

December 21, 2001

Honorable Mayor, Members of
City Council, and City Manager
City of Redding, California 96001

Honorable Members:

In accordance with State and local statutes, the City of Redding hereby submits the Comprehensive Annual Financial Report for the year ended June 30, 2001. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe that the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and result of operations of the City in accordance with generally accepted accounting principles; and that all disclosures necessary to enable the reader to gain maximum understanding of the City's financial affairs have been made.

This year's report has been reformatted to comply with the new financial reporting model developed by the Governmental Accounting Standards Board (GASB) Statement 34. The new financial reporting model changes the format of the City's financial statements. It is intended to improve financial reporting by adding significant additional information not previously available in local governmental financial statements.

In addition to the fund-by-fund financial information currently presented in the City's financial statements, we are now including government-wide financial statements. The government-wide financial statements include a Statement of Net Assets that provides the total net equity of the City including infrastructure assets and the Statement of Activities that shows the cost of providing government services by function. These statements have been prepared using the accrual basis of accounting versus the modified accrual method used in the fund financial statements. The modified accrual basis of accounting focuses on near-term inflows, outflows, and balances of spendable financial resources. This report under GASB 34 retains the short-term focus in the governmental fund financial statements while providing a long-term perspective on these same activities in the accrual based government-wide financial statements. A reconciliation report is provided as a key to understanding the changes between the two reporting methods. In addition, the new reporting model includes an emphasis on the City's major funds as shown in both the governmental fund statements and the proprietary fund statements. These new statements combined with other information are further analyzed in a new narrative section called Management's Discussion and Analysis (MDA). The MDA provides "financial highlights" and interprets the financial reports by analyzing trends and by explaining changes, fluctuations and variances in the financial data. In addition, the MDA is intended to

disclose any known significant events or decisions that affect the financial condition of the City.

The City has taken a leadership role in implementing GASB 34. The City's early implementation, before the fiscal year ending 2002 deadline, will enable the City Council and users of these financial statements to become more aware of the benefits and information contained in the new financial reporting model. The City of Redding is proud to be on the leading edge of local governmental financial reporting.

The City's financial statements have been audited by Hathaway and Ksenzulak, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2001, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures made by management: and evaluating the overall financial statement presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2001, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of MDA. This letter of transmittal is designed to complement the MDA and should be read in conjunction with it. The City's MDA can be found immediately following the report of the independent auditors.

GENERAL INFORMATION

The City of Redding is a general law city, incorporated under the laws of the State of California in 1887. A council of five members elected at large for staggered four-year terms governs the City. The Mayor, Vice-Mayor, City Manager, and City Attorney are appointed by the City Council. The City Clerk and City Treasurer are also elected officials and serve four-year terms.

Redding is the county seat of Shasta County and is located on the Sacramento River approximately 160 miles north of Sacramento, the state capital, and 150 miles east of the Pacific Ocean at the northernmost end of the Sacramento Valley. The City has an estimated population 82,543 and encompasses approximately 60 square miles within the corporate limits. Extracting timber and the processing of wood byproducts along with agriculture, tourism and government have historically been the pillars of the local economy. A general shift has been occurring, however, toward a service-based economy.

REPORTING ENTITY AND ITS SERVICES

This report includes all of the funds of the City. Financial information for separate legal entities related to the City of Redding includes the Housing Authority of Redding, Redding Redevelopment Agency, Redding Area Bus Authority, and the Redding Joint Powers Financing Authority. All are accounted for in the City's financial statements in accordance with Governmental Accounting and Financial Reporting Standards. Component unit financial reports are on file with the City.

City Council members in separate sessions serve as the governing board of the Housing Authority, Redding Joint Powers Financing Authority, and Redding Redevelopment Agency. All five members of the City

Council sit on the eight-member governing board of the Redding Area Bus Authority. City staff provide accounting and administrative services to all four agencies. Additional detail is provided in Note 1, Subparagraph A of the financial statements.

Redding is a full-service city. This includes public safety (police and fire), highways and streets, public improvements, planning and zoning, recreation and parks, museums, airports, convention and auditorium facility, utilities (electric, water, wastewater, storm drainage, and solid waste collection and disposal), and general administrative services.

LOCAL ECONOMY

The growth and health of an area’s economy can be determined by monitoring a wide variety of indicators. Listed below are some of these indicators in the Redding area:

Population Characteristics - The City was one of the fastest growing cities in California between 1970 and 1990, growing to 66,462 resident in 1990 from 16,659 in 1970. The City’s population of 82,543 has increased 24.2% over the 1990 U.S. Census tabulation. The City’s population represents approximately 50% of Shasta County’s population. The following table indicates population growth for the City and Shasta County from 1970 to 2001:

Year	<u>City of Redding</u>		<u>Shasta County</u>	
	Population	Annualized Percent Change Over Interval	Population	Annualized Percent Change Over Population
1970	16,659	3.04%	77,640	9.67%
1980	41,995	15.21	119,449	5.38
1990	66,462	5.83	147,036	2.31
2000	80,865	2.17	163,256	1.10
2001	82,543	2.08	165,669	1.48

Source: 1970-2000 data from U.S. Census; 2001 data from the California State Department of Finance as of January 1.

The following table sets forth a projection of the City’s population growth over the next 10 years, a projected growth for the community of approximately 10,700 representing an increase of approximately 13.0%:

<u>Year</u>	<u>Population (Rounded)</u>
2001	82,500
2006	89,130
2011	93,200

The Redding area is expected to maintain approximately 50% or more of the total Shasta County population because of a variety of factors that will support urban development, including utilities (wastewater, storm drainage, water, electric, and solid waste), employment, regional shopping, recreation opportunities, transportation services, and reduced commuting.

Housing Costs - Housing in the City is less costly than in many other urban areas in the State of California and on the West Coast. The following table sets forth the median price of housing in other urban areas of California as compared to Redding as of June 2001:

<u>Region</u>	<u>Single Family Homes</u>
Sacramento	\$149,500
Redding	135,000
Los Angeles	230,000
San Francisco*	516,000
Orange County	282,000

Source: California Association of Realtors/ Shasta Assoc. of Realtors

*Reflects median price of homes in the Greater San Francisco Bay Area

Industrial Development Cost and Lease Rates - Industrial land costs vary with the degree of available infrastructure and proximity to other related and supportive industries. A prime site is one that has readily available utilities (gas, water, wastewater, and electric) and has access to transportation systems, including a major freeway system, trucking, railway, and an airport. Following are comparative amounts for the 2001 cost per square foot for a fully improved five-acre parcel of industrial land, including all bonds and assessments:

<u>Region</u>	<u>Average Prime</u>
Redding	\$1.20 - 2.50
Chico	1.50 - 2.50
Sacramento	4.00 - 5.00
San Jose	15.00 - 20.00

Source: Coldwell Banker Commercial Properties

The monthly lease rate for industrial buildings varies with location, infrastructure, type, and square footage of the building. The following table compares monthly 2001 lease rates from several areas for a metal fabricated building of 10,000 square feet containing a small office and facilities, roll-up doors, and paved parking:

<u>Region</u>	<u>Gross Basis</u>
Sacramento	\$0.35
Redding	0.38
Chico	0.30
San Jose	1.00

Source: Coldwell Banker Commercial Properties

Industry and Employment - Extracting timber and the processing of wood by-products, together with agriculture, tourism, and government, have historically been the major sectors of employment in the City.

Over the last decade, the City's economic base has diversified to a regional service economy supported by retail and wholesale trade plus educational, recreational, medical, and government services for an area covering several counties.

The major non-local government employers in the City and the County include those in medical services, heavy forest products, and utility services. Major private employers in the Redding area, their products or services, and the approximate number of their respective full time employees in as of June 2001 are listed in the following table:

<u>Company</u>	<u>Product/Services</u>	<u>Employees</u>
Mercy Medical Center	Medical Facilities/ Services	1,570
Redding Medical Center	Medical Facilities/Services	1,209
Shasta Nursery	Plants	850
Sierra Pacific Industries	Manufacturing	650
J & A Food Service	Food Services/Restaurant	600
Plainwell Paper Co.	Manufacturing	452
Holiday Markets	Grocery	425
Redding Rancheria	Casino/ Health clinic	425

Source: Greater Redding Chamber of Commerce

According to the State Employment Development Department, the unemployment rate of the City's metropolitan area was 6.1% on June 30, 2001. The following table sets forth the number and rate (expressed as a percentage) of unemployed persons living within the City's metropolitan area for the month of June 1995 through June 2001:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Labor Force (1)</u>	<u>Unemployment</u> <u>Number (2)</u>	<u>Rate (3)</u>
1995	73,800	8,300	11.3
1996	72,500	6,800	9.4
1997	74,100	6,500	8.8
1998	72,900	6,600	9.1
1999	73,500	5,100	6.9
2000	76,200	5,100	6.7
2001	75,500	4,600	6.1

- (1) Civilian labor force and unemployment by place of residence.
- (2) The number includes all persons without jobs who are actively seeking work.
- (3) The unemployment rate is computed by the Employment Development Department from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

Source: State Department of Employment Development

Construction Activity - For the past ten calendar years ending December 2000, the City issued building permits valued at a total of \$980,924,331. New construction over the ten-year period represents 75% of the total construction activity. For the 2000 calendar year, 2,038 building permits were issued, with a total permit valuation of \$119,672,542.

The City of Redding is experiencing a return to normal growth. Current trends indicate that the City of Redding will continue to grow at a moderate rate in the years to come.

The following table sets forth the value and number of permits for new single- and multiple-family dwellings and businesses located in the City for the last three calendar years:

	<u>1998</u>	<u>1999</u>	<u>2000</u>
Value/Single Family*	\$41,254,381	\$54,652,504	\$62,674,665
Number of permits	322	414	422
Value - multi dwellings*	\$3,491,686	\$1,238,544	\$12,141,711
Number of units	65	52	179
Value - Business*	\$15,896,366	\$15,896,299	\$23,413,393
Number of permits	41	46	47
Value - Total all permits	\$88,987,999	\$93,167,206	\$119,672,542
Total permits**	1794	1985	2038

* Value of new construction only

**Does not include number of units for multi-dwellings.

Source: 2000 Year End Report - Development Services Department

Commerce - The City is a regional center of commerce for several Northern California counties. This is evidenced by its many shopping centers and malls. Support for retail sales is derived from a retail trade area population of approximately 166,000 in the primary trade area and approximately 232,000 people in the secondary trade area. The primary trade area consists of the metropolitan urban area, including the cities of Redding, Shasta Lake, and Anderson. The secondary trade area consists of Shasta, Trinity, and Tehama counties. Taxable transactions in the City reached \$1,453,052,000 in calendar year 2000, a 9.5% increase over the same period for 1999. The number of outlets reporting taxable sales to the California State Board of Equalization decreased 0.3% overall, from 2,871 in 1996 to 2,863 in 2000, as follows:

<u>Year</u>	<u>Number of Outlets</u>	<u>Taxable Transactions (In Thousands)</u>	<u>Taxable Transactions Percentage Increase(Decrease)</u>
1996	2,871	1,117,852	3.9
1997	2,900	1,165,153	4.2
1998	2,884	1,198,000	2.8
1999	2,836	1,327,370	10.8
2000	2,863	1,453,052	9.5

Source: California State Board of Equalization

Transportation - The City enjoys a strategic location on U.S. Interstate Highway 5, the principal transportation artery running north-south from Mexico to Canada. The City is also bisected by State Highway 299 and State Route 44, key east-west transportation arteries in Northern California.

The City is served by the Southern Pacific Railroad and Amtrak for rail transportation. Greyhound serves the City with bus service. United Express Airlines and Horizon Air provide air service from Redding Municipal Airport to cities throughout California and the Pacific Northwest.

“THE RIDE” is the City’s multi-bus transportation system and offers thirteen different fixed routes, rural service and demand response (curb-to-curb) services. THE RIDE had an average total monthly ridership of more than 71,000 for fiscal year 2000-01. The total fixed route ridership was up 1% and demand response ridership, a curb-to-curb service for the disabled, was up 15%. In October 1998, several route modifications and a fare increases were implemented. Historically, initial ridership drops after a system change and generally takes 3 years to return back to where ridership was before the change took place. It appears that ridership is recovering from the route changes of 1998.

Utilities - Electricity, solid waste collection and disposal, water, storm drainage, and wastewater services are provided by enterprise operations owned and operated by the City. Natural gas is provided by Pacific Gas and Electric Company (PG&E); basic telephone service by Pacific Bell.

Community Services - Youth in the area attend school at one of 22 elementary schools, 6 middle schools, and 8 high schools. Shasta College, a two-year institution offers both day and evening courses to approximately 10,500 students. Simpson College, a four year liberal arts institution, has current enrollment of 1,250 students.

The City’s parks system includes 53 developed parks, encompassing 252 acres, plus 446 developed open space acreage and 153 natural park acres, approximately 17 miles of trails and 3 boat ramp facilities. City operated cultural facilities include the Redding Convention Center, which hosts cultural programs, conferences, and conventions; the Martin Luther King, Jr. Memorial Center; the Teen Center; Civic Center Community room, and the Senior Citizens Center.

The City serves as the primary medical center for Northern California. The City’s two general care hospitals serve approximately 310,450 people in Shasta, Tehama, Trinity, Siskiyou, and Lassen counties. The two hospitals have a total of 511 beds and employ more than 2,700 staff members. In addition, the City also has several specialized hospitals.

Significant Events and Accomplishment Fiscal Year 2000-01

Safety Inspections at Redding Municipal Airport - The Federal Aviation Administration performed its annual Safety and Certification Inspection of Redding Municipal Airport. This inspection included a review of our Aircraft Rescue and Firefighting (ARFF) equipment and personnel, airfield safety (lights, signage, markings, and paved surface conditions), emergency preparedness, and obstruction compliance among other things.

This thorough inspection resulted in the FAA finding the Redding Municipal Airport to be in total compliance with zero discrepancies.

Mailed Ballot Special Election - The City Clerk’s Office also conducted the first Mailed Ballot Special Election to decide an annexation (Abernathy Lane Annexation, AN-1-00) on September 11, 2001. Although the initiative failed to gain the necessary votes to pass, the City of Redding has the distinction of being the first local governmental agency to hold and election of this type. The City Clerk’s Office researched and established procedures in accordance with the Government and Elections Codes for use on future similar elections.

Fish Viewing Facility - This amenity was completed as part of the \$12 million Fish Passage Improvement Project, a partnership between the Anderson-Cottonwood Irrigation District (A.C.I.D.) and the City of Redding. Offering residents spectacular views of the salmon migration in the Sacramento River, this unique venue allows visitors to view the fish from below the river's water level through specially designed windows, and from the riverside on an expansive concrete deck. Visitors can access the Fish Viewing Facility directly off the Sacramento River Trail at Caldwell Park.

Parks, Trails and Open Space Master Plan – A comprehensive process was initiated in early 2001 to establish a blueprint for future recreational development in the Redding Area. The overall goal of this planning effort is to link local parks, schools, cultural sites and major destinations with a system of trails and open natural areas. Encompassing Redding's entire planning area of approximately 116 square miles, the Plan is necessary because development continues at an ever-growing pace in our area. Being prepared to manage this growth with respect to the area's open-space and recreational resources will be key to maintaining the current quality of life enjoyed by Redding residents.

Public Benefits Program Implementation – The Electric Department enhanced and improved on the already successful Public Benefit programs began in the prior fiscal year. These City Council-approved programs are designed to provide services and opportunities for all Redding Electric Utility (REU) customers. During this fiscal reporting year REU launched seven new programs which include: Energy Star appliance incentive program; HVAC Kool Vantage program which targets high efficiency air conditioners and maintenance of HVAC equipment; Kool Roofs program, Lighting incentive program, Pumps & Motors program; Renewables program which offers major incentives for solar photovoltaic system installations, solar thermal systems, and ground sources heat pump installations; and Weatherization which on the outset targets low income and seniors with assistance in weather stripping, caulking, insulation, electric water heater blankets, and window treatments. REU through a grant received from the California Energy Commission changed out all street signals to energy efficient LEDs which will result in annual savings of \$100,000. Also during this fiscal year Redding's police and fire facilities went through extensive energy efficiency upgrades resulting in annual savings of more than \$35,000. Energy efficient window filming was applied to the Redding Convention center resulting in annual savings of \$10,000.

Electric System Stability – During this fiscal year the electric power system underwent tumultuous times with staggering market prices and several rolling blackouts affecting the state. However, because of the Electric Department's prudent planning and efficient operation of its existing power resources, Redding had adequate power supplies to avoid the predicament faced elsewhere in California. REU's Power Plant was fully utilized during the high demand periods to provide power to Redding's residents and to sell surplus reserve power into the state's electric system. These sales helped to support other utilities and reduce the instability of the electric transmission grid.

Electric Utility Debt Reduction Program – The initial debt reduction goal was approximately \$200 million. By the end of FY 2001 a total of \$126.3 million in rate-reduction funds had been accumulated from all sources, leaving a remaining balance of \$73.7 million. This favorable outcome resulted in large part from REU's highly successful wholesale sales campaign and from aggressive efforts utility wide to reduce costs.

Redding Power Plant Generating Unit No. 5 - During FY 2001, through the request for proposal process, a contract was signed between The City of Redding Electric Department and Alstom Power Inc. for the

supply and construction of a 43 Megawatt gas fired combustion turbine equipped with a heat recovery steam generator and the latest technology for pollution control. The new turbine is very efficient as a stand alone unit. The heat recovery steam generator produces steam from the turbines waste heat. That steam is then used by an existing steam powered turbine to produce additional electrical energy without using additional fuel. This combination of equipment is called a combined cycle plant. The output of the combined cycle plant is expected to be 54 Megawatts. The plant is expected to be operated as a base loaded plant approximately 8000 hours per year and will cost approximately 45 million dollars.

Redding Power Plant Switchyard Expansion - During FY 2001 REU prepared the design, ordered major equipment and bid/awarded the construction contract to expand the Redding Power Plant Switchyard to interconnect Generating Unit No. 5 with REU's electric system. Construction of this \$2,000,000 switchyard expansion is currently in progress. The project is currently within budget and commercial operation is expected by 6/1/2002.

Mary Lake Improvement - To date the City has removed approximately two-thirds of the dead trees that were in and around the lake. In September of 2001, Parks employees installed an aeration system in the lake and has started adding naturally occurring microbes in the lake, which will compete with the algae for nutrients. These treatments should mitigate the algae growth.

Laurel Glen Housing Project - In January 2000, the Redding Redevelopment Agency entered into an Owners Participation Agreement with Catholic Charities of Sacramento, Inc. and Northern Valley Catholic Social Service for the construction of a 64-unit residential complex on Lowden Lane referred to the Laurel Glen Housing Project. This over \$7 million project was completed in April 2001 and addresses an important housing need in the community.

Downtown Specific Plan - The Downtown Redding Specific Plan was adopted by the City in January 2001. This clear, comprehensive, and dynamic plan defines the type of uses and activities that will most result in a revitalized downtown environment. It envisions a revitalized Downtown which is a unique place and resource and viewed by the community as one of its most prized possessions. Some key recommendations of the Plan include: removing the roof over the Downtown Mall and reopening Butte, Yuba, and Market Streets to vehicular traffic; relocation of the Greyhound Bus Station to the Intermodal site and development of a central park/plaza in its place; creation of a Central Business District with heavy emphasis on ground floor retail and pedestrian orientation; and adoption of building design guidelines.

Wesley Project - In August 2000, Wesley Neighborhood, Inc., a nonprofit organization, received funding from the City and Agency for the acquisition of ten residences located in a section of the Garden Tract Neighborhood. Two of the units were demolished and the remaining eight rehabilitated. Completed in July 2001, this project provided a unique opportunity to assist and empower a neighborhood organization.

Parkview Neighborhood Revitalization - In January 2001, the Parkview Neighborhood Strategic Plan and Action Plan were adopted by the City Council and the Agency. These two plans lay the foundation for revitalizing the Neighborhood. After significant public participation, this Revitalization Plan represents a vision for the future based on today and provides both short- and long-term goals for the Neighborhood. Objectives include improving the quality of life, the quality of housing, and existing infrastructure.

General Plan Completion and Adoption – The Planning Commission completed its review of the Draft

General Plan and Environmental Impact Report (EIR) in mid-2000. In July, at a special "handoff" meeting, the Planning Commission recommended that the City Council adopt the new plan. At its meeting of October 3, 2000, the City Council formally adopted the new General Plan. The updated General Plan is the result of the work and input of a citizens' task force, members of the public and business community, the Planning Commission, and the City Council. The new Plan will set the direction for growth and development in Redding well into the 21st Century.

Oasis Road Specific Plan – Work on the Oasis Road Specific Plan continued during 2000-2001. The purpose in preparing a specific plan is to ensure orderly development of Redding's next major commercial area. The area of commercial land around the Oasis Road/I-5 Interchange is expected to support a truly regional scale commercial area. The Specific Plan will be used as a comprehensive land use planning tool that will guide development of approximately 672 acres located east and west of the Oasis/I-5 interchange. The Specific Plan will address land use, circulation, utilities, facility financing requirements, and environmental factors.

Westside Sewer Interceptor – A \$15.5 million construction contract was awarded to Kenko, Inc. and construction is underway. The total project is funded by Wastewater Utility funds and \$16.7 million from a State Water Resources Control Board 2.7% A.P.R. loan. The projected completion date is August 2002.

Eastside Sewer Interceptor – A \$2.4 million construction contract was awarded to Dale Construction and construction is underway. Both Phase 1 of the project, which includes construction of a parallel sewer line from Highway 44 north to Boulder Creek School, and Phase 2, which extends the parallel line from Highway 44 south to the Churn Creek Lift Station, is being constructed. The projected completion date is Spring 2002.

Water Master Plan -The Water Utility has completed a water system-wide engineering evaluation. This project is funded from the Water Utility Capital Improvement Fund.

Enterprise Well #12 and #13 -The Water Utility has completed the fourth phase of the project which was the construction of the well buildings, installation of the electrical instrumentation, offsite water piping, installation of line shaft turbine pumps and motors. The two wells' production will add an additional five million gallons per day to the City Water System starting in late October 2001. The total estimated completion cost of the project is \$600,000 which is more than \$117,000 under budget. Funding for this project is from the Water Utility Fund.

Project from 2001-02 and Beyond

Buckeye 4 Million Gallon Reservoir - The first phase of this project is the pre-design which is the determination of location, acquiring property, plans, and specifications for the construction of a 4-million gallon reservoir next to the Buckeye Water Treatment Plant, just northwest of Old Shasta. The pre-design is approximately seventy percent complete. The 4-million gallon storage reservoir will optimize the production of the Buckeye Water Treatment Plant, and provide storage to meet peak system demands and fire flows in the Buckeye Pressure Zone. The second phase of the project will be the construction bid for construction of the 4-million gallon reservoir and connection to the thirty-inch transmission main from the Buckeye Water Treatment Plant. The total project cost is estimated at \$2,468,000 and funding for this

project is from the Water Utility fund. The reservoir will be on line by the summer of 2003.

Water Pollution Control Facility - The recent development of public and private activities on the eastside of the Redding Municipal Airport coupled with the new taxiway and aircraft parking apron has generated water pollution concerns. The simple task of cleaning an aircraft on that side of the airport violates water quality regulations. A water pollution control facility is to be constructed on the eastside of the Airport so that tenants and the City of Redding can comply with existing regulations.

Reconstruct Runway 16-34 - This project includes the reconstruction of the airport's 7000 foot main runway. The scope of work includes the upgrading of the High Intensity Runway Lights (HIRL), installation of 200 foot blast pads, 25 foot full length shoulders and some airfield signage replacement.

Airport Master Plans - Redding Municipal Airport and Benton Airpark - This planning document will incorporate items such as: projected aviation demands, identify facilities needed to accommodate the demand, to determine projected needs of airport users, to recommend improvements and to develop priorities for the improvements.

Turtle Bay Cultural-Environmental Center and Sundial Bridge – Construction continued on the Turtle Bay Exploration Park, a 300-acre interpretive park on both banks of the Sacramento River. When fully completed in spring 2003, the Turtle Bay facility will feature wildlife exhibits, gardens and trails, and a 34,000-sq. ft. museum. A network of paved and unpaved trails will unite the varied museum experiences, accentuated by a spectacular crossing of the Sacramento River over the glass-decked Sundial pedestrian bridge designed by world-renowned architect Santiago Calatrava. Now under construction with a planned early 2003 completion date, the bridge will actually be part of the City of Redding's Sacramento River Trail system.

Redding Trail System - An additional 5.5 miles of new public trails were completed in 2001, bringing the length of the total system to 15.5 miles. Design work and construction began on another 4 miles of trails that are scheduled for completion in 2003.

Redding Sports Complex – To better meet the recreational needs of the community, the City of Redding has partnered with Big League Dreams, a southern-California based company, to construct a world-class sports complex, featuring state-of-the-art fields and facilities with unique design features. The key to this deal is that this partnership ensures professional maintenance for the facility while generating an income stream for the City that will be used to pay for the construction of the complex and fund other public services. The complex will be built on a 104-acre site in east Redding situated north of Highway 44 at the intersection of Viking Way and Old Oregon Trail. The first phase is now under construction and due for completion in spring 2003. When the project is completely developed over the next few years, it will offer walking trails, manicured parkland, soccer fields and other recreational amenities. The Redding Big League Dreams facility will contain the following elements:

- Three youth baseball/adult softball major-league stadium replicas,
- Two additional youth baseball/adult softball minor league (i.e. non-replica) fields,
- A nine-station batting cage combined with an instructional academy area,
- One covered 20,000 square foot multi-sport pavilion, designed to accommodate inline hockey, basketball, indoor soccer, indoor volleyball, and corporate and special events,

- Four sand/beach volleyball courts,
- Two playgrounds and picnic area,
- The Stadium Club, a food and beverage (both alcoholic and non-alcoholic) family-style sports restaurant, designed and operated to attract and accommodate league, tournament and corporate users,
- An additional concession/patio facility to the minor league fields, and
- Parking for 400 cars.

It is intended the sports complex will be a destination park, attracting tournament teams (youth and adult) from all over the country. First and foremost, however, this facility will provide local families with a spectacular family entertainment venue. The City of Redding will be gaining significant numbers of tourists while enhancing its reputation as an attractive, family-friendly city.

Redding Aquatic Center – To meet the needs of our growing community, Redding City Council adopted a plan in October 2000 that will not only renovate but also enhance the Redding Swimming Pool (commonly referred to as “The Plunge”). Located in Caldwell Park on Quartz Hill Road, The Plunge was built in 1949 and after 52 years of valuable service to Redding residents, it is greatly in need of repair. The City will replace the existing 50-meter pool with a new 50-meter by 25-yard competition pool. The current recreation wading pool will be replaced with a larger 60' x 120' zero-depth entry recreation pool featuring numerous water play features. Construction on the Redding Aquatic Center commenced in fall 2001 and is scheduled for completion during the summer of 2002.

Fire Department Master Plan - Population growth, commercial development, increase in demands for service and increased response times in the Northeast part of the City, dictate the need for a fire station to be built, equipped and staffed. Preliminary work on a Station Location and Staffing Study strongly suggest the need for increased funding for fire and emergency medical responses. Capital costs will approximate one million dollars and personnel costs will increase General Fund expense approximately \$460,000 annually. A Master Plan proposal will suggest some incremental options.

Redding Hotel Rehabilitation - The City and the Redding Redevelopment Agency (Agency) have entered into a partnership with Christian Church Homes of Northern California, Inc. for the acquisition and rehabilitation of the Redding Hotel into a 47-unit senior housing project. The hotel has been a concern for a number of years due to the excessive amount of police and fire calls and ongoing code enforcement activities. The hotel, which fronts on the Market Street demonstration block, is an important part of the City’s plan to revitalize the Downtown area. It is an important historic resource for the community and its rehabilitation will not only dramatically improve the quality of the housing units, but play a major role in Downtown revitalization.

North and South Market Street Landscape Improvement Project - Using a combination of Agency and Community Development Block Grant funds, the Agency authorized spending up to \$2,000,000 in North and South Market Streets to improve the appearance of these two key gateway corridors leading into Downtown.

Turtle Bay Museum and Arboretum Project - The Turtle Bay Museum and Arboretum Project, when completed, will be a major cultural and scientific center focusing on the Sacramento River’s ecosystem and its surrounding forests. It will include natural and recreated wildlife exhibits, an aviary, interactive exhibits

on the forest and natural sciences, gardens, and fine art exhibits. The Agency has approved up to \$7 million to assist in the development of this project, with remaining funding being provided by The McConnell Foundation, State park bond proceeds, and various other grants and public and private donations.

Clover Creek Flood Protection and Environmental Enhancement Project - During the formation of the SHASTECC Redevelopment Project, flooding problems in the Clover Creek drainage basin was identified as a blighting condition. While the improvements were not anticipated for 10-15 years, a \$2 million loan from the City of Redding and \$5 million in funding provided by Proposition 13 will allow the improvements to be completed in fall 2002. Activities include the development of an earthen dike and storm-drain detention basin, along with habitat restoration and development of passive recreational amenities, such as walking trails. These improvements will provide effective flood control and floodplain management in the Clover Creek basin from Hartnell Avenue to the Sacramento River. It is anticipated that with construction of the facility, surrounding acreage will be recovered from the flood-plain and be suitable for development, thereby improving both the Project Area's physical and economic conditions.

Cypress Avenue Bridge Widening— This is a multi-year project that is fully funded by federal Highway Bridge Rehabilitation and Replacement (HBRR) funds and State Transportation Improvement Program (STIP) funds. The estimated cost to widen the bridge is approximately \$17 million. All federally mandated audits prior to commencing the contract were completed and a project kick-off meeting was held August 24, 2000. This initiated the environmental process for this project which is scheduled to take approximately 18 months to complete. Once the environmental process is complete, design and right of way acquisition may proceed. Construction, depending on whether the existing bridge is widened or replaced, could take from 24 to 36 months. Barring unforeseen complications in the environmental process, construction could be complete in October of 2006.

Airport Road Water Transmission Main - The first phase of this project is the pre-design which is the determination of location, plans, and specifications for the construction and installation of 12,000 feet of 24-inch transmission main from Rancho Road along Airport Road to Goodwater Avenue. This new transmission main will help meet water system demands, provide fire flows, and maximize the Enterprise groundwater well field. The second phase of the project will be the construction bid for construction of the 12,000 feet of 24-inch transmission main. The total project cost is estimated at \$2,127,000 and funding for this project is from the Water Utility fund. The new 24-inch transmission main will be completed and operational by summer of 2003.

Enterprise Well #14 - The first phase of this project is the pre-design which is the determination of location, acquiring property, plans, and specifications for the construction of Enterprise Well #14 to be located on Airport Road in the vicinity of Electro Way. The second phase of the project will be the construction bid for construction of the well, well building, installation of the electrical instrumentation, line shaft turbine pump and motor. The wells production will add approximately 2.5 million gallons per day to the City's water system. The total project cost is estimated at \$849,000 and funding for this project is from the Water Utility fund. The 2,000 gallon per minute well will be completed and operational by summer of 2003.

State Transportation Improvement Program (STIP): Over the next several years, the City of Redding will be developing plans and issuing construction documents for projects funded through the STIP funding program. STIP funded projects are selected through a competitive process administered by the Shasta County Regional Transportation Planning Agency to construct congestion relieving improvements. The

City of Redding submitted 44 street projects for consideration. During the ranking process the following Redding projects scored high on the list and will be considered for funding over the next six year STIP cycle:

South Bonnyview Widening - Sacramento River to SR 273
Parkview Bridge over the Sacramento River
Hilltop Drive Widening over SR44

Additionally, the widening of SR 44 - Liberty Street to Auditorium Drive scored high on the list.

Projects approved during the prior STIP cycle for construction within Redding include revisions to SR 273 (Market, Tehama) and SR 299 (Eureka Way) in downtown and widening of SR 299 from Interstate 5 to Auditorium Drive (eastbound only).

CASH MANAGEMENT

The City follows the practice of pooling temporarily idle cash during the year. Monies not required for immediate expenditure are invested in accordance with the State code and the City's formal investment policy. These monies were invested in time certificates of deposit, commercial paper, demand deposits, U.S. Government securities, medium term Corporate notes, and the State of California Local Agencies Investment Fund.

RISK MANAGEMENT

The City is self-insured for employee health, worker's compensation, and liability insurance coverages. These programs are administered through private contractors. The City is self-insured up to \$300,000 for workers' compensation, up to \$500,000 and over \$10 million for liability insurance, and up to \$25,000 for property damage insurance. The City is co-insured for workers' compensation claims of \$300,001 or more, for liability claims of \$500,001 to \$10 million, and for property damage claims over \$25,000.

Health insurance, workers' compensation, liability and property insurance activities are reported in the risk management internal service fund. The cost of workers' compensation claims as employee benefits is charged to the fund that employs the claimant. Funds determined to be at risk for liability and property insurance are charged a percentage of the estimated total cost of the insurance program. Percentages are based upon loss experience and are reported as quasi-external transactions. The estimated liability for pending and incurred but not reported claims is \$7,116,985 and are included in year-end accruals.

FEDERAL GRANTS SINGLE AUDIT APPROACH

The City of Redding is required to undergo a single audit in conformity with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. This report has been prepared under the "single audit" concept. Under this approach, one agency is recognized as the oversight agency or oversight agency of the Office of

Management and Budget. In the case of the City of Redding, the Housing and Urban Development Office has been assigned as the single audit oversight agency. The financial report will be reviewed by the oversight agency for compliance with all Federal grant requirements, and notification of the results will be provided to other Federal agencies. The schedule of Federal financial assistance is presented in the supplemental section of the financial report.

As a recipient of Federal, State, and County financial assistance, the City of Redding is responsible for implementing an adequate internal control structure to ensure compliance with applicable laws and regulations related to those programs. The results of the City of Redding's single audit for the fiscal year ended June 30, 2001 provided no instances of material weaknesses in the internal control structure or significant violation of applicable laws and regulations.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Redding for its comprehensive annual financial report for the fiscal year ended June 30, 2000. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Redding has received a Certificate of Achievement for the last seventeen consecutive years (fiscal years ended 1984 through 2000). We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to GFOA.

ACKNOWLEDGMENTS

I would like to take this opportunity to thank the members of the Audit Committee and the City Council for their cooperation and support in conducting the financial operations of the City in a responsible and progressive manner. Appreciation is also expressed to all City departments who contributed information provided in this financial report and the City's professional and accounting staff who made this presentation possible. In addition, I would like to extend a special thanks and recognition to Dennice Maxwell, Assistant Finance Officer, who was primarily responsible for the coordination of the audit and preparation of the financial report. It is the combined effort of all participants that resulted in the issuance of this document

Stephen W. Strong
Finance Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Redding,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2000

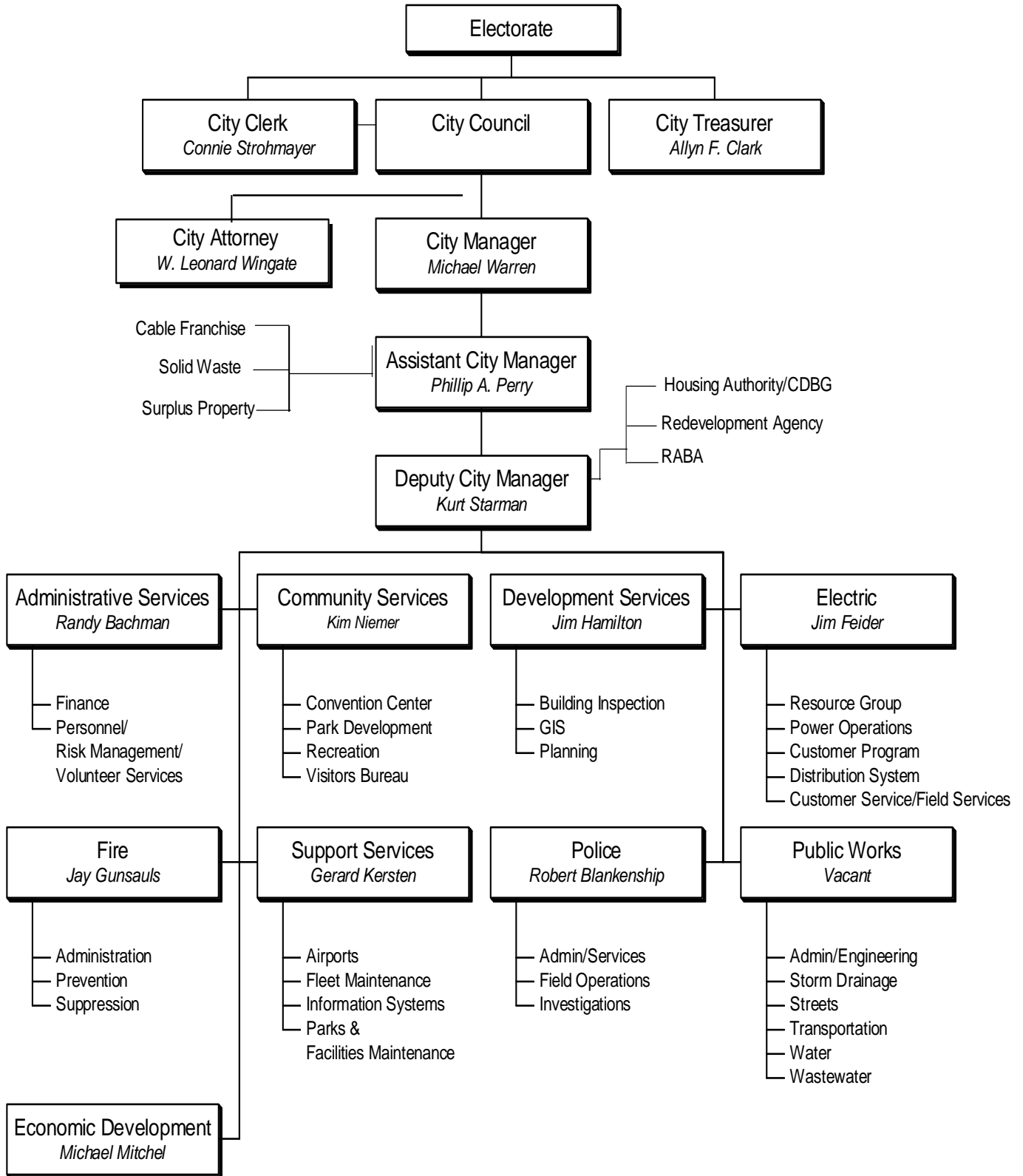
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Thomas D. Drew
President

Jeffrey L. Essler
Executive Director

City of Redding Organizational Chart



Municipal Officials

City of Redding

City Council

Mayor	David McGeorge
Vice Mayor	Pat Kight
Council Member	Michael Pohlmeyer
Council Member	Mark Cibula
Council Member	Mary Leas Stegall

Administrative Personnel

City Manager	Michael Warren
Assistant City Manager	Phillip A. Perry
Deputy City Manager	Kurt J. Starman
City Attorney	W. Leonard Wingate
City Clerk	Connie Strohmayer
City Treasurer	Allyn Clark
Director of Administrative Services	Randy Bachman
Director of Community Services	Kim Niemer
Director of Development Services	Jim Hamilton
Director of Electric Utility	James Feider
Director of Public Works	Phillip A. Perry
Director of Support Services	Gerard Kersten
Fire Chief	Jay Gunsauls
Police Chief	Robert P. Blankenship