

MANAGEMENT DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Eureka, we offer readers of the City of Eureka's financial statements this narrative overview and analysis of the financial activities of the City of Eureka for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal found in the introductory section of this annual report.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Eureka's basic financial statements. The City of Eureka's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Eureka's finances, in a manner similar to private-sector business.

The statement of net assets presents information on all of the City of Eureka's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Eureka is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. 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. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Eureka that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Eureka include general government, public safety, community development, community services, culture-recreation, highways and street, public works, and interest on long-term debt. The business-type activities of the City of Eureka include water, wastewater, transit, harbor, building, and golf operations.

The government-wide financial statements include not only the City of Eureka itself (known as the primary government), but also a legally separate redevelopment agency for which the City of Eureka is financially accountable. The redevelopment agency, although legally separate, functions for all practical purposes as a department of the City of Eureka, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found beginning on page 12 of this report.

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. The City of Eureka, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Eureka can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Eureka maintains fourteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, housing and the redevelopment funds, which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for these non-major governmental funds is provided in the form of combining statements found in the supplemental statements and schedules section of this report.

The City of Eureka adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget and is found on page 73 in the basic financial statements section of this report. The basic governmental fund financial statements can be found on pages 15-20 of this report.

Proprietary funds. The City of Eureka maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Eureka uses enterprise funds to account for its water, wastewater, transit, harbor, building, and golf operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Eureka's various functions. The City of Eureka uses internal service funds to account for its equipment operation, risk management, information technology, and redevelopment administration. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, wastewater, transit, harbor, building, and golf operations, all of which are considered to be major funds of the City of Eureka. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements found in the supplemental statements and schedules section of this report.

The basic proprietary fund financial statements can be found on pages 21-30 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Eureka's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 31-32 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-76 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Eureka's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 73-78 of this report.

The combining statements and schedules referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 89-106 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Eureka, assets exceeded liabilities by \$149,402,649 at the close of the most recent fiscal year.

A large portion of the City of Eureka's net assets (78 percent) reflects its investment in capital assets (e.g., land, easements, buildings, machinery, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City of Eureka uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Eureka's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Eureka
Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 22,421,806	\$ 23,012,063	\$ 16,745,175	\$ 17,816,490	\$ 39,166,981	\$ 40,828,553
Capital assets	76,327,125	76,154,647	76,971,369	77,180,315	153,298,494	153,334,962
Total assets	<u>98,748,931</u>	<u>99,166,710</u>	<u>93,716,544</u>	<u>94,996,805</u>	<u>192,465,475</u>	<u>194,163,515</u>
Non-current liabilities	16,995,784	16,892,732	1,489,922	21,295,072	18,485,706	38,187,804
Other liabilities	3,750,395	4,324,542	20,826,725	2,413,245	24,577,120	6,737,787
Total liabilities	<u>20,746,179</u>	<u>21,217,274</u>	<u>22,316,647</u>	<u>23,708,317</u>	<u>43,062,826</u>	<u>44,925,591</u>
Net assets:						
Invested in capital assets, net of related debt	59,572,311	59,992,180	59,101,682	58,399,172	118,673,993	118,391,352
Restricted	16,644,657	14,744,122	2,127,767	2,612,843	18,772,424	17,356,965
Unrestricted	1,785,784	3,213,134	10,170,448	10,276,472	11,956,232	13,489,606
Total Net Assets	<u>\$ 78,002,752</u>	<u>\$ 77,949,436</u>	<u>\$ 71,399,897</u>	<u>\$ 71,288,487</u>	<u>\$ 149,402,649</u>	<u>\$ 149,237,923</u>

An additional portion of the City of Eureka's net assets (13 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$11,956,232 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Eureka is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year. Overall, total net assets increased by \$164,726

Changes in net assets. The statement of net assets provides a snapshot at a given point in time of the assets and liabilities of the City. The other government-wide statement provided is the Statement of Activities. This statement provides the reader with information regarding the revenues, expenses, and changes in net assets over the fiscal year. Generally, all changes to the City's net assets from one fiscal year to the next flows through the statement of activities.

The City of Eureka's net assets increased by \$164,726, which includes a prior period adjustment in the amount of \$26,193. The change in net assets as a result of governmental activities is an increase of \$53,316, while the change in net assets as a result of business-type activities increased by \$111,410.

Details of the City's changes in net assets are as follows:

City of Eureka
Changes in Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 2,714,843	\$ 3,310,835	\$ 12,965,511	\$ 12,432,391	\$ 15,680,354	\$ 15,743,226
Operating grants and contributions	2,397,762	2,021,282			2,397,762	2,021,282
Capital grants and contributions	2,275,470	1,939,634	127,651	890,000	2,403,121	2,829,634
General Revenues:						
Taxes:						
Property taxes	6,015,229	5,891,831			6,015,229	5,891,831
Sales taxes	9,863,454	9,767,022			9,863,454	9,767,022
Other taxes	4,313,737	4,022,230			4,313,737	4,022,230
Investment income	1,619,030	1,947,578	487,928	513,009	2,106,958	2,460,587
Other	2,126,459	2,224,834	11,021		2,137,480	2,224,834
Total revenues	31,325,984	31,125,246	13,592,111	13,835,400	44,918,095	44,960,646
Expenses:						
General government	4,635,673	3,681,651			4,635,673	3,681,651
Public safety	12,662,643	11,583,891			12,662,643	11,583,891
Community development	3,909,922	4,606,187			3,909,922	4,606,187
Culture - recreation	2,445,431	2,472,534			2,445,431	2,472,534
Public works	3,383,320	5,025,214			3,383,320	5,025,214
Interest on long-term debt	1,958,961	2,007,686	1,163,419	1,002,139	3,122,380	3,009,825
Unallocated depreciation	2,199,036	2,065,839			2,199,036	2,065,839
Water			3,683,221	3,621,412	3,683,221	3,621,412
Wastewater			5,272,981	5,201,340	5,272,981	5,201,340
Transit			1,896,892	1,795,303	1,896,892	1,795,303
Harbor			948,404	1,134,705	948,404	1,134,705
Building			593,859	562,867	593,859	562,867
Golf			25,800	21,205	25,800	21,205
Total expenses	31,194,986	31,443,002	13,584,576	13,338,971	44,779,562	44,781,973
Change in net assets before transfers	130,998	(317,756)	7,535	496,429	138,533	178,673
Transfers	(180,710)	(270,630)	180,710	270,630		
Change in net assets	(49,712)	(588,386)	188,245	767,059	138,533	178,673
Net assets - beginning	77,949,436	75,745,822	71,288,487	73,622,350	149,237,923	149,368,172
Prior period adjustments	103,028	2,792,000	(76,835)	(3,100,922)	26,193	(308,922)
Net assets - beginning, (restated)	78,052,464	78,537,822	71,211,652	70,521,428	149,264,116	149,059,250
Net assets - ending	\$ 78,002,752	\$ 77,949,436	\$ 71,399,897	\$ 71,288,487	\$ 149,402,649	\$ 149,237,923

The City's largest governmental revenue source, sales tax, accounts for 31% of total revenues. Property tax is the next largest governmental revenue source making up 19% of total revenues.

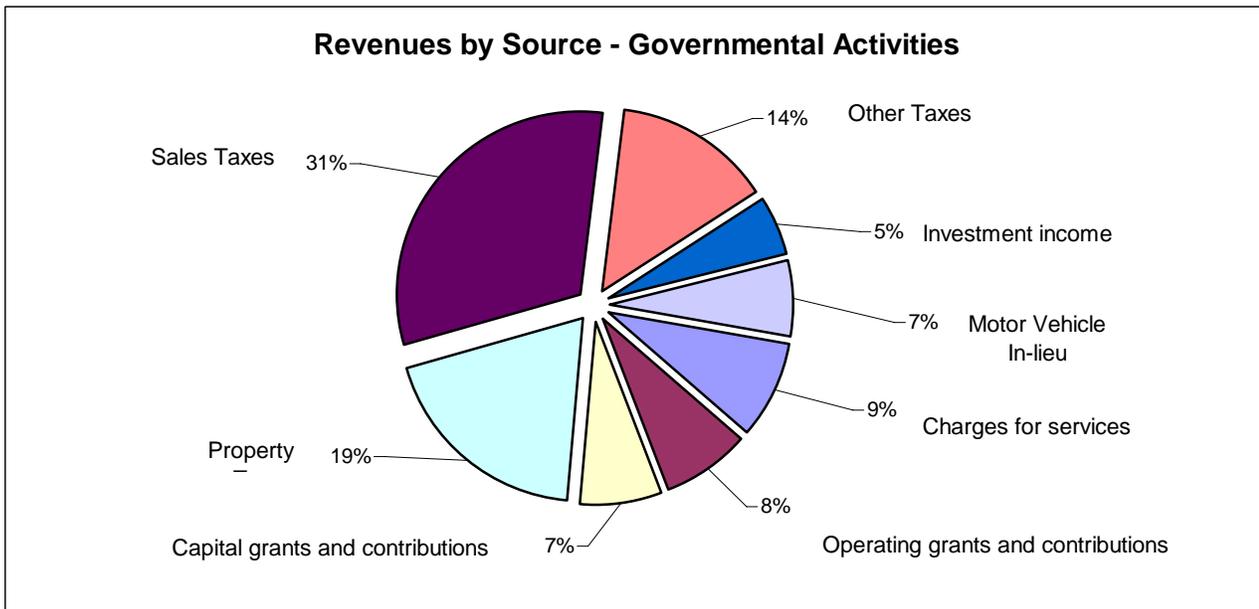
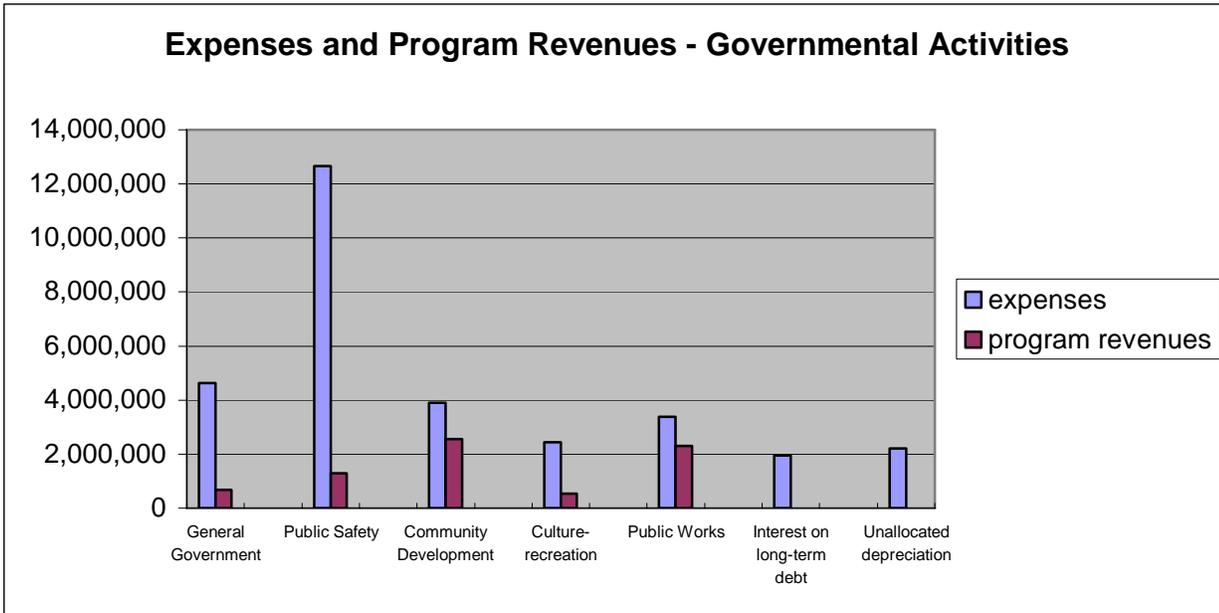
Operating grants for governmental activities furnished resources to support four of the City of Eureka's functions: general government, public safety, community development, and public works, with the greatest portion, 77% being for community development.

The increase of \$1,078,752 in public safety expenses is primarily the result of increased salaries in order to retain qualified employees.

The increase of \$954,022 in expenditures for General government is primarily the result of increased salaries in order to retain qualified employees in the non-safety departments, such as Streets, Stormwater, Facilities Operations, Parks, Zoo Finance and Equipment Operations.

Public safety expenses account for 41% of the total governmental activity expenses, compared to 37% in the prior fiscal year. The increase can be attributed to the higher salaries public safety employees received compared to other government employees and reflects the City Council’s desire to highly prioritize spending on public safety programs.

Only the Youth & Recreation activities charge fees in our Culture & Recreation programs with the greatest expenditures resulting from the Parks and the Sequoia Zoo, which did not charge fees in the fiscal year covered by this report. For the FY 2008-09, Council approved the implementation of an admission fee for the Zoo.

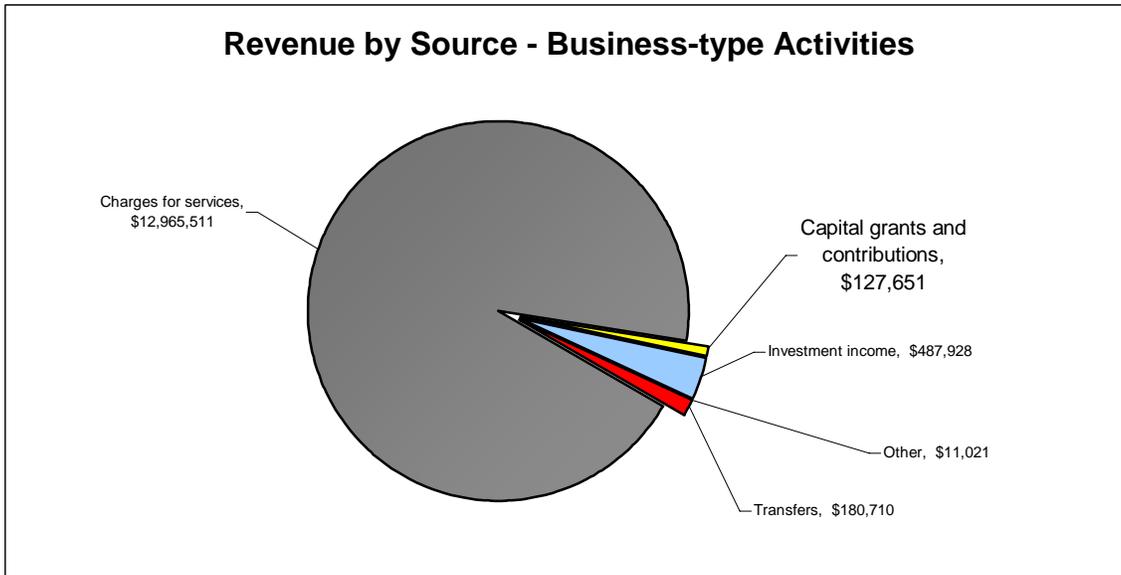
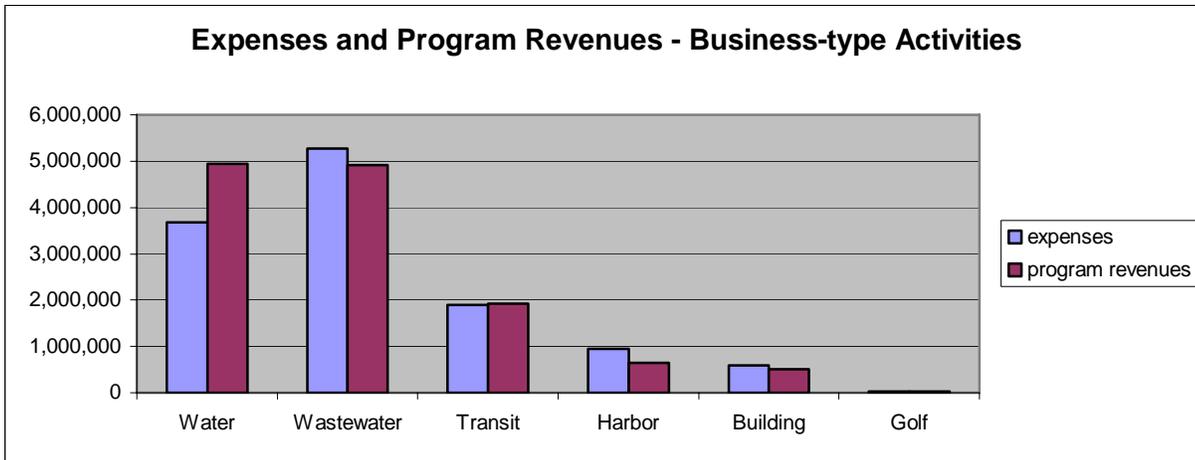


Business-type activities. Business-type activities increased the City of Eureka’s net assets by \$111,410. This is the net of a current year increase in business-type net assets of \$188,245 and a prior period adjustment decreasing net assets by \$76,835.

Key elements of the change in net assets are:

- \$984,647 gain in Water fund is due to the installation of new water meters and rates designed to achieve bond coverage and create reserves for future capital. A reduction of \$98,878 by a prior period adjustment relates to the overstating of revenue in the prior year.

- \$493,419 loss in Wastewater Fund. These rates were also designed to achieve bond coverage and create reserves for future capital but experience is showing the rates are insufficient. A rate study is currently in progress to study this and produce new rate recommendations before the end of FY2008-09. An increase of \$21,262 in prior period adjustments relates to understating the prior year revenue.
- \$462,274 loss in the Harbor Fund. Operating costs and debt service continue to outpace operating revenues in this fund requiring an ongoing, growing subsidy from the City.
- \$9,576 loss in the Building Fund. Operating costs continue to outpace operating revenues in this fund. A new rate setting methodology was developed for FY 2008-09, which is expected to produce sufficient cost recovery in FY2008-09.
- \$162,174 gain in the Transit Fund. This gain was achieved by a transfer from the City general fund, based on projections of annual expenses exceeding revenues.



Financial Analysis of the Government’s Funds

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

Governmental funds. The focus of the City of Eureka’s governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Eureka’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Eureka’s governmental funds reported combined ending fund balances of \$6,925,181, an increase in comparison with the prior year. The increase is the net of a prior period adjustment of \$91,586 and a current year net change of (\$85,669). The prior period adjustments are discussed in detail in the Notes to the Financial Statements beginning on page 74. **The majority**

of this fund balance is reserved to indicate that it is not available for new spending because it has already been committed for the following purposes: 1) parking enforcement; 2) prepaid items; 3) Low and Moderate income housing; 4) advances to other funds; 5) land held for resale and; 6) debt service. The current year increase in net assets is spread roughly equally among the governmental funds with the exception of the Redevelopment Agency Low & Moderate Income Housing fund with a decrease of \$1,462,475, most of which was spent on first time home buyer loans.

The general fund is the chief operating fund of the City of Eureka. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,012,166 an increase of \$37,619 in comparison with the prior year. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance at the end of the fiscal year represented 4.5% of total general fund expenditures, while total fund balance represents 26.5% of the same amount.

The fund balance of the City of Eureka's general fund decreased by \$388,390 during the current fiscal year; offset by \$150,122 from prior period adjustments. The decrease was planned and represents Council's determination to maintain services in spite of shrinking reserves.

The Housing and Low and Moderate housing funds have a combined total fund balance of \$3,046,845, all of which will be used for specific housing activities.

The Eureka Redevelopment Funds have a total deficit fund balance of \$3,574,058. \$4,747,061 represents funds available in the Capital Projects Fund for redevelopment activities. The deficit balance of \$8,321,119 in the Debt Service Fund represents long term advances due to City of Eureka, which will be paid from future Tax Increment revenues.

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

Unrestricted net assets of the proprietary funds at the end of the year amounted to \$10,170,448. The deficit unrestricted net assets in the Harbor fund, reflects the continuing struggle to generate revenues sufficient to cover costs. One irksome component of operating costs is an obligation to pay the State of California 15% of gross fund revenues in perpetuity. This obligation was created in 1978 as a loan covenant.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget is comprised of an increase of \$671,141 in revenue and an increase of \$1,671,061 in expenditures. The changes can be briefly summarized as follows:

- \$500,000 increase in revenues for anticipated payment on interfund advance from Redevelopment Agency.
- \$71,694 increase in revenues from grants and donations.
- \$30,229 increase in revenues from other financing sources.
- \$69,218 increase revenues to recognize funds received by the Fire department for assistance with State firefighting.
- \$224,000 increase in expenditures due to a change at the state level that triggered increases in tax collection fees paid to the County.
- \$349,675 increase in expenditures to execute the Memorandum of Understanding between the City of Eureka and the Public safety Associations.
- \$89,729 increase in expenditures to execute the Memorandum of Understanding between the City of Eureka and non-public safety employees.
- \$212,882 increase in expenditures to cover projects carried over from the previous fiscal year.
- \$567,064 increase in expenditures to cover transfers into other funds to help cover operating expenses.
- \$70,186 increase in expenditures to cover overtime.
- \$68,819 increase in expenditures to cover temporary salaries.
- \$88,706 increase in expenditures to cover unanticipated operating expenditures throughout all departments.

The difference between the final budget and actual budgetary expenditures is \$2,129,474, slightly less than 10%. Most operating departments used between 90% and 95% of their budgets, with the exception of the Personnel Department, the City Manager and Non-departmental, which spent approximately 101% of their budgets.

The difference between the final budget and actual budgetary revenues is a shortage of \$815,733. Fines and Penalties revenues produced the largest amount of unexpected revenue, with \$165,635 over budget, while Tax revenues were short \$394,910 and Other revenues were short by \$472,067. The largest single variance was Sales Taxes, which fell short of budget by \$826,469

Capital Asset and Debt Administration

Capital assets. The capital assets of the City are those assets that are used in the performance of the City's functions, including infrastructure. At June 30, 2008, the City of Eureka's net capital assets for its governmental and business-type activities amounts to \$153,298,494 (net of accumulated depreciation). The investment in capital assets includes land, easements, buildings, improvements other than buildings,

machinery and equipment, infrastructure, artwork, and construction in progress. Net change to capital assets of the City in comparison to the prior year, is a reduction of \$36,468.

Major capital asset events during the current fiscal year included the following:

- Significant increases include \$670,661 for the Martin Sewer Lift Station, \$205,173 for the Fire Drill Facility, \$223,779 for the 7th Street Bike Lane and \$476,044 for the C Street Amenities.
- Construction in progress was capitalized during the fiscal year primarily due to the completion of the Fire Classroom of \$224,193, Golf Course Lift Station of \$236,193, Old Town Parking Lot Lights of \$195,135, Central Water/Communications Facility of \$276,683 and Zoo improvements of \$630,533.

City of Eureka
Capital Assets (net of depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 4,088,899	\$ 4,078,899	\$ 11,348,689	\$ 11,348,689	\$ 15,437,588	\$ 15,427,588
Easements	23,922,864	23,922,864			23,922,864	23,922,864
Buildings	11,077,520	10,505,379	6,357,531	6,411,598	17,435,051	16,916,977
Improvements other than buildings	10,661,089	10,505,436	17,298,849	18,165,750	27,959,938	28,671,186
Machinery and equipment	3,638,024	3,118,794	22,374,999	20,300,119	26,013,023	23,418,913
Infrastructure	19,361,220	21,025,308	13,894,756	13,853,250	33,255,976	34,878,558
Artwork	86,795	86,795			86,795	86,795
Construction in progress	3,490,714	2,911,172	\$ 5,696,546	7,100,909	9,187,260	10,012,081
Total capital assets	\$ 76,327,125	\$ 76,154,647	\$ 76,971,370	\$ 77,180,315	\$ 153,298,495	\$ 153,334,962

Additional information on the City of Eureka’s capital assets can be found in note 7 on pages 58-59 of this report.

Long-term debt. At the end of the current fiscal year, the City of Eureka had total bonded debt outstanding of \$30,896,410. Of this amount, \$12,696,090 comprises debt backed by revenues within the water fund, another \$3,421,603 comprises debt backed by revenues within the wastewater fund, \$630,000 comprises debt backed by revenues within the harbor fund and \$14,778,717 in tax allocation bonds backed by incremental tax revenues from the redevelopment project areas.

City of Eureka
Outstanding Debt

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenue bonds payable, net	\$14,778,717	\$15,250,000	\$16,117,693	\$17,408,655	\$30,896,410	\$32,658,655
Capital leases	1,513,584	1,651,321	2,535,728	2,519,695	4,049,312	4,171,016
Loans payable	462,513		2,336,205	2,402,380	2,798,718	2,402,380
Net pension obligation	89,291	185,798			89,291	185,798
Compensated absences	978,039	966,246	153,398	138,296	1,131,437	1,104,542
	\$17,822,144	\$18,053,365	\$21,143,024	\$22,469,026	\$38,965,168	\$40,522,391

The Redevelopment Agency has one outstanding bond which carries an underlying rating of A- from Standard & Poor’s. Based on a bond insurance policy issued by Financial Guarantee Insurance Company, the bonds carry a rating of AAA.

The City's Water and Wastewater Revenue bonds carry AAA ratings based on bond insurance provided by Financial Security Insurance Company.

Changes to the City's long-term debt included net increase to the liability for compensated absences of \$26,895, decreases to bonds payables of \$1,762,245, capital leases payables of \$121,705, reductions to loans payables of \$396,338 and a reduction in pension obligations of \$96,507.

State statutes limit the amount of general obligation debt a governmental entity may issue to 3.75 percent of its total assessed valuation. The current debt limitation for the City of Eureka is \$70,200,793, which is significantly in excess of the City of Eureka's outstanding general obligation debt, which is currently zero.

Additional information on the City of Eureka's long-term debt can be found in note 9 on pages 61-67 of this report.

Economic Factors and Next Year's Budgets and Rates

- At the time the budget was prepared, the unemployment rate for the City of Eureka was 6.25 percent, which is a decrease from a rate of 6.4 percent a year ago. For the first time since 2005, this compared favorably to the state's average unemployment rate.
- At the time the budget was prepared, home sales were slowing and prices were beginning to fall in Eureka; consequently property tax was budgeted at an amount equal to the prior year.
- Retail sales, which directly affects the City's Sales Tax, slowed, causing the sales tax revenue to remain flat, contradicting the City's expectations of an 8-9% increase.
- Hotel occupancy rebounded from the prior year and the Transient Occupancy Tax revenue came in at \$1,742,728, over budget by 8.9%.
- Overall, PERS rates continue to rise, with the FY07-08 rates for Police increasing from to 32.29% to 33.935%; the rates for Fire increasing from 30.81% to 33.518% and the rates for Non-Public Safety employees increasing from 16.928% to 17.827%.

All of these factors were considered in preparing the City of Eureka's budget for the 2008-09 fiscal year.

During the current fiscal year, the unreserved fund balance in the general fund increased to \$1,012,166 which is available in the 2008-09 fiscal year for appropriation. Of this amount the City of Eureka has appropriated \$627,122 for spending in the 2008-09 fiscal year budget. It is intended that this use of available fund balance will avoid the need to reduce services during the 2008-09 fiscal year.

User fees for Water were increased for the 2008-09 budget year. The water rates were increased by 1% for residential customers. These rate increases were necessary to finance debt service and meet coverage requirements on the debt issued during the 2002-03 and 2005-06 fiscal years within the water fund. User fee rates for wastewater were increased by 3.9% in the 2008-09 budget year for residential customers to finance debt issued during the 2002-03 fiscal year within the wastewater fund.

Requests for Information

This financial report is designed to provide a general overview of the City of Eureka's finances for all those with an interest in the government's finances, and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, City of Eureka, 531 K Street, Eureka, California, 95501.

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