



December 1, 2009

Honorable Mayor and City Council  
City of Concord



City Landscape

In accordance with the Municipal Code, Chapter 2, Article IV, Section 2-223 of the City of Concord, we are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Concord for the fiscal year ended June 30, 2009. The City's independent auditor, Maze & Associates, Certified Public Accountants, has issued an unqualified ("clean") opinion on the City of Concord's financial statements. The independent auditor's report is located on page 1 of the financial section of this report.

The CAFR was prepared by the City's Finance Department in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standard Board (GASB). 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 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. We believe the data is presented in a manner designed to set forth fairly the financial position and results of operations of the City as measured by the financial activity of its various funds; and that disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

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. The MD&A complements this letter of transmittal and should be read in conjunction with it. Further discussion of the accounting policies used by the City is found in the notes to the financial statements.

The City of Concord is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget's Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Information related to this single audit, including a schedule of federal expenditures of federal awards, the independent auditor's report on internal control and compliance with applicable laws and regulations are included in a separately issued single audit report.

## Reporting Entity

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The agencies included in the reporting entity are: the City of Concord, the Redevelopment Agency of the City of Concord; the Concord Sanitary Sewer Services,

Inc.; the City of Concord Retirement System and the City of Concord Joint Powers Financing Authority.

The financial statements for the California Public Entity Insurance Authority, the Pavilion Associates, the Concord Senior Citizens Club, the Friends of Camp Concord, Concord Plaza Tower, Inc., and the Concord Pleasant Hill Aquatic Foundation are not included as they are administered by boards separate from and independent of the City.

## Internal Controls

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In developing and enhancing the City's accounting system, significant consideration is given to the adequacy of the City's system of internal accounting controls. Internal controls are designed to provide reasonable assurance regarding the safeguarding of assets against the loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived, and that the evaluation of costs and benefits requires estimates and judgments by management.

## Concord's History

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Civic Center

The first inhabitants of the valley were a small tribe of the Chupcan Indians. In the 1700's early Spanish explorers became the first outsiders to cross the area, upon receipt of the "Monte Del Diablo" land grant in 1834. The 17,921 acre land grant covered the majority of the valley and was used for cattle operations. Don Salvio's grand adobe, which is still located in downtown Concord, became the business, social and cultural center of the region. In 1868, Don Salvio Pacheco, his son, Don Fernando Pacheco, and his son-in-law, Don Francisco Galindo, created a new town at the center of their Rancho. They called their new town Todos Santos (All Saints) and in 1869 offered lots free of charge to merchants and residents. Within months after Todos Santos had been recorded as the official town name, "Concord" was heralded by the Contra Costa Gazette as the actual name. By 1879 a population of 300 was reported. It would double by February 1905, when incorporation of the "Town of Concord" was approved by a two-vote margin.

It would take 35 years for the population to double again. Concord began World War II with a high school, a modern hospital, five churches, two railroads, a fine library, a nationally recognized central plaza, two cinemas, a full-service downtown commercial area, tree lined streets, comfortable homes and a population of 1,400. The war years brought expansion to the area because of the proximity of naval operations. The postwar years began a population boom. By 1948, the population had grown to 6,500.

Located 29 miles east of San Francisco, Concord now is the largest city in the Contra Costa County with a population of 124,599. The City covers 31.13 square miles and provides a full range of services including police protection, recreational activities, community development, street improvements and maintenance services. Over the last 20 years, Concord has become a major job center in Contra Costa County and it is the County's strongest retail location. Concord offers the amenities that many businesses require for success. Here, business-friendly government policies, outstanding Class A office space values, numerous industrial parks and excellent transportation combine with favorable home prices, an educated workforce and a

dynamic retail environment to create ideal conditions for business to expand and make Concord a premier business location.

The City's commitment to families and to the community fosters a high quality of life with attractive residential neighborhoods, abundant recreation and entertainment for all ages. Concord, the city where "Families Come First," is a community of friendly neighborhoods with an excellent park system, convenient shopping, large preserves of open space, and an exciting downtown. Concord's housing mix offers affordable home and rental prices that are among the most favorable in the Bay area, allowing residents to live where they work and play. In addition, the City offers its residents a comprehensive housing program, including first-time home buying and single-family home repair loans. An extensive transportation system, including easy freeway access, two BART stations, bus services and a local private aviation airport, makes Concord's location convenient to the Bay area.

## Profile of the Government

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Concord BART  
Station

Concord is a General Law city, formed under the State legislative status and structured under provisions of the California constitution. Its governing body, the City Council, is comprised of five elected members, who serve "at-large" rather than by district, each for four-year terms. City voters also elect a City Treasurer who serves a four-year term.

Municipal elections are held in November of the even-numbered years. Council terms overlap, with three Council members elected one year and the other two elected two years later. Each year, the Council selects one of its members to serve as Mayor and another as Vice Mayor. The City Council also serves as the Redevelopment Agency Board.

Concord is operated under the Council-Manager form of government. The Council hires the City Manager, who is then responsible for all management functions of the City, including the budget, delivery of services, hiring of personnel and implementation of capital projects. The City Council also directly hires the City Attorney who serves as the City's primary legal advisor.

## Budgetary Control

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The Concord Municipal Code requires the City Manager to present the Annual Operating Budget to the City Council for approval. The City Council has adopted a number of Policy & Procedures, including Budget and Fiscal Policies; Budget Preparation; Budget Appropriation and Transfer Controls, which provide direction in the development of the Annual Operating Budget. The City Manager has also authorized several Administrative Directives which further clarify budget policies, processes and related controls.

The annual budget kickoff meeting is conducted in November. City Departments prepare their budgets in November and December for review by the Budget Committee in January and February. The Budget Committee is comprised by the City Manager, Assistant City Manager, Director of Finance and the Budget Officer. All budget changes and recommendations are finalized in March. The proposed budget document is prepared in April and provided to the City Council. A budget workshop is conducted with the City Council in May and the City Council conducts two public hearings on the budget in June. Budget adoption occurs at the final public hearing in June.

Ultimate budgetary control resides at the fund level; however, the City has adopted a number of budgetary appropriation and transfer procedures to provide strong internal controls while encouraging improved accountability and administrative responsiveness. All budgetary transfers require Director of Finance review and approval. All transfers of appropriations affecting Personnel Services (wages & benefits) require Director of Human Resources and City Manager review and approval. Additionally, all transfers between funds and between departments require City Manager or City Council review and approval.

All project appropriation transfers require City Manager approval. Transfers in excess of \$20,000 require City Council approval. The City Council must approve all new appropriations with the exception of money received for specific purposes (e.g. Developer Contributions) where the appropriation and revenue received are of equal value. Special revenue budget appropriations based on funds provided by grants, donations or contributions require City Manager and City Council approval.

## Long Range Financial Planning

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Antique Car Show

In 1995 the City of Concord implemented Ten-Year Financial Planning to realize its vision as “trustworthy guardians of the public’s resources” and its mission to be “a cost effective government”. Most importantly, it has been effectively used to attain financial stability for the City. Ten-Year Financial Planning requires that the City Manager annually present balanced Ten-Year financial plans for all major funds including the General Fund, Special Revenue Funds, Capital Improvement Funds, Proprietary Funds and also for the Redevelopment Agency. Twenty-Year financial information is presented for both the Sewer Fund and the Redevelopment Agency. Twenty-Five Year financial information is presented for Post Retirement Healthcare Benefits. The Ten-Year Plan also requires adequate replacement funds for buildings, vehicles, and equipment. The Ten-Year Plan projections include all projected sources of revenue and all projected expenditures including salaries, benefits, materials, services and capital improvement projects. Each year all plans are revisited, and assumptions are evaluated and updated.

The Ten-Year Financial Planning Program has many benefits over typical single year budgeting. It enables the City to foresee potential problems early, giving the organization time to respond and take action before a problem develops. It enables us to determine whether we can support today’s decisions tomorrow. For example, it can tell us if we can support future capital projects as well as their related operating and maintenance costs. Likewise, the long term financial impact and affordability of labor proposals can be more easily analyzed. Ten-Year Planning also increases the accountability to stakeholders by explicitly communicating the anticipated financial status of the City over a 10 year period.

## Major Initiatives and Events

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Building, Engineering and Neighborhood Services Department (BENS) designed 17 capital projects with a value of \$9.4 million and completed construction of 16 capital projects totaling \$6.9 million.

BENS received the Excellence Award in Capital Budgeting for Fiscal Year 2008-09 Ten-Year CIP/TIP from the California Society of Municipal Finance Officers (CSMFO). This is the 10th consecutive year that the City has received this reward.

Concord's Newhall Community Park maintenance building is the American Public Works Association (APWA) 2009 Project of the Year in the less than five million dollars project category. The APWA recognized economy and construction innovation as the most significant aspects of the project. The City reduced the cost of the building from \$450,000 to \$98,000 by selecting a pre-engineered building.

The San Francisco Bay Section of the California Water Environment Association (CWEA) has selected City of Concord's joint \$21 million sewer project with Central Contra Costa Sanitary District as the first place winner in the Engineering Achievement of the Year Award category. The CWEA awards program recognizes outstanding professional achievement in the wastewater field.

Diablo Creek Golf Course, home of The First Tee Program, has achieved "ACE" Chapter status awarded by The First Tee National Headquarters. This is the highest rating set by program. The First Tee is a youth program established to teach life skills and instill core values through the game of golf in a year-round program for boys and girls ages 8 through 18.

Concord was recognized in 2009 for twenty-eighth year as a Tree City U.S.A. by the National Arbor Day Foundation. The national award honors Concord's commitment to its community forest. The Park Services maintains 379 acres of developed parkland and 691 acres of open space.

Concord broke the Guinness Book of World Record on July 1, 2008 for largest guitar ensemble when musicians from all over the Bay Area converged on Todos Santos Plaza for the evening festivities. The event drew 2,052 registered guitarists plus families and friends who joined Country Joe McDonald in playing their way into the record book with a rousing rendition of the Woody Guthrie classic "This Land is Your Land." The previous record was set on June 23, 2007 in Leinfelden, Germany when 1,802 players performed "Smoke on the Water."

## Economic Condition and Outlook

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Downtown Plaza

The National and State economies reflect unprecedented challenges in a time of major changes in the traditional ways in which money and credit are used. The financial markets have been struggling to overcome problems related to collapse in the global financial system and subprime mortgage market, high unemployment rate and economic recession. Virtually every sector of the economy is experiencing negative trends. As these downward trends ripple throughout the world economy, the City of Concord is not exempt. The declining real estate values, property and sales tax revenues have placed fiscal constraints on the City that are expected to last several years. General Fund revenues decreased 5.7% or \$4 million from the prior year. The City's assessed valued decreased 8.5% from the prior year.

As part of a three-year plan to bring the City's budget back into balance, the City has implemented a variety of cost-saving measures, including services reduction, early retirements for eligible employees, mandatory furloughs, pay reductions, layoffs as well as some small revenue enhancements to close the budget gap. Key City services, including public safety and maintenance of public facilities and infrastructure, will continue to receive high priority.

For the first time, \$3.2 million in reserves were used to balance the Fiscal Year 2008-09 budget. The City also reduced the combined total of contingencies and reserves from an aggregate 30% to 15% of the General Fund operating expenditures. It is anticipated that as the economy improves, the City will be able to replenish the reserves and continue growth as we have in the past.

Despite financial market volatility, the City of Concord has fared comparatively well, though we anticipate that revenues will reflect little or no growth. Our diversified economy, strong job base, diverse sales tax base, successful efforts to retain and attract new businesses and the City's ten-year financial planning policy, have contributed to the City's financial stability and leave the City comparatively well positioned to face the challenges ahead. While development has slowed, Concord's reductions are more moderate than the decline experienced by cities which have been in a more aggressive pattern of expansion.

The City's ability to sustain a vibrant local economy to insure future fiscal strength will continue to depend on the City's ability to attract the business community and to balance business and residential needs to the benefit of both. The City's past success in attracting and retaining successful businesses has not been coincidental. Concord devotes considerable energy to providing a variety of services and programs to attract new quality businesses as well as help existing companies to achieve sustained growth. The City's Economic Vitality Strategy promotes partnerships among businesses, merchants, residents, community groups and City Departments to anticipate needs and solve problems when they occur. The Strategy guides City policy to enable Concord to provide efficient and timely local services to maximize a new company's success. Concord's award winning One-Stop Permit Center at City Hall provides expedient permit processing, cuts red tape, cuts construction costs and enables developers to open earlier and produce revenue sooner. Concord's Business Retention Program offers a variety of services to assist the retention and expansion of Concord businesses. The program enhances Concord's relationship with businesses by strengthening communication, providing education workshops and assisting with site selection and permit facilitation.



Civic Center Courtyard

While the projected success in the development area eventually points to a positive outlook, the City is facing the same uncertainties as other agencies in the State, including the rise in cost for salaries and benefits including retirement, health insurance, workers compensation, as well as the continuing State budget crisis. For over 20 years, the State legislature has been taking local tax dollars that local governments use to provide vital services like fire protection, law enforcement, healthcare, parks and libraries. The State has taken more than \$40 billion from cities, counties and special districts in the last 15 years. The State justified these diversions as "temporary" that would lapse when the economy improved, however, as the economy has improved the State has continued to increase spending and the revenues have not been returned to local agencies.

Although the passage of Proposition 1A in 2004 has restored some predictability to our budget, it is not a guarantee that cities will not experience cash flow impacts due to future loans to the State. The State has suspended Proposition 1A in Fiscal Year 2009-10, borrowing approximately \$2.25 million from the City. The City has elected to participate in a securitization program to receive its revenue in a timely manner. The State continues to face structural budget shortfalls. Although the State made a number of optimistic revenue assumptions to close the continuing budget shortfall, these assumptions are already unraveling. The State has not yet dealt with its structural financial issues and continues to rely on a number of one-time solutions and gimmicks rather than focusing on aligning ongoing revenue with ongoing program expenditure to fix their structural deficit.

## Reserves

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To address the financial uncertainties discussed above, the City maintains various General Fund Reserves and contingencies to total not less than 15% of operating expenditures.

- General Fund Operating Contingency Reserve - this established reserve requires a minimum 10% of the General Fund operating expenditures to be set aside for general operating needs.
- Employee Benefit Reserve - this reserve was established to address future anticipated increases in cost for existing employee benefits. The balance of this reserve at June 30, 2009 was \$915,546.
- Capital Maintenance Reserve - this reserve was created to address unexpected/unplanned capital maintenance needs. The balance of this reserve at June 30, 2009 was \$2,600,000.
- Economic Contingency Reserve - established to compensate for any future State raids on municipal budgets and to prepare for any other fiscal crisis that may occur. The balance of this reserve at June 30, 2009 was \$11,512,802.
- Unforecasted Reserve - established to fund capital projects that have not been identified in the Capital Improvement Program, or, where there might be funding level change in grant financed projects. The balance of this reserve at June 30, 2009 was \$2,901,044.

## Cash Management

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July 4th Parade

Cash temporarily idle during the year was invested, in accordance with the City of Concord's adopted Investment Policy, in U.S. Government and Agency Securities, Corporate Notes, Commercial Paper, Money Market and Mutual Funds, and the California State Local Agency Investment Fund. As of June 30, 2009, maturity of the investments ranged from 0 day to 3 years with an average maturity of 315 days. The average yield on investments was 2.029%. Interest rates on new investments fell during the past year. Investment income also included gains in the fair market value of investments. Increases in fair market value during the current year, however, do not mean that these gains will be realized unless the investments are sold before maturity. The City of Concord holds investments to maturity, thus gains due to changes in the fair market value should not be realized unless the investment is sold. The City of Concord's Investment Policy is certified by the Association of Public Treasurers, U.S. & Canada.

## Risk Management

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The City is a member of California State Association of Counties - Excess Insurance Authority (CSAC-EIA). The coverage has a self-insured limit of \$500,000 to a maximum of \$35 million for general liability; and \$500,000 to a maximum of \$300 million for Workers' Compensation.

The City provides fully-insured health plans through the Public Employees Retirement System, a fully-insured dental and life insurance program, an Employee Assistant Program (EAP), and a self-insured short term and long term disability program through Reliance Standard Life Insurance Company.

## Pension Plan and Other Post-Employment Benefits

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The City participates in two distinct retirement funds. The City entered the California Public Employee Retirement System (PERS) beginning with Fiscal Year 1993-94. On June 28, 1999, Concord funded prior service credit in PERS for all the current employees. PERS is a multiple-employer public employees defined benefit pension plan for safety and non-safety personnel. PERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and their beneficiaries.

The City of Concord Retirement System (CCRS) is a closed plan and is a single employer defined benefit pension plan covering all full time employees of the City who retired or left service prior to June 28, 1999. Participants are divided into two primary groups for coverage: general employees and safety employees. Funding for the CCRS was held by Sun America Insurance. On May 21, 2009, Public Agency Retirement Services (PARS) became the new administrator for the CCRS.

The City of Concord also provides post-retirement health benefits for its retired employees and their eligible dependents. At the end of the fiscal year, there were 231 retired employees and 206 eligible dependents receiving these benefits which are currently financed on a pay as you go basis. A funding plan has been developed and incorporated into the City's Ten-Year Plan to fund the City's obligation for Other Post Employment Benefits (OPEB) as identified in the Governmental Accounting Standards Board (GASB) Statement 45.

## Awards

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Downtown Landscape

This is the seventeenth consecutive year that the City of Concord has been recognized for excellence in financial reporting. This year's Comprehensive Annual Financial Report (CAFR) has again been submitted to the Government Finance Officers Association (GFOA) for evaluation. I believe the June 30, 2009 CAFR exceeds the high standards set by the previous year's report. Suggestions by the GFOA for further improvement of the CAFR have been included in this report. The fact that GFOA continues to present the Finance Department with this award is especially gratifying.

The City of Concord has also been recognized for excellence in budgeting. The City's Fiscal Year 2008-09 Operating Budget received the Distinguished Budget Presentation Award from the GFOA and the Excellence in Operational Budgeting Award from California Society of Municipal Finance Officers (CSMFO). The City received the Excellence in Capital Budgeting for its Capital Improvement Program from CSMFO.

## Acknowledgments

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I wish to express my appreciation to the entire staff of the Finance Department whose dedication and efficiency are responsible for the preparation of this report in a timely and accurate manner. Without their hard work, the prompt submission of this report would not have been possible. Credit also must be given to the Mayor, City Council and the City Manager for their support in maintaining the highest standards of professionalism in the management of the City of Concord's finances.

Respectfully submitted,



Margaret Lefebvre  
Director of Finance