1,409,319	
Less: accumulated amortization	(188,786)	1,220,533
Interest payable on long-term debt does not require current financial resources, therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet. (Does not include Internal Service Fund)		(345,980)
The liabilities below are not due and payable in the current period and, therefore, are not reported in the Governmental Funds Balance Sheet.		
Compensated absences (Does not include Internal Service Fund)	(2,788,602)	
Bonds payable	(23,465,000)	
Postretirement benefit accrual	(1,141,564)	(27,395,166)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and vehicle maintenance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		16,548,444
In governmental funds, other long-term assets are not available to pay for current-period expenditures,and therefore, are offset by deferred revenue.		15,323,649
In governmental funds, other long-term assets are not available to pay for current-period expenditures:		
Conditional grant balance allowance		(1,003,593)
Net assets of governmental activities		$ 648,646,157

The notes to the basic financial statements are an integral part of this statement

CITY OF TRACY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2012

	General	Community Development Agency Housing	Housing Successor	North East Industrial Plan Area #1
REVENUES				
Taxes	$ 34,079,771	$ -		$ -
Licenses, permits, and fees	2,997,556			
Fines and penalties	1,526,402			
Use of money and property	993,509	(11,209)	39,199	(269)
Intergovernmental	1,199,722	7,230		
Charges for services	8,213,167			
Special assessments	352,344			
Contributions	4,651			603,571
Other revenues	1,262,786			
Total Revenues	50,629,908	(3,979)	39,199	603,302
EXPENDITURES				
Current:				
General government				
Economic development	288,055	193,074	96,081	
General government	3,210,150			
Finance	2,264,708			
Non-departmental	222,398	24,500		
Public safety				
Police	21,888,918			
Fire	8,736,518			
Public works				
Development and engineering	5,966,717			
Public works	3,081,959			
Culture and leisure				
Cultural arts	1,233,076			
Parks and community services	2,230,294			
Intergovernmental				
Capital outlay	132,688			547,764
Debt service:				
Principal payments				
Interest and fiscal charges				
Total Expenditures	49,255,481	217,574	96,081	547,764
Excess of Revenues over (under) Expenditures	1,374,427	(221,553)	(56,882)	55,538
OTHER FINANCING SOURCES (USES)				
Transfers in		871,833		
Transfers out	(1,427,405)			
Total Other Financing Sources (Uses)	(1,427,405)	871,833		
Net Change in Fund Balances before Extraordinary Items	(52,978)	650,280	(56,882)	55,538
EXTRAORDINARY ITEM				
Gain/(Loss) on Transfer of Assets and Liabilities to RDA Successor Trust Funds		(6,293,202)	2,894,525	
Net Changes in Fund Balances	(52,978)	(5,642,922)	2,837,643	55,538
Fund Balances, July 1, 2011	26,987,114	5,642,922		125,460
Fund Balances, June 30, 2012	$ 26,934,136	$ -	$ 2,837,643	$ 180,998

The notes to the basic financial statements are an integral part of this statement

Community Development Agency Debt Service	Other Governmental Funds	Total Governmental Funds
$ 4,359,166	$ 2,954,194	$ 41,393,131
	175,856	3,173,412
	25,900	1,552,302
16,815	421,608	1,459,653
44,415	10,740,871	11,992,238
	174,585	8,387,752
	3,742,119	4,094,463
	4,795,884	5,404,106
	31,649	1,294,435
4,420,396	23,062,666	78,751,492
	237,259	814,469
	51,838	3,261,988
		2,264,708
	383,799	630,697
	6,650	21,895,568
	6,468,601	15,205,119
	401,202	6,367,919
	4,448,523	7,530,482
		1,233,076
		2,230,294
	19,077,677	19,758,129
	195,000	195,000
1,262,289	1,360,491	2,622,780
1,262,289	32,631,040	84,010,229
3,158,107	(9,568,374)	(5,258,737)
	1,827,405	2,699,238
(1,271,833)		(2,699,238)
(1,271,833)	1,827,405	
1,886,274	(7,740,969)	(5,258,737)
(4,915,439)	(1,876,539)	(10,190,655)
(3,029,165)	(9,617,508)	(15,449,392)
3,029,165	116,019,559	151,804,220
$ -	$ 106,402,051	$ 136,354,828

CITY OF TRACY
RECONCILIATION OF THE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, which measure only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES		$ (15,449,392)
Amounts reported for governmental activities in the Statement of Activities are different because of the following:		
Repayment of long-term receivables is treated as revenue in governmental funds, but the repayment reduces long-term receivables in the Statement of Net Assets. Issuance of long-term receivables is treated as expenditures in the governmental funds, but the issuance increases long-term receivables in the Statement of Net Assets.		
Repayment of loans	$ (21,522)	(21,522)
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated lives and reported as depreciation expense.		
Capital outlay expenditures are added back to fund balances	17,158,236	
Depreciation expense not reported in governmental funds	(8,155,722)	9,002,514
Gain or loss on disposition of capital assets is not reported in the governmental funds. This is the loss on disposition of capital assets that occurred during the current period		(29,485,844)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Costs associated with the issuance of long-term debt are reported as expenditures in the governmental funds, but in the Statement of Net Assets, the costs are deferred and amortized throughout the period during which the related debt is outstanding. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.		
Repayment of debt principal is added back to fund balance	195,000	
Amortization of deferred charges	(133,497)	61,503
The amounts below included in the Statement of Activities do not provide (require) the use of current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds (net change):		
Postretirement benefit accrual	(287,006)	
Interest payable	830,843	
Accrued interest receivable	150,949	
Compensated absences	126,662	821,448
Difference in the gain/loss on transfer of assets and liabilities to RDA successor trust funds between the government activities and the fund financial statements.		42,079,332
Internal service funds are used by management to charge the costs of certain activities, such as insurance and vehicle maintenance, to individual funds. The net revenue (expense) of the internal service funds is reported with the governmental activities.		(129,193)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		$ 6,878,846

The notes to the basic financial statements are an integral part of this statement

MAJOR PROPRIETARY FUNDS

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

The concept of *major funds* established by GASB Statement No. 34 extends to Proprietary Funds. The City has identified the funds below as major proprietary funds in the fiscal year 2012.

WATER UTILITY FUND

This fund accounts for the provision of water services to residents of the City. All activities necessary to provide such services are accounted for in this fund, including administrative, operations, capital improvements, maintenance, financing, and related debt service, and billing and collection.

SEWER UTILITY FUND

This fund accounts for the activities associated with operating and maintaining the City's sewer and surface drainage system. All activities necessary to provide such services are accounted for in this fund including administration, operations, capital improvements, maintenance, financing, and related debt service, and billing and collection.

MUNICIPAL AIRPORT FUND

This fund accounts for the activities associated with the operations and maintenance of the City's airport.

SOLID WASTE FUND

This fund accounts for the provision of refuse collection services to residents of the City, accomplished through a franchised operator. This fund is also used to account for the activities of the City's recycling program.

MUNICIPAL TRANSIT FUND

This fund accounts for the activities associated with the operations and maintenance of the City's public transit activities, and has particular emphasis on serving the elderly and handicapped.

DRAINAGE FUND

Activities of the City's storm drainage operations are accounted for in this fund.

CITY OF TRACY
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2012

	Enterprise Funds		
	Water Utility	Sewer Utility	Municipal Airport
ASSETS			
Current Assets:			
Cash and investments	$ 8,062,841	$ 15,847,673	$ 189
Cash and investments with fiscal agents		339,304	
Accounts receivable - net	3,028,206	2,419,095	53,762
Inventory	354,190		
Interest receivable	93,222	140,334	
Prepaid expenses	14,486		
Total current assets	11,552,945	18,746,406	53,951
Noncurrent:			
Deferred charges, net of accumulated amortization		178,986	
Loans receivable			
Advances to other funds	862,500		
	862,500	178,986	
Capital Assets:			
Nondepreciable			
Land	29,016	5,978,199	15,826
Construction in progress	1,346,908	3,796,036	216,047
Total nondepreciable capital assets	1,375,924	9,774,235	231,873
Depreciable			
Infrastructure	108,077,910	79,391,586	
Buildings	43,467,914	78,155,067	356,080
Improvements	29,612,034	21,624,557	6,144,435
Equipment	11,388,453	29,442,003	93,134
Intangibles	68,904,122	125,878	191,726
Total depreciable capital assets	261,450,433	208,739,091	6,785,375
Less accumulated depreciation	(83,070,983)	(80,067,552)	(5,156,402)
Net depreciable capital assets	178,379,450	128,671,539	1,628,973
Net capital assets	179,755,374	138,445,774	1,860,846
Total noncurrent assets	180,617,874	138,624,760	1,860,846
Total assets	$ 192,170,819	$ 157,371,166	$ 1,914,797

The notes to the basic financial statements are an integral part of this statement

Enterprise Funds				Governmental Activities - Internal Service Funds
Solid Waste	Municipal Transit	Drainage	Totals	
$ 1,302,759	$ 499,690	$ 1,033,581	$ 26,746,733	$ 11,489,196
			339,304	
3,145,970	1,570,079	79,974	10,297,086	9,819
			354,190	
14,305	2,356	7,798	258,015	
555		286,364	301,405	14,902
4,463,589	2,072,125	1,407,717	38,296,733	11,513,917
			178,986	
				12,749
			862,500	
			1,041,486	12,749
	1,427,226	4,318,335	11,768,602	
	455,281	34,481	5,848,753	
	1,882,507	4,352,816	17,617,355	
		56,101,726	243,571,222	
	11,553,833		133,532,894	153,146
	2,311,298	26,070,483	85,762,807	554,752
44,219	2,813,640	19,624	43,801,073	22,158,996
			69,221,726	698,908
44,219	16,678,771	82,191,833	575,889,722	23,565,802
(43,651)	(3,549,830)	(33,283,822)	(205,172,240)	(17,911,101)
568	13,128,941	48,908,011	370,717,482	5,654,701
568	15,011,448	53,260,827	388,334,837	5,654,701
568	15,011,448	53,260,827	389,376,323	5,667,450
$ 4,464,157	$ 17,083,573	$ 54,668,544	$ 427,673,056	$ 17,181,367

(Continued)

CITY OF TRACY
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2012
(Continued)

	Enterprise Funds		
	Water Utility	Sewer Utility	Municipal Airport
LIABILITIES			
Current Liabilities:			
Accounts payable	$ 1,782,818	$ 1,022,380	$ -
Deposits payable	542,565	4,500	34,998
Due to other funds			702,200
Accrued interest payable	7,500	107,337	2,426
Claims payable, current portion			
Current portion - compensated absences	86,942	66,255	5,331
Current portion - long-term debt	1,882,230	985,000	19,464
Deferred revenue			
Total current liabilities	4,302,055	2,185,472	764,419
Noncurrent Liabilities:			
Advances from other funds			1,106,557
Capital lease payable			
Notes payable	17,392,152		53,478
Revenue bonds payable		345,000	
Compensated absences	164,041	146,815	15,141
Claims payable			
Certificates of participation payable		27,300,000	
Total noncurrent liabilities	17,556,193	27,791,815	1,175,176
Total Liabilities	21,858,248	29,977,287	1,939,595
NET ASSETS			
Investment in capital assets, net of related debt	160,480,992	109,994,760	1,787,904
Restricted for debt service		231,967	
Unrestricted	9,831,579	17,167,152	(1,812,702)
Total Net Assets (Deficit)	$ 170,312,571	$ 127,393,879	$ (24,798)

The notes to the basic financial statements are an integral part of this statement

Enterprise Funds				Governmental Activities - Internal Service Funds
Solid Waste	Municipal Transit	Drainage	Totals	
$ 1,408,975	$ 287,555	$ 17,353	$ 4,519,081	$ 328,250
		915,836	1,497,899	
14,805	1,090,500		1,807,505	
			117,263	1,489
				56,247
3,614	8,926	5,844	176,912	50,483
			2,886,694	70,293
	194,275		194,275	
1,427,394	1,581,256	939,033	11,199,629	506,762
			1,106,557	
			17,445,630	
			345,000	
3,030	20,688	10,603	360,318	69,914
				56,247
			27,300,000	
3,030	20,688	10,603	46,557,505	126,161
1,430,424	1,601,944	949,636	57,757,134	632,923
568	15,011,448	53,260,827	340,536,499	5,584,408
			231,967	
3,033,165	470,181	458,081	29,147,456	10,964,036
$ 3,033,733	$ 15,481,629	$ 53,718,908	$ 369,915,922	$ 16,548,444

CITY OF TRACY
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2012

	Enterprise Funds		
	Water Utility	Sewer Utility	Municipal Airport
Operating Revenues			
Sales and charges for services	$ 14,382,072	$ 11,477,903	$ 368,911
Other operating revenues	50,897	2,000	5,750
Total Operating Revenues	14,432,969	11,479,903	374,661
Operating Expenses			
Purchase of water	3,832,732		
Maintenance and operation	7,773,566	7,211,358	331,894
Administration	589,800	406,070	74,560
Insurance costs and claims			
Depreciation	8,130,187	7,737,992	240,072
Total Operating Expenses	20,326,285	15,355,420	646,526
Operating Income (Loss)	(5,893,316)	(3,875,517)	(271,865)
Non-Operating Revenues (Expenses)			
Interest income	126,228	233,635	
Interest expense	(531,639)	(1,313,920)	(39,794)
Gain (Loss) on sale of capital assets	(1,436,779)	(2,310,375)	
Total Non-Operating Income (Loss)	(1,842,190)	(3,390,660)	(39,794)
Income (Loss) Before Capital Contributions and Transfers	(7,735,506)	(7,266,177)	(311,659)
Capital Contributions and Grants	68,003	1,189,474	42,552
Transfers in			418,235
Transfers out	(418,235)		
Change in Net Assets	(8,085,738)	(6,076,703)	149,128
Net Assets, July 1, 2011	178,398,309	133,470,582	(173,926)
Net Assets (Deficit), June 30, 2012	$ 170,312,571	$ 127,393,879	$ (24,798)

The notes to the basic financial statements are an integral part of this statement

Enterprise Funds				Governmental Activities- Internal Service Funds
Solid Waste	Municipal Transit	Drainage	Totals	
$ 18,851,924	$ 80,893	$ 563,884	$ 45,725,587	$ 8,224,834
52	741,554		800,253	468,924
18,851,976	822,447	563,884	46,525,840	8,693,758
			3,832,732	
18,547,123	1,407,911	453,357	35,725,209	4,484,648
37,590	110,250	29,900	1,248,170	75,385
				2,596,314
273	917,471	2,868,579	19,894,574	2,018,249
18,584,986	2,435,632	3,351,836	60,700,685	9,174,596
266,990	(1,613,185)	(2,787,952)	(14,174,845)	(480,838)
143,951	8,666	7,811	520,291	
			(1,885,353)	(4,085)
			(3,747,154)	(241,607)
143,951	8,666	7,811	(5,112,216)	(245,692)
410,941	(1,604,519)	(2,780,141)	(19,287,061)	(726,530)
5,651	1,195,552	299,920	2,801,152	597,337
			418,235	
			(418,235)	
416,592	(408,967)	(2,480,221)	(16,485,909)	(129,193)
2,617,141	15,890,596	56,199,129	386,401,831	16,677,637
$ 3,033,733	$ 15,481,629	$ 53,718,908	$ 369,915,922	$ 16,548,444

CITY OF TRACY
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2012

	Enterprise Funds		
	Water Utility	Sewer Utility	Municipal Airport
Cash Flows from Operating Activities:			
Receipts from customers	$ 14,425,466	$ 11,561,246	$ 383,262
Receipts from interfund charges			
Payments to suppliers and users	(6,062,424)	(4,659,538)	(157,413)
Payments to employees	(3,939,405)	(3,001,044)	(249,039)
Net Cash Provided (Used) by Operating Activities	4,423,637	3,900,664	(23,190)
Cash Flows from Non-Capital Financing Activities:			
Due to/from other funds			177,200
Advances to/from other funds	4,797,342		(449,888)
Principal received on loans receivable			
Transfers in			418,235
Transfers out	(418,235)		
Net Cash Provided (Used) by Non-Capital Financing Activities	4,379,107		145,547
Cash Flows from Capital and Related Financing Activities:			
Capital contributions and grants received	68,003	1,189,474	42,552
Acquisitions of capital assets	(7,048,099)	(5,716,048)	(111,617)
Interest paid	(524,139)	(1,316,321)	(40,412)
Principal payments - long-term debt	(4,128,612)	(950,000)	(18,599)
Proceeds from sales of capital assets			
Net Cash Provided (Used) by Capital and Related Financing Activities	(11,632,847)	(6,792,895)	(128,076)
Cash Flows from Investing Activities:			
Interest received	95,485	174,927	
Net Cash Provided (Used) by Investing Activities	95,485	174,927	
Net Increase (Decrease) in Cash and Cash Equivalents	(2,734,618)	(2,717,304)	(5,719)
Cash and Cash Equivalents, July 1, 2011	10,797,459	18,904,281	5,908
Cash and Cash Equivalents, June 30, 2012	$ 8,062,841	$ 16,186,977	$ 189
Noncash Transactions			
Amortization of deferred charges	$ -	$ 7,331	$ -
Disposition of assets	$ (1,436,779)	$ (2,310,375)	$ -
Reconciliation of Cash and Cash Equivalents To Statement of Net Assets			
Cash and investments	$ 8,062,841	$ 15,847,673	$ 189
Cash and investments with fiscal agents		339,304	
Total Cash and Investments	$ 8,062,841	$ 16,186,977	$ 189

The notes to the basic financial statements are an integral part of this statement

Enterprise Funds				Governmental Activities - Internal Service Funds
Solid Waste	Municipal Transit	Drainage	Totals	
$ 18,259,249	$ 820,741	$ 565,667	$ 46,015,631	$ -
				8,687,609
(17,644,558)	(1,122,856)	(256,648)	(29,903,437)	(4,892,377)
(134,564)	(344,682)	(207,823)	(7,876,557)	(2,073,232)
480,127	(646,797)	101,196	8,235,637	1,722,000
14,805	145,500		337,505	
			4,347,454	
				45,214
			418,235	
			(418,235)	
14,805	145,500		4,684,959	45,214
5,651	1,354,827	299,920	2,960,427	597,337
	(361,917)	(296,373)	(13,534,054)	(1,226,124)
			(1,880,872)	(5,517)
			(5,097,211)	(67,586)
5,651	992,910	3,547	(17,551,710)	(701,890)
135,237	6,752	3,857	416,258	
135,237	6,752	3,857	416,258	
635,820	498,365	108,600	(4,214,856)	1,065,324
666,939	1,325	924,981	31,300,893	10,423,872
$ 1,302,759	$ 499,690	$ 1,033,581	$ 27,086,037	$ 11,489,196
$ -	$ -	$ -	$ 7,331	$ -
$ -	$ -	$ -	$ (3,747,154)	$ -
$ 1,302,759	$ 499,690	$ 1,033,581	$ 26,746,733	$ 11,489,196
			339,304	
$ 1,302,759	$ 499,690	$ 1,033,581	$ 27,086,037	$ 11,489,196

(Continued)

CITY OF TRACY
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2012
(Continued)

	Enterprise Funds		
	Water Utility	Sewer Utility	Municipal Airport
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	$ (5,893,316)	$ (3,875,517)	$ (271,865)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	8,130,187	7,737,992	240,072
(Increase) Decrease in Operating Assets:			
Accounts receivable	(168,496)	81,343	2,451
Inventory	(354,190)		
Prepaid items	2,042,397		
Increase (Decrease) in Operating Liabilities:			
Accounts payable	491,088	(53,151)	
Compensated absences	14,974	9,997	2
Claims and judgments payable			
Deposits payable	160,993		6,150
Net Cash Provided (Used) by Operating Activities	$ 4,423,637	$ 3,900,664	$ (23,190)

The notes to the basic financial statements are an integral part of this statement

Enterprise Funds				Governmental Activities - Internal Service Funds
Solid Waste	Municipal Transit	Drainage	Totals	
$ 266,990	$ (1,613,185)	$ (2,787,952)	$ (14,174,845)	$ (480,838)
273	917,471	2,868,579	19,894,574	2,018,249
(592,727)	148,294	(3,217)	(532,352)	(6,149)
			(354,190)	
			2,042,397	(8,899)
805,533	48,280	17,353	1,309,103	216,569
58	2,343	1,433	28,807	(16,932)
	(150,000)	5,000	22,143	
$ 480,127	$ (646,797)	$ 101,196	$ 8,235,637	$ 1,722,000

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FIDUCIARY FUNDS

AGENCY FUNDS

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the Government-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

TRUST FUNDS

Trust funds are used to account for resources held and administered by the City as a fiduciary capacity for individuals, private organizations, or other governments. The financial activities of these funds are excluded from the Government-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

CITY OF TRACY
FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2012

	Private-Purpose Trust Funds	Agency Funds
ASSETS		
Cash and investments, restricted	$ 3,449,903	$ -
Cash and investments	3,996,134	10,725,844
Cash and investments with fiscal agents	3,776,747	16,961,900
Accounts receivable	401,267	16,447
Interest receivable	23,987	10,459
Deferred charges, net of accumulated amortization	3,103,548	
Capital assets, not being depreciated	2,581,457	
Capital assets, being depreciated, net of accumulated depreciation	850,479	
Total Assets	18,183,522	27,714,650
LIABILITIES		
Accounts payable	251	3,600
Accrued interest payable	811,362	
Deposits payable		3,100,931
Unearned revenue	1,143,472	
Due to assessment district bondholders		24,610,119
Noncurrent liabilities:		
Due within one year	1,245,000	
Due in more than one year	49,078,520	
Total Liabilities	52,278,605	27,714,650
NET ASSETS		
Unrestricted	(34,095,083)	
Total Net assets	$ (34,095,083)	$ -

The notes to the basic financial statements are an integral part of this statement

CITY OF TRACY
PRIVATE-PURPOSE TRUST FUNDS
STATEMENT OF CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2012

	Private-Purpose Trust Funds
Additions:	
Investment revenue	$ 93,118
Net assets received upon dissolution of redevelopment agency	(31,888,677)
Other revenues	250,000
Total additions	(31,545,559)
Deductions:	
Administration	121,065
Depreciation	40,500
Interest expenses	2,137,959
Pass-through payments	250,000
Total deductions	2,549,524
Change in net assets	(34,095,083)
Net Assets July 1, 2011	
Net Assets, June 30, 2012	$ (34,095,083)

The notes to the basic financial statements are an integral part of this statement

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NOTE TO BASIC FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

The City of Tracy was incorporated as a general law city on July 10, 1910. The City operates under the Council-Manager form of government and provides the following services: public safety (policy and fire), highways and streets, sanitation, culture-recreation, public improvements, planning and zoning, general administration services, and redevelopment. These basic financial statements present the City of Tracy (the primary government) and its component units. The component units discussed in Section B (below) are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

The accompanying financial statements present the activities of the City of Tracy (the primary government) and its component unit, and entity for which the City is financially accountable. The City of Tracy Community Development Agency (Agency) is a tax-increment redevelopment agency, the Board of which is composed of City Council members. The Agency's purpose is to prepare and implement plans for improvement, rehabilitation, and development of certain areas within the City. Although legally separate, this Agency is so intertwined with the City that it is, in substance, one and the same. Accordingly, it is blended with the City in these financial statements. Separate Agency financial statements may be obtained from the City of Tracy at 333 Civic Center Plaza, Tracy, California 95376.

B. Individual Component Unit Disclosures

Blended Component Units. The City of Tracy Community Development Agency (Agency) serves all the citizens of the City. The Agency is governed by a board comprised of members of the City's elected council. The Agency is reported as a special revenue fund, a capital projects fund, and a debt service fund. The activities of the Agency were transferred to the Redevelopment Agency's Successor Agency on February 1, 2012. See Note 19 for more information.

Discretely Presented Component Units. There are no entities which meet the Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39, criteria for discrete disclosure within these basic financial statements.

C. Basis of Presentation

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

The accompanying financial statements are presented on the basis set forth in Governmental Accounting Standards Board Statements No. 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments.

New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 64 - *Derivative Instruments: Application of Hedge Accounting Termination Provisions*

For the fiscal year ended June 30, 2012, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 64, *("Derivative Instruments: Application of Hedge Accounting Termination Provisions.")* This statement is effective for periods beginning after June 15, 2011. The objective of this statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. Implementation of the GASB Statement No. 64, did not have an impact on the City's financial statements for the fiscal year ended June 30, 2012.

Government-wide Statements

The Statement of Net Assets and the Statement of Activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations, except for interfund services provided and used, have been made to minimize double counting or internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the City's governmental and business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular programs, and (c) fees, grants, and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Fund Financial Statements

The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Net Assets, and a Statement of Cash Flows for all proprietary funds.

Internal service funds are also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements. These Internal service funds account for charges to other funds and departments for insurance, maintenance, and equipment acquisition.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operation of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other government units, and/or other funds. The City collects assessments and pays property enhancement and rehabilitation costs and debt service for various assessment districts within the City.

D. Major Funds

GASB Statement No. 34 defines major funds and requires that the City's major governmental and proprietary funds are identified and presented separately in the fund financial statements. All other funds, called nonmajor funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as funds that have either assets, liabilities, revenues, or expenditures/expenses equal to or greater than ten percent of their fund-type total and five percentof all fund-type totals. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Major Funds (Continued)

Community Development Agency Housing Special Revenue Fund – This fund was established by the California Health and Safety Code and is to account for the portion of property tax increment required to be set aside for low and moderate housing.

Housing Successor Fund - This fund was established to account for housing activities assumed by the City from the former Tracy community redevelopment agency.

Community Development Agency Debt Service Fund – This fund accounts for accumulated City and County tax increment funds received for redevelopment purposes to repay outstanding debt.

North East Industrial Plan Area # 1 Capital Projects Fund – This fund was established to account for projects to support development in a specific area of the City financed by assessments and/or development impact fees.

The City reported all its enterprise funds as major funds in the accompanying financial statements:

Water Utility – This fund accounts for the activities of the City's water supply system.

Sewer Utility – This fund accounts for the activities of the City's surface drainage, sewage collection, and treatment system.

Municipal Airport – This fund accounts for the activities associated with the operations and maintenance of the City's airport.

Solid Waste –This fund accounts for the City's refuse collection activities.

Municipal Transit – This fund accounts for the activities associated with the operations and maintenance of the City's public transit activities and has particular emphasis on serving the elderly and the handicapped.

Drainage – This fund accounts for the City's storm drainage activities.

E. Basis of Accounting

The government-wide, and proprietary funds financial statements are reported using the *economic resources measurement focus* and along with fiduciary funds using the *full accrual basis* of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Basis of Accounting (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Governmental funds are reported using the *current* financial resources measurement focus and the *modified* accrual basis of accounting. Under this method, revenues are recognized when *measurable and available.* The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent that they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as *other financing sources.*

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Net Assets present 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 liabilities are incurred.

Internal service funds are used to account for charges to various funds and/or departments for costs such as insurance, maintenance, and equipment acquisition.

Fiduciary Funds – Agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Agency funds are purely custodial in nature (assets equal liabilities) and, thus, do not involve measurement of results of operations. Trust funds use the flow of economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Basis of Accounting (Continued)

Other revenues susceptible to accrual include other taxes, intergovernmental revenues, interest, and charges for services.

Utility service accounts receivable are reported net of allowance for doubtful collections and include unbilled receivables using actual amounts billed in July for June services.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures/expenses. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

As a general rule, the effect of interfund activity, except for interfund services provided and used, has been eliminated from the government-wide financial statements.

F. Property Taxes

Property taxes in the State of California are administered for all local agencies at the county level, and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

Property Valuations – are established by the Assessor of the County of San Joaquin for the secured and unsecured property tax rolls; the utility property tax rolls are valued by the State Board of Equalization. Under the provisions of Article XIIIA of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978) properties are assessed at 100% of full value. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

Tax Levies – are limited to 1% of full value which results in a tax rate of $1.00 per $100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

Tax Levy Dates – are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property Taxes (Continued)

Tax Collections – are the responsibility of the county tax collector. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments: The first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the county for late payments.

The County of San Joaquin levies, bills, and collects property taxes and special assessments for the City. Property taxes levied are recorded as revenue when received, in the fiscal year of levy, due to the adoption of the "alternate method of property tax distribution", known as the Teeter Plan, by the City and the County of San Joaquin. The Teeter Plan authorizes the Auditor/Controller of the County of San Joaquin to allocate 100 percent of the secured property taxes billed, but not yet paid. The County of San Joaquin remits tax monies to the City in three installments as follows:

50 percent remitted in December
45 percent remitted in April
5 percent remitted in June

Tax Levy Apportionments – Due to the nature of the City-wide maximum levy, it is not possible to identify general purpose tax rates for specific entities. Under state legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by the county auditor-controller based primarily on the ratio that each agency represented of the total City-wide levy for the three years prior to fiscal year 1979.

Property Tax Administration Fees – The State of California FY 1990-91 Budget Act authorized counties to collect an administrative fee for collection and distribution of property taxes. Property taxes are recorded as net of administrative fees withheld during the fiscal year.

G. Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed. The City's policy is to capitalize all capital assets with costs exceeding $1,000 (infrastructure is $50,000).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Assets (Continued)

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each fiscal year represents that year's pro rata share of the cost of capital assets. GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Alternatively, the "modified approach" may be used for infrastructure (streets and roads) capital assets. Depreciation is not provided under this approach, but all expenditures on these assets are expensed, unless they are additions or improvements.

Except for streets and roads covered by the modified approach, depreciation has been provided on capital assets. Depreciation of all capital assets is charged as an expense against operations each fiscal year until the asset is fully depreciated. Depreciation is calculated using the straight line method which depreciates evenly over the assets' useful life The City has assigned the useful lives listed below to capital assets.

Buildings	10-30 years
Improvements	5-50 years
Equipment	2-20 years
Grading, curbs, gutters, sidewalks, driveway approaches	40 years
Traffic signals	20 years
Street drainage	40 years
Other	5-40 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period.

H. Compensated Absences

Compensated absences are accrued as earned by employees, and consist only of vacation leave. The City measures vacation accrual annually; however, vacation payments are not distinguished from regular payroll paid during the year, nor are accruals made other than annually. The City's liability for compensated absences is recorded in various governmental funds or proprietary funds as appropriate. For all governmental funds, amounts expected to be paid out of current financial resources are recorded as fund liabilities; as these liabilities represent the matured value due to retirement or resignations; the long-term portion is recorded in the Statement of Net Assets.

Compensated absences are liquidated by the fund that has recorded the liability only when matured. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Postemployment Benefits

Employees who retire with at least ten years of service may elect to convert all accrued sick leave at the time of retirement to a medical insurance bank. Miscellaneous employees except members of the Teamsters Bargaining Unit can bank their unused sick leave upon retirement. Members of the Teamsters can also bank their unused sick leave only if they have at least ten (10) years of employment with the City. Safety employees: Police employees can bank their unused sick leave if they have at least ten (10) years of employment. Fire employees have a choice to bank their unused sick leave. Fire employees also need at least ten (10) years of employment to receive this benefit. The value of the medical insurance bank is determined by multiplying the number of accrued sick leave hours by the employees' hourly rate of pay.

The retired employee and his/her dependents are entitled to continued group health insurance coverage currently in effect with premiums for such coverage being deducted from the medical leave bank until that bank is exhausted.

The cost of retiree health care benefits is recognized as an expenditure as health care premiums are paid. For the fiscal year ending June 30, 2012, those costs for 35 retirees totaled $288,287, and the total liability amount in the medical leave bank is $1,369,792.

J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and American Institute of Certified Public Accountants (AICPA), requires management to make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

K. Cash, Cash Equivalents, and Investments

1. Cash Management

The City pools cash resources of its various funds to facilitate cash management. Cash in excess of current requirements is invested and reported as investments. It is the City's intent to hold investments until maturity. However, the City may, in response to market conditions, sell investments prior to maturity in order to improve the quality, liquidity or yield of the portfolio. Interest earnings are apportioned among funds based on ending accounting period cash and investment balances.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Cash, Cash Equivalents, and Investments (Continued)

2. Investments Valuation

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investment and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

3. State Investment Pool

The City participates in the Local Agency Investment Fund (LAIF), an investment pool managed by the State of California. LAIF has invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as a result of changes in interest rates.

4. 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 investments of the proprietary fund types are pooled with the City's pooled cash and investments.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

The City does not adopt budgets for the Proposition 1B, Residential and Commercial Rehabilitation Loan, Traffic Congestion Relief, and Grow Tracy Special Revenue Funds, Parks COP and Regional Mall COP Debt Service Funds, and all Capital Projects Funds.

Budgetary control is enhanced by integrating the budget into the general ledger accounts. Encumbrance accounting (e.g., purchase orders) is employed by the City.

B. Deficit Fund Balances

Major Enterprise Fund

A deficit net assets of $24,798 exists in the Municipal Airport Fund. The deficit is due to the City incurring costs in excess of revenue.

Nonmajor Funds

A deficit fund balance of $3,149 exists in the Business Improvement District Special Revenue Fund. The deficit is due to the City incurring costs in advance of receiving revenues.

A deficit fund balance of $289,215 exists in the TEA Grant Special Revenue Fund. The deficit is due to the City incurring costs in excess of revenues.

A deficit fund balance of $776,495 exists in the South County Fire Authority Special Revenue Fund. The deficit is due to the City incurring costs in excess of revenues.

A deficit fund balance of $2,188 exists in the Parks COP Debt Service Fund. The deficit is due to the City incurring costs in excess of revenues.

C. Excess of Expenditures over Appropriations

Nonmajor Governmental Funds:	
Proposition K Transportation Tax Special Revenue Fund	$ 721,976
State Gas Tax Street Special Revenue Fund	692,544
Tea Grant Special Revenue Fund	1,089,909

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2012 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	$ 151,379,468
Cash and investments with fiscal agents	19,378,841
Restricted cash and investments	113,455
Fiduciary funds:	
Restricted cash and investments	3,449,903
Cash and investments	14,721,978
Cash and investments with fiscal agents	20,738,647
Total cash and investments	$ 209,782,292

Cash and investments as of June 30, 2012 consist of the following:

Cash on hand	$ 3,709
Deposits with financial institutions	9,007,022
Investments	200,771,561
Total cash and investments	$ 209,782,292

NOTE 3 – CASH AND INVESTMENTS (Continued)

A. Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City of Tracy (City) by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (State Pool)	N/A	None	$50 million per account
California Asset Management Plan	N/A	None	10%
Safekeeping Services Sweep Accounts	N/A	None	10%
U.S. Treasury Obligations	5 years	None	None
Federal Agency Securities	5 years	None	None
Corporate Bonds	N/A	None	None
Municipal Bonds	N/A	None	None
Insured Deposits with Banks and Savings and Loans	N/A	None	10%
Repurchase Agreements	1 year	None	10%
Purchase Agreements	92 days	20% of base value	10%
Certificates of Deposit	5 years	30%	10%
Bankers Acceptances (must be dollar denominated)	6 months	30%	10%
Commercial Paper	9 months	25%	5%
Negotiable Time Certificates of Deposit	18 months	30%	10%
Medium Term Corporate Notes	5 years	30%	10%
Mutual Funds (must be comprised of eligible securities permitted under this policy)	N/A	15%	10%
Money Market Funds (must be comprised of eligible securities permitted under this policy)	N/A	None	10%

NOTE 3 – CASH AND INVESTMENTS (Continued)

B. Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the Investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptance	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None
Local Agency Investment Fund (State Pool)	None	None	None

C. Disclosures Relating to Interest Rate Risk

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

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

NOTE 3 – CASH AND INVESTMENTS (Continued)

C. Disclosures Relating to Interest Rate Risk (Continued)

		Remaining maturity (in Months)			
Investment Type	Totals	12 Months or Less	13 to 36 Months	37 to 60 Months	Over 60 Months
U.S. Treasury Notes	$ 14,325,506	$ 3,000,229	$ 11,325,277	$ -	$ -
Money Market Funds	26,508,177	26,508,177			
Federal Agency Securities	67,142,539	12,633,219	38,669,043	15,840,277	
Commerical Paper	6,383,081	6,383,081			
Corporate Notes	34,528,667	10,335,214	19,819,386	4,374,067	
Corporate Bonds	9,392,444	4,048,350	5,344,094		
Negotiable Time Deposits	1,500,000	1,500,000			
Municipal Bonds	490,055		490,055		
State Investment Pool	383,599	383,599			
Held by Debt Trustee:					
U.S. Treasury Notes	4,016,855	1,754,334	1,762,987	499,534	
Money Market Funds	30,434,840	30,434,840			
Federal Agency Securities	5,665,798	2,036,905	2,024,910	1,603,983	
	$200,771,561	$ 99,017,948	$ 79,435,752	$ 22,317,861	$ -

D. Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City has no investments (including investments held by bond trustees) that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

E. Disclosures Relating to Credit Risk

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

NOTE 3 – CASH AND INVESTMENTS (Continued)

E. Disclosures Relating to Credit Risk (Continued)

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End: AAA	AA	A	Not Rated
U.S. Treasury Notes	$ 14,325,506	N/A	$ 14,325,506	$ -	$ -	$ -	$ -
Money Market Funds	26,508,177	N/A					26,508,177
Federal Agency Securities	67,142,539	N/A		67,142,539			
Commerical Paper	6,383,081	N/A			6,383,081		
Corporate Notes	34,528,667	N/A		7,754,093	5,887,828	20,886,746	
Corporate Bonds	9,392,444	N/A			9,392,444		
Negotiable Time Deposits	1,500,000	N/A			1,500,000		
Municipal Bonds	490,055	N/A			490,055		
State Investment Pool	383,599	N/A					383,599
Held by Debt Trustee:							
U.S. Treasury Notes	4,016,855	N/A	4,016,855				
Money Market Funds	30,434,840	N/A					30,434,840
Federal Agency Securities	5,665,798	N/A		5,665,798			
Total	$200,771,561		$ 18,342,361	$ 80,562,430	$ 23,653,408	$ 20,886,746	$ 57,326,616

F. Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount
FHLB	Federal agency securities	$ 17,979,902
FNMA	Federal agency securities	18,897,838
FHLMC	Federal agency securities	19,932,054

There are no investments in any one issuer that represent 5% or more of total investments (other than U.S. Treasury Securities, Mutual funds, and external investment pools) by reporting unit (primary government, governmental activities, business type activities, fiduciary funds, major funds, nonmajor funds in the aggregate, etc.).

NOTE 3 – CASH AND INVESTMENTS (Continued)

G. Custodial Credit Risk

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

As of June 30, 2012, $9,490,590 of the City's deposits with financial institutions were covered by federal depository insurance limits or were held in collateralized accounts. As of June 30, 2012, City investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to buy the securities:

Investment Type	Reported Amount
U.S. Treasury Notes	$ 14,325,506
Federal Agency Securities	67,142,539
Commercial Paper	6,383,081
Corporate Note	34,528,667
Negotiable Time Deposits	1,500,000
Municipal Bonds	490,055

H. Investment in State Investment Pool

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

NOTE 4 – LOANS RECEIVABLE

A. Community Development Agency Loans

As of February 1, 2012, the following Community Development Agency Loans were transferred to the City of Tracy Housing Successor Fund.

The Agency administers a residential and commercial rehabilitation program using Housing and Urban Development funds. Federal funds received by the City are deposited with a commercial bank. Upon approval of the loans, the funds are disbursed and collected by an outside collection agency. The programs are designed to encourage construction or improvement in low-to-moderate income housing or other projects. Under these programs loans are provided under favorable terms to homeowners or developers who agree to spend these funds in accordance with the City's terms. The balance of the loans receivable arising from these programs was $304,044 at June 30, 2012.

In 1994, the Agency loaned $609,000 in Low and Moderate Income Housing funds to Mountain View Townhomes Association, a partnership of non-profit corporations, to assist in the construction of thirty-seven residential rental units, thirty-six of which are available to low income families. The loan is secured by a second deed of trust, is payable over twenty-three years beginning in 2026 and accrues interest at 3%. As of June 30, 2012, principal and accrued interest totaled $873,915.

In 1996, the Agency agreed to loan Eden Housing Inc., up to $2,208,691 to assist in the development and construction of seventy-two low income housing units. The loan is payable over ten years beginning forty years after the project is complete, and accrues interest at 1% per year. As of June 30, 2012, principal and accrued interest totaled $2,393,646.

In 2000, the Agency agreed to loan Habitat for Humanity up to $100,000 to construct/reconstruct from five to seven properties to ownership housing for very low-income families. The funds are to be used to pay all City fees necessary to develop and build affordable housing under the sponsorship of Habitat for Humanity. To date, Habitat for Humanity has expended $40,093 of the loan proceeds. The loan is secured by a deed of trust on the property and may be forgiven if the property remains occupied by a low-income family for a period of ten years. Unexpended loan funds are kept in a City of Tracy account available for use by Habitat for Humanity as needed. The balance of the outstanding loan as of June 30, 2012 including accrued interest is $49,740.

The City loaned 37 individuals $2,153,335 from the Low and Moderate Income Housing Fund of the Redevelopment Agency. The loans have been authorized for each of the recipients as part of the housing down payment assistance program. The Redevelopment Agency is the beneficiary of the promissory notes issued, recorded, and secured by real property. The loans are due when the underlying property is sold.

NOTE 4 – LOANS RECEIVABLE (Continued)

A. Community Development Agency Loans (Continued)

The City, through the Low and Moderate Income Housing Fund of the Redevelopment Agency has entered into a loan agreement (a below market deferred loan) with City Development, Inc for an amount not to exceed $4,404,512 to be used as a gap financing instrument for the development of a 50 unit affordable senior housing complex. The loan is a 1%, 40 year loan. As of June 30, 2012, the developer owes $4,560,234 including accrued interest.

In November 2007, the Community Development Agency of the City of Tracy (Agency) entered into an Owner Participation and Loan Agreement with DHI Tracy Garden Associates, LP (DHI). DHI will develop and rehabilitate an 88 unit Senior Housing Complex for low income senior households. The maximum amount of loan from the Agency will be $1,975,000. Simple interest shall accrue annually at 3%. Upon default the rate will increase to the lesser of 10% or the maximum allowed by law. The loan is secured by a trust deed on the underlying property. This trust deed is subordinated to all other loans. Maturity of the loan is November 1, 2064. Payment on the loan is deferred until maturity unless the property is conveyed (other than that approved by the Agency) or there is a default. Total amount owed as of June 30, 2012 is $2,243,735 which includes accrued interest of $268,735.

B. Conditional Grants

The City has several programs under which it extends loans to qualifying individuals or groups for the purpose of improving the City's housing stock and/or its supply of low-and-moderate income housing. Certain of these loans provide for the eventual forgiveness of the loan balance if the borrower complies with all the terms of the loan over its full term. The City accounts for these loans as conditional grants in the government-wide financial statements, and provides a reserve against their eventual forgiveness using the straight-line method over the life of the respective loan. Total amount of allowance at June 30, 2012 was $1,003,593.

C. Development Loan

In September 2006, the City loaned a property owner $40,000 to assist in the demolition of a structure in order for the property owner to construct new housing units on the site. The loan is due and payable when the properties are sold. The balance as of June 30, 2012 is $40,000.

D. Settlement Note Revenue

The City is the holder of a promissory note dated September 8, 2009. The debtor is Sycamore Landscaping Co., who settled with the City for overcharges on its landscaping agreement. The note calls for monthly principal payments of $3,857 plus interest at the quarterly LAIF rate beginning October 1, 2009 with a final maturity date of June 30, 2013. The balance of the note as of June 30, 2012 was $49,393.

NOTE 4 – LOANS RECEIVABLE (Continued)

E. Employee Computer Loans

All full-time permanent City employees who have completed their probationary period are eligible to obtain an interest free loan to purchase a computer. All requests for loans are subject to review by the participating employee's department manager and must be approved by the City Manager. Repayment of these loans is handled through payroll deductions which are spread out equally until paid in full. Employees must pay off any outstanding balance of their loans upon ending employment with the City. As of June 30, 2012, employees had $12,749 in loans due to the City.

G. Housing Loan (Related Party)

The City of Tracy loaned $595,000 to its previous City Manager (Related Party). The proceeds from the loan were to assist in the purchase of a home within the City. The loan is a 30 year fully amortized loan with monthly payments of $2,446 including principal and interest at 4%. The balance of the loan as of June 30, 2012 is $504,825.

H. Tracy Mall Partners, L.P. Loan

The West Valley Mall Revitalization Program provides a financial incentive to the owners of the West Valley Mall (Mall Owner) or a prospective tenant to be used for tenant improvements.

During the fiscal year 2011, the City and the Tracy Mall Partners, L.P. entered into an agreement where the City will provide a financial contribution to the Mall Owner. In exchange, the Mall Owner will guarantee that Macy's will lease the anchor tenant location for a minimum of 10 years. Over the 20 year term, the Mall Owner is obligated to repay the City for the financial incentive at the rate of $151,250 a year or $3,025,000 for the 20 year term. The contribution amount will be forgiven to the extent that increased sales tax revenue to the City exceeds $151,250 per year from Macy's or new tenants of the Mall.

As of June 30, 2012, the balance of the loan is $2,745,000.

NOTE 5 – CAPITAL ASSETS

A. Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

Governmental Activities	Balance at July 1, 2011	Additions	Deletions	Transfers	Transfers to CDA Successor	Balance at June 30, 2012
Nondepreciable Capital Assets:						
Land	$ 159,790,130	$ 1,462,033	$ -	$ 727,924	$ (2,581,457)	$ 159,398,630
Roads accounted for using the modified approach	212,438,025					212,438,025
Construction in progress	18,519,397	15,167,382		(10,739,817)		22,946,962
Total Nondepreciable Capital Assets	390,747,552	16,629,415		(10,011,893)	(2,581,457)	394,783,617
Capital assets, being depreciated						
Buildings and improvements	105,741,246	5,388	(31,595,226)	1,300,563		75,451,971
Improvements	61,370,809			340,046	(1,450,790)	60,260,065
Grading, curb & gutter, sidewalk, and driveway approaches	27,855,373					27,855,373
Traffic signals	17,374,347					17,374,347
Equipment	28,528,525	936,225	(7,258,011)	1,798,160		24,004,899
Infrastructure and drainage	490,567	812,145		6,495,039		7,797,751
Intangibles	986,818	1,187	(216,700)	78,085		849,390
Total Depreciable Capital Assets	242,347,685	1,754,945	(39,069,937)	10,011,893	(1,450,790)	213,593,796
Less accumulated depreciation for:						
Buildings and improvements	(20,217,019)	(2,489,947)	2,109,383			(20,597,583)
Improvements	(32,024,157)	(4,002,909)			559,811	(35,467,255)
Grading, curb & gutter, sidewalk, and driveway approaches	(9,951,672)	(685,081)				(10,636,753)
Traffic signals	(9,307,566)	(634,172)				(9,941,738)
Equipment	(22,486,351)	(1,963,536)	7,224,805			(17,225,082)
Infrastructure and drainage	(15,013)	(198,510)				(213,523)
Intangibles	(505,818)	(199,816)	8,298			(697,336)
Total Accumulated Depreciation	(94,507,596)	(10,173,971)	9,342,486		559,811	(94,779,270)
Net Depreciable Capital Assets	147,840,089	(8,419,026)	(29,727,451)	10,011,893	(890,979)	118,814,526
Net Governmental Capital Assets	$ 538,587,641	$ 8,210,389	$(29,727,451)	$ -	$ (3,472,436)	$ 513,598,143

NOTE 5 – CAPITAL ASSETS (Continued)

A. Capital asset activity for the fiscal year ended June 30, 2012, was as follows: (Continued)

Business-type Activities Water Utility	Balance at July 1, 2011	Additions	Deletions	Transfers	Balance at June 30, 2012
Nondepreciable Capital Assets:					
Land	$ 29,016	$ -	$ -	$ -	$ 29,016
Construction in progress	744,094	6,904,020		(6,301,206)	1,346,908
Total Nondepreciable Capital Assets	773,110	6,904,020		(6,301,206)	1,375,924
Depreciable Capital Assets:					
Infrastructure	107,522,471			555,439	108,077,910
Buildings	50,649,779		(7,181,865)		43,467,914
Improvements	29,646,427		(34,393)		29,612,034
Equipment	13,639,100	144,079	(2,873,193)	478,467	11,388,453
Intangibles	63,636,822			5,267,300	68,904,122
Total Depreciable Capital Assets	265,094,599	144,079	(10,089,451)	6,301,206	261,450,433
Accumulation Depreciation					
Infrastructure	(28,212,034)	(2,195,309)			(30,407,343)
Buildings	(20,598,147)	(1,332,831)	5,754,039		(16,176,939)
Improvements	(13,567,178)	(1,837,505)	30,784		(15,373,899)
Equipment	(8,263,240)	(1,259,389)	2,867,849		(6,654,780)
Intangibles	(12,952,869)	(1,505,153)			(14,458,022)
Total Accumulated Depreciation	(83,593,468)	(8,130,187)	8,652,672		(83,070,983)
Net Depreciable Capital Assets	181,501,131	(7,986,108)	(1,436,779)	6,301,206	178,379,450
Net Water Utility Capital Assets	$ 182,274,241	$ (1,082,088)	$ (1,436,779)	$ -	$ 179,755,374

Business-type Activities Sewer Utility	Balance at July 1, 2011	Additions	Deletions	Transfers	Balance at June 30, 2012
Nondepreciable Capital Assets:					
Land	$ 5,978,199	$ -	$ -	$ -	$ 5,978,199
Construction in progress	3,400,248	5,662,351		(5,266,563)	3,796,036
Total Nondepreciable Capital Assets	9,378,447	5,662,351		(5,266,563)	9,774,235
Depreciable Capital Assets:					
Infrastructure	79,367,465			24,121	79,391,586
Buildings	95,405,239		(17,250,172)		78,155,067
Improvements	17,498,065			4,126,492	21,624,557
Equipment	30,260,608	43,097	(1,969,492)	1,107,790	29,442,003
Intangibles	107,118	10,600		8,160	125,878
Total Depreciable Capital Assets	222,638,495	53,697	(19,219,664)	5,266,563	208,739,091

NOTE 5 – CAPITAL ASSETS (Continued)

A. Capital asset activity for the fiscal year ended June 30, 2012, was as follows: (Continued)

Business-type Activities Sewer Utility (Continued)	Balance at July 1, 2011	Additions	Deletions	Transfers	Balance at June 30, 2012
Accumulation Depreciation					
Infrastructure	$ (25,336,042)	$ (1,581,956)	$ -		(26,917,998)
Buildings	(43,009,505)	(2,318,976)	15,018,920		(30,309,561)
Improvements	(9,441,220)	(847,332)			(10,288,552)
Equipment	(11,400,337)	(2,958,523)	1,890,369		(12,468,491)
Intangibles	(51,745)	(31,205)			(82,950)
Total Accumulated Depreciation	(89,238,849)	(7,737,992)	16,909,289		(80,067,552)
Net Depreciable Capital Assets	133,399,646	(7,684,295)	(2,310,375)	5,266,563	128,671,539
Net Sewer Utility Capital Assets	$ 142,778,093	$ (2,021,944)	$ (2,310,375)	$ -	$ 138,445,774

Business-type Activities Municipal Airport	Balance at July 1, 2011	Additions	Deletions	Transfers	Balance at June 30, 2012
Nondepreciable Capital Assets:					
Land	$ 15,826	$ -	$ -	$ -	$ 15,826
Construction in progress	107,928	111,617		(3,498)	216,047
Total Nondepreciable Capital Assets	123,754	111,617		(3,498)	231,873
Depreciable Capital Assets:					
Buildings	356,080				356,080
Improvements	6,144,435				6,144,435
Equipment	91,467		(1,831)	3,498	93,134
Intangibles	191,726				191,726
Total Depreciable Capital Assets	6,783,708		(1,831)	3,498	6,785,375
Accumulation Depreciation					
Buildings	(186,874)	(12,352)			(199,226)
Improvements	(4,462,375)	(222,679)			(4,685,054)
Equipment	(77,186)	(5,041)	1,831		(80,396)
Intangibles	(191,726)				(191,726)
Total Accumulated Depreciation	(4,918,161)	(240,072)	1,831		(5,156,402)
Net Depreciable Capital Assets	1,865,547	(240,072)		3,498	1,628,973
Net Municipal Airport Capital Assets	$ 1,989,301	$ (128,455)	$ -	$ -	$ 1,860,846

NOTE 5 – CAPITAL ASSETS (Continued)

A. Capital asset activity for the fiscal year ended June 30, 2012, was as follows: (Continued)

Business-type Activities Solidwaste	Balance at July 1, 2011	Additions	Deletions	Transfers	Balance at June 30, 2012
Depreciable Capital Assets:					
Equipment	$ 44,219	$ -	$ -	$ -	$ 44,219
Total Depreciable Capital Assets	44,219				44,219
Accumulation Depreciation					
Equipment	(43,378)	(273)			(43,651)
Total Accumulated Depreciation	(43,378)	(273)			(43,651)
Net Depreciable Capital Assets	841	(273)			568
Net Solid Waste Capital Assets	$ 841	$ (273)	$ -	$ -	$ 568

Business-type Activities Municipal Transit	Balance at July 1, 2011	Additions	Deletions	Transfers	Balance at June 30, 2012
Nondepreciable Capital Assets:					
Land	$ 1,427,226	$ -	$ -	$ -	$ 1,427,226
Construction in progress	99,985	355,296			455,281
Total Nondepreciable Capital Assets	1,527,211	355,296			1,882,507
Depreciable Capital Assets:					
Buildings	11,553,833				11,553,833
Improvements	2,311,298				2,311,298
Equipment	3,042,099	8,621	(237,080)		2,813,640
Total depreciable Capital Assets	16,907,230	8,621	(237,080)		16,678,771
Accumulation depreciation					
Buildings	(859,320)	(487,745)			(1,347,065)
Improvements	(214,729)	(154,970)			(369,699)
Equipment	(1,795,390)	(274,756)	237,080		(1,833,066)
Total Accumulated Depreciation	(2,869,439)	(917,471)	237,080		(3,549,830)
Net Depreciable Capital Assets	14,037,791	(908,850)			13,128,941
Net Transit Capital Assets	$ 15,565,002	$ (553,554)	$ -	$ -	$ 15,011,448

NOTE 5 – CAPITAL ASSETS (Continued)

A. Capital asset activity for the fiscal year ended June 30, 2012, was as follows: (Continued)

Business-type Activities Drainage	Balance at July 1, 2011	Additions	Deletions	Transfers	Balance at June 30, 2012
Nondepreciable Capital Assets:					
Land	$ 4,318,335	$ -	$ -	$ -	$ 4,318,335
Construction in progress	38,028	296,373		(299,920)	34,481
Total Nondepreciable Capital Assets	4,356,363	296,373		(299,920)	4,352,816
Depreciable Capital Assets:					
Infrastructure	56,101,726				56,101,726
Improvements	25,770,563			299,920	26,070,483
Equipment	19,624				19,624
Total Depreciable Capital Assets	81,891,913			299,920	82,191,833
Accumulation Depreciation					
Infrastructure	(16,264,021)	(1,124,535)			(17,388,556)
Improvements	(14,131,598)	(1,744,044)			(15,875,642)
Equipment	(19,624)				(19,624)
Total Accumulated Depreciation	(30,415,243)	(2,868,579)			(33,283,822)
Net Depreciable Capital Assets	51,476,670	(2,868,579)		299,920	48,908,011
Net Drainage Capital Assets	$ 55,833,033	$ (2,572,206)	$ -	$ -	$ 53,260,827

Total Business-type Activities	Balance at July 1, 2011	Additions	Deletions	Transfers	Balance at June 30, 2012
Nondepreciable Capital Assets:					
Land	$ 11,768,602	$ -	$ -	$ -	$ 11,768,602
Construction in progress	4,390,283	13,329,657		(11,871,187)	5,848,753
Total Nondepreciable Capital Assets	16,158,885	13,329,657		(11,871,187)	17,617,355
Depreciable Capital Assets:					
Infrastructure	242,991,662			579,560	243,571,222
Buildings	157,964,931		(24,432,037)		133,532,894
Improvements	81,370,788		(34,393)	4,426,412	85,762,807
Equipment	47,097,117	195,797	(5,081,596)	1,589,755	43,801,073
Intangibles	63,935,666	10,600		5,275,460	69,221,726
Total Depreciable Capital Assets	593,360,164	206,397	(29,548,026)	11,871,187	575,889,722

NOTE 5 – CAPITAL ASSETS (Continued)

A. Capital asset activity for the fiscal year ended June 30, 2012, was as follows: (Continued)

Total Business-type Activities	Balance at July 1, 2011	Additions	Deletions	Transfers	Balance at June 30, 2012
Accumulation Depreciation					
Infrastructure	(69,812,097)	(4,901,800)			(74,713,897)
Buildings	(64,653,846)	(4,151,904)	20,772,959		(48,032,791)
Improvements	(41,817,100)	(4,806,530)	30,784		(46,592,846)
Equipment	(21,599,155)	(4,497,982)	4,997,129		(21,100,008)
Intangibles	(13,196,340)	(1,536,358)			(14,732,698)
Total Accumulated Depreciation	(211,078,538)	(19,894,574)	25,800,872		(205,172,240)
Net Depreciable Capital Assets	382,281,626	(19,688,177)	(3,747,154)	11,871,187	370,717,482
Net Business-type Capital Assets	$ 398,440,511	$ (6,358,520)	$ (3,747,154)	$ -	$ 388,334,837

B. Depreciation Allocations

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

Governmental Activities:	
City administration - nondepartmental	$ 1,156,781
Police	424,255
Fire	70,200
Development and engineering	1,342,964
Public works	5,115,473
Cultural arts	579,916
Parks and recreation	918,710
Unallocated	565,672
Total Depreciation Expense - Governmental Activities	$ 10,173,971
Business-type Activities:	
Water utility	$ 8,130,187
Sewer utility	7,737,992
Municipal airport	240,072
Solid waste	273
Municipal transit	917,471
Drainage	2,868,579
Total Depreciation Expense - Business-type Activities	$ 19,894,574

NOTE 5 – CAPITAL ASSETS (Continued)

C. Roads Covered by the Modified Approach

The City has elected to use the modified approach discussed above with respect to its roads, most of which are relatively new. The City's policy is to maintain these roads at an overall condition index level averaging 73%, instead of providing depreciation. During the fiscal year 2012, the City expended $1,347,061 to preserve its roads. The City estimates that it will be required to expend approximately $2,073,800 in the fiscal year 2013 to maintain its roads at this condition level.

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Current Interfund Balances

Current interfund balances arise in the normal course of business (i.e. one fund loaning funds to pay for current expenditures) and are expected to be repaid shortly after the end of the fiscal year. The following is a summary of interfund balances as of June 30, 2012.

Receivable Funds	Amount	Payable Funds	Amount
Major Governmental Fund		Major Proprietary Funds	
General	$ 965,245	Municipal Airport	$ 702,200
		Solid Waste	14,805
Nonmajor Governmental Funds		Municipal Transit	1,090,500
Capital Projects Deposit	2,302,700		
General Projects	1,226,190	Nonmajor Governmental Funds	
		Business Improvement District	1,160
		Proposition 1B	570,750
		Transportation Development	510,000
		TEA Grant	655,440
		South County Fire Authority	949,280
Totals	$ 4,494,135		$ 4,494,135

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

B. Long-term Interfund Advances

At June 30, 2012, the funds below had made advances which were not expected to be repaid within the next fiscal year.

Funds making advances	Funds receiving advances	Amount
Major Governmental Fund	Major Proprietary Fund	
General	Municipal Airport	$ 244,057
Water	Municipal Airport	862,500
Nonmajor Governmental Fund	Major Governmental Fund	
Northeast Industrial Plan Area #2	Northeast Industrial Plan Area #1	1,747,454
Totals		$ 2,854,011

Municipal Airport advance to be repaid over 33 years at 2.42% interest, interest only for 3 years, annual payments of $40,770 for remaining 30 years. The land of the airport serves as security for the advance, which carries an interest rate of 6%. The funds were used for projects at the airport.

Northeast Industrial Plan Area # 1 advance is being repaid over five years, where early repayment of principal is permitted, with an interest rate equal to funds invested in Local Agency Investment Fund (LAIF). The funds were used for projects within the project area.

C. Interfund Transfers

Receiving Funds	Transfers In	Paying Funds	Transfers Out
Major Governmental Fund		Major Governmental Funds	
Community Development Agency Housing	$ 871,833	General	$ 1,427,405
		Community Development Agency Debt Service	1,271,833
Nonmajor Governmental Funds			
Suoth County Fire Authority	250,000		
Traffic Congestion Relief	4,405		
2007 Lease Revenue Bonds	284,000		
2008 Lease Revenue Bonds	1,289,000		
Major Proprietary Fund		Major Proprietary Fund	
Municipal Airport	418,235	Water Utility	418,235
Totals	$ 3,117,473		$ 3,117,473

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

C. Interfund Transfers (Continued)

In general, the City uses interfund transfers to (1) move revenues from the funds that collect them to the funds that statute or budget requires to expend them, (2) use unrestricted revenues collected in the General Fund to help finance various programs and capital projects accounted for in other funds in accordance with budgetary authorization, (3) move cash to debt service funds from the funds responsible for payment as debt service payments become due and (4) move various dollars from capital projects funds to funds where the projects were completed.

In general, the effect of the interfund activity has been eliminated from the government-wide financial statements.

D. Advance to CDA Successor Agency

As of February 1, 2012, the redevelopment agency ceased operations as a component unit of the City and all assets and liabilities were transferred to a private purpose trust fund except for housing assets. The $2,803,520 was an advance payment from Community Development Housing fund to Community Development Agency Debt Service to provide sufficient cash to pay the debt service payments due in September 2011. Due to the State SERAF payment requirement during fiscal year 2010 and 2011, the fund had insufficient cash to make the payment. Borrowing from the Housing Fund was authorized by State SERAF legislation. The fund will repay to the Housing Successor Fund upon approval from Department of Finance.

NOTE 7 – LONG-TERM DEBT

A. Compensated Absences

City employees accumulate earned but unused vacation and sick pay benefits which can be converted to cash at termination of employment. The City estimates the amounts that might be liquidated with expendable currently available financial resources in the fund that will liquidate the liability, if any, and the remaining liability is reported as long-term debt on the Statement of Net Assets. Expenditures are reported in the governmental fund statements that liquidate the current liability. However, in the Statement of Activities the expense is allocated to each function based on usage. The portion of these vested benefits, payable in accordance with various collective bargaining agreements, at June 30, 2012, total $2,908,999 for governmental activities and $537,230 for business-type activities.

NOTE 7 – LONG-TERM DEBT (Continued)

B. Certificates of Participation

1) 2004 Wastewater Certificates of Participation

The City issued Wastewater Certificates of Participation (COPs) in March 2004. The Wastewater COPs are special obligations of the City and are payable solely from and secured by a pledge of net revenues of the Wastewater Utility System. Principal payments commence on December 1, 2007, and are payable annually on December 1, thereafter. Interest payments commence on December 1, 2004, and are payable semi-annually on December 1 and June 1, thereafter. The outstanding balance of the COPs at June 30, 2012 was $27,950,000. Annual debt service requirements are as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
2013	$ 650,000	$ 1,254,028	$ 1,904,028
2014	670,000	1,230,918	1,900,918
2015	695,000	1,205,826	1,900,826
2016	720,000	1,178,754	1,898,754
2017	745,000	1,149,814	1,894,814
2018-2022	4,210,000	5,246,978	9,456,978
2023-2027	5,250,000	4,190,491	9,440,491
2028-2032	6,620,000	2,806,018	9,426,018
2033-2037	8,390,000	1,033,837	9,423,837
	$27,950,000	$19,296,664	$ 47,246,664

C. Revenue Bonds

1) 2008 Lease Revenue Bonds

On December 16, 2008 the City under the Tracy Operating Partnership (TPA) issued $19,765,000 of 2008 Lease Revenue Bonds. The proceeds of the bonds are to be used for acquisition and construction of projects, prepay the outstanding principal balance ($9,835,000) of the 1998 Certificates of Participation, and pay costs of issuance. Interest payments on the bonds are due semi—annually each April 1 and October 1 at rates varying between 3% and 6.375%. Principal is due annually each October 1 with $3,850,000 of serial bonds due between 2009 and 2027 and $15,915,000 of term bonds due between 2028 and 2038. The JPA has pledged revenue pursuant to a site and facility lease between the City and the JPA for the Police Department Headquarters and the Fire Administration Building. The lease rental payments are due semi-annually and are in an amount sufficient to make payments on the bonds. Upon issuance of the bonds $10,135,356 (which includes $865,475 cash available from the 1998 Certificates) is being deposited to prepay in full the 1998 Certificates on December 16, 2008 which included a call premium in the amount of $196,700. The net proceeds of $9,300,548 are to be deposited in the City ($7,174,242) and the Redevelopment Agency ($2,126,306). The outstanding balance of the bonds at June 30, 2012 is $19,285,000

NOTE 7 – LONG-TERM DEBT (Continued)

C. Revenue Bonds (Continued)

1) 2008 Lease Revenue Bonds (Continued)

Future minimum debt requirements for the bonds are:

Fiscal Years Ending June 30,	Principal	Interest	Total
2013	$ 125,000	$ 1,163,162	$ 1,288,162
2014	145,000	1,157,762	1,302,762
2015	170,000	1,151,462	1,321,462
2016	195,000	1,143,919	1,338,919
2017	220,000	1,134,826	1,354,826
2018-2022	1,600,000	5,467,869	7,067,869
2023-2027	2,675,000	4,882,423	7,557,423
2028-2032	4,250,000	3,849,774	8,099,774
2033-2037	6,490,000	2,186,899	8,676,899
2038-2039	3,415,000	224,010	3,639,010
	$19,285,000	$22,362,106	$ 41,647,106

2) 2003 Wastewater Revenue Refunding Bonds

The City issued Wastewater Revenue Bonds in May, 2003 to provide funds to refund the balance of the 1993 Wastewater Certificates of Participation. The refunding resulted in an overall savings of $419,472 and an economic gain of $291,760. The Wastewater Revenue Bonds are special obligations of the City and are payable solely from and secured by a pledge of net revenues of the Wastewater Utility System. Principal payments commence on December 1, 2003, and are payable annually on December 1, thereafter. Interest payments commence on December 1, 2003, and are payable semi-annually on June 1 and December 1, thereafter. The outstanding balance of the bonds at June 30, 2012 was $680,000. Annual debt service requirements are as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
2013	$ 335,000	$ 17,520	$ 352,520
2014	345,000	6,038	351,038
	$ 680,000	$ 23,558	$ 703,558

NOTE 7 – LONG-TERM DEBT (Continued)

C. Revenue Bonds (Continued)

3) 2007 Lease Revenue Bonds – Series A

On October 25, 2007, the City issued $2,690,000 of 2007 Lease Revenue Bonds Series A. The proceeds of the bonds are to be used to finance the acquisition and construction of a fire station and to pay costs of issuance including an insurance premium to acquire a reserve fund surety bond. The bonds are secured by a lien on the revenues consisting mainly of rental payments made by the City under a property lease dated October 1, 2007. The bonds bear interest ranging from 4.375% to 4.5%. Principal is payable annually beginning March 1, 2025. Interest is payable semi-annually every March 1 and September 1. Final maturity of the bonds is March 1, 2037. The outstanding balance of the bonds at June 30, 2012 is $2,690,000. Annual debt service requirements are as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
2013	$ -	$ 119,500	$ 119,500
2014		119,500	119,500
2015		119,500	119,500
2016		119,500	119,500
2017		119,500	119,500
2018-2022		597,500	597,500
2023-2027	455,000	580,436	1,035,436
2028-2032	1,000,000	413,970	1,413,970
2033-2037	1,235,000	171,900	1,406,900
	$ 2,690,000	$ 2,361,306	$ 5,051,306

4) 2007 Lease Revenue Bonds – Series B

On October 25, 2007, the City issued $1,980,000 of 2007 Lease Revenue Bonds Series B. The proceeds of the bonds were used to prepay the outstanding 1995 Refunding Certificates of Participation and to pay costs of issuance including an insurance premium to acquire a reserve fund surety bond. The bonds are secured by a lien on the revenues consisting mainly of rental payments made by the City under a property lease dated October 1, 2007. The bonds bear interest rate ranging from 4% to 4.25%. Interest is payable semi-annually on March 1 and September 1. Principal is payable annually beginning on March 1, 2009. Final maturity of the bonds is March 1, 2025. The outstanding balance of the bonds at June 30, 2012 was $1,490,000.

The proceeds from the bonds along with a reserve fund from the 1995 Certificates were used to immediately call the 1995 bonds. The City has a total overall savings on the refunding of $281,934 and a net present value savings (economic gain) of $166,312. Annual debt service requirements are as follows:

NOTE 7 – LONG-TERM DEBT (Continued)

C. Revenue Bonds (Continued)

4) 2007 Lease Revenue Bonds – Series B (Continued)

Fiscal Years Ending June 30,	Principal	Interest	Total
2013	$ 95,000	$ 60,980	$ 155,980
2014	100,000	57,180	157,180
2015	105,000	53,180	158,180
2016	110,000	48,980	158,980
2017	115,000	44,580	159,580
2018-2022	625,000	151,640	776,640
2023-2025	340,000	25,075	365,075
	$ 1,490,000	$ 441,615	$ 1,931,615

D. Notes and Loans Payable

U.S. Economic Development Administration (EDA) Note – The revenues of the City's water utility serve as collateral for this Note. The City is required to maintain rates for service sufficient to generate net revenues equal to 1.10 times the principal and interest due the succeeding year. Principal and interest (5%) are payable annually each July 1. During the fiscal year, the City paid off its entire outstanding balance in an amount of $1,266,669. The outstanding balance of the note at June 30, 2012 was $0.

1992 State of California Department of Transportation Division of Aeronautics Loans – The 1992 loan helped fund the construction of the Tracy Municipal Airport. In January 1995, the City received an additional loan of $150,000 for the construction of the ten unit hangar at the airport. In November 1998, the City received an additional loan of $250,000 for the paving of runways and fence construction. Principal and interest on each loan is payable annually each April 2 and January 12. The outstanding balance of the loans at June 30, 2012 was $72,942. Annual debt service requirements are as follows:

NOTE 7 – LONG-TERM DEBT (Continued)

D. Notes and Loans Payable (Continued)

Fiscal Years Ending June 30,	Principal	Interest	Total
2013	$ 19,464	$ 3,638	$ 23,102
2014	20,329	2,667	22,996
2015	21,194	1,653	22,847
2016	11,955	596	12,551
	$ 72,942	$ 8,554	$ 81,496

State of California Department of Health Services Loan – In 2006, the City entered into a loan agreement with the State of California Department of Health Services in the amount of $20,000,000 for assistance in the construction of its new Water Treatment Plant. The proceeds from the loan can be drawn down by the City as needed for construction. The loan is a fully amortized loan over 20 years at an annual interest rate of 2.34%. The City will be obligated to make semi-annual payments of principal and interest in the amount of $628,960 beginning July 1, 2009 with a final maturity date of January 1, 2028. As of June 30, 2012 the City has balance due of $16,274,382. Annual debt service requirements are as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
2013	$ 882,230	$ 375,689	$ 1,257,919
2014	902,995	354,924	1,257,919
2015	924,249	333,671	1,257,920
2016	946,002	311,916	1,257,918
2017	968,268	289,651	1,257,919
2018-2022	5,194,111	1,095,483	6,289,594
2028-2032	5,834,840	454,758	6,289,598
2033-2028	621,687	7,272	628,959
	$ 16,274,382	$ 3,223,364	$ 19,497,746

Banta Community Irrigation District Note – The City received a $6,500,000 note agreement with an interest rate of 3% from the Banta Community Irrigation District. Principal is payable annually. Interest is payable monthly. The outstanding balance of the note at June 30, 2012 was $3,000,000. Maturity date is July 1, 2014. Annual debt service requirements are as follows:

NOTE 7 – LONG-TERM DEBT (Continued)

D. Notes and Loans Payable (Continued)

Fiscal Years Ending June 30,	Principal	Interest	Total
2013	$ 1,000,000	$ 90,000	$ 1,090,000
2014	1,000,000	60,000	1,060,000
2015	1,000,000	30,000	1,030,000
	$ 3,000,000	$ 180,000	$ 3,180,000

E. Installment Purchase Obligations

The City on December 20, 2005 purchased police communications equipment under a lease agreement with Sun Trust Leasing Corp. The fair value of the equipment at the time of lease was $438,766 and the lease qualifies as a capital lease. The City's minimum annual lease payment on the equipment is $73,103, which includes interest at 4%. The final maturity of the lease is December 20, 2012. The balance outstanding as of June 30, 2012 was $170,293. The future minimum debt service requirements are as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
2013	$ 70,293	$ 2,810	$ 73,103
	$ 70,293	$ 2,810	$ 73,103

F. Changes in Long-Term Liabilities

	Balance at July 1, 2011	Additions	Reductions	Transfers	Balance at June 30, 2012	Due within One Year
Governmental Activities:						
Bonds Payable:						
2003 Tax Allocation Bonds	$48,715,000	$ -	$ -	$ (48,715,000)	$ -	$ -
2008 Lease Revenue Bonds	19,385,000		100,000		19,285,000	125,000
2007 Revenue Bonds A	2,690,000				2,690,000	
2007 Revenue Bonds B	1,585,000		95,000		1,490,000	95,000
Capital Leases	137,879		67,586		70,293	70,293
Compensated Absences	3,052,593	898,671	1,042,265		2,908,999	982,640
Claims and Judgments	112,494				112,494	56,247
Postretirement Benefits	854,558	416,301	129,295		1,141,564	
Totals	$76,532,524	$ 1,314,972	$ 1,434,146	$ (48,715,000)	$27,698,350	$ 1,329,180

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. For the governmental activities, claims and judgments, and compensated absences are generally liquidated by the general fund.

NOTE 7 – LONG-TERM DEBT (Continued)

F. Changes in Long-Term Liabilities (Continued)

	Balance at July 1, 2011	Additions	Reductions	Balance at June 30, 2012	Due within One Year
Business-type Activities:					
Certificates of Participation:					
2004 Wastewater Certificates of Participation	$28,580,000	$ -	$ 630,000	$ 27,950,000	$ 650,000
Bonds Payable:					
2003 Wastewater Revenue Bonds	1,000,000		320,000	680,000	335,000
Notes Payable:					
U.S. Economic Development	1,266,669		1,266,669		
State of California Department of Transportation	91,541		18,599	72,942	19,464
State of California Department of Health Services	17,136,325		861,943	16,274,382	882,230
Irrigation District Notes	5,000,000		2,000,000	3,000,000	1,000,000
Compensated Absences	508,423	208,064	179,257	537,230	176,912
Totals	$53,582,958	$ 208,064	$ 5,276,468	$ 48,514,554	$ 3,063,606

G. Deferred Debt Issuance Costs And Gain/Loss on Debt Refunding

Bond issuance costs and deferred gain/loss on refundings are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

H. Defeased Debt

As of June 30, 2012, all prior debt defeased has been paid in full, there are no outstanding debt balances.

NOTE 8 – SPECIAL ASSESSMENT DISTRICT DEBT WITH NO CITY COMMITMENT

Special Assessment Districts in various parts of the City have issued debt to finance infrastructure improvements and facilities within their boundaries. The City is the collecting and paying agent for the debt issued by these Districts, but has no direct or contingent liability or moral obligation for the payment of this debt. Therefore, this debt is not included as debt of the City. The outstanding balance of each of these issues as of June 30, 2012, is as follows:

NOTE 8 – SPECIAL ASSESSMENT DISTRICT DEBT WITH NO CITY COMMITMENT (Continued)

Description	Fiscal Year Issue Year	Fiscal Year Maturity Year	Balance Outstanding June 30, 2012
93-1 Community Facilities District	1997	2027	$ 1,010,000
98-4 Morrison Homes Assessment District	1999	2024	1,590,000
99-1 Community Facilities District, 04 Refunding	2004	2025	7,130,000
99-2 Community Facilities District	2000	2026	3,395,000
2000-02 Assessment District	2000	2026	640,000
94-1 Tracy OPJPA 2002 Revenue Bonds, Series A	2002	2022	2,945,000
99-2 Community Facilities District, Series 2002	2003	2028	6,790,000
93-1 Community Facilities District, Series 2002	2003	2033	1,920,000
2003-01 Assessment District	2003	2029	785,000
2003-I205 Residential Assessment District, Series A	2004	2023	6,425,000
2003B Junior Lien	2004	2023	325,000
89-1 Community Facilities District, Series A	2004	2021	8,530,000
89-1 Community Facilities District, Series B	2004	2021	820,000
2005C Revenue bonds (JPA)	2006	2036	13,525,000
2005B Revenue Bonds Junior Lien (JPA)	2006	2036	2,985,000
2005A Revenue Bonds Senior Lien (JPA)	2006	2029	59,835,000
2006-01 NE Industrial Phase II	2007	2037	10,560,000
2011 TOP JPA Revenue Bonds	2012	2028	13,685,000
			$ 142,895,000

NOTE 9 – CONTINGENCIES AND COMMITMENTS

The City had commitments under construction and similar contracts that approximate $17.7 million at June 30, 2012.

The City is subject to other litigation arising in the normal course of business. In the opinion of the City Attorney,there is no pending litigation which is likely to have a material adverse effect on the financial position of the City.

The City participates in Federal and State grant programs. These programs have been audited by the City's independent accountants in accordance with the provisions of the Federal Single Audit Act Amendments of 1996 and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

NOTE 10 – CITY EMPLOYEES' RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN)

Plan Description: The City of Tracy contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office – 400 P Street – Sacramento, CA 95814.

Funding Policy: Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined combined rate of 13.808% for miscellaneous employees and 27.253% for fire and police safety employees. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost: For 2012, the City's annual pension cost of $7,160,910 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2009, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) .25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of PERS was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2010, was 27 years for safety, and 22 years for miscellaneous.

Funded Status and Funding Progress: As of June 30, 2010, the most recent actuarial valuation date, the miscellaneous plan and safety plan were 81.6 percent and 80.5 percent funded, respectively. The actuarial accrued liabilities for benefits were $89.8 million (miscellaneous) and $102.1 million (safety), and the actual value of assets were $73.3 million (miscellaneous) and $83.2 million (safety), resulting in unfunded actuarial accrued liabilities (UAAL) of 16.5 million (miscellaneous) and $18.9 million (safety). The covered payroll (annual payroll of active employees covered by the plans) were $20.4 million and $16.3 million for miscellaneous and safety, respectively. The ratio of the UAAL to the covered payroll was 80.7% and 116.2%, respectively.

The schedules of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 10 – CITY EMPLOYEES' RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN) (Continued)

THREE-YEAR TREND INFORMATION FOR PERS

Fiscal Year	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
	Miscellaneous		
6/30/2010	$ 2,371,498	100%	$ -
6/30/2011	2,169,247	100%	-
6/30/2012	2,552,157	100%	-
	Safety		
6/30/2010	$ 3,941,590	100%	$ -
6/30/2011	4,034,010	100%	-
6/30/2012	4,608,752	100%	-

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description The City of Tracy administers a single employer defined benefit (implicit subsidy) healthcare plan (Plan).

The City offers medical, dental, vision and life insurance benefits to its employees, retirees, and their dependents. The City does not explicitly pay for the cost of retiree health premiums, however. The medical plans consist of two HealthNet HMO options, a HealthNet PPO, HealthNet High Deductible Health Plan (HDHP), and a Kaiser HMO, all fully insured. Medical premiums for retirees under age 65 are the same as those charged for active employees.

The City allows retirees to convert accrued sick leave to an account balance, called a "Medical Bank", that can be used for medical, dental and vision premiums. After the account is exhausted, the retiree has option either to terminate coverage or elect to continue paying the medical (but not dental or vision) premiums from personal funds. Spouses and eligible dependent children of retirees may also be covered at the retiree's expense. While the City does not directly contribute towards the cost of premiums for retirees, the ability to obtain coverage at an active employee rate constitutes a significant economic benefit to the retirees, called an "implicit subsidy" under Governmental Accounting Standards Board Statement No. 45 (GASB 45). The inclusion of the retirees increases the City's overall health insurance rates; it is, in part, the purpose of this valuation to determine the amount of the subsidy.

The ability to participate in the City's health plan by self-paying the premiums extends for the lifetime of the retiree; however, upon attaining the age of Medicare eligibility (65), the retiree may enter a plan coordinated with Medicare. Standard actuarial practice assumes that Medicare supplement plans do not generally give rise to an implicit subsidy, and while we have included Medicare eligible retirees in this valuation, both their liability under GASB 45 and their annual implicit subsidy are both $0.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

The Plan does not issue a separate financial report.

Funding Policy. The contribution requirement of plan members and the City are established and may be amended by the City. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City.

Annual OPEB and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and 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 normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

Annual required contribution	$ 429,163
Plus - Interest contribution	42,728
Less - Amortization adjustment	(55,590)
Annual OPEB cost (expense)	416,301
Contribution made	(129,295)
Increase in net OPEB obligation	287,006
Net OPEB obligation - beginning of fiscal year	854,558
Net OPEB obligation - end of fiscal year	$ 1,141,564

The City 's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contribution	Net OPEB Obligation
6/30/10	$ 303,834	32%	$ 674,275
6/30/11	300,734	80%	854,558
6/30/12	416,301	31%	1,141,564

Funded Status and Funding Progress. As of July 1, 2011, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was $3,213,284, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $3,213,284. The covered payroll (annual payroll of active employees covered by the plan) was $33.2 million, and the ratio of the UAAL to the covered payroll was 9.7 percent.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

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

Actuarial Methods and Assumptions. 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 that are 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 July 1, 2011 actuarial valuation, the Projected Unit Credit Cost method was used. The actuarial assumptions included a 5.0 percent investment rate of return, which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.0 percent initially, graded down 1% per year to an ultimate 5% per year beginning in 2014. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2011 was thirty years.

NOTE 12 – JOINT POWERS AGREEMENT

During the fiscal year 2000, the City and the Tracy Rural Fire District formed the South County Fire Authority (Authority), a joint powers agreement. As part of this agreement, the employees of Tracy Rural Fire District became City employees and the City took over the management of the Authority's fire stations. The Authority is governed by a Board composed of two members each from the City and the Authority. Financial statements for the Authority may be obtained from the City of Tracy at 325 East Tenth Street, Tracy, CA 95376.

NOTE 13 – NET ASSETS AND FUND BALANCES

A. Net Assets

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

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

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

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

B. Fund Balances

As of June 30, 2012, fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the governing board is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through resolutions approved by the governing board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City's adopted policy, only the governing board or director may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

NOTE 13 – NET ASSETS AND FUND BALANCES (Continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the City against revenue shortfalls or unpredicted one-time expenditures. The unassigned balance in an amount of $25,676,182 includes a Reserve for Economic Uncertainties in an amount of $8,002,008

NOTE 14 – RESTRICTED NET ASSETS

Restricted net assets are subject to constraints either (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation. Restricted net assets at June 30, 2012 are as follows:

	Governmental	Business-type
Debt Services:		
Sewer	$ -	$ 231,967
Other	1,699,221	
	1,699,221	231,967
Restricted for Public Safety:		
Asset forfeiture	80,581	
	80,581	
Streets and Roads:		
Construction and maintenance	4,954,198	
Community Development	1,313,817	
Special District:		
Landscaping	3,939,730	
Projects:		
Specific Area/Locations	79,024,540	
	79,024,540	
Housing	14,412,699	
Total Restricted Net Assets	$ 105,424,786	$ 231,967

NOTE 14 – RESTRICTED NET ASSETS (Continued)

Included in total governmental restricted net assets at June 30, 2012 are net assets restricted by enabling legislation of $103,725,565.

NOTE 15 – FUND BALANCES

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned. (see Note13 for a description of these categories). A detailed schedule of fund balances at June 30, 2012 is as follows:

	General	Housing Successor	North East Industrial Plan Area #1	Other Governmental Funds	Total Governmental Funds
Nonspendable					
Prepaid items	$ 1,839		$ -	$ 45,825	$ 47,664
Advances	244,057				244,057
Loans receivable	544,825				544,825
Total nonspendable fund balances	790,721			45,825	836,546
Restricted for:					
Auto theft					
Traffic fines	420,674				420,674
State COPS	24,368				24,368
Housing		2,837,643			2,837,643
Special area projects			180,998	65,333,677	65,514,675
Debt service				2,046,690	2,046,690
Community development				855,014	855,014
Assets forfeiture				79,756	79,756
Streets and roads				4,954,198	4,954,198
CDBG				5,821	5,821
Landscaping district				3,939,730	3,939,730
Cable TV				146,546	146,546
Tracy GROW				1,000,000	1,000,000
Capital projects				13,727,014	13,727,014
Total restricted fund balances	445,042	2,837,643	180,998	92,088,446	95,552,129
Assigned to:					
General					
AC Trust	22,191				22,191
Capital projects				15,338,827	15,338,827
	22,191			15,338,827	15,361,018
Unassigned					
Economic uncertainty	8,002,008				8,002,008
Unassigned	17,674,174			(1,071,047)	16,603,127
	25,676,182			(1,071,047)	24,605,135
Total fund balances	$ 26,934,136	$ 2,837,643	$ 180,998	$106,402,051	$136,354,828

NOTE 16 – REVENUE LIMITATIONS IMPOSED BY CALIFORNIA PROPOSITION 218

Proposition 218, which was approved by the voters in November 1996, will regulate the City's ability to impose, increase, and extend taxes, assessments, and fees. Any new, increased, or extended taxes, assessments, and fees subject to the provisions of Proposition 218, require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in the future years by the voters.

NOTE 17 – DEFERRED COMPENSATION PLAN AND TRUST

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the employees. Accordingly, the plan/trust assets have been excluded from the City's reported assets.

NOTE 18 – RISK MANAGEMENT

A. Coverage

The City and 53 other entities in the Central San Joaquin area are members of a joint powers agreement called the Central San Joaquin Valley Risk Management Authority (RMA), which was established to provide for the sharing of risk among the member agencies. The RMA is governed by a Board of Directors elected by the member agencies; it is not a component unit of the City.

The RMA provides general liability coverage of $900,000 above the City's self insurance limit of $100,000 per occurrence, and property damage insurance up to $500,000,000 including the City's deductible of $1,000 to $25,000 per occurrence. General liability claims in excess of $1,000,000 up to a maximum of $15,000,000 are covered through RMA's participation in the Local Agency Workers' Compensation Excess Joint Powers Authority. The remaining excess is covered by the RMA through a policy with an independent insurance carrier up to $24,000,000 for workers compensation and $1,000,000 each accident for employer's liability excess of $1,000,000 Self Insurance Retention Level (SIR).

The RMA maintains separate records for each member for each year of participation. The records track cash paid to the RMA through deposit premium assessments, the City's self-insured retention portion of claims paid, and the City's allocation of shared risks. Three years after the close of the workers' compensation coverage year and five years after the close of the general liability coverage year, the RMA assesses the status of all members for the year, then either makes a refund to a member if it has positive balance (i.e. payout and reserve experience is less than premiums paid) or collects any deficit.

NOTE 18 – RISK MANAGEMENT (Continued)

A. Coverage (Continued)

During the fiscal year ended June 30, 2012, the City contributed $2,596,314 for current year coverage and received refunds of $284,675.

Audited financial statements are available from the Central San Joaquin Risk Management Authority at 6371 Auburn Boulevard, Citrus Heights, CA 95621.

B. Liability for Uninsured Claims

The City provides for the uninsured portion of claims and judgments, including provisions for claims incurred but not reported, in the Insurance Internal Service Fund. Claims and judgments are recorded when a loss is deemed probable of asserting and the amount of the loss is reasonably determinable. As discussed above, the City has coverage for such claims, but it has retained the risk for the deductible, or uninsured portion of these claims. The City has estimated that 50% of total claims will become due and payable within one year.

The City's liability for uninsured claims was estimated by management based on prior year claims experience and the third party JPA where the City as of June 30, 2012 has reserve deposits which cover claims and IBNRs except for $112,494.

			Total	
	Worker's Compensation	General Liability	2012	2011
Beginning balance	$ 60,838	$ 51,656	$ 112,494	$ 112,494
Increase in estimated liability for prior and current fiscal claims and claims incurred but not reported (IBNR)				135
Claims paid				(135)
Ending balance	$ 60,838	$ 51,656	$ 112,494	$ 112,494

NOTE 19 - SUCCESSORY AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Tracy that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or other unit of local government will agree to serve as the "successor agency" to hold the assets unitil they are distributed to other units of state and local government. On January 17, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of the City resolution number 2012-021.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence as the date of the dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs State Controller of the State of California review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the state Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

NOTE 19 - SUCCESSORY AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary loss(gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary gain recognized in the fund financial statements and the extraordinary loss recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary (gain)/loss reported in governmental fund – (decrease)/increase to net assets of the Successor Agency Trust Funds	$ 10,190,655
Capital assets recorded in the government-wide financial statements – increase of net assets of the Successor Agency Trust Funds	3,472,436
Deferred charges reported in the government-wide financial statements – increase of net assets of the Successor Agency Trust Funds	3,163,232
Long-term debt reported in the government-wide financial statements – decrease to net assets of the Successor Agency Trust Funds	(48,715,000)
Net decrease to net assets of the Successor Agency Trust Funds as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)	$ (31,888,677)

NOTE 20 – SUCCESSOR AGENCY

A. Capital assets of the Successor Agency as of June 30, 2012 consisted of the following:

	Balance at July 1, 2011	Transfers from CDA	Additions	Deletions	Balance at June 30, 2012
Nondepreciable Capital Assets:					
Land	$ -	$ 2,581,457	$ -	$ -	$ 2,581,457
Total Nondepreciable Capital Assets		2,581,457			2,581,457
Capital assets, being depreciated					
Improvements		1,450,790			1,450,790
Total Depreciable Capital Assets		1,450,790			1,450,790
Less accumulated depreciation for:					
Improvements		(559,811)	(40,500)		(600,311)
Total Accumulated Depreciation		(559,811)	(40,500)		(600,311)
Net Depreciable Capital Assets		890,979	(40,500)		850,479
Total Capital Assets, Net	$ -	$ 3,472,436	$ (40,500)	$ -	$ 3,431,936

B. Long-term debt of the Successor Agency as of June 30, 2012, consisted of the following:

	Balance at July 1, 2011	Transfers from CDA	Additions	Reductions	Balance at June 30, 2012	Due within One Year
2003 Tax Allocation Bonds	$ -	$ 48,715,000	$ -	$ 1,195,000	$47,520,000	$ 1,245,000
Advances from Successor Housing Fund		2,803,520			2,803,520	
Totals	$ -	$ 51,518,520	$ -	$ 1,195,000	$50,323,520	$ 1,245,000

Tax Allocation Bonds

Former Community Development Agency Tax Allocation Bonds

In 1994, the former Agency issued Tax Allocation Bonds in the amount of $20,605,000 to finance redevelopment projects. Agency tax increment revenue is pledged for the repayment of these Bonds. Principal and interest payable semi-annually each March 1 and September 1. The Agency issued $55,720,000 of Tax Allocation Bonds with interest rates ranging from 2.00% to 6.15% to advance refund $17,290,000 of outstanding 1994 Tax Allocation Bonds. As a result, the $17,290,000 of outstanding Tax Allocation Bonds are considered to be defeased and the liability for those bonds has been removed.

In March 2001, the Agency issued the Tax Allocation Bonds, Series A, in the amount of $15,000,000 to fund infrastructure improvements and redevelopment activities of benefit to the Project Area. Agency tax increment revenue is pledged for the repayment of these Bonds. Principal and interest are payable semi-annually each March 1 and September 1. The Agency issued $55,720,000 of Tax Allocation Bonds with interest rates ranging from 2.00% to 6.15% to advance refund $15,000,000 of outstanding 2001 Tax Allocation Bonds, Series A. As a result, the $15,000,000 of outstanding Tax Allocation Bonds is considered to be defeased and the liability for those bonds has been removed.

NOTE 20 – SUCCESSOR AGENCY (Continued)

Tax Allocation Bonds (Continued)

Former Community Development Agency Tax Allocation Bonds (Continued)

During the 2004-05 fiscal year, the Agency issued Tax Allocation Bonds in the amount of $55,720,000, with interest rates ranging from 2.00% to 6.15% per annum, to provide funds for certain projects of the Agency and to defease the 1994 and 2001 Tax Allocation Bonds. The bonds mature semiannually on each March 1, through 2034. The outstanding balance of the bonds at June 30, 2012 was $47,520,000. Annual debt service requirements are as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
2013	$ 1,245,000	$ 2,467,612	$ 3,712,612
2014	1,300,000	2,412,286	3,712,286
2015	1,360,000	2,343,988	3,703,988
2016	1,420,000	2,292,460	3,712,460
2017	1,485,000	2,227,661	3,712,661
2018-2022	8,565,000	9,997,980	18,562,980
2023-2027	11,005,000	7,563,520	18,568,520
2028-2032	14,275,000	4,294,712	18,569,712
2033-2034	6,865,000	567,856	7,432,856
	$ 47,520,000	$34,168,075	$81,688,075

Advances from Successor Housing Fund

Successor Housing Fund advance was to provide sufficient cash to pay the debt service payments due in September 2011. Due to the State SERAF payment requirement during fiscal year 2010 and 2011, the fund had insufficient cash to make the payment. Borrowing from the former Housing Fund was authorized by State SERAF legislation. The fund will repay to the Housing Successor Fund upon approval from Department of Finance.

NOTE 21 – SUBSEQUENT EVENTS

Management of the City has evaluated subsequent events through December 13, 2012, the date of these financial statements were available to be issued, and has determined there were no material events requiring disclosure.

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REQUIRED SUPPLEMENTARY INFORMATION

Pension Trend Information

REQUIRED SUPPLEMENTARY INFORMATION
Miscellaneous Plan

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Ratio	Annual Covered Payroll	UAAL As a % of Payroll
6/30/2008	$ 71,076,934	$ 61,224,571	$ 9,852,363	86.1%	$ 21,044,450	46.8%
6/30/2009	83,457,017	67,629,363	15,827,654	81.0%	21,690,074	73.0%
6/30/2010	89,833,461	73,329,680	16,503,781	81.6%	20,442,591	80.7%

REQUIRED SUPPLEMENTARY INFORMATION
Safety Plan

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Ratio	Annual Covered Payroll	UAAL As a % of Payroll
6/30/2008	$ 86,884,673	$ 70,343,897	$ 16,540,776	81.0%	$ 16,390,286	100.9%
6/30/2009	96,782,598	76,427,896	20,354,702	79.0%	17,137,483	118.8%
6/30/2010	102,097,701	83,188,640	18,909,061	81.5%	16,273,573	116.2%

Modified Approach to Reporting Street Pavement Costs

GASB Statement No. 34 allows the City to use the Modified Approach with respect to infrastructure assets instead of depreciating these assets. The Modified Approach may be used if two requirements are met:

1. The City must have an asset management system (AMS) with certain features:
   - It must maintain an up-to-date inventory of the infrastructure assets.
   - It must estimate the annual costs to maintain and preserve those assets at the condition level the City has established and disclosed through administrative or executive policy or legislative action.
   - The AMS must be used to assess the condition of the assets periodically, using a measurement scale.
   - The condition assessments must be replicable as those that are based on sufficiently understandable and complete measurement methods such that different measurers using the same methods would reach substantially similar results.
2. The City must document that the roads are being preserved approximately at or above the condition level the City has established and disclosed. This documentation must include the results of the three most recent complete condition assessments and must provide reasonable assurance that the assets are being preserved approximately at or above the intended condition level.

Modified Approach to Reporting Street Pavement Costs (Continued)

The City has elected to use the Modified Approach to report street pavement costs. The City uses the Metropolitan Transportation Commission's (MTC) Pavement System to track the condition levels of each of the street sections.

The conditions of the pavement are based on a weighted average of seven distress factors found in pavement surfaces. The MTC pavement management system uses a measurement scale that is based on a condition index ranging from zero for a failed pavement to 100 for pavement with perfect conditions. The condition index is used to classify pavement in good or better condition (70-100), fair condition (50-69), and substandard condition (less than 50).

The City's preservation costs are budgeted to be $2,973,800 in fiscal year 2013. The Pavement Condition Index (PC) for the City's street pavement for the latest years is as follows:

Year	PCI	Maintenance Budget	Actual Maintenance
2002	76	$1,505,620	1,389,043
2003	77	1,621,170	1,642,556
2004	77	2,043,580	14,441,690
2005	81	2,303,227	13,943,191
2006	78	2,653,860	14,874,752
2007	76	4,244,964	8,647,067
2008	74	13,605,000	19,466,614
2009	72	1,667,146	19,115,824
2010	73	4,457,510	3,333,185
2011	82	4,355,038	3,096,185
2012	82	1,775,290	1,347,061
2013	77	2,973,800	

The City's administrative policy is to achieve a minimum rating of 65 for all street pavements. This rating allows for minor cracking and revealing of payment along with minor roughness that could be noticeable to drivers traveling at posted speed. The City expended $1,347,061 for street preservation for fiscal year 2012.

CITY OF TRACY
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2012

Postemployment Benefit Plans Other Than Pensions

Trend Information

SCHEDULE OF FUNDING PROGRESS FOR
RETIREE HEALTH PLAN
BI-ANNUAL

Actuarial Valuation Date	Projected Unit Credit Cost Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Ratio	Annual Covered Payroll	UAAL As a % of Payroll
7/1/2007	1,481,968	-	1,481,968	0%	38,375,088	3.9%
7/1/2009	2,295,979	-	2,295,979	0%	37,101,371	6.2%
7/1/2011	3,213,284	-	3,213,284	0%	33,174,229	9.7%

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Budgetary Data

Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities. The Annual Budget assures the efficient and effective uses of the City's economic resources, as well as establishing that the highest priority objectives are accomplished.

The Annual Budget serves from July 1 to June 30, and is a vehicle that accurately and openly communicates these priorities to the community, businesses, vendors, employees and other public agencies. Additionally, it establishes the foundation of effective financial planning by providing resource planning, performance measures, and controls that permit the evaluation and adjustment of the City's performance.

The City collects and records revenue and expenditures within the following categories:

- Governmental Activities
- Business-Type Activities

The Governmental Funds include the General Fund, Special Revenue, Debt Service and Capital Projects funds. All funding sources are kept separate for both reporting and use of the money. The General Fund is where most City services are funded that are not required to be segregated.

The budget process begins as a team effort in January of each year, starting with an annual strategic planning meeting. Then the individual departments use projected revenue assumptions to prioritize and recommend the next fiscal year's objectives. 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 through a series of committees and workshops and the final adoption of the budget is scheduled for June of each year.

Budgets and Budgetary Accounting

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

1. Before the beginning of the fiscal year the City Manager submits to the City Council a proposed budget for the year commencing July 1.
2. A public meeting is conducted to obtain taxpayer comments.
3. The budget is subsequently adopted through passage of a resolution and is not included herein but is published separately.
4. All appropriations are as originally adopted or as amended by the City Council and all unencumbered budgeted amounts lapse at year-end, except in the General Fund where an expenditure control budget policy allows departments to carryover a portion of the unexpended amounts into the next fiscal year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Budgetary Data (Continued)

5. Continuing Appropriations are re-budgeted by the City Council as part of the adoption of subsequent year's budgets.

6. Legally adopted budget appropriations are set for the General, Special Revenue, and Debt Service Funds.

7. The legal level of budgetary control is at the department level. A Department Head may transfer appropriations within the department. Expenditures may exceed appropriations at this level to the extent that departmental owned revenues are sufficient to offset the excess. Expenditures in excess of departmental owned revenues must be approved by the City Council. The City Council, by the affirmative vote of three members, may amend the budget to add or delete appropriations, transfer between appropriations within a fund or change appropriation transfers between funds.

8. Budgets for General, Special Revenue, and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles.

B. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the budgeted governmental funds.

Encumbrances outstanding at year-end are reported as reservations of fund balances, since the commitments will be honored through subsequent years' continuing appropriations. Encumbrances do not constitute expenditures or liabilities for GAAP reporting purposes.

CITY OF TRACY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
REVENUES				
Taxes	$ 31,497,600	$ 31,497,600	$ 34,079,771	$ 2,582,171
Licenses, permits, and fees	3,167,130	3,167,130	2,997,556	(169,574)
Fines and forfeitures	1,709,000	1,709,000	1,526,402	(182,598)
Use of money and property	992,000	992,000	993,509	1,509
Intergovernmental	1,123,370	1,381,843	1,199,722	(182,121)
Charges for services	7,974,300	7,988,496	8,213,167	224,671
Special assessments	345,000	345,000	352,344	7,344
Contributions			4,651	4,651
Other revenues	1,371,520	1,371,520	1,262,786	(108,734)
Total revenues	48,179,920	48,452,589	50,629,908	2,177,319
EXPENDITURES				
Current:				
General government:				
Economic development	344,690	393,690	288,055	105,635
General government	3,293,980	3,505,093	3,210,150	294,943
Finance	2,114,580	2,179,640	2,264,708	(85,068)
Non-departmental	250,020	306,160	222,398	83,762
Public safety:				
Police	22,416,850	22,324,267	21,888,918	435,349
Fire	8,486,770	8,486,770	8,736,518	(249,748)
Public works:				
Development and engineering	6,098,310	6,181,495	5,966,717	214,778
Public works	3,321,320	3,315,410	3,081,959	233,451
Culture and leisure:				
Cultural arts	1,225,960	1,225,410	1,233,076	(7,666)
Parks and community services	2,888,020	2,881,070	2,230,294	650,776
Capital outlay	106,000	168,312	132,688	35,624
Total expenditures	50,546,500	50,967,317	49,255,481	1,711,836
Excess of revenues over (under) expenditures	(2,366,580)	(2,514,728)	1,374,427	3,889,155
Other financing sources (uses):				
Transfers in				
Transfers out	(1,173,000)	(1,173,000)	(1,427,405)	(254,405)
Total other financing sources (uses)	(1,173,000)	(1,173,000)	(1,427,405)	(254,405)
Net change in fund balance	(3,539,580)	(3,687,728)	(52,978)	3,634,750
Fund balance at beginning of fiscal year	26,987,114	26,987,114	26,987,114	
Fund balance at end of fiscal year	$ 23,447,534	$ 23,299,386	$ 26,934,136	$ 3,634,750

See accompanying notes to required supplemental information

CITY OF TRACY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT AGENCY HOUSING SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
REVENUES				
Use of money and property	$ 140,000	$ 140,000	$ (11,209)	$ (151,209)
Intergovernmental			7,230	7,230
Total revenues	140,000	140,000	(3,979)	(143,979)
EXPENDITURES				
Current:				
General government				
Economic development	378,060	206,630	193,074	13,556
Non-departmental	42,000	42,000	24,500	17,500
Total expenditures	420,060	248,630	217,574	31,056
Excess of revenues over (under) expenditures	(280,060)	(108,630)	(221,553)	(112,923)
Other financing sources (uses):				
Transfers in	1,848,000	1,848,000	871,833	(976,167)
Total other financing sources (uses)	1,848,000	1,848,000	871,833	(976,167)
Net change in fund balance before extraordinary item	1,567,940	1,739,370	650,280	(1,089,090)
Extraordinary item				
Loss on transfer of assets and liabilities to RDA successor trust funds			(6,293,202)	(6,293,202)
Net change in fund balance	1,567,940	1,739,370	(5,642,922)	(7,382,292)
Fund balance at beginning of fiscal year	5,642,922	5,642,922	5,642,922	
Fund balance at end of fiscal year	$ 7,210,862	$ 7,382,292	$ -	$ (7,382,292)

See accompanying notes to required supplemental information

CITY OF TRACY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
HOUSING SUCCESSOR
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
REVENUES				
Use of money and property	$ -	$ -	$ 39,199	$ 39,199
Total revenues			39,199	39,199
EXPENDITURES				
Current:				
General government				
Economic development		171,430	96,081	75,349
Total expenditures		171,430	96,081	75,349
Excess of revenues over (under) expenditures		(171,430)	(56,882)	114,548
Net change in fund balance before extraordinary item		(171,430)	(56,882)	114,548
Extraordinary item				
Gain on transfer of assets and liabilities to RDA successor trust funds			2,894,525	2,894,525
Net change in fund balance		(171,430)	2,837,643	3,009,073
Fund balance at beginning of fiscal year				
Fund balance at end of fiscal year	$ -	$ (171,430)	$ 2,837,643	$ 3,009,073

See accompanying notes to required supplemental information

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OTHER SUPPLEMENTAL INFORMATION

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CITY OF TRACY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT AGENCY DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	$ 8,454,900	$ 4,359,166	$ (4,095,734)
Use of money and property	25,000	16,815	(8,185)
Intergovernmental	710,000	44,415	(665,585)
Total revenues	9,189,900	4,420,396	(4,769,504)
EXPENDITURES			
Current:			
General government			
Economic development	843,000		843,000
Debt service:			
Principal payments	1,195,000		1,195,000
Interest and fiscal charges	2,526,500	1,262,289	1,264,211
Pass through	2,615,000		2,615,000
Total expenditures	7,179,500	1,262,289	5,917,211
Excess of revenues over (under) expenditures	2,010,400	3,158,107	1,147,707
Other financing sources (uses):			
Transfers out	(2,248,000)	(1,271,833)	976,167
Total other financing sources (uses)	(2,248,000)	(1,271,833)	976,167
Net change in fund balance before extraordinary items	(237,600)	1,886,274	2,123,874
Extraordinary item			
Loss on transfer of assets and liabilities to RDA successor trust funds		(4,915,439)	(4,915,439)
Net change in fund balance	(237,600)	(3,029,165)	(2,791,565)
Fund balance at beginning of fiscal year	3,029,165	3,029,165	
Fund balance at end of fiscal year	$ 2,791,565	$ -	$ (2,791,565)

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

BUSINESS IMPROVEMENT DISTRICT FUND

Established to accumulate revenues from business licenses for subsequent transfer to the General Fund in order to provide donations to the Main Street Tracy Program.

ASSET FORFEITURE FUND

Established to account for the revenues that occur from asset seizures. They are specifically restricted for the purchase of law enforcement equipment and supplies.

PROPOSITION 1B FUND

Established to account for the revenues from the State of California generated by the issuance of general obligation bonds. The revenues are to be used for highway safety, traffic reduction, and air quality.

TRANSPORTATION DEVELOPMENT FUND

Established to account for the City's share of the quarter cent statewide transportation sales tax devoted to street maintenance purposes. The tax first goes to the Transportation Development Fund.

PROPOSITION K TRANSPORTATION FUND

Established to account for the City's share of the half cent transportation sales tax of San Joaquin County. It is used for street maintenance and repairs.

STATE GAS TAX STREET FUND

Established to account for the City's share of State-Imposed motor vehicle gas taxes, which are legally restricted to acquisition, construction, improvement, and maintenance of the City's streets.

TEA GRANT FUND

Established to account for the revenues from transportation efficiency act grant projects.

COMMUNITY DEVELOPMENT BLOCK GRANT FUND

Established to account for federal grant monies received from the U.S. Department of Housing and Urban Development (HUD) for Community Development Block Grants.

LANDSCAPING DISTRICT FUND

Established to account for transactions of the City's landscaping benefit assessment districts.

RESIDENTIAL AND COMMERCIAL REHABILITATION LOAN FUND

Used to account for Department of Housing and Urban Development Fund (HUD) trust monies which are used for low interest loans to qualified borrowers for inner city rehabilitation projects in accordance with HUD agreements.

NONMAJOR GOVERNMENTAL FUNDS (Continued)

SPECIAL REVENUE FUNDS (Continued)

SOUTH COUNTY FIRE AUTHORITY FUND

This fund was established to account for revenues and liabilities of the Authority, which is a Joint Powers Agreement between the City and the Tracy Rural Fire District. The Authority is responsible for fire prevention and suppression in parts of the City and in surrounding unincorporated areas.

TRAFFIC CONGESTION RELIEF FUND

Established to account for revenues received from the Sate of California under AB2928. AB2928 is to fund local streets and roads maintenance, rehabilitation, and reconstruction projects according to the State's Traffic Congestion Relief Plan.

COMMUNITY ACCESS CTV FUND

Used to account for fees collected from City cable TV customers to cover expenses for videotaping and broadcasting the City Council meetings.

GROW TRACY FUND

To establish a fund to assist local business owners through the issuance of small business loans.

DEBT SERVICE FUNDS

2007 LEASE REVENUE BONDS FUND

Established to accumulate funds for the payment of debt service on the lease revenue bonds issued to 1) refund the prior Certificates of Participation and 2) finance the acquisition and construction of a fire station.

PARKS COP FUND

Established to accumulate funds for payment of certificates of participating (COP) principal and interest. This COP provided the resources to purchase the Tracy Community Park as well as other public facilities sites.

2008 LEASE REVENUE BONDS FUND

Established to accumulate funds for the payment of debt service on the 2008 lease revenue bonds that were originally issued to reflect prior certifications of participation and finance construction of certain City facility.

NONMAJOR GOVERNMENTAL FUNDS (Continued)

DEBT SERVICE FUNDS (Continued)

REGIONAL MALL COP DEBT SERVICE FUND

Established to accumulate funds for the payment of debt service on the COPs issued for public infrastructure in the new Regional Mall area. Funds are transferred from the general fund into this fund for this debt service.

CAPITAL PROJECTS FUNDS

RESIDENTIAL SPECIFIC PLAN PROJECTS FUND

Established to account for capital projects financed by fees levied on developers in the City's 1987 Residential Specific Plan area.

NORTH EAST INDUSTRIAL PLAN AREA # 2 FUND

Established to account for capital projects to separate development in the North East Industrial area of the City.

INFILL PROJECTS FUND

Established to account for capital projects financed through capital development fees levied upon developers in the City's infill areas.

I-205 AREA IMPROVEMENTS FUND

Established to account for monies received from the sale of bonds for the purpose of construction of various community facilities within a specific area in the City.

URBAN MANAGEMENT PLAN FACILITIES FUND

Established to account for expenditures for the planning, design, and construction of capital facilities required for new development beyond the current infill, Residential Specific Plan (RSP), and I-205 development.

CAPITAL PROJECTS DEPOSIT FUND

Established to account for monies received from developers, contractors, and other entities for the purpose of reimbursing the City for expenditures incurred in studies, research, etc., regarding their proposed development.

SOUTH MACARTHUR PLAN AREA FUND

Established to account for projects to support development in a specific area of the City financed by assessments and/or development impact fees.

NONMAJOR GOVERNMENTAL FUNDS (Continued)

CAPITAL PROJECTS FUNDS (Continued)

INDUSTRIAL SPECIFIC PLAN SOUTH FUND

Established to account for projects to support development in a specific area of the City financed by assessments and/or development impact fees.

PRESIDIO PLAN AREA FUND

Established to account for projects to support development in a specific area of the City financed by assessments and/or development impact fees.

REDEVELOPMENT OBLIGATIONS FUND

This fund is used to account for CDA grant proceeds used by the City to complete redevelopment projects.

TRACY GATEWAY AREA FUND

Established to account for projects to support development in a specific area of the City financed by assessments and/or development impact fees.

PLAN C FUND

Plan C is a development area of the City which was approved in 1998. Capital development fees levied on developers in this area and the related expenditures are accounted for in this fund

GENERAL PROJECTS FUND

Established to account for capital projects financial through transfers from the general fund.

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CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2012

	Special Revenue Funds			
	Business Improvement District	Asset Forfeiture	Proposition 1B	Transportation Development
Assets				
Cash and investments	$ 7	$ 79,521	$ 10	$ 879
Cash and investments with fiscal agents				
Restricted cash and investments				
Accounts receivable	(1)		1,205,764	509,168
Interest receivable		235	(1,108)	
Due from other funds				
Deposits				
Advances to other funds				
Loans receivable				
Prepaid items		825		
Total Assets	$ 6	$ 80,581	$ 1,204,666	$ 510,047
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ -	$ -	$ -	$ -
Due to other funds	1,160		570,750	510,000
Deposits payable	1,995			
Deferred revenue				
Total Liabilities	3,155		570,750	510,000
Fund Balances:				
Nonspendable				
Prepaid items		825		
Restricted		79,756	633,916	47
Assigned				
Unassigned	(3,149)			
Total Fund Balances (Deficits)	(3,149)	80,581	633,916	47
Total Liabilities and Fund Balances	$ 6	$ 80,581	$ 1,204,666	$ 510,047

Special Revenue Funds				
Proposition K Transportation Tax	State Gas Tax Street	TEA Grant	Community Development Block Grant	Landscaping District
$ 2,161,479	$ 1,672,525	$ 3	$ 11,453	$ 4,045,768
258,444	232,792	442,162	11,352	
6,857	6,542		43	12,605
				49,393
$ 2,426,780	$ 1,911,859	$ 442,165	$ 22,848	$ 4,107,766
$ 767	$ 17,637	$ 75,940	$ 387	$ 168,036
		655,440		
			16,640	
767	17,637	731,380	17,027	168,036
2,426,013	1,894,222		5,821	3,939,730
		(289,215)		
2,426,013	1,894,222	(289,215)	5,821	3,939,730
$ 2,426,780	$ 1,911,859	$ 442,165	$ 22,848	$ 4,107,766

(Continued)

CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2012
(Continued)

	Special Revenue Funds			
	Residential and Commercial Rehabilitation Loan	South County Fire Authority	Traffic Congestion Relief	Community Access CTV
Assets				
Cash and investments	$ 81,096	$ 250,005	$ -	$ 100,658
Cash and investments with fiscal agents				
Restricted cash and investments	113,455			
Accounts receivable		1,789,090		45,525
Interest receivable	252			363
Due from other funds				
Deposits				
Advances to other funds				
Loans receivable				
Prepaid items				
Total Assets	$ 194,803	$ 2,039,095	$ -	$ 146,546
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 5,678	$ 57,841	$ -	$ -
Due to other funds		949,280		
Deposits payable		19,379		
Deferred revenue	27,675	1,789,090		
Total Liabilities	33,353	2,815,590		
Fund Balances:				
Nonspendable				
Prepaid items				
Restricted	161,450			146,546
Assigned				
Unassigned		(776,495)		
Total Fund Balances (Deficits)	161,450	(776,495)		146,546
Total Liabilities and Fund Balances	$ 194,803	$ 2,039,095	$ -	$ 146,546

	Debt Service Funds			
Grow Tracy	2007 Lease Revenue Bonds	Parks COP	2008 Lease Revenue Bonds	Regional Mall COP Debt Service
$ -	$ 89,346	$ -	$ 627,275	$ 1,323,675
	320	(2,188)	2,162	3,912
1,000,000				
$ 1,000,000	$ 89,666	$ (2,188)	$ 629,437	$ 1,327,587
$ -	$ -	$ -	$ -	$ -
1,000,000	89,666		629,437	1,327,587
		(2,188)		
1,000,000	89,666	(2,188)	629,437	1,327,587
$ 1,000,000	$ 89,666	$ (2,188)	$ 629,437	$ 1,327,587

(Continued)

CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2012
(Continued)

	Capital Projects Funds			
	Residential Specific Plan Projects	North East Industrial Plan Area # 2	Infill Projects	I-205 Area Improvements
Assets				
Cash and investments	$ 5,435,346	$ 10,261,766	$ 2,825,206	$ 5,421,164
Cash and investments with fiscal agents		4,363,929		
Restricted cash and investments				
Accounts receivable	2,678		4,050	
Interest receivable	13,903	27,678	6,904	16,385
Due from other funds				
Deposits				
Advances to other funds		1,747,454		
Loans receivable	2,745,000			
Prepaid items			45,000	
Total Assets	$ 8,196,927	$ 16,400,827	$ 2,881,160	$ 5,437,549
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 3	$ 115,358	$ 4,667	$ 177
Due to other funds				
Deposits payable				762,058
Deferred revenue	2,745,000			
Total Liabilities	2,745,003	115,358	4,667	762,235
Fund Balances:				
Nonspendable				
Prepaid items			45,000	
Restricted		16,285,469	2,831,493	4,675,314
Assigned	5,451,924			
Unassigned				
Total Fund Balances (Deficits)	5,451,924	16,285,469	2,876,493	4,675,314
Total Liabilities and Fund Balances	$ 8,196,927	$ 16,400,827	$ 2,881,160	$ 5,437,549

Capital Projects Funds					
Urban Management Plan Facilities	Capital Projects Deposit	South MacArthur Plan Area	Industrial Specific Plan South	Presidio Plan Area	Redevelopment Obligations
$ 3,037,806	$ 3,650,266	$ 8,703,521	$ 3,338,537	$ 5,843,557	$ 3,517
		250,000		5,033	693,561
2,067					
8,236	17,519	26,168	10,071	17,159	
	2,302,700				
$ 3,048,109	$ 5,970,485	$ 8,979,689	$ 3,348,608	$ 5,865,749	$ 697,078
$ 178,706	$ -	$ 950	$ -	$ -	$ 514
175,901	832,265			825,000	3,000
354,607	832,265	950		825,000	3,514
		8,978,739	3,348,608	5,040,749	693,564
2,693,502	5,138,220				
2,693,502	5,138,220	8,978,739	3,348,608	5,040,749	693,564
$ 3,048,109	$ 5,970,485	$ 8,979,689	$ 3,348,608	$ 5,865,749	$ 697,078

(Continued)

CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2012
(Continued)

	Capital Projects Funds			
	Tracy Gateway Area	Plan "C"	General Projects	Total Nonmajor Governmental Funds
Assets				
Cash and investments	$ 3,451,619	$ 20,656,348	$ 2,691,039	$ 85,763,392
Cash and investments with fiscal agents			13,727,014	19,039,537
Restricted cash and investments				113,455
Accounts receivable			11,125	4,514,216
Interest receivable	10,947	59,457		244,422
Due from other funds			1,226,190	3,528,890
Deposits				1,000,000
Advances to other funds				1,747,454
Loans receivable				2,794,393
Prepaid items				45,825
Total Assets	$ 3,462,566	$ 20,715,805	$ 17,655,368	$ 118,791,584
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 2,876	$ 2,190	$ 1,642,600	$ 2,274,327
Due to other funds				2,686,630
Deposits payable			230,573	2,850,171
Deferred revenue				4,578,405
Total Liabilities	2,876	2,190	1,873,173	12,389,533
Fund Balances:				
Nonspendable				
Prepaid items				45,825
Restricted	3,459,690	20,713,615	13,727,014	92,088,446
Assigned			2,055,181	15,338,827
Unassigned				(1,071,047)
Total Fund Balances (Deficits)	3,459,690	20,713,615	15,782,195	106,402,051
Total Liabilities and Fund Balances	$ 3,462,566	$ 20,715,805	$ 17,655,368	$ 118,791,584

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CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2012

	Special Revenue Funds			
	Business Improvement District	Asset Forfeiture	Proposition 1B	Transportation Development
REVENUES:				
Taxes	$ -	$ -	$ -	$ 1,914,594
Licenses, permits, and fees				
Fines and penalties		25,900		
Use of money and property	(5)	327	(7,535)	
Intergovernmental	113,979		1,205,764	
Special assessments				
Contributions				
Other revenues				
Charges for services				
Total Revenues	113,974	26,227	1,198,229	1,914,594
EXPENDITURES:				
Current:				
General government				
Economic development	117,144			
General government				
Non-departmental				33,000
Public safety				
Police		6,650		
Fire				
Public works				
Development and engineering				151,176
Public works				476,500
Capital outlay		15,133	137,255	
Debt service:				
Principal payments				
Interest and fiscal charges				
Total Expenditures	117,144	21,783	137,255	660,676
Excess of Revenues Over (Under) Expenditures	(3,170)	4,444	1,060,974	1,253,918
OTHER FINANCING SOURCES (USES):				
Transfers in				
Total Other Financing Sources (Uses)				
Net Change in Fund Balances Before Extraordinary Items	(3,170)	4,444	1,060,974	1,253,918
EXTRAORDINARY ITEM				
Gain/(Loss) on Transfer of Assets and Liabilities to RDA Successor Trust Funds				
Net Changes in Fund Balances	(3,170)	4,444	1,060,974	1,253,918
Fund Balances (Deficits), July 1, 2011	21	76,137	(427,058)	(1,253,871)
Fund Balances (Deficits), June 30, 2012	$ (3,149)	$ 80,581	$ 633,916	$ 47

Special Revenue Funds				
Proposition K Transportation Tax	State Gas Tax Street	TEA Grant	Community Development Block Grant	Landscaping District
$ 1,039,600	$ -	$ -	$ -	$ -
11,629	9,671		228	18,554
529,162	2,438,952	1,218,288	87,350	
				2,458,818
376				733
1,580,767	2,448,623	1,218,288	87,578	2,478,105
			92,381	
	34,750			76,750
	1,906,883			2,065,140
721,976	803,411	1,089,909		43,911
721,976	2,745,044	1,089,909	92,381	2,185,801
858,791	(296,421)	128,379	(4,803)	292,304
858,791	(296,421)	128,379	(4,803)	292,304
858,791	(296,421)	128,379	(4,803)	292,304
1,567,222	2,190,643	(417,594)	10,624	3,647,426
$ 2,426,013	$ 1,894,222	$ (289,215)	$ 5,821	$ 3,939,730

(Continued)

CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2012
(Continued)

	Special Revenue Funds			
	Residential and Commercial Rehabilitation Loan	South County Fire Authority	Traffic Congestion Relief	Community Access CTV
REVENUES:				
Taxes	$ -	$ -	$ -	$ -
Licenses, permits, and fees				175,856
Fines and penalties				
Use of money and property	924		(3,757)	601
Intergovernmental		4,590,589		
Special assessments				
Contributions				
Other revenues				
Charges for services		174,139		446
Total Revenues	924	4,764,728	(3,757)	176,903
EXPENDITURES:				
Current:				
General government				
Economic development				27,734
General government				51,838
Non-departmental		221,399		17,900
Public safety				
Police				
Fire		6,468,601		
Public works				
Development and engineering				
Public works				
Capital outlay		125,688		5,156
Debt service:				
Principal payments				
Interest and fiscal charges				
Total Expenditures		6,815,688		102,628
Excess of Revenues Over (Under) Expenditures	924	(2,050,960)	(3,757)	74,275
OTHER FINANCING SOURCES (USES):				
Transfers in		250,000	4,405	
Total Other Financing Sources (Uses)		250,000	4,405	
Net Change in Fund Balances Before Extraordinary Items	924	(1,800,960)	648	74,275
EXTRAORDINARY ITEM				
Gain/(Loss) on Transfer of Assets and Liabilities to RDA Successor Trust Funds				
Net Changes in Fund Balances	924	(1,800,960)	648	74,275
Fund Balances (Deficits), July 1, 2011	160,526	1,024,465	(648)	72,271
Fund Balances (Deficits), June 30, 2012	$ 161,450	$ (776,495)	$ -	$ 146,546

Debt Service Funds				
Grow Tracy	2007 Lease Revenue Bonds	Parks COP	2008 Lease Revenue Bonds	Regional Mall COP Debt Service
$ -	$ -	$ -	$ -	$ -
	1,089	(1,907)	6,003	6,664
	1,089	(1,907)	6,003	6,664
	95,000		100,000	
	189,230		1,171,261	
	284,230		1,271,261	
	(283,141)	(1,907)	(1,265,258)	6,664
	284,000		1,289,000	
	284,000		1,289,000	
	859	(1,907)	23,742	6,664
	859	(1,907)	23,742	6,664
1,000,000	88,807	(281)	605,695	1,320,923
$ 1,000,000	$ 89,666	$ (2,188)	$ 629,437	$ 1,327,587

(Continued)

CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2012
(Continued)

	Capital Projects Funds			
	Residential Specific Plan Projects	North East Industrial Plan Area # 2	Infill Projects	I-205 Area Improvements
REVENUES:				
Taxes	$ -	$ -	$ -	$ -
Licenses, permits, and fees				
Fines and penalties				
Use of money and property	(35,715)	(80,315)	9,256	52,602
Intergovernmental				
Special assessments			4,110	349,733
Contributions				818,508
Other revenues				
Charges for services				
Total Revenues	(35,715)	(80,315)	13,366	1,220,843
EXPENDITURES:				
Current:				
General government				
Economic development				
General government				
Non-departmental				
Public safety				
Police				
Fire				
Public works				
Development and engineering	10,000			
Public works				
Capital outlay	5,438	1,188,194	1,330,714	136,470
Debt service:				
Principal payments				
Interest and fiscal charges				
Total Expenditures	15,438	1,188,194	1,330,714	136,470
Excess of Revenues Over (Under) Expenditures	(51,153)	(1,268,509)	(1,317,348)	1,084,373
OTHER FINANCING SOURCES (USES):				
Transfers in				
Total Other Financing Sources (Uses)				
Net Change in Fund Balances Before Extraordinary Items	(51,153)	(1,268,509)	(1,317,348)	1,084,373
EXTRAORDINARY ITEM				
Gain/(Loss) on Transfer of Assets and Liabilities to RDA Successor Trust Funds				
Net Changes in Fund Balances	(51,153)	(1,268,509)	(1,317,348)	1,084,373
Fund Balances (Deficits), July 1, 2011	5,503,077	17,553,978	4,193,841	3,590,941
Fund Balances (Deficits), June 30, 2012	$ 5,451,924	$ 16,285,469	$ 2,876,493	$ 4,675,314

Capital Projects Funds					
Urban Management Plan Facilities	Capital Projects Deposits	South MacArthur Plan Area	Industrial Specific Plan South	Presidio Plan Area	Redevelopment Obligations
$ -	$ -	$ -	$ -	$ -	$ -
14,137	29,800	43,108	27,734	7,751	110,307
					103,854
		610,974	318,484		
729,984	36,677	250,000			
					15,319
744,121	66,477	904,082	346,218	7,751	229,480
					240,026
1,377,146	65,052	206,600	44,917	129,790	3,677,131
1,377,146	65,052	206,600	44,917	129,790	3,917,157
(633,025)	1,425	697,482	301,301	(122,039)	(3,687,677)
(633,025)	1,425	697,482	301,301	(122,039)	(3,687,677)
					(1,876,539)
(633,025)	1,425	697,482	301,301	(122,039)	(5,564,216)
3,326,527	5,136,795	8,281,257	3,047,307	5,162,788	6,257,780
$ 2,693,502	$ 5,138,220	$ 8,978,739	$ 3,348,608	$ 5,040,749	$ 693,564

(Continued)

CITY OF TRACY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2012
(Continued)

	Capital Projects Funds			
	Tracy Gateway Area	Plan "C"	General Projects	Total Nonmajor Governmental Funds
REVENUES:				
Taxes	$ -	$ -	$ -	$ 2,954,194
Licenses, permits, and fees				175,856
Fines and penalties				25,900
Use of money and property	75,176	123,501	1,780	421,608
Intergovernmental			452,933	10,740,871
Special assessments				3,742,119
Contributions			2,960,715	4,795,884
Other revenues			15,221	31,649
Charges for services				174,585
Total Revenues	75,176	123,501	3,430,649	23,062,666
EXPENDITURES:				
Current:				
General government				
Economic development				237,259
General government				51,838
Non-departmental				383,799
Public safety				
Police				6,650
Fire				6,468,601
Public works				
Development and engineering				401,202
Public works				4,448,523
Capital outlay	217,505	1,065,003	6,691,278	19,077,677
Debt service:				
Principal payments				195,000
Interest and fiscal charges				1,360,491
Total Expenditures	217,505	1,065,003	6,691,278	32,631,040
Excess of Revenues Over (Under) Expenditures	(142,329)	(941,502)	(3,260,629)	(9,568,374)
OTHER FINANCING SOURCES (USES):				
Transfers in				1,827,405
Total Other Financing Sources (Uses)				1,827,405
Net Change in Fund Balances Before Extraordinary Items	(142,329)	(941,502)	(3,260,629)	(7,740,969)
EXTRAORDINARY ITEM				
Gain/(Loss) on Transfer of Assets and Liabilities to RDA Successor Trust Funds				(1,876,539)
Net Changes in Fund Balances	(142,329)	(941,502)	(3,260,629)	(9,617,508)
Fund Balances (Deficits), July 1, 2011	3,602,019	21,655,117	19,042,824	116,019,559
Fund Balances (Deficits), June 30, 2012	$ 3,459,690	$ 20,713,615	$ 15,782,195	$ 106,402,051

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CITY OF TRACY
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
BUDGETED NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2012

	Business Improvement District			Asset Forfeiture		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues:						
Taxes	$ -	$ -	$ -	$ -	$ -	$ -
Licenses, permits, and fees						
Fines and penalties				20,000	25,900	5,900
Use of money and property		(5)	(5)		327	327
Intergovernmental		113,979	113,979			
Special assessments	135,000		(135,000)			
Contributions						
Other revenues						
Charges for services						
Total Revenues	135,000	113,974	(21,026)	20,000	26,227	6,227
Expenditures:						
Current:						
General government						
Economic development	135,000	117,144	17,856			
General governmental						
Non-departmental						
Public safety						
Police				28,750	6,650	22,100
Fire						
Public works						
Development and engineering						
Public works						
Intergovernmental						
Capital outlay				15,250	15,133	117
Debt service:						
Principal payments						
Interest and fiscal charges						
Total Expenditures	135,000	117,144	17,856	44,000	21,783	22,217
Excess of revenues over (under) expenditures		(3,170)	(3,170)	(24,000)	4,444	28,444
Other Financing Sources (Uses):						
Transfers in						
Total Other Financing Sources (Uses)						
Net Change in Fund Balances	$ -	(3,170)	$ (3,170)	$ (24,000)	4,444	$ 28,444
Fund Balances (Deficits), July 1, 2011		21			76,137	
Fund Balances (Deficits), June 30, 2012		$ (3,149)			$ 80,581	

Transportation Development			Proposition K Transportation Tax			State Gas Tax Street		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
$ 1,400,000	$ 1,914,594	$ 514,594	$ 980,000	$ 1,039,600	$ 59,600	$ -	$ -	$ -
				11,629	11,629		9,671	9,671
			618,442	529,162	(89,280)	2,194,050	2,438,952	244,902
				376	376			
1,400,000	1,914,594	514,594	1,598,442	1,580,767	(17,675)	2,194,050	2,448,623	254,573
37,000	33,000	4,000				39,000	34,750	4,250
175,000	151,176	23,824						
576,500	476,500	100,000				2,013,500	1,906,883	106,617
				721,976	(721,976)		803,411	(803,411)
788,500	660,676	127,824		721,976	(721,976)	2,052,500	2,745,044	(692,544)
611,500	1,253,918	642,418	1,598,442	858,791	(739,651)	141,550	(296,421)	(437,971)
$ 611,500	1,253,918	$ 642,418	$ 1,598,442	858,791	$ (739,651)	$ 141,550	(296,421)	$ (437,971)
	(1,253,871)			1,567,222			2,190,643	
	$ 47			$ 2,426,013			$ 1,894,222	

(Continued)

CITY OF TRACY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
BUDGETED NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2012
(Continued)

	TEA Grant			Community Development Block Grant		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues:						
Taxes	$ -	$ -	$ -	$ -	$ -	$ -
Licenses, permits, and fees						
Fines and penalties						
Use of money and property					228	228
Intergovernmental	9,944,181	1,218,288	(8,725,893)	461,330	87,350	(373,980)
Special assessments						
Contributions						
Other revenues						
Charges for services						
Total Revenues	9,944,181	1,218,288	(8,725,893)	461,330	87,578	(373,752)
Expenditures:						
Current:						
General government						
Economic development				333,330	92,381	240,949
Administration						
Non-departmental						
Public safety						
Police						
Fire						
Public works						
Development and engineering						
Public works						
Intergovernmental						
Capital outlay		1,089,909	(1,089,909)			
Debt service:						
Principal payments						
Interest and fiscal charges						
Total Expenditures		1,089,909	(1,089,909)	333,330	92,381	240,949
Excess of revenues over (under) expenditures	9,944,181	128,379	(9,815,802)	128,000	(4,803)	(132,803)
Other Financing Sources (Uses):						
Transfers in						
Total Other Financing Sources (Uses)						
Net Change in Fund Balances	$ 9,944,181	128,379	$ (9,815,802)	$ 128,000	(4,803)	$ (132,803)
Fund Balances (Deficits), July 1, 2011		(417,594)			10,624	
Fund Balances (Deficits), June 30, 2012		$ (289,215)			$ 5,821	

Landscaping District			South County Fire Authority			Community Access CTV		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
						160,000	175,856	15,856
90,000	18,554	(71,446)					601	601
2,366,000	2,458,818	92,818	6,713,000	4,590,589	(2,122,411)			
	733	733						
			148,400	174,139	25,739	500	446	(54)
2,456,000	2,478,105	22,105	6,861,400	4,764,728	(2,096,672)	160,500	176,903	16,403
						33,166	27,734	5,432
						58,000	51,838	6,162
88,300	76,750	11,550	199,900	221,399	(21,499)	13,700	17,900	(4,200)
			6,788,445	6,468,601	319,844			
2,229,530	2,065,140	164,390						
	43,911	(43,911)	133,030	125,688	7,342	4,904	5,156	(252)
2,317,830	2,185,801	132,029	7,121,375	6,815,688	305,687	109,770	102,628	7,142
138,170	292,304	154,134	(259,975)	(2,050,960)	(1,790,985)	50,730	74,275	23,545
				250,000	250,000			
				250,000	250,000			
$ 138,170	292,304	$ 154,134	$ (259,975)	(1,800,960)	$ (1,540,985)	$ 50,730	74,275	$ 23,545
	3,647,426			1,024,465			72,271	
	$ 3,939,730			$ (776,495)			$ 146,546	

(Continued)

CITY OF TRACY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
BUDGETED NONMAJOR FUNDS
For the Fiscal Year Ended June 30, 2012
(Continued)

	2007 Lease Revenue Bonds			2008 Lease Revenue Bonds		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues:						
Taxes	$ -	$ -	$ -	$ -	$ -	$ -
Licenses, permits, and fees						
Fines and penalties						
Use of money and property		1,089	1,089		6,003	6,003
Intergovernmental						
Special assessments						
Contributions						
Other revenues						
Charges for services						
Total Revenues		1,089	1,089		6,003	6,003
Expenditures:						
Current:						
General government						
Economic development						
Administration						
Non-departmental						
Public safety						
Police						
Fire						
Public works						
Development and engineering						
Public works						
Intergovernmental						
Capital outlay						
Debt service:						
Principal payments	90,000	95,000	(5,000)	80,000	100,000	(20,000)
Interest and fiscal charges	194,800	189,230	5,570	1,274,500	1,171,261	103,239
Total Expenditures	284,800	284,230	570	1,354,500	1,271,261	83,239
Excess of revenues over (under) expenditures	(284,800)	(283,141)	1,659	(1,354,500)	(1,265,258)	89,242
Other Financing Sources (Uses):						
Transfers in	284,000	284,000		1,289,000	1,289,000	
Total Other Financing Sources (Uses)	284,000	284,000		1,289,000	1,289,000	
Net Change in Fund Balances	$ (800)	859	$ 1,659	$ (65,500)	23,742	$ 89,242
Fund Balances (Deficits), July 1, 2011		88,807			605,695	
Fund Balances (Deficits), June 30, 2012		$ 89,666			$ 629,437	

INTERNAL SERVICE FUNDS

Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis.

The concept of major funds introduced by GASB Statement No. 34 does not extend to internal service funds because they do not do business with outside parties. GASB Statement No. 34 requires that for the Statement of Activities, the net revenues or expenses of each internal service fund be eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Assets.

However, internal service funds are still presented separately in the Fund Financial Statements, including the funds below:

CENTRAL GARAGE FUND

Established to account for the maintenance of the City's fleet of vehicles which services the transportation needs of City departments and divisions.

CENTRAL SERVICES FUND

Established to account for monies received from various funds for postage, telephone, and copying charges.

EQUIPMENT ACQUISITION FUND

Established to account for the replacement of equipment utilized by City departments.

BUILDING MAINTENANCE FUND

Established to account for monies received from various funds for the repair and maintenance of all City owned and operated buildings.

INSURANCE FUND

Established to finance and account for the City's risk management and insurance programs.

CITY OF TRACY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2012

	Central Garage	Central Services	Equipment Acquisition
ASSETS			
Current assets:			
Cash and investments	$ 653,636	$ 260,523	$ 8,123,828
Accounts receivable - net			9,819
Prepaid expenses		14,902	
Total current assets	653,636	275,425	8,133,647
Noncurrent Assets:			
Loans receivable			12,749
Depreciable:			
Buildings	67,824		85,322
Improvements	545,513	9,239	
Equipment	27,704	125,001	22,001,621
Intangibles			698,908
Total depreciable capital assets	641,041	134,240	22,785,851
Less accumulated depreciation	(521,307)	(132,413)	(17,252,711)
Depreciable capital assets, net	119,734	1,827	5,533,140
Total capital assets, net	119,734	1,827	5,533,140
Total Assets	$ 773,370	$ 277,252	$ 13,679,536

Building Maintenance	Insurance	Totals
$ 475,757	$ 1,975,452	$ 11,489,196
		9,819
		14,902
475,757	1,975,452	11,513,917
		12,749
		153,146
		554,752
4,670		22,158,996
		698,908
4,670		23,565,802
(4,670)		(17,911,101)
		5,654,701
		5,654,701
$ 475,757	$ 1,975,452	$ 17,181,367

(Continued)

CITY OF TRACY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2012
(Continued)

	Central Garage	Central Services	Equipment Acquisition
LIABILITIES			
Current Liabilities:			
Accounts payable	$ 13,530	$ 7,483	$ 181,226
Claims and judgments payable			
Capital lease payable			70,293
Compensated absences	9,968	21,801	
Accrued interest payable			1,489
Total current liabilities	23,498	29,284	253,008
Noncurrent Liabilities:			
Compensated absences	3,707	29,116	
Claims and judgments payable			
Total noncurrent liabilities	3,707	29,116	
Total Liabilities	27,205	58,400	253,008
NET ASSETS			
Investment in capital assets, net of related debt	119,734	1,827	5,462,847
Unrestricted	626,431	217,025	7,963,681
Total Net Assets	$ 746,165	$ 218,852	$ 13,426,528

Building Maintenance	Insurance	Totals
$ 45,420	$ 80,591	$ 328,250
	56,247	56,247
		70,293
11,669	7,045	50,483
		1,489
57,089	143,883	506,762
17,498	19,593	69,914
	56,247	56,247
17,498	75,840	126,161
74,587	219,723	632,923
		5,584,408
401,170	1,755,729	10,964,036
$ 401,170	$ 1,755,729	$ 16,548,444

CITY OF TRACY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2012

	Central Garage	Central Services	Equipment Acquisition
Revenues:			
Charges for services	$ 1,304,316	$ 1,361,924	$ 1,193,564
Other revenues	193		
Total Operating Revenues	1,304,509	1,361,924	1,193,564
Expenses:			
Maintenance and operation	1,238,069	1,352,140	56,544
Administration	35,100		
Insurance costs and claims			
Depreciation	37,484	626	1,980,139
Total Expenses	1,310,653	1,352,766	2,036,683
Operating Income (Loss)	(6,144)	9,158	(843,119)
Non-Operating Revenues (Expenses)			
Interest expense			(4,085)
Loss on sale of capital assets			(241,607)
Income (Loss) Before Capital Contributions and Transfers	(6,144)	9,158	(1,088,811)
Capital Contributions			597,337
Change in Net Assets	(6,144)	9,158	(491,474)
Net Assets, July 1, 2011	752,309	209,694	13,918,002
Net Assets, June 30, 2012	$ 746,165	$ 218,852	$ 13,426,528

Building Maintenance	Insurance	Totals
$ 1,069,587	$ 3,295,443	$ 8,224,834
	468,731	468,924
1,069,587	3,764,174	8,693,758
938,015	899,880	4,484,648
40,285		75,385
	2,596,314	2,596,314
		2,018,249
978,300	3,496,194	9,174,596
91,287	267,980	(480,838)
		(4,085)
		(241,607)
91,287	267,980	(726,530)
		597,337
91,287	267,980	(129,193)
309,883	1,487,749	16,677,637
$ 401,170	$ 1,755,729	$ 16,548,444

CITY OF TRACY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2012

	Central Garage	Central Services	Equipment Acquisition
Cash Flows from Operating Activities:			
Receipts from customers/interfund charges	$ 1,304,509	$ 1,364,904	$ 1,184,435
Payments to suppliers and users	(920,517)	(595,556)	124,615
Payments to employees	(371,341)	(777,676)	
Net Cash Provided (Used) by Operating Activities	12,651	(8,328)	1,309,050
Cash flows from Non-Capital Financing Activities:			
Principal on loans receivable			45,214
Net Cash Provided (Used) by Non-Capital Financing Activities			45,214
Cash Flows from Capital and Related Financing Activities:			
Capital contributions			597,337
Principal paid on long-term debt			(67,586)
Interest paid			(5,517)
Acquisitions of capital assets			(1,226,124)
Net Cash Used by Capital and Related Financing Activities			(701,890)
Net Increase (Decrease) in Cash and Cash Equivalents	12,651	(8,328)	652,374
Cash and Cash Equivalents, July 1, 2011	640,985	268,851	7,471,454
Cash and Cash Equivalents, June 30, 2012	$ 653,636	$ 260,523	$ 8,123,828
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	$ (6,144)	$ 9,158	$ (843,119)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	37,484	626	1,980,139
(Increase) Decrease in Operating Assets:			
Accounts receivable		2,980	(9,129)
Prepaid expenses		(8,899)	
Increase (Decrease) in Operating Liabilities:			
Accounts payable	(20,937)	(3,060)	181,159
Compensated absences	2,248	(9,133)	
Net Cash Provided (Used) by Operating Activities	$ 12,651	$ (8,328)	$ 1,309,050

Building Maintenance	Insurance	Totals
$ 1,069,587	$ 3,764,174	$ 8,687,609
(464,241)	(3,036,678)	(4,892,377)
(484,048)	(440,167)	(2,073,232)
121,298	287,329	1,722,000
		45,214
		45,214
		597,337
		(67,586)
		(5,517)
		(1,226,124)
		(701,890)
121,298	287,329	1,065,324
354,459	1,688,123	10,423,872
$ 475,757	$ 1,975,452	$ 11,489,196
$ 91,287	$ 267,980	$ (480,838)
		2,018,249
		(6,149)
		(8,899)
24,234	35,173	216,569
5,777	(15,824)	(16,932)
$ 121,298	$ 287,329	$ 1,722,000

PRIVATE-PURPOSE TRUST FUNDS

Private-Purpose Trust Funds are fiduciary funds that include a statement of net assets and statement of changes in net assets. These funds are used to account for assets held by the City as trustee for the Successor Agency to the Community Development Agency of the City of Tracy. The trust funds are custodial in nature and do not involve measurement of results of operations, however, they do use the full accrual basis of accounting to recognize receivables and payables.

Private-purpose trust funds arepresented separately in the Fund Financial Statements, including the funds below:

DOWNTOWN PROJECTS FUND

Established to account for the activities of the Successor Agency which relate to ongoing Downtown Projects.

CDA SUCCESSOR AGENCY FUND

The CDA Successor Agency Fund accounts for other current activities of the Successor Agency.

REDEVELOPMENT OBLIGATIONS FUND

The Redevelopment Obligations Fund accounts for activity related to enforceable obligations of the Successor Agency.

CITY OF TRACY
PRIVATE-PURPOSE TRUST FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2012

	Downtown Projects	CDA Successor Agency	Redevelopment Obligations Funds	Total
ASSETS				
Cash and investments	$ 2,003,137	$ 841,408	$ 1,151,589	$ 3,996,134
Cash and investments with fiscal agents		3,776,747		3,776,747
Restricted cash and investments		3,449,903		3,449,903
Accounts receivable		401,267		401,267
Interest receivable	2,337	17,259	4,391	23,987
Deferred charges, net of accumulated amortization		3,103,548		3,103,548
Capital assets, not being depreciated		2,581,457		2,581,457
Capital assets, being depreciated, net of accumulated depreciation		850,479		850,479
Total Assets	2,005,474	15,022,068	1,155,980	18,183,522
LIABILITIES				
Accounts payable		251		251
Accrued interest payable		811,362		811,362
Deposits payable				
Unearned revenue			1,143,472	1,143,472
Noncurrent liabilities:				
Due within one year		1,245,000		1,245,000
Due in more than one year		49,078,520		49,078,520
Total Liabilities		51,135,133	1,143,472	52,278,605
NET ASSETS				
Unrestricted	2,005,474	(36,113,065)	12,508	(34,095,083)
Total Net assets	$ 2,005,474	$ (36,113,065)	$ 12,508	$ (34,095,083)

CITY OF TRACY
PRIVATE-PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2012

	Downtown Projects	CDA Successor Agency	Redevelopment Obligations Funds	Total
Additions:				
Investment revenue	$ -	$ 80,610	$ 12,508	$ 93,118
Net assets received upon dissolution of redevelopment agency	1,876,539	(33,765,216)		(31,888,677)
Other revenues	250,000			250,000
Total additions	2,126,539	(33,684,606)	12,508	(31,545,559)
Deductions:				
Administration	121,065			121,065
Depreciation		40,500		40,500
Interest expenses		2,137,959		2,137,959
Pass-through payments		250,000		250,000
Total deductions	121,065	2,428,459		2,549,524
Change in net assets	2,005,474	(36,113,065)	12,508	(34,095,083)
Net Assets July 1, 2011				
Net Assets, June 30, 2012	$ 2,005,474	$ (36,113,065)	$ 12,508	$ (34,095,083)

AGENCY FUNDS

GASB Statement No. 34 requires that Agency Funds, the only fiduciary funds the City has, be presented separately from the Government-wide and Fund Financial Statements.

Agency Funds account for assets held by the City as an agent for individuals, government entities, and non-public organizations. These funds include the following:

87-3 ASSESSMENT FUND

Established to account for the assets held on behalf of the 87-3 Assessment District property owners until they are remitted to the bond trustee.

84-1 ASSESSMENT DISTRICT FUND

Established to account for the assets held on behalf of the 84-1 Assessment District property owners until they are remitted to the bond trustee.

89-1 COMMUNITY FACILITIES DISTRICT FUND

Established to account for the assets held on behalf of the 89-1 Community Facilities District property owners until they are remitted to the bond trustee.

94-1 ASSESSMENT DISTRICT FUND

Established to account for the assets held on behalf of the 94-1 Community Facilities District property owners until they are remitted to the bond trustee.

93-1 COMMUNITY FACILITIES DISTRICT FUND

Established to account for the assets held on behalf of the 93-1 Community Facilities District property owners until they are remitted to the bond trustee.

98-1 COMMUNITY FACILITIES DISTRICT FUND

Established to account for the assets held on behalf of the 98-1 Community Facilities District property owners until they are remitted to the bond trustee.

98-3 COMMUNITY FACILITIES DISTRICT FUND

Established to account for the assets held on behalf of the 98-3 Community Facilities District Property owners until they are remitted to the bond trustee.

98-4 ASSESSMENT DISTRICT FUND

Established to account for the assets held on behalf of the 98-4 Community Facilities District property owners until they are remitted to the bond trustee.

99-1 COMMUNITY FACILITIES DISTRICT FUND

Established to account for the assets held on behalf of the 99-1 Community Facilities District property owners until they are remitted to the bond trustee.

AGENCY FUNDS (Continued)

99-2 COMMUNITY FACILITIES DISTRICT FUND

Established to account for the assets held on behalf of the 99-2 Community Facilities District property owners until they are remitted to the bond trustee.

2000-01 ASSESSMENT DISTRICT FUND

Established to account for the assets held on behalf of the 2000-01 Assessment District property owners until they are remitted to the bond trustee.

2000-02 ASSESSMENT DISTRICT FUND

Established to account for the assets held on behalf of the 2000-02 Assessment District property owners until they are remitted to the bond trustee.

2006-01 NE INDUSTRIAL # 2 FUND

Established to account for the assets held on behalf of the 2006-01 Assessment District property owners until they are remitted to the bond trustee.

1999 I205 RESIDENTIAL REASSESSMENT DISTRICT FUND

Established to account for the assets held on behalf of the 93-2, 95-1, 96-1, 97-1, and 97-2 Assessment District property owners until they are remitted to the bond trustee.

2000-03 ASSESSMENT DISTRICT FUND

Established to account for the assets held on behalf of the 2000-03 Assessment District property owners until they are remitted to the bond trustee.

2003-01 ASSESSMENT DISTRICT FUND

Established to account for the assets held on behalf of the 2003-01 Assessment District property owners until they are remitted to the bond trustee.

CULTURAL ARTS FUND

Established to account for deposits received for cultural arts projects within the City.

REGIONAL TRANSPORTATION IMPACT FUND

Established to account for transportation impact fees collected by the City and which are to be used for transportation mitigation purposes.

MEDICAL LEAVE BANK FUND

Established to account for amounts deposited from employees converted sick leave.

POSTEMPLOYMENT BENEFIT TRUST

Established to account for contributions on behalf of employees for postemployment benefits.

CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2012

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
87-3 Assessment District				
Assets:				
Cash and investments	$ 730,041	$ 1,473,614	$ (2,195,767)	$ 7,888
Cash and investments with fiscal agents	3,085,611	4,776	(3,090,387)	
Interest receivable	5,623		(6,592)	(969)
Total assets	$ 3,821,275	$ 1,478,390	$ (5,292,746)	$ 6,919
Liabilities				
Due to assessment district bondholders	$ 3,821,275	$ 1,478,390	$ (5,292,746)	$ 6,919
Total liabilities	$ 3,821,275	$ 1,478,390	$ (5,292,746)	$ 6,919
84-1 Assessment District				
Assets:				
Interest receivable	$ (1,355)	$ -	$ (9,218)	$ (10,573)
Total assets	$ (1,355)	$ -	$ (9,218)	$ (10,573)
Liabilities				
Due to assessment district bondholders	$ (1,355)	$ -	$ (9,218)	$ (10,573)
Total liabilities	$ (1,355)	$ -	$ (9,218)	$ (10,573)

(Continued)

CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2012
(Continued)

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
89-1 Community Facilities District				
Assets:				
Cash and investments	$ 3,259,678	$ 7,276,977	$ (7,634,351)	$ 2,902,304
Cash and investments with fiscal agents	1,762,530	7,643,903	(6,990,103)	2,416,330
Interest receivable	13,734	8,701	(13,734)	8,701
Total assets	$ 5,035,942	$ 14,929,581	$ (14,638,188)	$ 5,327,335
Liabilities				
Due to assessment district bondholders	$ 5,035,942	$ 14,929,581	$ (14,638,188)	$ 5,327,335
Total liabilities	$ 5,035,942	$ 14,929,581	$ (14,638,188)	$ 5,327,335
94-1 Assessment District				
Assets:				
Cash and investments	$ 494,132	$ 165,502	$ (378,847)	$ 280,787
Cash and investments with fiscal agents	636,929	383,052	(152,264)	867,717
Interest receivable	1,853	748	(1,853)	748
Total assets	$ 1,132,914	$ 549,302	$ (532,964)	$ 1,149,252
Liabilities				
Due to assessment district bondholders	$ 1,132,914	$ 549,302	$ (532,964)	$ 1,149,252
Total liabilities	$ 1,132,914	$ 549,302	$ (532,964)	$ 1,149,252

(Continued)

CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2012
(Continued)

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
93-1 Community Facilities District				
Assets:				
Cash and investments	$ 2,671,172	$ 174,334	$ (326,129)	$ 2,519,377
Cash and investments with fiscal agents	779,789	329,984	(63,836)	1,045,937
Interest receivable	12,765	7,404	(12,765)	7,404
Total assets	$ 3,463,726	$ 511,722	$ (402,730)	$ 3,572,718
Liabilities				
Due to assessment district bondholders	$ 3,463,726	$ 511,722	$ (402,730)	$ 3,572,718
Total liabilities	$ 3,463,726	$ 511,722	$ (402,730)	$ 3,572,718
98-1 Community Facilities District				
Assets:				
Cash and investments	$ 3,088,705	$ 4,491,902	$ (6,796,792)	$ 783,815
Cash and investments with fiscal agents	36,427	6,796,792	(4,595,274)	2,237,945
Interest receivable	7,376	1,698	(7,376)	1,698
Total assets	$ 3,132,508	$ 11,290,392	$ (11,399,442)	$ 3,023,458
Liabilities				
Due to assessment district bondholders	$ 3,132,508	$ 11,290,392	$ (11,399,442)	$ 3,023,458
Total liabilities	$ 3,132,508	$ 11,290,392	$ (11,399,442)	$ 3,023,458

(Continued)

CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2012
(Continued)

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
98-3 Community Facilities District				
Assets:				
Cash and investments	$ 118,294	$ 383,747	$ (425,707)	$ 76,334
Cash and investments with fiscal agents	1,275,903	425,707	(144,794)	1,556,816
Interest receivable	81	277	(81)	277
Total assets	$ 1,394,278	$ 809,731	$ (570,582)	$ 1,633,427
Liabilities				
Due to assessment district bondholders	$ 1,394,278	$ 809,731	$ (570,582)	$ 1,633,427
Total liabilities	$ 1,394,278	$ 809,731	$ (570,582)	$ 1,633,427
98-4 Assessment District				
Assets:				
Cash and investments	$ 128,994	$ -	$ (104,765)	$ 24,229
Cash and investments with fiscal agents	265,380	1,831,146	(2,096,526)	
Interest receivable	356	30	(356)	30
Total assets	$ 394,730	$ 1,831,176	$ (2,201,647)	$ 24,259
Liabilities				
Accounts payable	$ -	$ 1,800	$ -	$ 1,800
Due to assessment district bondholders	394,730	1,829,376	(2,201,647)	22,459
Total liabilities	$ 394,730	$ 1,831,176	$ (2,201,647)	$ 24,259

(Continued)

CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2012
(Continued)

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
99-1 Community Facilities District				
Assets:				
Cash and investments	$ 652,657	$ 347,913	$ (684,694)	$ 315,876
Cash and investments with fiscal agents	1,014,940	1,117,845	(735,715)	1,397,070
Interest receivable	1,337	971	(1,337)	971
Total assets	$ 1,668,934	$ 1,466,729	$ (1,421,746)	$ 1,713,917
Liabilities				
Due to assessment district bondholders	$ 1,668,934	$ 1,466,729	$ (1,421,746)	$ 1,713,917
Total liabilities	$ 1,668,934	$ 1,466,729	$ (1,421,746)	$ 1,713,917
99-2 Community Facilities District				
Assets:				
Cash and investments	$ 497,069	$ -	$ (425,051)	$ 72,018
Cash and investments with fiscal agents	1,409,698	11,627,683	(13,037,389)	(8)
Interest receivable	766	139	(766)	139
Total assets	$ 1,907,533	$ 11,627,822	$ (13,463,206)	$ 72,149
Liabilities				
Due to assessment district bondholders	$ 1,907,533	$ 11,627,822	$ (13,463,206)	$ 72,149
Total liabilities	$ 1,907,533	$ 11,627,822	$ (13,463,206)	$ 72,149

(Continued)

CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2012
(Continued)

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
2000-01 Assessment District				
Assets:				
Cash and investments	$ 593,107	$ 10,748	$ (441,025)	$ 162,830
Cash and investments with fiscal agents	175,172	730,315	(261,993)	643,494
Interest receivable	61	607	(61)	607
Total assets	$ 768,340	$ 741,670	$ (703,079)	$ 806,931
Liabilities				
Due to assessment district bondholders	$ 768,340	$ 741,670	$ (703,079)	$ 806,931
Total liabilities	$ 768,340	$ 741,670	$ (703,079)	$ 806,931
2000-02 Assessment District				
Assets:				
Cash and investments	$ (2,859)	$ -	$ (39,221)	$ (42,080)
Cash and investments with fiscal agents	106,874	75,291	(182,165)	
Total assets	$ 104,015	$ 75,291	$ (221,386)	$ (42,080)
Liabilities				
Accounts payable	$ -	$ 1,800	$ -	$ 1,800
Due to assessment district bondholders	104,015	73,491	(221,386)	(43,880)
Total liabilities	$ 104,015	$ 75,291	$ (221,386)	$ (42,080)

(Continued)

CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2012
(Continued)

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
2006-01 NE Industrial # 2				
Assets:				
Cash and investments	$ 357,476	$ 357,167	$ (723,138)	$ (8,495)
Cash and investments with fiscal agents	1,839,262	939,303	(438,724)	2,339,841
Interest receivable	447		(524)	(77)
Total assets	$ 2,197,185	$ 1,296,470	$ (1,162,386)	$ 2,331,269
Liabilities				
Due to assessment district bondholders	$ 2,197,185	$ 1,296,470	$ (1,162,386)	$ 2,331,269
Total liabilities	$ 2,197,185	$ 1,296,470	$ (1,162,386)	$ 2,331,269
1999 I205 Residential Reassessment District				
Assets:				
Cash and investments	$ 1,037,869	$ 395,536	$ (897,370)	$ 536,035
Cash and investments with fiscal agents	1,515,093	1,461,036	(879,061)	2,097,068
Interest receivable	3,721	1,395	(3,721)	1,395
Total assets	$ 2,556,683	$ 1,857,967	$ (1,780,152)	$ 2,634,498
Liabilities				
Due to assessment district bondholders	$ 2,556,683	$ 1,857,967	$ (1,780,152)	$ 2,634,498
Total liabilities	$ 2,556,683	$ 1,857,967	$ (1,780,152)	$ 2,634,498

(Continued)

CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2012
(Continued)

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
2000-03 Assessment District				
Assets:				
Cash and investments	$ 36,126	$ 256	$ -	$ 36,382
Interest receivable	181	108	(181)	108
Total assets	$ 36,307	$ 364	$ (181)	$ 36,490
Liabilities				
Due to assessment district bondholders	$ 36,307	$ 364	$ (181)	$ 36,490
Total liabilities	$ 36,307	$ 364	$ (181)	$ 36,490
2003-01 Assessment District				
Assets:				
Cash and investments	$ 21,875	$ 25,387	$ (67,384)	$ (20,122)
Cash and investments with fiscal agents	108,921	112,019	(69,841)	151,099
Interest receivable	3		(3)	
Total assets	$ 130,799	$ 137,406	$ (137,228)	$ 130,977
Liabilities				
Deposits payable	$ 5,818	$ -	$ -	$ 5,818
Due to assessment district bondholders	124,981	137,406	(137,228)	125,159
Total liabilities	$ 130,799	$ 137,406	$ (137,228)	$ 130,977

(Continued)

CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2012
(Continued)

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Cultural Arts				
Assets:				
Cash and investments	$ -	$ 2,896		$ 2,896
Total assets	$ -	$ 2,896	$ -	$ 2,896
Liabilities				
Deposits	$ -	$ 2,896		$ 2,896
Total liabilities	$ -	$ 2,896	$ -	$ 2,896
Regional Transportation Impact				
Assets:				
Cash and investments	$ 1,635,390	$ 75,170	$ -	$ 1,710,560
Total assets	$ 1,635,390	$ 75,170	$ -	$ 1,710,560
Liabilities				
Deposits	$ 1,635,390	$ 75,170		$ 1,710,560
Total liabilities	$ 1,635,390	$ 75,170	$ -	$ 1,710,560
Medical Leave Bank				
Assets:				
Cash and investments	$ 1,658,659	$ -	$ (288,867)	$ 1,369,792
Total assets	$ 1,658,659	$ -	$ (288,867)	$ 1,369,792
Liabilities				
Accounts payable	$ 580	$ -	$ (580)	$ -
Deposits	1,658,079		(288,287)	1,369,792
Total liabilities	$ 1,658,659	$ -	$ (288,867)	$ 1,369,792

(Continued)

CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2012
(Continued)

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Post Employment Benefit Trust				
Assets:				
Cash and investments	$ (25,975)	$ 21,393	$ -	$ (4,582)
Accounts receivable	25,975	16,447	(25,975)	16,447
Total assets	$ -	$ 37,840	$ (25,975)	$ 11,865
Liabilities				
Deposits	$ -	$ 37,840	$ (25,975)	$ 11,865
Total liabilities	$ -	$ 37,840	$ (25,975)	$ 11,865
2011 TOP JPA Revenue Bonds				
Assets:				
Cash and investments with fiscal agents	$ -	$ 38,511,767	$ (36,303,176)	$ 2,208,591
Total assets	$ -	$ 38,511,767	$ (36,303,176)	$ 2,208,591
Liabilities				
Due to assessment district bondholders	$ -	$ 38,511,767	$ (36,303,176)	$ 2,208,591
Total liabilities	$ -	$ 38,511,767	$ (36,303,176)	$ 2,208,591

(Continued)

CITY OF TRACY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2012
(Continued)

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Totals - All Agency Funds				
Assets:				
Cash and investments	$ 16,952,410	$ 15,202,542	$ (21,429,108)	$ 10,725,844
Cash and investments with fiscal agents	14,012,529	71,990,619	(69,041,248)	16,961,900
Accounts receivable	25,975	16,447	(25,975)	16,447
Interest receivable	46,949	22,078	(58,568)	10,459
Total assets	$ 31,037,863	$ 87,231,686	$ (90,554,899)	$ 27,714,650
Liabilities				
Accounts payable	$ 580	$ 3,600	$ (580)	$ 3,600
Deposits payable	3,299,287	115,906	(314,262)	3,100,931
Due to assessment district bondholders	27,737,996	87,112,180	(90,240,057)	24,610,119
Total liabilities	$ 31,037,863	$ 87,231,686	$ (90,554,899)	$ 27,714,650

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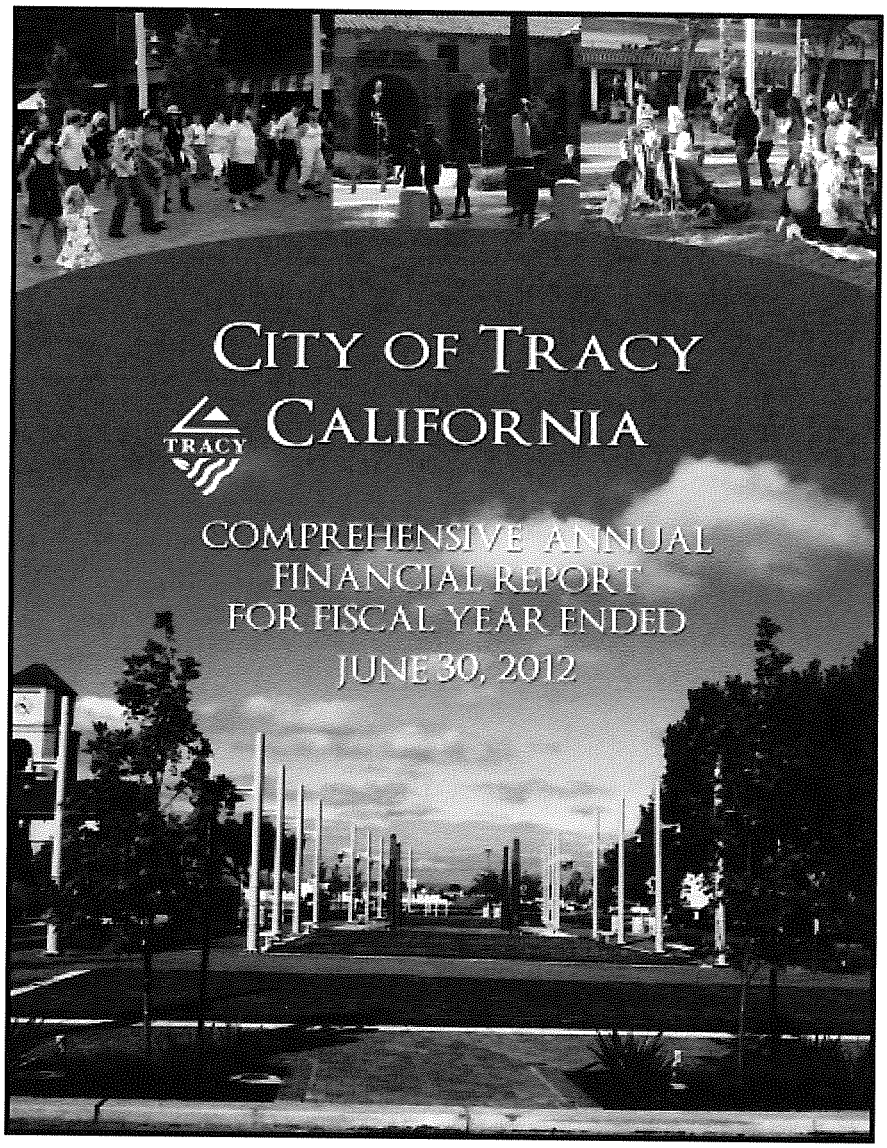
Statistical Section



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CITY OF TRACY
Summary of Statistical Section Pages
June 30, 2012

Statistical Section

This part of the City of Tracy's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents | Page

Financial Trends 164

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity 167

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity 179

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information 185

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information 189

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the City's comprehensive annual financial reports for the year ended June 30, 2012. The City implemented GASB Statement No. 34 during 1999-2000 fiscal year; schedules presenting government-wide information include information beginning in 2002.

FINANCIAL TRENDS

CITY OF TRACY
NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(In thousands)

	Fiscal years ended June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
	(in thousands 000s)									
Governmental activities										
Invested in capital assets, net of related debt	$ 510,323	$ 490,053	$ 463,949	$ 448,841	$ 451,849	$ 396,124	$ 357,579	$ 371,908	$ 298,323	$ 306,381
Restricted	105,425	118,367	120,961	157,162	134,092	135,593	139,007	62,021	143,948	146,313
Unrestricted	32,898	33,347	46,711	34,330	45,861	42,395	15,645	79,527	41,927	25,546
Total governmental activities net assets	648,646	641,767	631,621	640,333	631,802	574,112	512,231	513,456	484,198	478,240
Business-type activities:										
Invested in capital assets, net of related debt	340,536	345,554	340,944	346,861	352,609	353,095	339,971	288,340	223,792	175,878
Restricted	232	227	222	183	244	555	3,344	31,249	766	1,513
Unrestricted	29,148	40,621	46,123	38,826	34,303	25,827	25,174	5,240	73,175	50,342
Total business-type activities	369,916	386,402	387,289	385,870	387,156	379,477	368,489	324,829	297,733	227,733
Primary government:										
Invested in capital assets, net of related debt	850,859	835,607	804,893	795,702	804,458	749,219	697,550	660,248	522,115	482,259
Restricted	105,657	118,594	121,183	157,345	134,336	136,148	142,351	93,270	144,714	147,826
Unrestricted	62,046	73,968	92,834	73,156	80,164	68,222	40,819	84,767	115,102	75,888
Total primary government	$ 1,018,562	$ 1,028,169	$ 1,018,910	$ 1,026,203	$ 1,018,958	$ 953,589	$ 880,720	$ 838,285	$ 781,931	$ 705,973

Note - The City began to report accrual information when it implemented GASB 34 in the fiscal year 1999-2000.

Source: City of Tracy, Finance and Administrative Services Department:

CITY OF TRACY
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

	Fiscal Years Ended June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
	(in thousands 000s)									
Expenses:										
Governmental activities:										
General government	$ 6,283	$ 18,296	$ 7,384	$ 9,195	$ 7,183	$ 6,391	$ 7,432	$ 6,698	$ 9,771	$ 7,410
Public safety	37,602	35,509	36,567	36,663	35,074	30,178	28,434	26,684	23,660	20,699
Public works	52,418	24,371	21,855	29,492	24,661	29,391	24,821	20,952	79,722	24,083
Culture and leisure	5,097	5,143	12,202	9,159	7,502	3,929	3,760	4,119	3,607	3,070
Interest on long-term debt	1,925	4,121	4,063	4,201	3,548	4,084	3,994	3,626	4,306	3,008
Unallocated depreciation	566	617	631	295	820	649	506	860	-	-
Total Governmental Activities Expenses	103,891	88,057	82,702	89,005	78,788	74,622	68,947	62,939	121,066	58,270
Business-type Activities:										
Water	22,295	21,229	19,580	19,173	18,786	16,106	16,029	9,363	10,076	8,266
Sewer	18,980	17,133	14,874	15,380	11,415	9,639	10,281	8,987	8,624	7,309
Airport	686	705	912	742	542	666	592	471	388	408
Solid waste	18,585	17,473	16,962	17,893	17,088	16,492	16,367	15,604	13,452	11,916
Transit	2,436	2,291	1,733	1,277	1,531	1,499	1,438	381	1,361	913
Drainage	3,351	3,402	2,618	2,646	3,486	3,247	3,957	978	854	762
Total Business-Type Activities	66,333	62,233	56,679	57,111	52,848	47,649	48,664	35,784	34,755	29,574
Total Primary Government Expenses	$ 170,224	$ 150,290	$ 139,381	$ 146,116	$ 131,636	$ 122,271	$ 117,611	$ 98,723	$ 155,821	$ 87,844
Program revenues:										
Governmental activities:										
Charges for Services:										
Development fees	$ 1,617	$ 1,805	$ 6,925	$ 8,840	$ 5,289	$ 4,700	$ 5,281	$ 4,030	$ 5,538	$ 7,711
Other public works	5,204	3,800	4,401	3,983	26,478	7,660	8,660	5,380	3,611	52
Parks and community services	789	757	1,208	1,065	1,206	1,480	3,621	973	804	619
Other activities	2,566	2,634	4,143	3,778	1,457	2,281	1,008	1,064	1,693	658
Operating grants and contributions	9,482	10,065	9,305	12,766	13,091	11,800	12,621	8,666	5,457	10,492
Capital grants and contributions	15,527	19,080	11,069	12,965	24,426	49,554	19,936	27,450	74,462	99,521
Total Governmental Activities Program Revenues	35,185	38,141	37,051	43,397	71,947	77,475	51,127	47,563	91,565	119,053
Business-type Activities:										
Charges for Services:										
Water	14,433	14,641	13,693	15,833	15,305	13,654	12,472	11,723	12,867	11,235
Sewer	11,480	12,032	11,490	11,661	12,513	12,115	8,471	7,805	7,023	5,594
Airport	375	342	373	257	281	265	272	278	221	216
Solid waste	18,852	16,321	17,320	16,774	17,950	15,006	15,147	13,937	14,402	12,669
Transit	822	899	1,295	940	92	1,231	109	113	92	74
Drainage	564	553	556	541	563	545	535	491	465	432
Operating grants and contributions	-	-	-	20	1,774	865	1,038	1,763	1,367	753
Capital grants and contributions	2,801	3,678	6,132	9,161	10,992	13,119	10,063	24,897	55,033	12,443
Total Business-Type Activities Program Revenues	49,327	48,466	50,859	55,187	59,470	56,800	48,107	61,007	91,470	43,416
Total Primary Government Program Revenues	$ 84,512	$ 86,607	$ 87,910	$ 98,584	$ 131,417	$ 134,275	$ 99,234	$ 108,570	$ 183,035	$ 162,469

CITY OF TRACY
CHANGES IN NET ASSETS (Continued)
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

	Fiscal Years Ended June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
	(in thousands 000s)									
Net (expense)/revenue										
Governmental activities	$ (68,706)	$ (49,916)	$ (45,651)	$ (45,608)	$ (6,841)	$ 2,853	$ (17,820)	$ (15,376)	$ (29,498)	$ 60,784
Business-type activities	(17,006)	(13,767)	(5,820)	(1,924)	6,622	9,149	(557)	25,223	56,715	13,841
Total primary government net (expense) revenue	(85,712)	(63,683)	(51,471)	(47,532)	(219)	12,002	(18,377)	9,847	27,217	74,625
General revenues and other changes in net assets										
Governmental activities:										
Taxes:										
Property taxes	18,527	22,533	24,013	29,324	31,160	23,859	24,613	17,616	15,886	14,155
Franchise taxes	2,443	2,474	2,223	2,138	1,991	2,010	1,808	1,700		
Sales and use taxes	18,422	11,408	9,225	10,964	12,407	13,053	12,587	12,162	11,944	9,723
Other taxes	1,702	1,621	1,604	1,886	4,321	2,373	2,979	1,578	5,362	2,819
Unrestricted motor vehicle in lieu	41	376	240	277	360	6,228	437	5,665	3,185	3,759
Investment earnings	801	1,280	4,840	9,023	12,016	10,406	7,934	5,738	2,576	9,608
Miscellaneous	1,760	1,663	449	527	2,275	1,098	930	175	2,760	4,240
Transfers		(384)	(5,563)			1			545	(1,285)
Gain on Transfer of assets	31,889									
Total governmental activities	75,585	40,971	37,031	54,139	64,530	59,028	51,288	44,634	42,258	43,019
Business-type activities:										
Interest earnings	520	109	1,676	633	1,038	1,796	1,865	1,220	(271)	2,388
Miscellaneous			-	5	19			652	364	
Transfers		385	5,563			(1)			(545)	1,285
Total business-type activities	520	494	7,239	638	1,057	1,795	1,865	1,872	(452)	3,673
Total primary government	76,105	41,465	44,270	54,777	65,587	60,823	53,153	46,506	41,806	46,692
Change in net assets										
Governmental activities	6,879	(8,945)	(8,620)	8,531	57,689	61,881	33,469	29,258	12,760	103,803
Business-type activities	(16,486)	(13,273)	1,419	(1,286)	7,679	10,944	1,308	27,095	56,263	17,514
Total primary government	$ (9,607)	$ (22,218)	$ (7,201)	$ 7,245	$ 65,368	$ 72,825	$ 34,777	$ 56,353	$ 69,023	$ 121,317

Note - The City began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 1999-2000.
In 2004-2005 the City reported its depreciation on infrastructure as unallocated instead of public works.

CITY OF TRACY
PROGRAM REVENUES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

	Fiscal Years Ended June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
	(in thousands 000s)									
Function/Program										
Governmental activities:										
General government	$ 2,682	$ 9,871	$ 4,035	$ 3,590	$ 924	$ 1,722	$ 484	$ 1,073	$ 1,121	$ 215
Police	1,390	1,365	1,513	1,984	1,422	1,760	1,691	1,380	743	1,122
Fire	4,765	6,302	6,386	10,372	7,506	7,648	5,635	4,678	3,997	3,192
Development and engineering	1,974	2,148	16,700	14,287	5,477	5,945	7,969	17,832	5,699	8,862
Public works	23,224	17,397	5,817	11,460	53,382	55,183	29,807	18,522	77,719	103,443
Parks, recreation, and community services	1,150	1,058	2,009	1,114	2,645	4,662	4,950	3,488	1,907	2,219
Interest in long-term debt		-	591	590	591	592	591	591	-	-
Subtotal governmental activities	35,185	38,141	37,051	43,397	71,947	77,512	51,127	47,564	91,186	119,053
Business-type activities:										
Water	14,501	14,658	15,534	16,859	19,044	16,050	12,487	17,230	61,390	16,410
Sewer	12,669	14,766	11,494	13,113	16,150	14,934	17,108	24,414	13,511	9,825
Solid waste	18,858	16,321	17,330	16,774	17,950	15,006	15,168	13,937	14,424	24,585
Airport	417	402	730	277	897	386	615	488	251	249
Transit	2,018	1,677	4,871	7,386	3,029	3,232	2,194	3,271	1,429	674
Drainage	864	640	900	777	2,400	7,190	535	1,667	465	3,589
Subtotal business-type activities	49,327	48,464	50,859	55,186	59,470	56,798	48,107	61,007	91,470	55,332
Total primary government	$ 84,512	$ 86,605	$ 87,910	$ 98,583	$ 131,417	$ 134,310	$ 99,234	$ 108,571	$ 182,656	$ 174,385

CITY OF TRACY
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	Fiscal Years Ended June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
	(in thousands 000s)									
General Fund:										
Reserved		$ -	$ 1,359	$ 1,218	$ 1,386	$ 1,755	$ 1,028	$ 762	$ 911	$ 1,359
Unreserved			17,626	16,705	17,193	17,356	19,471	19,038	18,905	15,323
Nonspendable	791	820								
Restricted	445	613								
Committed										
Assigned	22	2,198								
Unassigned	25,676	23,356								
Total general fund	$ 26,934	$ 26,987	$ 18,985	$ 17,923	$ 18,579	$ 19,111	$ 20,499	$ 19,800	$ 19,816	$ 16,682
All other governmental funds										
Reserved		$ -	$ 44,708	$ 38,366	$ 33,226	$ 42,960	$ 49,991	$ 29,795	$ 36,812	$ 21,578
Unreserved reported in:										
Special revenue funds			20,890	33,100	35,121	30,971	27,491	16,983	12,255	11,105
Capital projects funds			81,533	100,196	96,588	76,671	73,913	104,667	108,748	145,260
Debt service funds			-	-	-	-	-	-	-	8,099
Nonspendable	4,646	2,948								
Restricted	90,507	99,794								
Committed		4,131								
Assigned	15,339	20,043								
Unassigned										
Special revenue funds	(1,071)	(2,099)								
Capital projects funds										
Debt service funds										
Total all other governmental funds	$ 109,421	$ 124,817	$ 147,131	$ 171,662	$ 164,935	$ 150,602	$ 151,395	$ 151,445	$ 157,815	$ 186,042

Note - Beginning in 2004, the City classified all of its fund balances in its debt service funds as reserved due to the fact all the funds were in cash accounts earmarked for service, interest or as a revenue. Beginning in 2011, the City reclassified fund balances in accordance with GASB Statement No. 54.

Source: City of Tracy, Finance and Administrative Services Department

CITY OF TRACY
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	Fiscal Years Ended June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
	(in thousands 000s)									
Revenues:										
Taxes	$ 41,393	$ 36,334	$ 37,064	$ 44,680	$ 48,048	$ 48,343	$ 40,105	$ 30,827	$ 30,345	$ 26,698
Licenses, permits, and fees	3,174	3,092	3,040	3,112	2,839	3,501	3,688	4,944	5,497	24,639
Fines and forfeits	1,552	1,570	1,715	1,722	1,515	1,273	290	302	467	347
Use of money and property	1,459	2,792	4,197	9,046	11,992	9,900	7,479	5,361	2,576	8,981
Intergovernmental	11,992	17,758	15,282	12,899	13,578	18,130	16,948	18,537	17,283	13,248
Charges for services	8,388	10,110	8,525	8,438	5,186	4,913	5,041	6,529	6,905	5,886
Special assessments	4,095	4,933	4,699	5,583	4,843	8,845	10,796	20,580	25,163	1,659
Contributions from assessment	5,404									
districts	1,294	4,448	2,915	6,049	23,043	12,800	14,296		39,247	25,377
Other		1,148	1,656	4,595	2,058	1,810	2,684	4,072	5,134	3,236
Total revenues	78,751	82,185	79,093	96,124	113,102	109,515	101,327	91,152	132,617	110,071
Expenditures:										
General government	$ 6,854	$ 17,599	$ 7,054	$ 7,569	$ 8,730	$ 6,274	$ 4,700	$ 4,534	$ 5,238	$ 4,398
Police	21,902	20,943	21,836	21,574	20,161	17,607	15,834	15,210	13,625	12,231
Fire	15,205	14,027	14,664	15,387	14,602	13,594	12,201	11,337	9,589	9,069
Community development	6,273	6,066	7,790	12,360	10,114	7,241	12,105	9,128	7,197	7,740
Public works	7,530	7,285	7,327	8,369	8,082	8,203	3,680	5,322	7,524	5,713
Parks and recreation	3,599	3,509	3,320	4,507	3,146	3,117	3,009	2,864	2,734	2,485
Capital outlay	19,829	18,731	23,152	20,502	28,712	47,363	41,653	38,775	124,383	33,444
Debt service-principal	195	1,315	1,490	11,300	3,620	1,430	1,390	5,060	380	1,005
Debt service-interest	2,623	3,945	3,994	3,799	3,390	3,934	3,849	3,484	3,570	2,801
Debt service-issue costs				1,163	237				2,503	
Intergovernmental		2,691	6,281	3,288	3,177	2,931	2,570	1,825	4,516	2,897
Total expenditures	84,010	96,111	96,908	109,818	103,971	111,694	100,991	97,539	181,259	81,783
Excess of revenue over (under) expenditures	(5,259)	(13,926)	(17,815)	(13,694)	9,131	(2,179)	336	(6,387)	(48,642)	28,288
Other financing sources (uses):										
Bond proceeds				19,765	4,670				55,720	
Transfers in	2,699	3,836	21,828	26,040	12,680	22,148	11,595	9,304	4,567	5,125
Transfers out	(2,699)	(4,221)	(27,391)	(26,040)	(12,680)	(22,150)	(11,595)	(9,304)	(4,081)	(6,390)
Payment to bond escrow agent									(34,072)	
Total other financing sources (uses)	-	(385)	(5,563)	19,765	4,670	(2)			22,134	(1,265)
Net change in fund balances	$ (5,259)	$ (14,311)	$ (23,378)	$ 6,071	$ 13,801	$ (2,181)	$ 336	$ (6,387)	$ (26,508)	$ 27,023
Debt service as a percentage of non-capital expenditures	4.39%	6.80%	7.44%	22.26%	10.36%	7.93%	9.68%	17.01%	12.80%	8.55%

REVENUE CAPACITY

City of Tracy
Tax Revenues By Source
All Governmental Fund Types
Last Ten Fiscal Years

Fiscal Year	Property Current	Property Transfer	Business License	Sales	Franchise	Transient	Transportation Tax and Other	Total
2003	13,715,513	569,668	619,852	9,723,275	1,528,012	671,103	1,328,364	28,155,787
2004	15,920,685	779,435	559,720	10,982,717	1,639,091	699,339	1,276,007	31,856,994
2005	14,725,983	1,047,848	686,826	11,775,349	1,699,614	777,878	1,398,516	32,112,014
2006	19,411,722	859,089	651,967	12,774,796	1,807,158	709,219	3,891,486	40,105,437
2007	23,859,318	480,284	816,891	13,298,126	2,010,294	795,223	7,082,375	48,342,511
2008	30,645,530	243,258	697,667	12,407,253	1,991,444	814,883	3,239,289	50,039,324
2009	29,323,472	409,317	657,597	10,963,986	2,137,393	721,649	1,977,865	46,191,279
2010	24,013,053	290,940	670,572	9,224,814	2,222,845	642,794	2,221,881	39,286,899
2011	22,532,932	273,325	671,278	11,408,245	2,474,332	675,819	2,771,540	40,807,471
2012	19,546,362	282,674	673,342	18,661,976	2,618,697	745,975	2,406,571	44,935,597

Source: City of Tracy, Finance and Administrative Services Department

CITY OF TRACY
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

	City of Tracy						Redevelopment Agency				
Fiscal Year Ended June 30	Residential Property	Commercial/ Industrial Property	Agricultural Exemptions	Total	Less Exemptions	Taxable Assessed Value	Secured	Unsecured	Less Exemptions	Taxable Assessed Value	Total Direct Tax Rate
2003	4,961,479,265	909,951,988	19,401,279	5,890,832,532	173,466,349	5,717,366,183	804,131,872	88,173,424	9,683,658	882,621,638	0.2970%
2004	5,701,252,137	1,045,628,822	22,294,073	6,769,175,032	183,784,907	6,585,390,125	849,586,203	97,885,651	9,547,022	937,924,832	0.2413%
2005	6,636,119,348	1,217,086,613	25,949,761	7,879,155,722	197,097,465	7,682,058,257	950,930,395	94,790,962	9,148,204	1,036,573,153	0.2409%
2006	7,676,540,593	1,407,903,370	30,018,206	9,114,462,169	203,710,884	8,910,751,285	1,064,000,083	118,029,640	8,894,854	1,173,134,869	0.2410%
2007	7,722,515,369	1,926,262,386	28,870,984	9,677,648,739	206,027,034	9,471,621,705	1,153,659,910	129,426,090	8,627,642	1,274,458,358	0.2905%
2008	7,100,460,195	1,802,322,555	29,831,945	8,932,614,695	210,456,479	8,722,158,216	1,064,845,371	119,462,219	8,442,153	1,175,865,437	0.2905%
2009	5,545,597,687	1,541,725,210	10,742,998	7,098,065,895	158,643,838	8,132,493,612	905,118,865	101,542,886	7,168,541	999,493,210	0.2905%
2010	4,992,382,327	1,113,010,224	197,778,028	6,303,170,579	120,292,254	6,182,878,325	1,099,272,042	159,835,031	101,875,950	1,157,231,123	0.2905%
2011	5,102,129,763	1,279,961,758	156,244,642	6,538,336,163	84,950,354	6,453,385,809	756,286,336	132,970,235	35,963,413	853,293,158	0.2905%
2012	4,576,276,289	1,132,426,026	181,181,654	5,889,883,969	119,824,162	5,770,059,807	1,009,329,631	139,116,864	91,037,853	1,057,408,642	0.2905%

Source:

1. San Joaquin County -Office of the Auditor-controller and Assessor
2. City of Tracy, Finance and Administrative Services Department

CITY OF TRACY

DIRECT AND OVERLAPPING PROPERTY TAX RATES

(RATE PER $100 OF ASSESSED VALUE)

LAST TEN FISCAL YEARS

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
City Direct rates:										
Basic County-wide Levy	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
City Basic	0.15606%	0.17019%	0.17019%	0.17019%	0.17028%	0.17029%	0.1207%	0.1206%	0.1209%	0.1500%
Redevelopment Agency	0.1203%	0.1203%	0.1203%	0.1203%	0.1203%	0.1203%	0.1203%	0.1203%	0.1204%	0.1470%
Total Direct Rate	1.2764%	1.2905%	1.2905%	1.2905%	1.2905%	1.2905%	1.2410%	1.2409%	1.2413%	1.2970%
Overlapping rates:										
San Joaquin County	0.1962%	0.1962%	0.1962%	0.1962%	0.1962%	0.1962%	0.1962%	0.1963%	0.1963%	0.2100%
Tracy Unified School District	0.0266%	0.0231%	0.0231%	0.1970%	0.1970%	0.1920%	0.1998%	0.1998%	0.1925%	0.1600%
ERAF	0.2686%			0.2790%	2.7900%	0.2790%	0.2801%	0.2801%	0.2793%	27.0000%
Delta Community College District	0.0200%	0.0180%	0.0180%	0.0131%	0.0131%	0.0183%	0.0134%	0.0352%	0.0339%	0.0400%
All Other Districts	0.1760%	0.1760%	0.1760%	0.1760%	0.1760%	0.1760%	0.1779%	0.1779%	0.1771%	N/A

Source:

1. San Joaquin County -Office of the Auditor-controller
2. City of Tracy, Finance and Administrative Services Department

CITY OF TRACY
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent of Levy Collected	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Value of City Property Subject to Local Tax Rate
2003	7,140,790	7,140,790	100.00%	0.00	7,140,790	100.00%	5,203,069,406
2004	8,987,072	8,987,072	100.00%	0.00	8,987,072	100.00%	6,675,942,094
2005	10,306,934	10,306,934	100.00%	0.00	10,306,934	100.00%	7,774,533,118
2006	12,585,686	12,585,686	100.00%	0.00	12,585,686	100.00%	8,663,313,347
2007	17,529,617	17,529,617	100.00%	0.00	17,529,617	100.00%	9,003,246,048
2008	13,551,184	13,551,184	100.00%	0.00	13,551,184	100.00%	8,722,158,216
2009	12,771,479	12,771,479	100.00%	0.00	12,771,479	100.00%	9,131,986,822
2010	13,249,396	13,249,396	100.00%	0.00	13,249,396	100.00%	7,340,109,448
2011	10,028,301	10,028,301	100.00%	0.00	10,028,301	100.00%	7,306,678,967
2012	9,724,002	9,611,162	98.84%	12,602.00	9,623,764	98.97%	6,827,468,449

Note: San Joaquin County is on the Teeter Plan. The County remits 100% of all taxes assessed and keeps all penalties and interest on all delinquent taxes.

Source:
1. San Joaquin County - Office of the Auditor-Controller
2. City of Tracy, Finance and Administrative Services Department

City of Tracy
Sales Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year Ended June 30,	City Direct Rate	Measure E Rate	Prop K Rate	Transportation Development Act Rate	San Joaquin County Rate	State Rate		Total Sales Tax Rate
2003	1%		0.50%	0.25%	1%	5%		7.75%
2004	1%		0.50%	0.25%	1%	5%		7.75%
2005	1%		0.50%	0.25%	1%	5%		7.75%
2006	1%		0.50%	0.25%	1%	5%		7.75%
2007	1%		0.50%	0.25%	1%	5%		7.75%
2008	1%		0.50%	0.25%	1%	5%		7.75%
2009	1%		0.50%	0.25%	1%	6%	(1)	8.75%
2010	1%		0.50%	0.25%	1%	6%		8.75%
2011	1%	0.50%	0.50%	0.25%	1%	6%	(2)	8.75%
2012	1%	0.50%	0.50%	0.25%	1%	5%		8.25%

(1) A 1% increase in Sales and Use Tax became effective as of April 1, 2009 to augment the State's budget. On May 19, 2009, the voters did not approve the proposed "Budget Stabilization" constitutional amendment and the expiration date of this 1% is on July 1, 2011.

(2) tracy voters approved Measure E, a half cent sales tax with a 5 year sunset effective April 1, 2011

Source:
Office of the Auditor-Controller, San Joaquin County
Finance and Administrative Services Department, City of Tracy

City of Tracy
Water and Wastewater Rates
Last Ten Fiscal Years

Fiscal Year	Water		Wastewater
	Monthly Base Rate	Per 100 cubic feet	Monthly Base Rate
2003	17.15	0.85	22.25
2004	17.15	0.85	22.25
2005	17.15	0.85	22.25
2006	17.15	0.85	31.00
2007	17.15	0.85	31.00
2008	20.40	1.00	31.00
2009	20.40	1.00	31.00
2010	20.40	1.00	31.00
2011	20.40	1.00	31.00
2012	20.40	1.00	31.00

Notes:

100 cubic feet = 748 gallons

Rates are based on 1 inch meter-the standard household meter size in Tracy.

Utiltiy charges an excess use rate above normal demand.

Source:

Finance & Administrative Services Department-City of Tracy

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DEBT CAPACITY

CITY OF TRACY
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

	Governmental Activities			Business Activity						
Fiscal Year	General Obligation Bonds (a)	Special Assessment Bonds (b)	Capital Leases (b)	Water Revenue Bonds (b)	Water/Sewer Notes Payable (b)	Sewer Revenue Bonds (b)	Airport Notes Payable (b)	Total Primary Government	Per Capita	Population
2003	32,785,000	154,555,000	383,890	1,510,000	2,469,716	3,340,000	249,371	195,542,348	2,794	69,990
2004	30,045,000	151,113,000	325,723	1,235,000	2,343,589	34,065,000	217,216	219,561,744	2,964	74,080
2005	27,095,000	146,735,000	265,345	945,000	9,211,877	33,785,000	184,966	218,407,154	2,789	78,310
2006	25,870,000	153,395,000	641,339	645,000	8,572,915	33,505,000	171,558	222,807,262	2,769	80,461
2007	23,675,000	158,750,000	520,835	330,000	25,176,853	33,215,000	157,285	241,824,973	2,982	81,107
2008	20,855,000	136,580,000	395,533	-	26,378,839	32,305,000	142,147	216,656,519	2,657	81,548
2009	16,430,000	129,940,000	265,356	-	25,414,136	31,420,000	126,144	203,595,636	2,492	81,714
2010	16,540,000	142,050,000	202,867	-	24,442,470	30,510,000	109,275	213,854,612	2,623	81,519
2011	14,280,000	135,810,000	137,879	-	23,402,994	29,580,000	91,541	203,302,414	2,437	83,418
2012	12,710,000	142,895,000	70,293	-	19,274,382	28,630,000	72,942	203,652,617	2,427	83,900

Note: Special Assessment Bonds have no City commitments.

Source:

(a) California Municipal Statistics

(b) Finance and Administrative Services Department, City of Tracy

CITY OF TRACY
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Outstanding General Bond Debt			Percent of Assessed Value	Per Capita
	General Obligation Bonds	Tax Allocation Bonds	Total		
2003	32,785,000	32,290,000	65,075,000	1.29%	928
2004	30,045,000	55,720,000	85,765,000	1.30%	1,158
2005	27,095,000	55,050,000	82,145,000	1.07%	1,049
2006	25,870,000	54,070,000	79,940,000	1.00%	994
2007	23,675,000	53,065,000	76,740,000	0.71%	946
2008	20,855,000	52,030,000	72,885,000	0.74%	894
2009	16,430,000	50,965,000	67,395,000	0.74%	825
2010	16,540,000	49,860,000	66,400,000	0.90%	813
2011	14,280,000	48,715,000	62,995,000	0.86%	771
2012	12,710,000	-	12,710,000	0.19%	156

Source:
Finance and Administrative Services Department, City of Tracy

CITY OF TRACY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2012

2011-12 Assessed Valuation:	$	6,969,123,844
Redevelopment Incremental Valuation:		796,343,071
Adjusted Assessed Valuation:	$	6,172,780,773

OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/12	% Applicable (1)	City's Share of Debt 6/30/12
San Joaquin Delta Community College District	$ 133,626,657	11.596 %	$ 15,495,347
Tracy Unified School District	47,205,000	61.949	29,243,025
Tracy Unified School District School Facilities Improvement Distict No. 3	17,414,637	89.962	15,666,556
Banta School District	700,000	33.532	234,724
Jefferson School District	6,397,194	63.219	4,044,242
City of Tracy Community Facilities District No. 87-1	13,825,000	100.	13,825,000
City of Tracy Community Facilities District No. 89-1	9,350,000	100.	9,350,000
City of Tracy Community Facilities District No. 93-1	2,930,000	100.	2,930,000
City of Tracy Community Facilities District No. 98-1	57,375,000	100.	57,375,000
City of Tracy Community Facilities District No. 98-3	2,785,000	100.	2,785,000
City of Tracy Community Facilities District No. 99-1	7,130,000	100.	7,130,000
City of Tracy Community Facilities District No. 99-2	10,560,000	100.	10,560,000
City of Tracy Community Facilities District No. 2000-1	13,155,000	100.	13,155,000
City of Tracy Community Facilities District No. 2006-1	10,560,000	100.	10,560,000
City of Tracy 1915 Act Bonds	12,710,000	100.	12,710,000
California Statewide Community Development Authority 1915 Act Bonds	7,246,315	100.	7,246,315
TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT			$ 212,310,209
Less: City of Tracy Community Facilities District No. 87-1 economically defeased obligations			7,480,000
TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT			$ 204,830,209
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
San Joaquin County Certificates of Participation	176,130,000	12.847 %	22,627,421
Byron -Bethany Irrigation District General Fund Obligation	5,315,000	12.480	663,312
City of Tracy General Fund Obligations	**23,465,000**	**100.**	**23,465,000**
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT:			46,755,733
GROSS COMBINED TOTAL DEBT			$ 259,065,942 (2)
NET COMBINED TOTAL DEBT			$ 251,585,942

(1) Percentage of overlapping agency's assessed valuation located boundaries of the city.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2011-12 Assessed Valuation:

Total Gross Overlapping Tax and Assessment Debt.....	3.05%
Total Net Overlapping Tax and Assessment Debt.....	2.32%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt ($23,465,000).....	**0.38%**
Gross Combined Total Debt.....	4.20%
Net Combined Total Debt.....	4.08%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/12: $0

Source: MuniServices, LLC.

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(In Millions)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Assessed Value	$ 6,827	$ 7,307	$ 7,340	$ 9,132	$ 9,563	$ 9,003	$ 7,775	$ 7,879	$ 6,769	$ 5,203
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	1,707	1,827	1,835	2,283	2,391	2,251	1,944	1,970	1,692	1,301
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	256	274	275	342	359	338	292	296	254	195
Total net debt applicable to limit	121	121	122	138	132	136	125	130	135	84
Legal debt margin	$ 135	$ 153	$ 153	$ 204	$ 227	$ 202	$ 167	$ 166	$ 119	$ 111

Note:

The Government Code of the State of California provides for a legal debt limit of 15 % of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year form the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

CITY OF TRACY
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Water revenue bonds/EDA note										
Water revenue	$ 14,559,197	$ 14,651,850	$ 15,036,909	$ 15,963,584	$ 15,433,890	$ 14,341,129	$ 13,381,880	$ 12,354,096	$ 12,795,412	$ 12,552,319
Less: operating expenses	(12,196,098)	(12,450,281)	(10,740,838)	(10,485,876)	(10,360,873)	(9,384,661)	(8,821,723)	(5,383,787)	(6,047,909)	(4,937,301)
Net available revenue	2,363,099	2,201,569	4,296,071	5,477,708	5,073,017	4,956,468	4,560,157	6,970,309	6,747,503	7,615,018
Debt service:										
Principal	4,126,612	1,099,165	1,035,686	964,703	878,166	1,960,910	938,962	1,038,703	275,000	394,439
Interest	531,639	637,999	665,810	731,215	850,589	791,373	477,056	568,637	288,618	204,831
Total Debt Service	4,658,251	1,737,164	1,701,496	1,695,918	1,728,755	2,752,283	1,416,018	1,607,340	563,618	599,270
Coverage	0.51	1.27	2.52	3.23	2.93	1.80	3.22	4.34	11.97	12.71
Wastewater revenue bonds:										
Wastewater revenue	11,713,538	12,038,615	11,695,124	12,060,864	13,158,013	12,896,719	9,255,199	8,752,321	6,974,031	6,389,490
Less: operating expenses	(7,617,428)	(7,784,380)	(6,249,869)	(6,846,611)	(5,030,130)	(4,666,466)	(4,509,073)	(4,150,266)	(4,526,278)	(4,392,083)
Net available revenue	4,096,110	4,254,235	5,445,255	5,214,253	8,127,883	8,230,253	4,746,126	4,602,055	2,447,753	1,997,407
Debt service:										
Principal	950,000	993,010	911,535	885,000	910,000	290,000	280,000	280,000	270,000	155,000
Interest	1,313,920	1,342,757	1,366,758	1,375,786	1,370,803	1,413,783	1,429,186	1,699,361	797,849	277,516
Total Debt Service	2,263,920	2,335,767	2,278,293	2,260,786	2,280,803	1,703,783	1,709,186	1,979,361	1,067,849	432,516
Coverage	1.81	1.82	2.39	2.31	2.81	4.83	2.78	2.33	2.29	4.62
Tax allocation bonds:										
Tax increment	4,359,166	7,594,352	8,854,067	10,259,535	10,153,405	9,459,352	7,943,581	6,449,080	6,590,591	5,314,152
Debt service:										
Principal	1,195	1,145,000	1,105,000	1,065,000	1,035,000	1,005,000	980,000	670,000	2,825,622	685,000
Interest	1,262,289	2,576,992	2,613,989	2,669,812	2,690,489	2,714,677	2,739,269	2,753,317	2,503,186	1,992,586
Total Debt Service	1,263,484	3,721,992	3,718,989	3,734,812	3,725,489	3,719,677	3,719,269	3,423,317	5,328,808	2,677,586
Coverage	3.45	2.04	2.38	2.75	2.73	2.54	2.14	1.88	1.24	1.98

Note: Deficits regarding the City's outstanding debt can be found in the notes to the basic financial statements.
Operating expenses do not include interest or depreciation expenses.

Source: City of Tracy. Finance and Administrative Services Department

DEMOGRAPHIC AND ECONOMIC INFORMATION

CITY OF TRACY
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS

	City of Tracy							San Joaquin County				
						Census Ratios						
Year	Population (2)	Labor Force (1)	Employment (1)	Unem-ployment Rate (1)	Unem-ployment Number (1)	Employed (2)	Unemployed (2)	Population (3)	Labor Force (1)	Employment (1)	Unem-ployment Rate (1)	Unem-ployment Number (1)
2003	69,990	31,700	29,900	5.6%	N/A	N/A	N/A	626,014	281,000	255,200	9.20%	25,800
2004	74,080	32,000	30,300	5.3%	N/A	N/A	N/A	642,049	282,600	257,800	8.80%	24,800
2005	78,310	32,500	30,900	4.8%	N/A	N/A	N/A	655,866	284,200	261,700	7.90%	22,500
2006	80,461	32,700	31,200	4.5%	N/A	N/A	N/A	662,395	284,300	263,200	7.40%	21,100
2007	81,107	32,930	31,310	4.9%	N/A	N/A	N/A	667,886	289,200	265,800	8.10%	23,300
2008	81,548	34,100	32,000	6.2%	N/A	N/A	N/A	672,388	293,000	262,700	10.30%	30,300
2009	81,714	34,169	28,872	9.6%	N/A	N/A	N/A	674,860	298,200	252,600	15.50%	45,600
2010	81,519	32,800	29,600	9.7%	N/A	N/A	N/A	685,306	298,900	247,200	17.30%	51,800
2011	83,418	32,900	29,800	9.6%	3,200	0.116975	0.068724	682,660	295,300	244,000	17.40%	51,300
2012	83,900	32,900	29,800	9.5%	3,100	N/A	N/A	695,750	300,300	254,800	15.10%	45,500

Sources:

(1) California Employment Development Department-Labor Market Information

(2) California State Department of Finance (data shown is for the City of Tracy)

(3) California Department of Finance Projections

City of Tracy
PRINCIPAL TAX PAYERS
CURRENT FISCAL YEAR AND NINE YEARS AGO

	2012			2003		
Taxpayer Name	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Tracy Mall Partners LP	93,273,480	1	1.37%			
Leprino Foods Company Corp	86,511,036	2	1.27%			
Catellus Corporate Ctr Tracy L	62,962,009	3	0.92%			
Central Valley Ltd Liability	51,159,087	4	0.75%			
US Industrial Reit Container I	47,381,180	5	0.69%			
Prologis	43,879,707	6	0.64%			
TCE Tracy LLC	31,442,622	7	0.46%			
Car Corral Hollow LLC	29,958,154	8	0.44%			
Osh Properties LLC	29,624,488	9	0.43%			
US Cold Storage Of Calif	28,360,046	10	0.42%			
YRC Inc	26,437,173	11	0.39%			
O Brien Mark T	23,174,082	12	0.34%			
Fairfield Edgewood Station LP	20,644,172	13	0.30%	NOT AVAILABLE The City of Tracy started compiling this information in 2008		
Kaiser Foundation Health Plan	20,355,945	14	0.30%			
AMB Property LP	19,500,000	15	0.29%			
Sycamore Village Invest	19,309,841	16	0.28%			
Comcast Corp	18,465,175	17	0.27%			
Red Maple Village LP	18,318,765	18	0.27%			
Queirolo Shirlee M	17,986,824	19	0.26%			
Costco Wholesale Corp	17,589,300	20	0.26%			
Inland Container Corp	17,485,612	21	0.26%			
McLane Foodservice Inc	17,436,010	22	0.26%			
Taylor Farms Pacific Inc	17,141,527	23	0.25%			
Save Mart Supermarket	16,562,168	24	0.24%			
Barbosa Investment Group Ltd P	14,259,610	25	0.21%			
Total Top 25 Taxpayers	789,218,013		11.57%			
Total Taxable Assessed Value	6,827,468,449					

Source: San Joaquin County Assessor's Office

CITY OF TRACY
FULL-TIME AND PART-TIME CITY EMPLOYEES
BY FUNCTION
LAST TEN FISCAL YEARS

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Legislative	5	5	5	5	5	5	5	5	5	5
City Attorney	5	4	4	4	4	4	4	4	4	4
City Treasurer	1	1	1	1	1	1	1	1	1	1
Administrative	7	7	7	16	17	6	6	6	6	6
Human Resources	6	6	6	9	9	9	7	7	6	6
Finance & Information Systems	23	23	23	26	27	25	25	24	24	24
Police	134	133	135	154	155	141	132	126	123	122
Fire	82	78	78	85	84	81	107	104	104	101
Economic Development	4	8	6	6	5					
Development and Engineering	48	41	44	55	55	52	54	52	52	54
Public Works	59	59	66	71	74	80	64	66	66	66
Parks and Community Services	50	59	50	48	49	40	18	18	19	19
Water	40	40	41	44	44	40	38	38	37	37
Wastewater	28	28	29	29	29	25	24	24	23	23
Airport	1	2	2	2	2	1	1	1	1	1
Solid waste	2	1	1	1	1	1	1	2	1	1
Transit	2	2	2	2	2	2	2	2	1	1
Drainage	2	2	2	2	2	2	2	2	2	2
Total	499	499	502	560	565	515	491	482	475	473

Source: City of Tracy, Finance and Administrative Services Department

OPERATING INDICATORS

CITY OF TRACY
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Government										
Building Permits Issued	1,293	915	844	898	774	790	1,136	1,271	1,587	1,627
Building Inspections requested	2,457	2,975	3,377	2,859	5,334	7,920	18,008	24,093	34,337	41,382
Police:										
Arrests	2,896	2,941	3,415	4,435	4,450	4,448	3,561	3,787	3,367	2,957
Parking citations issued	2,196	3,153	4,704	2,948	2,916	2,292	2,107	2,282	1,956	2,395
Traffic violations	5,281	6,668	7,347	7,007	6,867	8,059	6,132	6,959	6,662	9,423
Fire:										
Number of emergency calls	5,951	5,570	5,717	6,159	6,165	6,580	5,907	5,135	5,092	4,620
Inspections	3,416	2,383	1,614	3,776	3,814	3,586	2,316	2,106	2,590	2,444
Water:										
Water Mains (miles)	410	402	402	402	402	400	395	390	380	370
New connections	20	20	22	25	40	40	600	1,200	1,500	1,800
Maximum Daily Capacity (gallons)										
(thousands of gallons)	57	57	57	57	57	57	57	57	42	42
Average daily consumptions (gallons)										
(thousands of gallons)	15	14.4	16	16	16	16	16	16	16	15
Sewer:										
Sanitary Sewer (miles)	410	400	400	400	400	400	395	390	380	370
New connections	14	20	22	25	40	40	600	1,200	1,500	1,800
Average daily treatment (in gallons)	9	9	9	9	9	9	9	9	8	7
Airport:										
Hangar rentals	76	76	76	76	76	76	76	76	76	76
Solid waste:										
Refuse collected (tons per day)	198	194	227	339	342	339	325	339	326	319
Recyclables collected (tons per day)	64	66	49	26	28	27	27	27	12	12
Transit:										
Average daily passengers	357	325	334	323	329	325	318	361	381	293
Total route miles	226,808	152,284	158,211	154,937	236,684	236,689	213,928	206,975	213,210	205,593

Source: City of Tracy, Finance and Administrative Services Department

CITY OF TRACY
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Police:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Number of stations	7	7	7	7	7	7	7	7	7	7
Public works:										
Number of street lights	5430	5430	4781	4770	4,763	4,752	4,658	3,967	3,693	3,600
Number of traffic signals	78									
Parks and recreation:										
Number of parks	76	76	76	76	76	74	74	69	68	66
Number of community centers	3	3	3	3	3	3	3	3	3	3
Water:										
Water mains (miles)	395	395	395	395	395	395	395	390	380	370
Wastewater										
Sanitary sewers (miles)	395	395	395	395	395	395	395	390	380	370
Airport:										
Number of hangars	76	76	76	76	76	76	76	76	76	76
Transit:										
Number of vehicles	8	8	8	8	6	8	8	8	8	8

Source: City of Tracy, Finance and Administrative Services Department

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Michael J. Rosenfeld, P.E.

Vice President and Chief Engineer
Kiefner/Applus-RTD

Education

B.S., Mechanical Engineering, University of Michigan, 1979
M.S., Mechanical Engineering, Carnegie-Mellon University, 1981

Qualifications

Since joining Kiefner & Associates, Inc. in 1991 Mr. Rosenfeld has participated in a broad range of pipeline-related projects including fitness-for-purpose assessments, loading and stress analyses, failure investigations, codes and standards development, and research. Mr. Rosenfeld was President of Kiefner & Associates, Inc. from 2001 through 2011 when KAI was acquired by Applus-RTD.

Relevant Experience

Fitness-for-Purpose. Determined that mechanical damage features identified on a major oil pipeline were not immediate integrity threats, enabling the operator to avoid pressure reduction and immediate investigation, and realize significant cost savings. Assisted pipeline operators with successful waivers to operate in the US at 80% of SMYS by demonstrating fitness of the lines for uprated service.

Pipeline Stress Analysis. Analyzed numerous pipelines for stresses induced by external loadings due to spanning, currents in water crossings, and soil movement due to subsidence or settlement. Established criteria for monitoring or mitigation based on condition of the lines.

Failure Investigation. Performed investigations of failures in line pipe, appurtenances, and mechanical equipment involving diverse causes of failure such as manufacturing defects, fatigue, hydrogen cracking, stress-corrosion cracking, soil movement, welding practices, and corrosion.

Codes and Standards. Primary author of major revisions to the ASME B31.8 code concerning longitudinal stress design, and evaluation and repair of mechanical damage. Primary author of major rewrite of ASME B31G-2009.

Pipeline Research. In research projects for PRCI and GTI, demonstrated the application of B31G for pipe bends and elbows, the importance of dent shape on fatigue behavior of dents, and a method for evaluating dents affecting welds; was the first to evaluate dent strain as a screening tool; developed a criterion now in ASME codes for evaluating ripple deformations in bends; prepared comprehensive review of research on mechanical damage; demonstrated low susceptibility of gas pipelines to pressure-cycle fatigue.

Professional Affiliations

Member, ASME B31.8 Gas Transmission Piping Systems Section Committee
Member, ASME B31 Mechanical Design Technical Committee
Member, ASME B31 Standards Committee
Member at Large, ASME Board of Pressure Technology Codes and Standards
Member, B31 Forever Award Nominating Committee
Former Member, Joint ASCE-ASME Task Group on Design of Buried Pipe
Former Member, API RP-1117 Task Force on In-Service Relocation of Pipelines
Instructor, ASME Professional Development Short Course on ASME B31.8 Code
International Pipeline Conference 2006, Session Chair, Mechanical Damage
International Pipeline Conference 2010, Session Chair, Structural Integrity I
ASME Fellow, awarded January 2012
Registered Professional Engineer, State of Ohio

Michael J. Rosenfeld (Continued - 2)

Publications

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Co-author, Chapter 8, "Numerical Analysis Methods", *Fatigue Design Handbook AE-10*, 2nd Ed., R.C. Rice, Editor, Society of Automotive Engineers, Inc., 1988.

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Co-Inventor, U.S. Patent No. 5,610,461, "Motor End Shield", March 11, 1997.

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Rosenfeld, M.J., "Investigations of Dent Rerounding Behavior", ASME Second International Pipeline Conference, Calgary, 1998.

Rosenfeld, M.J., "Guidelines for the Assessment of Dents on Welds", A.G.A. Catalog No. L51810, December 22, 1999.

Rosenfeld, M.J., "Proposed New Guidelines for ASME B31.8 on Assessment of Dents and Mechanical Damage", Topical Report GRI-01/0084, Gas Technology Institute, May 2001.

Rosenfeld, M.J., "Hazardous Liquid Pipeline Accident Summary", Presentation to National Institute for Storage Tank Management, 3rd Annual Aboveground Storage Tank Conference, June 2001.

Co-Author, "Guidelines for the Design of Buried Steel Pipe", American Lifelines Alliance, July 2001.

Co-Author, *GRI Guide for Locating and Using Pipeline Industry Research*, Chapter 6 "Welding", Chapter 7, "Fittings and Components", and Chapter 9 "Mechanical Damage", Gas Research Institute, 2001.

Rosenfeld, M.J., "Causes of Pipeline Failures", Presentation to NACE Ohio Corrosion Committee, Columbus, September 5, 2001.

Rosenfeld, M.J., Pepper, J.W., Leewis, K., "Basis of the New Criteria in ASME B31.8 for Prioritization and Repair of Mechanical Damage", Paper No. IPC2002-27122, International Pipeline Conference, Calgary, October, 2002.

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Rosenfeld, M.J., Hart, J.D., Zulfiqar, N., and Gailing R.W., "Development of Acceptance Criteria for Mild Ripples in Pipeline Field Bends", Paper No. IPC2002-27124, International Pipeline Conference, Calgary, October, 2002.

Rosenfeld, M. J., "Here are Factors that Govern Evaluation of Mechanical Damage to Pipelines", Oil & Gas Journal, Sept. 9, 2002.

Rosenfeld, M.J., "Maintenance, Operation and Mechanical Integrity Considerations for Gas Transmission and Distribution Piping", presentation to ASME Pressure Vessel Technical Chapter Meeting, Houston, May 7, 2003.

Rosenfeld, M. J., "The Basis for the Revised Rules in ASME B31.8 Concerning Mechanical Damage in Natural Gas Pipelines", The Pipeline Pigging, Integrity Assessment, and Repair Conference, Houston, Feb. 5-6, 2003.

Kiefner, J. F., and Rosenfeld, M. J., "Effects of Pressure Cycles on Gas Pipelines", GRI-04/0178, Gas Technology Institute, September 17, 2004.

Michael J. Rosenfeld (Continued - 4)

Rosenfeld, M. J., and Kiefner, J. F., "Basics of Metal Fatigue in Natural Gas Pipeline Systems – A Primer for Gas Pipeline Operators", PR-302-03152-1, Pipeline Research Council, Inc., September 30, 2004.

Rosenfeld, M.J., "Selected Issues in Pipeline Integrity Assessment", presentation to NACE Western Region Conference, Seattle, Oct. 2, 2004.

Rosenfeld, M.J., "Recommended Practices for Pipeline Repairs", Tutorial, Presentation to International Pipeline Conference, Calgary, Oct. 4, 2004.

Rosenfeld, M. J., "Material and Construction Issues Concerning Pipelines Operating at Elevated Stresses", Presentation to Public Meeting on Reconsideration of Maximum Operating Pressure for Class Locations, Pipeline and Hazardous Materials Safety Administration, Office of Pipeline Safety, March 21, 2006.

Rosenfeld, M. J., Beckett, A., Neogi, B., Baskurt, U. J., and Johnson, E., "Deterministic Assessment of Minor Mechanical Damage on Pipelines", Paper No. IPC2006-10513, International Pipeline Conference, Calgary, 2006.

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Rosenfeld, M.J., and Kiefner, J.F., "Safe Inspection Procedures for Dent and Gouge Damage in Pipelines", Pipeline Research Council International, Inc., PR-218-063505, August 2008 *(Draft)*.

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Rosenfeld, M.J., "Role of ASME Codes and Standards in a Regulated US Pipeline Industry", Presentation to ASME India Oil & Gas Pipeline Conference, New Delhi, India, February 2009.

Rosenfeld, M.J., "Issues in Yielding of Pipe During Hydrostatic Testing: Bauschinger Effect, Biaxial Stresses, and Probability", presentation to INGAA Pipe Quality Summit, Houston, June 11, 2009.

Primary author of revised ASME B31G-2009 "Evaluating the Remaining Strength of Corroded Pipelines", Supplement to ASME B31 Code for Pressure Piping, Oct. 30, 2009.

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Rosenfeld, M.J., "Current Trends and Practices in Seam Integrity Assessments", Presentation to the American Gas Association Transmission Integrity Management Workshop, Las Vegas, Jan. 20, 2011.

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Fassett, R.J. and Rosenfeld, M.J., "Study of Pipelines that Ruptured Under 20% SMYS", Presentation to American Gas Association, Operation Conference, Atlanta, September 11, 2012.

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Rosenfeld, M.J. and Fassett, R., "Study of Pipelines that Ruptured While Operating at a Pressure Below 30% SMYS", Pipeline Pigging and Integrity Management Conference, Houston, Feb. 14-15, 2013.

01/13

DAVID L. BENNETT

301-980-8726
dbennett@DLBaviation.com

PROFESSIONAL PROFILE:

Substantial experience managing development and implementation of federal airport safety regulations and technical and financial policies, specializing in grant obligations and safety requirements applicable to airports.

EXPERIENCE:

Bennett Aviation Consulting

As principal of a consulting firm, advises and assists local government airport operators, airlines, aviation trade associations, law firms and others on a broad range of airport issues, which have included:

- Tailoring airport commercial and development projects and decisions to comply with federal aviation requirements
- Expert witness support in litigation involving FAA airport financial compliance requirements and airport standards
- Proposed changes to airport noise regulations
- FAA Airport Privatization Pilot Program and public-private partnership projects
- FAA approval of new airfield technology

Federal Aviation Administration

1995-2008 Director, Office of Airport Safety and Standards

- Directed the safety regulation and certification of commercial airports; provided technical assistance to foreign aviation authorities.
- Enforced local and state government commitments in Federal grant agreements and surplus property deeds, including airport access, airport revenue diversion, airport rates and charges, and conditions of airport privatization; promoted compliance through contacts with local and state officials and participation in industry forums and working groups.
- Issued Federal design and construction standards for airports, in coordination with U.S. industry and ICAO; sponsored airport-related research and development.

1992-1995 Assistant Chief Counsel for Airports and Environmental Law
Office of the Chief Counsel

- Supervised legal review of all FAA actions requiring environmental review under NEPA and other environmental laws.
- Served as legal counsel to the Associate Administrator for Airports on all matters within Airports line-of-business responsibility, including the Airport Improvement Program, passenger facility charges, grant compliance, and military base conversions.

1990-1992 Acting Deputy Manager, Regulations and Enforcement
Division, Office of the Chief Counsel

- Supervised legal review of all FAA rulemaking.
- Managed development of enforcement policy and supervised headquarters appellate review of administrative and legal enforcement actions, including certificate revocation and civil penalties.

1984-1992 Manager, Airspace and Air Traffic Law Branch,
Office of the Chief Counsel

- Served as legal counsel to the Air Traffic Service and Flight Standards Service on all legal issues involving air traffic rules and use of airspace.
- Managed the FAA High Density Traffic Airport Slot Allocation Program (1987-1992) and developed regulatory changes to slot allocation rules.

1980-1984 Staff Attorney, Metropolitan Washington Airports

1979-1980 Staff Attorney, Airports Law Branch, Office of the Chief
Counsel

Maryland State Aviation Administration

1976-1979 Special Assistant to the Administrator;

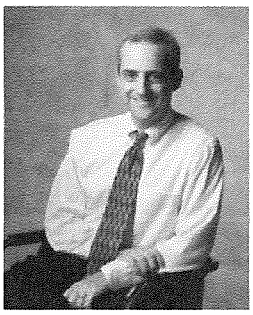
- Developed support for new air service to BWI Airport.
- Monitored state legislation affecting Maryland airports.

U.S. Air Force

1969-1974 Pilot/Instructor Pilot, Tactical Air Command

EDUCATION:

- Bachelor of Arts, English Literature, Bucknell University
- Juris Doctor, University of Maryland School of Law
- Master of Arts, Government and Politics, U. of Maryland



BARRY J. LONG, JR. AIA, LEED AP

President and CEO

Professional Responsibilities

As President and CEO, Barry oversees the finance, operations, marketing and personnel functions of the firm. Under his leadership, UDA has fine tuned its organizational structure, enhancing the quality and delivery of its full spectrum of services while, at the same time, expanding its staff, and office space.

In his dual capacity as Managing Principal, Barry's expertise enables UDA's design teams to respond quickly and effectively to the most complex political and physical challenges of Master Plan, Pattern Book, and Architecture projects. An effective listener and an artful facilitator, Barry has assisted numerous clients to negotiate the challenges of competing stakeholder aspirations to arrive at Master Plans that successfully garner broad-based community support. He is also adept at managing the development of specialized, multi-faceted proposed project documentation that goes beyond the scope of typical master plans when circumstances require that (e.g., for clients who must submit comprehensive, highly detailed Specific Plans in order to receive approval and permitting for development projects).

Professional Affiliations and Service

Barry is a member of the Urban Land Institute, the Pennsylvania Society of Architects, and the Congress for the New Urbanism. He is past Chairman of the Mt. Lebanon Planning Board and a past member of the Mt. Lebanon Economic Development Committee. Barry also serves on a number of ad hoc committees including the Port Authority Air Rights Study Committee, and the Neighborhood Traffic Calming Committee.

Education

Barry earned Bachelor and Master of Architecture degrees from Montana State University.

New Towns and Villages

- Laurel, Yuma, AZ
- Ellis, Tracy, CA,
- East Garrison, Monterey County, CA
- Rancho Cañada,Monterey County, CA
- Mills Ranch, King City, CA
- Spring Park, Charlotte, NC
- Yellowstone Preserve, Livingston, MT

Mixed-Use Urban Infill

- SoBro Strategic Master Plan, Nashville, TN
- Northshore, Pittsburgh, PA
- South Lake Union, Seattle, WA
- Central Riverfront, Cincinnati, OH
- Historic Mills, Minneapolis, MN
- Main Street/Civic Center, Salinas, CA
- Bridge Street, Nashua, NH
- Depot Square, Bristol, CT
- Civic Center Master Plan, Alameda, CA

Urban Neighborhoods

- Recovery Plan, Galveston, TX
- West Park, Tulsa, OK,
- Legends Park, Memphis, TN
- First Ward, Charlotte, NC
- Kimberly Park, Winston-Salem, NC
- Bedford Dwellings, Pittsburgh, PA
- Crawford Square, Pittsburgh, PA
- Bedford Dwellings, Pittsburgh, PA
- Fairfax, Cleveland, OH

UDA Pattern Books® and Form-Based Codes

- Rancho Cañada, Monterey County, CA
- East Garrison, Monterey County, CA
- Daybreak, South Jordan, UT
- Daybreak Town Center, South Jordan, UT

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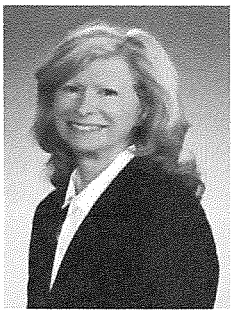
A Professional Law Corporation



Barbara Lichman, Ph.D.
Orange County, California
Of Counsel

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Barbara E. Lichman, Ph.D., has an extensive and successful record representing airports, municipalities, developers, and other public and private clients in litigation and administrative proceedings under Federal Aviation statutes such as the Airline Deregulation Act and Airport Noise and Capacity Act; the California Public Utilities Code governing land use in airport environs (Aeronautics Act); and federal and state environmental statutes including the National Environmental Policy Act, the Federal Clean Air Act, the Federal Clean Water Act, the California Environmental Quality Act, and the California Coastal Act. She has also successfully represented clients in litigation involving land use issues such as inverse condemnation, development agreements and specific plan amendments. Dr. Lichman holds a doctorate in urban and regional planning.

Dr. Lichman's experience is both national and international. As a Registered Federal Lobbyist, Dr. Lichman successfully lobbied and testified before Congress on behalf of aircraft owners and operators on issues including the grant of investment tax credits for noise reduction of aircraft engines. She also served as counsel to Air AAA Group, a consortium of international architectural, engineering and construction companies in their airport development activities at Pudong Airport, Shanghai, China. Dr. Lichman served as managing partner of Chevalier, Allen & Lichman, LLP, for sixteen years.

Dr. Lichman's clients include public entities, airport owners/sponsors, land developers, major power generating companies, ports, fixed-base operators (FBOs) and aircraft owners. She is also experienced in representing airlines and their insurance companies in air crash personal injury and wrongful death litigation.

Published Cases

United States Courts of Appeals

- *Tinicum Township, Pa. v. U.S. Dept. of Transp.*, 685 F.3d 288 (3rd Cir. 2012)
- *41 North 73 West, Inc. v. U.S. D.O.T.*, 408 Fed.Appx. 393 (2nd Cir. 2010)
- *City of Las Vegas, Nev. v. F.A.A.*, 570 F.3d 1109 (9th Cir. 2009)
- *County of Delaware, Pa. v. Department of Transp.*, 554 F.3d 143 (D.C. Cir. 2009)
- *City of Olmsted Falls, Ohio v. U.S. Environmental Protection Agency*, 435 F.3d 632 (6th Cir. 2006)
- *City of Olmsted Falls, OH v. F.A.A.*, 292 F.3d 261 (D.C. Cir. 2002)

State Courts of Appeal

- *Olmsted Falls v. Jones*, 152 Ohio App.3d 282 (Ohio App. 10th Dist. 2003)
- *Citizens for Jobs and the Economy v. County of Orange*, 94 Cal.App.4th 1311 (2002)

U.S. District Courts

- *City of Tempe, AZ v. F.A.A.*, 239 F.Supp.2d 55 (D.D.C. 2003)
- *City of Olmsted Falls v. U.S. E.P.A.*, 266 F.Supp.2d 718 (N.D. Ohio 2003)
- *City of Olmsted Falls v. U.S. E.P.A.*, 233 F.Supp.2d 890 (N.D. Ohio 2002)

Recent Presentations & Publications

- Commentary, "Attorney Confident City will Win Appeal," *South Everett Beacon*, December 26, 2012
- Media Mention, "Mukilteo Seeks Others in Fight Against Paine Field Flights," *The Herald*, December 19, 2012
- Media Mention, "City to Appeal FAA's Paine Field Ruling," *Mukilteo Beacon.com*, December 19, 2012
- "Federal Agencies Take Coordinated Steps to Regulate Hydraulic Fracturing," *Inside Counsel,* May 30, 2012
- "The Forest Service Crosses Swords with Ski Area Operators Over Water Rights," *Inside Counsel,* May 16, 2012
- "The Obama Administration Agrees to Expedite Development of Great Lakes Offshore Wind Projects," *Inside Counsel*, May 2, 2012
- "The Department of the Interior Releases its Final Land-Based Wind Energy Guidelines," *Inside Counsel*, April 18, 2012
- "When it Comes to Airport Noise Regulation, 'Big Brother' is Watching You," *Inside Counsel*, April 4, 2012
- "FAA Reauthorization Act Exempts Next-Gen Airspace Redesign Projects From Environmental Review," *Inside Counsel,* March 21, 2012
- "Streaming Environmental Review: Myth or Reality?" *The Air and Space Lawyer*, American Bar Association, Vol. 15, No. 3, Winter 2011

Education

Dr. Lichman earned her J.D. at the University of Southern California, Gould School of Law in 1988 after receiving her M.P.L. and Ph.D. from the USC School of Urban and Regional Planning. She earned her B.A. at Brandeis University.

Areas of Practice:

Land Use
Environmental
Aviation

Bar Admissions:

California
U.S. Supreme Court
U.S. Court of Appeals 2nd Circuit
U.S. Court of Appeals 3rd Circuit
U.S. Court of Appeals 6th Circuit
U.S. Court of Appeals 9th Circuit
U.S. Court of Appeals D.C. Circuit
U.S. District Court for the Central District of California
U.S. District Court for the Southern District of California
U.S. District Court for the District of Columbia
U.S. District Court for the Northern District of Ohio
U.S. District Court for the District of Arizona, Tucson Division
U.S. District Court for the District of Nevada
U.S. District Court for the District of Idaho, Northern Division

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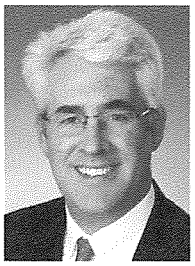

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Eric N. Robinson

Mr. Robinson, a shareholder in the firm, represents public and private sector clients in the field of natural resources and environmental law. He provides counsel on obtaining and defending water rights and water supplies, obtaining environmental compliance approvals for development projects under local, state, and federal laws, and litigates in state and federal courts.

Legal Experience

Mr. Robinson represents water supply agencies, private landowners, counties, cities, and not-for-profit organizations in a range of areas, including:

- Counsel to obtain and protect rights to use surface water and groundwater
- Complete due diligence assessments of water rights for real property acquisitions or other investment opportunities
- Counsel concerning assessment and verification of water supplies for new real estate development projects under SB 610/221
- Counsel to prepare and defend Urban Water Management Plans, updates and amendments that carry out new water conservation mandates imposed by SB 7
- Compliance with the California Environmental Quality Act (CEQA)
- Compliance with the National Environmental Policy Act (NEPA)
- Compliance with the Endangered Species Act (ESA)
- Compliance with the Clean Water Act (CWA)
- Compliance with Fish and Game Code provisions governing water supply facilities, including Streambed Alteration Agreement program and sections 5901 and 5937
- Litigation defending and bringing CEQA, NEPA, ESA, and Fish and Game Code compliance challenges
- Litigation defending groundwater pumping rights
- Representation before State Water Resources Control Board, Department of Fish and Game, National Oceanic and Atmospheric Administration – Fisheries, U.S. Fish and Wildlife Service, and other local, state and federal regulatory agencies.

Practice Examples

- Mr. Robinson recently assessed Colorado River water rights to support due diligence review for proposed real property acquisition.
- Mr. Robinson served as special water counsel in connection with SB 610 and CEQA review for the successful approval of a 16,000-unit master planned community in the San Joaquin Valley.
- Mr. Robinson represented a private landowner in a trial adjudicating rights to groundwater in a California coastal basin and is participating in watermaster proceedings to manage that basin.

Continued

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- Mr. Robinson advises public water supply agency clients in assessing the sufficiency of their water supplies to sustain new development projects pursuant to SB 610/221.
- Mr. Robinson is assisting a range of real estate development projects in securing and demonstrating long-term water supplies pursuant to SB 610, CEQA and SB 221.
- Mr. Robinson successfully defended a city in trial court and appellate CEQA litigation challenging approval of a regional shopping mall.
- Mr. Robinson defended a California water supply agency against a $200 million inverse condemnation lawsuit arising from the reoperation of water supply reservoirs to prevent seawater intrusion from destroying a regional groundwater supply.
- Mr. Robinson represented the State Water Project (SWP) contractors against litigation challenging the CALFED program to restore the Bay-Delta estuary and statewide water supplies.
- Mr. Robinson is representing SWP contractors on CEQA compliance issues arising from litigation against the Monterey Amendments to SWP water service contracts.
- Mr. Robinson represented Central Valley Project (CVP) water contractors in federal litigation challenging the United States Department of the Interior's compliance with NEPA, the ESA and Reclamation Law for actions changing the operation of the CVP's Trinity River Division.
- Mr. Robinson is defending private landowners against a lawsuit challenging their diversion and use of water under Fish and Game Codes sections 5901 and 5937.
- Mr. Robinson successfully resolved an Endangered Species Act enforcement action and negotiated the terms of local, state and federal approvals for a steelhead habitat enhancement project on a California steelhead stream.

Professional Activities & Affiliations

Mr. Robinson speaks frequently on water related issues for a variety of educational and professional organizations. Some of his past presentations include:

- Speaker, "Sewage Discharge, the Pelagic Organism Decline and Human Health: A New Front Line in the Battle for Statewide Water Supply Reliability" Association of California Water Agencies, December 2012
- Speaker, "Wastewater Discharges, Delta Ecology and Human Health," CLE International, California Water Law, May 2012
- Moderator, "Water Marketing: Opportunities for Self Help to Supplement Regional and Local Supplies," Association of California Water Agencies, September 2011
- Moderator, "Managing California's Water: From Conflict to Reconciliation," State Bar Real Property Section, April 2011
- Speaker, "Water Rights Transfers - Creative Solutions," Water Education Foundation 28th Annual Executive Briefing, March 2011
- Moderator, "Environmental Plaintiffs Pursue Statewide Groundwater Regulations Under Public Trust Doctrine," State Bar Real Property Section, March 2011
- Speaker, "California Water Laws and Regulations: Current Issues with Urban Water Management Plans," HalfMoon Seminars, February 2011

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- Speaker, "California's Water Supply & Land-use Planning Laws: Making Water Supply Real," 2011 California Water Law Symposium, January 2011
- Speaker, "Sonoma Co. Water Coalition v. Sonoma Co. Water Agency: Implications for Urban Water Management Planning," Telebriefing-Law Seminars International, November 2010
- Speaker, "Avoid the Pitfalls: Navigating Through Urban Water Management Planning," re: "The Linkage Between Urban Water Management Plan Defensibility and SB 610 Water Supply Assessment Review," ACWA Region 8, October 2010
- Speaker, "Wines Vines and Property Lines," re: "The Growing Impact of Water Availability on Property Development–Building Water Supply Sustainability into Development Projects, KMTG–San Luis Obispo, October 2010
- Speaker, "Water and Land Use in California after Save Tara," CLE International Land-use Conference, September 2010
- Moderator and speaker, "Preparing Legally Defensible Urban Water Management Plans That Implement SB 7's Statewide Conservation Mandate," Association of California Water Agencies ("ACWA"), May 2010
- Moderator and speaker, "Preparing A Legally Defensible Urban Water Management Plan Update In An Era Of Water Supply Uncertainty," Association of California Water Agencies ("ACWA"), December 2009
- Moderator, "Show Me the Water! Tools to Help Water Agencies, Land-use Agencies and Development Projects Navigate California's Deepening Regulatory Drought," ACWA, May 2009
- Speaker, "Show Me the Water! Tools to Help Cities Navigate California's Deepening Regulatory Drought," League of California Cities Annual Conference, Sept. 2008
- Speaker, "Ten Years of Water Supply and Land Use Litigation: What Have We Learned?," ACWA, May 2008
- Speaker, "Show Me the Water! How the Regulatory Drought & California's Water & Planning Laws Demand New Partnerships Among Land Developers, Water Agencies & Land-use Agencies," State Bar Real Property Section 27th Annual Retreat, May 2008
- Speaker with State Senator Joe Simitian, "Water Management in a Changing Climate," San Mateo County 39th Annual Progress Seminar, April 2008
- Speaker, "The Takings Clause and Government Liability for Regulatory Reallocation of Water Supplies," CLE International, April 2007 (San Francisco)
- Moderator and speaker, Water for Development: Demonstrating Long-term Water Supplies for Real Estate Development Projects, Lorman Education Services, Oct. 2005
- Speaker, Water for Development, Sacramento County Bar Association, Real Property Section, Oct. 2005
- Speaker, Advanced Land Use Planning, Lorman Education Services, January 2005
- Moderator, Effective Management of Groundwater Resources, McGeorge School of Law Symposium on the 25th Anniversary of the Report of the Governor's Commission to Review California Water Rights Law, Nov. 2004
- Speaker, California Water Banking and Water Transfers, Lorman Education Services, March 2004, Oct. 2004

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His other professional activities and affiliations include:

- *Northern California Super Lawyer* (2009, 2010, 2011, 2012)
- Co-chair, Natural Resources subsection of the Real Property section of the California State Bar Association
- Member, Sacramento County Bar Association
- Member, American Bar Association

Publications

- Author, "Supreme Court Clarifies Rules Governing CEQA Review of Water Supplies for Real Estate Development," *California Real Property Journal*, an official publication of the Real Property Law Section of the State Bar of California, Vol. 25, No. 1
- Author, "Damages Determined for Giving Farmers' Water to Fish," *California Real Property Journal*, an official publication of the Real Property Law Section of the State Bar of California, Vol. 22, No. 3
- Author, "Claims Court Rules that Giving Farmers' Water to Fish Requires Just Compensation," *California Real Property Journal,* an official publication of the Real Property Law Section of the State Bar of California, Vol. 19, No. 3/4
- Author, "Takings Law: When Does a Regulation Leave a Property Owner with No Economically Viable Use," *Public Law Journal*, Summer 2000
- Author, "Nevada Land Claims Raised in U.S. v. Nye County Litigation," *Conference of Western Attorneys General Reporter*, Fall 1995

Reported Decisions

- *Sonoma County Water Coalition v. Sonoma County Water Agency*, 189 Cal.App.4th 33 (2010)
- *O.W.L. Foundation v. City of Rohnert Park*, 168 Cal.App.4th 568 (2008)
- *In re Bay-Delta Programmatic Environmental Impact Report Coordinated Proceedings*, 43 Cal.4th 1143 (2008)
- *California Water Impact Network v. Newhall County Water District, 161 Cal.App.4th 1464 (2008)*
- *Westlands Water District, et al. v. U.S. Department of the Interior*, 275 F. Supp. 2d 1157 (E.D. Cal. 2002), reversed in part by *Westlands Water District v. U.S. Department of the Interior*, 376 F. 3d 853 (9th Cir. 2004)
- *Jahr v. Casebeer,* 70 Cal. App. 4th 1250 (1999)

Academic Background

B.S. Northwestern University, Medill School of Journalism, Chicago, 1989

J.D. University of California, Davis, 1997
— *Received American Jurisprudence Award*
— *Member, International Environmental Moot Court Competition National Team*
— *Teaching Assistant, Legal Research and Legal Writing courses*