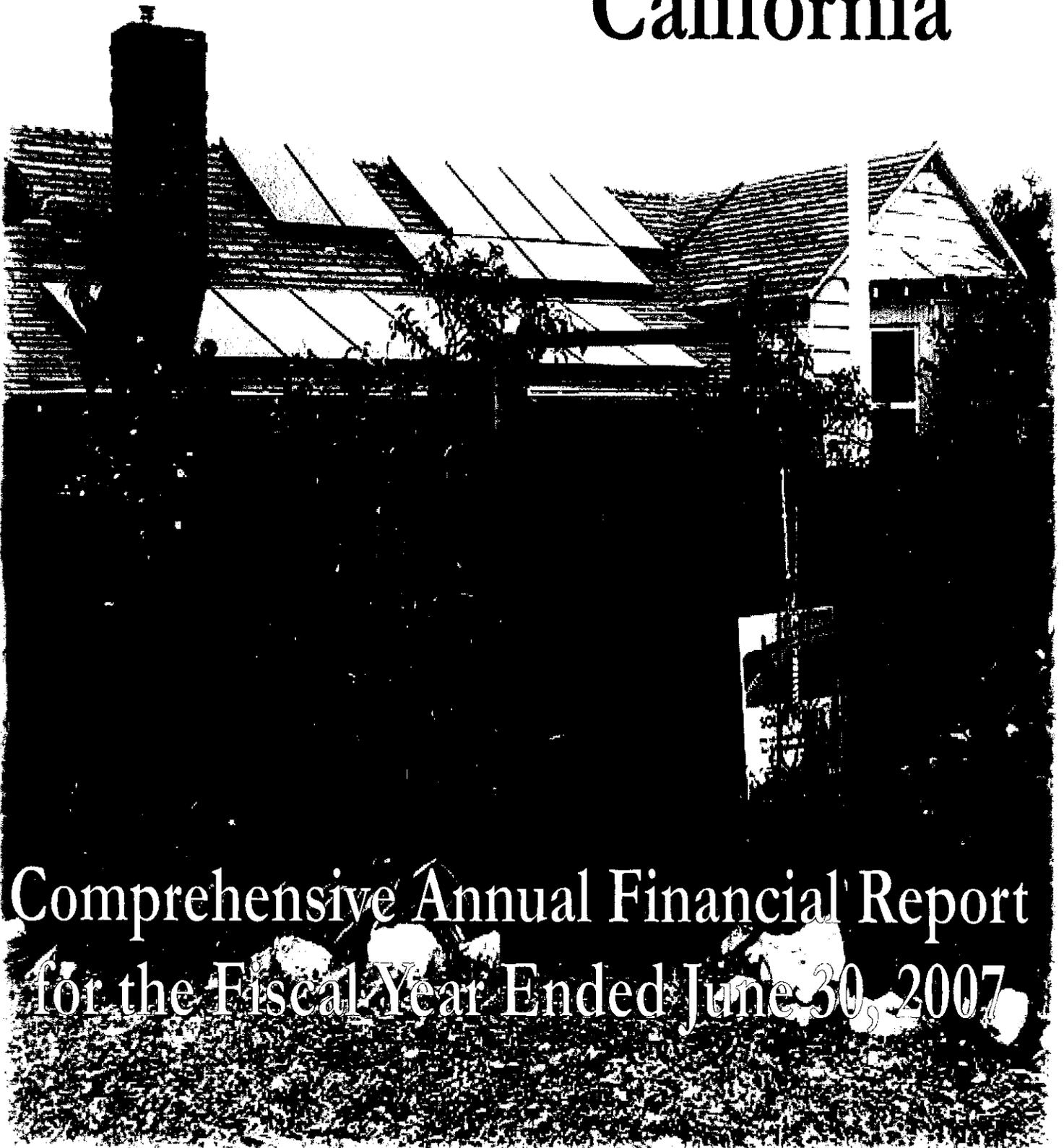


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# City of Belmont, California



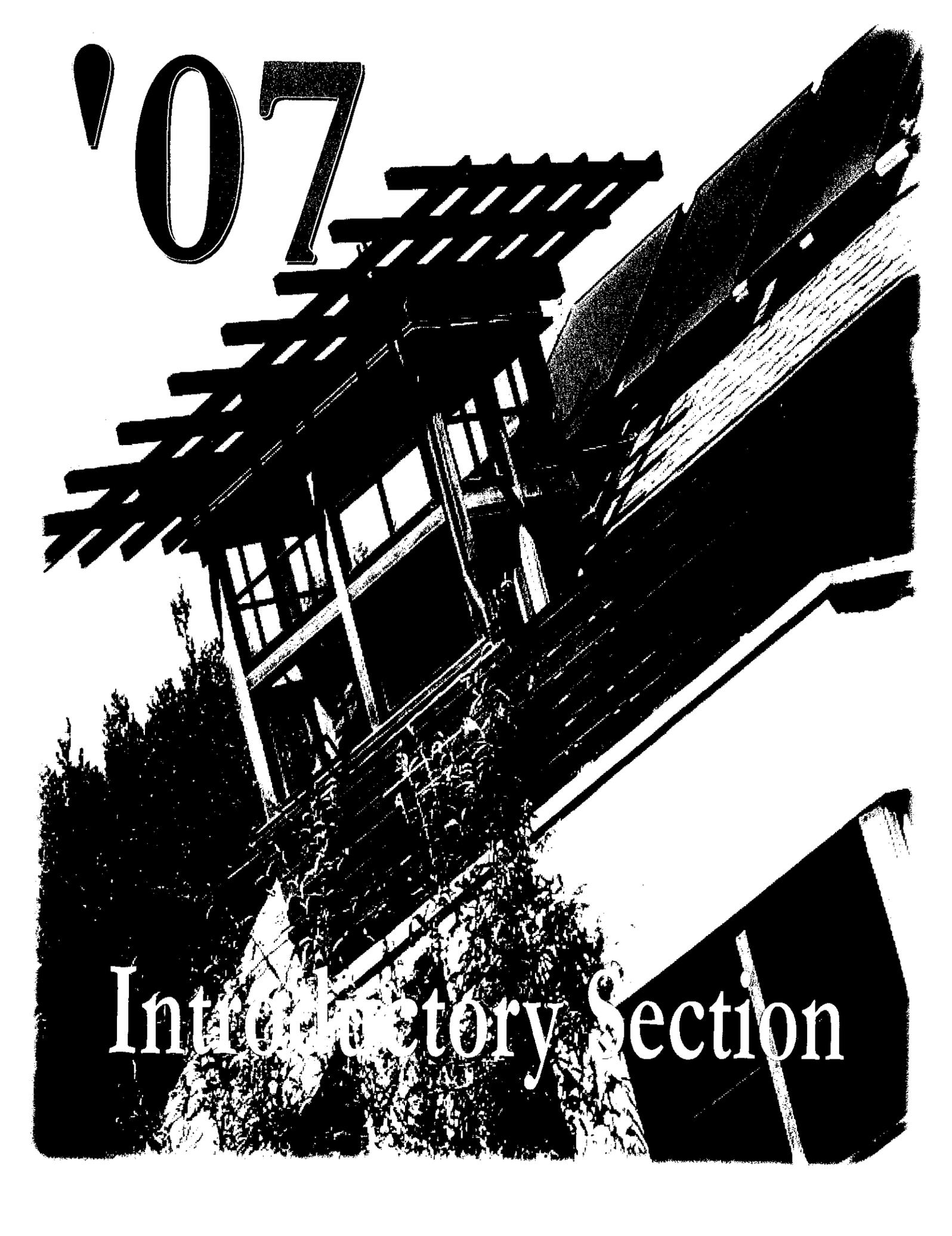
Comprehensive Annual Financial Report  
for the Fiscal Year Ended June 30, 2007

**CITY OF BELMONT, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**Prepared by**  
**FINANCE DEPARTMENT**

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Intricate Factory Section

CITY OF BELMONT

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September 22, 2007

To the Citizens of the City of Belmont, California:

The comprehensive annual financial report of the City of Belmont for the fiscal year ended June 30, 2007, is hereby submitted pursuant to State law, which requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City, and in particular, the Finance Department. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City of Belmont's financial statements have been audited by Maze & Associates, a firm of licensed certified public accountants. The independent auditor concluded that the City of Belmont's financial statements for the year ended June 30, 2007, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of this report.

Management's Discussion & Analysis (MD&A) provides a narrative introduction, overview and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A is found immediately following the report of the independent auditor in the financial section.

This comprehensive annual financial report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the City's organizational chart and a list of principal officials. The financial section



includes the basic financial statements and the combining financial statements and schedules, the independent auditor's report on these financial statements and schedules, and Management's Discussion and Analysis. The statistical section includes selected financial and demographic information, generally presented on a multiyear basis.



## **PRESERVE AND ENHANCE BELMONT'S BEAUTY**

The City of Belmont is in the process of studying various aspects to be green and help the environment. Our desire is to be in harmony with our beautiful hills, trees, parks and open space so we can preserve and enhance the City's assets for future generations. In recognition of these activities, this Comprehensive Annual Financial Report includes pictorials highlighting potential ways to help the environment and save money.

## **PROFILE OF THE CITY**

The City of Belmont, incorporated in 1926, is located on the San Francisco peninsula, midway between San Francisco and San Jose. The City of Belmont currently occupies a land area of 4.61 square miles and serves a population of 25,897. The City of Belmont operates under the council-manager form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor and four other members. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing commissions, and hiring both the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing day-to-day operations of the City, and for appointing the heads of the various departments.

This comprehensive annual financial report includes all funds of the City and its component units. The funds include information regarding the full range of services the City provides. These services include police and fire protection; sanitation services; construction and maintenance of highways, streets, and infrastructure; community development and redevelopment; parks; recreational and general government activities. The City Council is also financially accountable for the Belmont Fire Protection District, the Belmont Redevelopment Agency, and the Belmont Joint Powers Financing Authority; therefore, these component unit activities are included in the accompanying basic financial statements. Furthermore, the City participates in a number of joint ventures and authorities, which exist due to joint exercise of power agreements. An equity interest is reported for the South Bayside System Authority (SBSA). The complete financial activities have not been included for this

entity, nor for Belmont-San Carlos Fire Department (Fire Department), as the City Council is not financially accountable for them. Other entities, which have been excluded, that do not meet the established criteria for inclusion in the reporting entity are the Belmont Elementary School District and the Mid-Peninsula Water District.

## **ECONOMIC CONDITION AND OUTLOOK**

Located on the San Francisco peninsula midway between San Francisco and San Jose, the City of Belmont is experiencing continuing growth. The City's financial position has improved, like many other municipalities located in San Mateo County.

As required by GASB45 – Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions, the City commissioned an actuarial study on post employment benefits. The implementation of the accounting pronouncement is effective in fiscal 2009. The study indicates the City must set aside \$0.4 million to prefund this benefit payable in future years.

Management has an optimistic outlook for the near future. Revenue growth, discussed in greater detail below, is solid. Expenditures are controlled in large part due to the City's response to past challenges in recent years, whereby the City made budget adjustments totaling \$3.4 million.

Over the past 20 years, the City has lost tens of millions in local revenues to the state and the amount continues to grow at nearly a million dollars a year. As a result of these actions, local governments successfully organized an initiative to protect local revenues from further takeaways from the state. The overwhelming support of the voters towards Proposition 1A, which limits the Legislature's ability to take local government shares of certain taxes, has had a positive affect. However, the



state's ability to take other local government revenue is still untested and could pose a threat to the City.

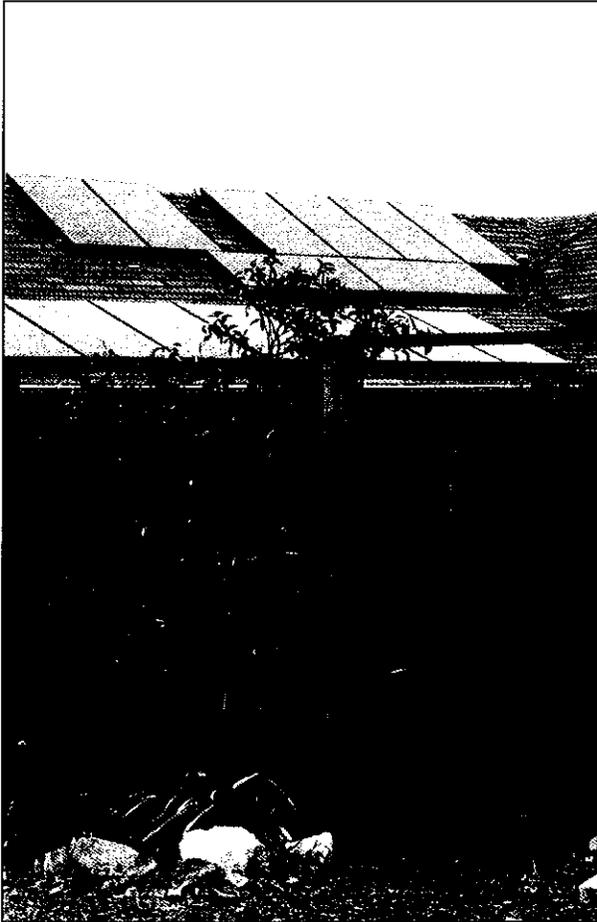
As indicated in the prior years, the General Fund revenue outlook for the long term future of the City is difficult to predict. The City continues to see improvements in property tax assessments and sales of homes while recent economic indicators show a slow down due to rising interest rates. Sales taxes have improved notably in the automotive and business to business sectors but may be affected by rising gas prices and changes in legislation. Finally, transient occupancy taxes remain strong as business travel increases.

Management's outlook for the Belmont Redevelopment Agency is mixed. Near term revenue growth is expected to be modest with new construction activity planned. Long term revenue growth could be significant, should the Belmont Redevelopment Agency successfully implement a number of economic development proposals under

consideration. The Agency Board completed a visioning process and selected four target sites – Firehouse Square, Belmont Station, Shoreway Place, and Village Center – and will significantly help Belmont’s economic future once materialized.

In conclusion, the City has successfully addressed the financial challenges of the past few years and has positioned itself well for the future. The City continues to practice sound financial fundamentals, like maintaining adequate reserve levels, so that it can respond to a future which is difficult to predict. As indicated above, economic development activities are expected to provide additional improvement to the General Fund revenue picture in the future, are more fully described in the following section.

## MAJOR INITIATIVES



The major initiatives for the year were developed through the budget planning process. The budget planning process began last year with the City Council establishing goals and setting priorities. City Council held several sessions to establish goals. These goals were then prioritized and became the basis for allocating resources. With City Council’s direction, the management team refined the goals and developed basic strategies and specific objectives for achieving each goal.

*Capital Improvement Program* – An example of this strategy is the City’s Five Year Capital Improvement Program that identifies \$43 million in specific capital improvement and economic development projects. These projects will improve the economic base of the City and, consequently, the revenue picture for the future. The City has several major initiatives underway. Most notably is \$18.2 million in redevelopment projects and \$6 million Bike/Pedestrian Bridge discussed below. Another \$14 million has been set aside for a variety of sewer and storm drain improvements. Other major capital items include park improvements and a variety of landscape and street improvements.

*Update the General Plan* – This project entails a multi-year, comprehensive update to the City’s General Plan Elements, and Specific Plans. Staff will utilize the (2003) City-wide Visioning Efforts product as a springboard to commencing work on modifications to the General Plan Land Use and Housing Elements, and Downtown Specific Plan revisions.

*Plan for Belmont Fire Services* – The Belmont Fire Protection District has approved an amended Joint Powers Authority (JPA) agreement with the City of San Carlos. The JPA restructures the relationship between the member agencies and includes a long term strategy to stabilize the fire services.

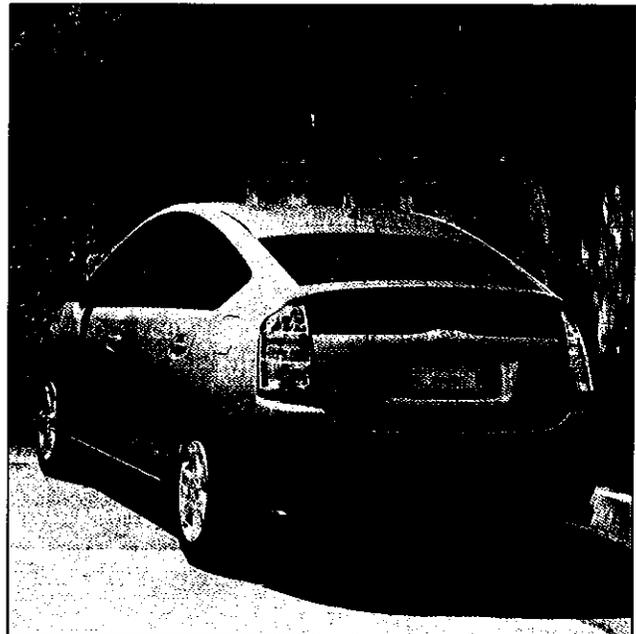
*The Harbor Industrial Area* – The City Council has adopted a strategy to complete the annexation of the Harbor Industrial Area. A Council subcommittee has been appointed and is working with HIA representatives on the key issues as a prelude to potential annexation.

*Economic Development* – The City continues to implement its comprehensive Economic Development program. The program includes three distinct strategies. Those strategies include targeting specific sites for economic development (business recruitment), annexing the Harbor Industrial Area (business recruitment and retention), and offering a host of services to the business community to encourage business retention and growth.

*Redevelopment Priorities* – The budget reprioritizes the 5 year capital plan to support the economic development effort. The plan also includes a façade rebate reimbursement program to assist commercial property owners improve their building exteriors, landscaping improvements along main corridors, and replacement of decorative paving along the sidewalks in the downtown area.

*Parking Issues* – This project is to review and develop a comprehensive parking management strategy for both on and off-street parking in the commercial business areas of the City.

*Build a Bike/Pedestrian Bridge over 101* – The environmental assessment has been completed and reviewed by Caltrans. The final plans, specifications and cost estimates are being reviewed by Caltrans for final comments. The new federal legislation (SAFETEA-LU) has designated \$2.6 million for the construction of the project. The federal funds were secured by Congresswoman Eshoo. The City has an existing \$500,000 grant and \$400,000 is proposed to be funded by Parks Funds. The City has been applying for various grants for the balance needed to complete the funding for this \$6 million project.



*Emmett House Redevelopment* – The Redevelopment Agency gave direction to staff to relocate the Emmett House to its vacant lot at Sixth and O’Neill for remodeling/refurbishment. This project has received many of the entitlements necessary to proceed with the move. The Board provided direction to develop the house with two affordable units.

*Old City Hall Site* – The Redevelopment Agency will be considering its options for development of the Old City Hall site on 5th Avenue, between O’Neill and Broadway, now termed Firehouse Square.

These options will be predicated upon RDA direction given to the Economic Development efforts targeted for sites within the downtown corridor area.

*Improvements to the Development Review Process* – The “one-stop” Permit Center has been operational for three and one-half years and is open in its permanent location on the first floor of City Hall. The Council convened a Permit Efficiency Task Force (PETF) to explore additional improvements and efficiencies to the City’s permit services. The PETF presented its efficiency recommendations to Council and direction was given to implement all “low & no-cost items.” Staff will also commence work on Design Guidelines.

## FINANCIAL INFORMATION



Internal Controls. The City’s management is responsible for establishing and maintaining an internal control structure designed to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the calculation of costs and benefits requires estimates and judgments by management.

Budgetary Controls. The City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the Annual Budget approved by the City Council.

Activities of all funds, except agency funds, are included in the Annual Budget. The City adopts a five-year capital improvement program, but only appropriates the current year’s expenditures in the Annual Budget. The level of control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level. Presentations of budgetary comparison statements include a more detailed level of information for analysis purposes. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts are reported as a reservation of fund balance and are automatically re-

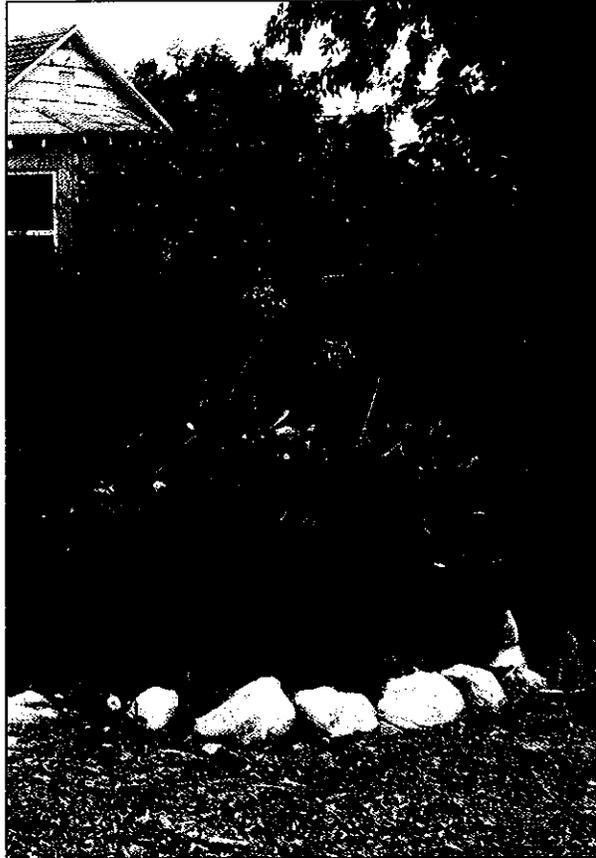
appropriated in the following year. Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

Debt Administration. At June 30, 2007, the City has six debt issues outstanding. Of these, \$22.7 million are tax increment tax allocation bonds, \$14.3 million are sewer revenues bonds, and \$.1 million is a note payable to a private party.

The Redevelopment Agency's bonded indebtedness carries an "AAA" or equivalent rating by the various rating agencies.

Under current state city's general obligation is subject to a legal 15% of total assessed unsecured property. As City had no general debt. The legal debt million with debt per based on a population of

The City has a \$.1 million Corporation pursuant to conditions of a disposition agreement. originally made primarily Direct Access—Ralston project previously remaining balance on the and can be used for any purpose. The amount is payable and is repaid receipt of sale tax holder of the note. The note carries interest that is indexed to the return on L.A.I.F. state investment pool.



statutes, a general law bonded debt issuance limitation based on value of secured and of June 30, 2007, the obligation bonded margin was \$146 capita equaling \$.00 25,897.

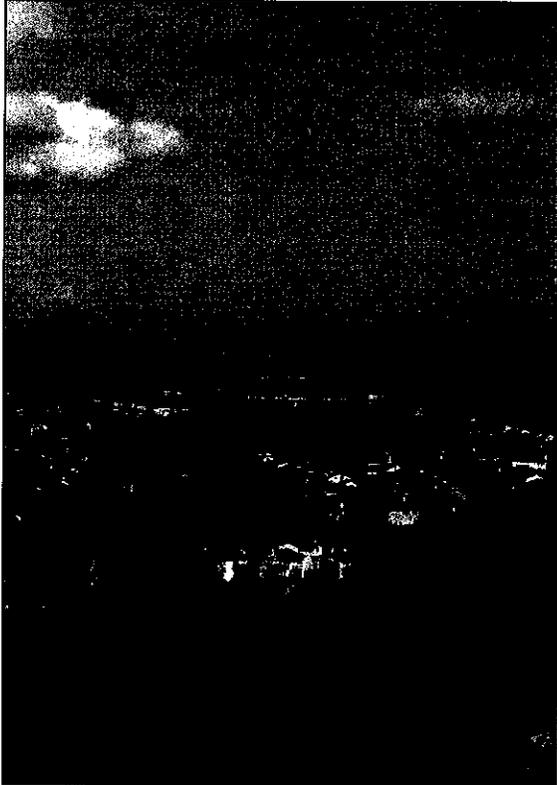
loan from Oracle the terms and development and The loan was for construction of the /101 Interchange discussed. The loan is unrestricted governmental evidenced by a note solely through the generated by the

Cash Management. Cash temporarily idle during the year was invested in U.S. Government securities and with the State Treasurer's Local Agency Investment Fund (L.A.I.F.). The average yield on investments held at L.A.I.F. was 5.12%. The City earned interest revenue of \$2 million on all investments for the year ended June 30, 2007.

The City's investment policy is conservative. Its goal is to maximize earnings while minimizing credit and market risks.

Risk Management. Since 1996, the City has purchased primary workers' compensation insurance. All claims from that date are covered 100% by the carrier. Prior to 1996, the City maintained a self-insurance program for workers' compensation. Consequently, the City retains risk for all claims up to \$.1 million that occurred prior to 1996. Claims in excess of that amount are covered by an excess insurance policy for up to \$5 million in limits. As of June 30, 2007, the workers' compensation fund shows a contingency margin above the estimated liabilities of \$.6 million.

During the year, the City also retains risk for general liability claims up to \$0.3 million per claim. Claims in excess of that amount are covered by insurance policies up to \$20 million. As of June 30, 2007, the liability fund shows a contingency margin above the estimated liabilities of \$1.0 million.



## **OTHER INFORMATION**

Award Recognition. The City has received from the Government Finance Officers Association of the United States and Canada (GFOA) the *Certificate of Achievement for Excellence in Financial Reporting* for the year ended June 30, 2006. As authorized by GFOA, the certificate is included in this comprehensive annual financial report. A Certificate of Achievement is valid for a period of one year only.

We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

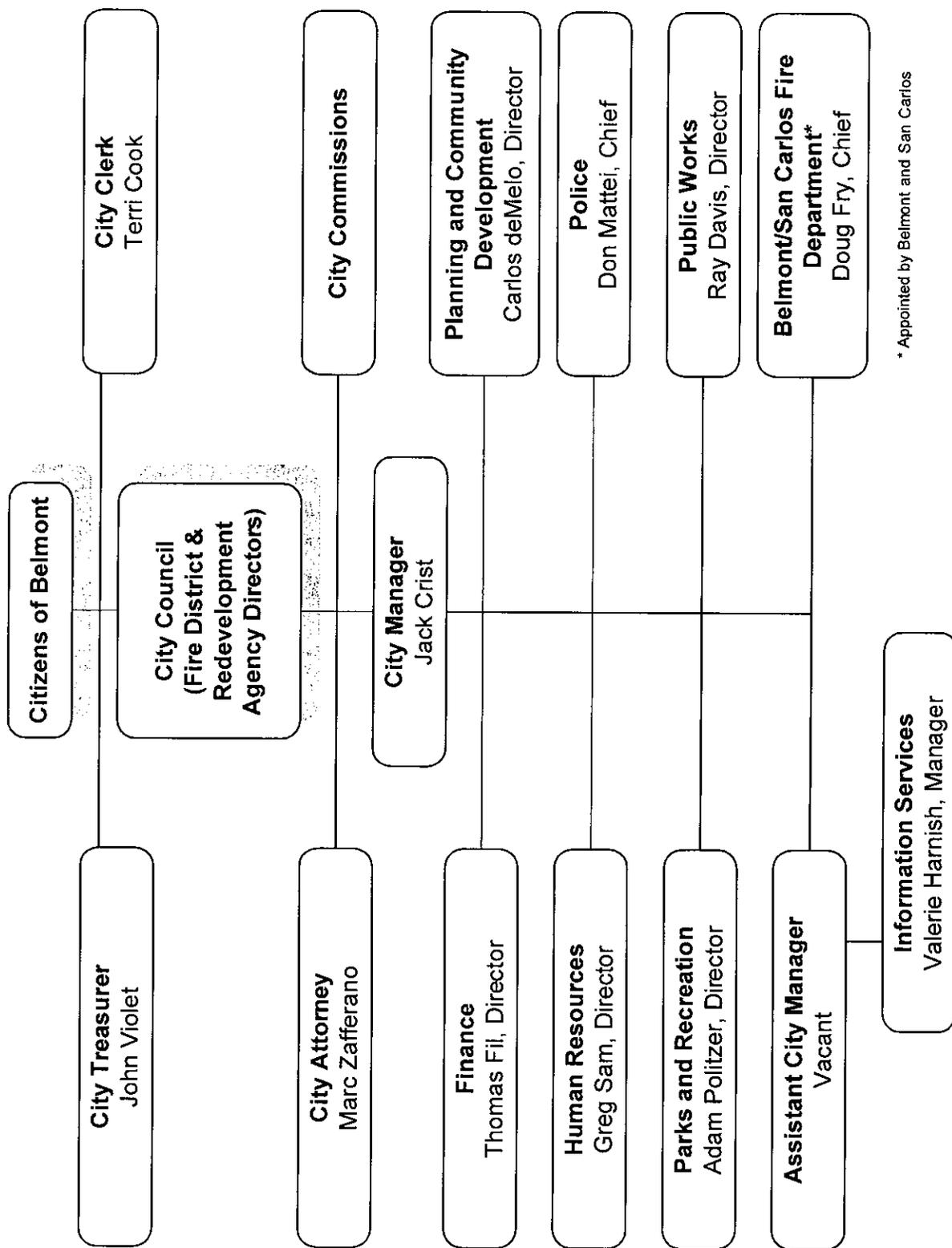
Acknowledgments. The preparation of the comprehensive annual financial report was made possible by the dedicated service of the entire staff of the Finance Department. Sincere appreciation is expressed to all those who assisted and contributed to its preparation.

Sincerely,

Thomas E. Fil, C.P.A., C.P.F.O.  
Finance Director

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# City of Belmont



\* Appointed by Belmont and San Carlos

## List of City Officials

### Elected Officials

Mayor – Council Member	Coralin Feierbach
Vice Mayor – Council Member	Warren Lieberman
Council Member	David Warden
Council Member	William Dickenson
Council Member	Phillip Mathewson
City Treasurer	John Violet
City Clerk	Terri Cook

### Appointed Officials

City Manager	Jack Crist
Assistant City Manager	Vacant
City Attorney	Marc Zafferano
Finance Director	Thomas Fil
Human Resources Director	Greg Sam
Parks & Recreation Director	Adam Politzer
Community Development Director	Carlos DeMelo
Police Chief	Don Mattei
Public Works Director	Ray Davis

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Belmont  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

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

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